Seven Generations Energy Ltd. Releases Fourth Quarter 2020 Results

18.02.2021 | Business Wire

Strong production performance and cost discipline drive substantial free cash flow

Seven Generations Energy Ltd. (TSX: VII)

FOURTH QUARTER & FULL-YEAR 2020 HIGHLIGHTS

- Quarterly sales volumes averaged 190.1 Mboe/d (43% natural gas, 35% condensate, 22% other NGLs), delivering full-year volumes of 183.9 Mboe/d (43% natural gas, 35% condensate, 22% other NGLs) in-line with the company's revised full-year 2020 budget.
- Fourth quarter funds flow of $275 million and capital investments of $126 million resulted in free cash flow of $149 million, which was allocated toward net debt reduction. Full-year capital expenditures of $626 million were 3.7% below the $650 million revised budget established in May 2020. Despite the challenging commodity environment throughout 2020, the company generated total free cash flow of $229 million for the year.
- The company's net debt position at year-end was $1.94 billion, with the net debt reduction driven by 7G's free cash flow profile and a strengthening Canadian dollar. Since the third quarter of 2020, the company has reduced its net debt by 11%.
- Operating expenses were $3.52/boe for the fourth quarter, a record-low, and full-year operating expenses of $4.36/boe were below full-year guidance of $4.50-$4.75/boe.
- At $475 per metre, fourth quarter 2020 drilling costs represent an incremental 2.5% improvement relative to the third quarter and a 10% reduction to the per-metre drill costs achieved during the fourth quarter of 2019.
- Completion costs in the fourth quarter of 2020 averaged $563 per tonne, a 47% reduction in costs relative to the same period in 2019.
- The company advanced its goal of economically reducing Scope 1 emissions with its first fully electrified pad, which is expected to materially reduce emissions on-site, setting the stage for future pad electrifications.

2020 RESERVES

- Gross proved plus probable ("2P") reserves totaled 1.54 billion boe with a before-tax net present value of $10.5 billion. 2020 reserves reflect a moderated pace of future development.
- Proved developed producing ("PDP") finding, development and acquisition ("FD&A") costs of $9.49/boe represent the lowest cost of reserves development in the history of the company. 2020's PDP FD&A represents a 28% improvement relative to 2019.
- Despite the challenges of global commodity pricing, 2020 PDP operating netback recycle ratios held stable relative to 2019 at 1.6x.

OPERATIONAL AND FINANCIAL HIGHLIGHTS

$ millions, except per share and unit of production amounts	Three months ended December 31,			Three months ended September 30,		Year ended December 31,		
	2020	2019	% Change	2020	% Change	2020	2019	% C
Financial Results								
Funds flow ($)[1]	274.6	353.2	(22)	166.3	65	854.7	1,387.8	(38
Per share - diluted ($)	0.82	1.05	(22)	0.50	64	2.56	3.98	(36
Free cash flow ($)[1]	149.1	120.3	24	1.0	nm	228.7	158.3	44
Net income (loss) ($)	(961.2)	82.6	nm	(66.8)	nm	(2,154.1)	473.8	nm
Per share - diluted ($)	(2.86)	0.24	nm	(0.20)	nm	(6.46)	1.36	nm
Adjusted net income (loss) ($)[1]	57.6	89.7	(36)	(24.2)	nm	24.3	349.0	(93
Per share - diluted ($)	0.17	0.27	(37)	(0.07)	nm	0.07	1.00	(93
Revenue ($)[2]	714.0	669.6	7	469.6	52	2,479.0	2,729.4	(9
CROIC (%)[1]	8.2	14.0	(41)	9.0	(9)	8.2	14.0	(41
ROCE (%)[1]	3.0	9.0	(67)	3.5	(14)	3.0	9.0	(67
Sales volumes[3][4]								
Condensate (mbbl/d)	66.0	75.0	(12)	57.6	15	64.2	74.8	(14
Natural gas (MMcf/d)	486.2	523.1	(7)	434.6	12	469.4	503.0	(7
Other NGLs (mbbl/d)	43.1	45.9	(6)	38.8	11	41.5	44.4	(7
Total sales volumes (mboe/d)	190.1	208.1	(9)	168.9	13	183.9	203.0	(9
Liquids (%)	57	58	(2)	57	-	57	59	(3
Realized prices[4]								
Condensate ($/bbl)	52.87	66.39	(20)	47.40	12	46.16	66.76	(31
Natural gas ($/Mcf)	3.42	3.25	5	2.61	31	2.80	3.41	(18
Other NGLs ($/bbl)	16.77	10.75	56	14.60	15	13.03	6.34	106
Total ($/boe)	30.92	34.48	(10)	26.24	18	26.21	34.44	(24
Royalty expense ($/boe)	(2.23)	(2.62)	(15)	(1.76)	27	(1.82)	(2.28)	(20
Operating expenses ($/boe)	(3.52)	(4.43)	(21)	(5.30)	(34)	(3.36)	(4.79)	(9
Transportation, processing and other ($/boe)	(7.58)	(7.01)	8	(7.86)	(4)	(7.49)	(6.69)	12
Operating netback before the following ($/boe)[1][4]	17.59	20.42	(14)	11.32	55	12.54	20.68	(39
Realized hedging gains ($/boe)	1.11	0.55	102	2.76	(60)	3.05	0.48	nm
Marketing income (loss) ($/boe)[1]	(0.37)	0.18	nm	(0.64)	(42)	(0.56)	0.30	nm
Operating netback ($/boe)[1]								

18.33

21.15

(13

)

13.44

36

15.43

21.46

(28

Funds flow ($/boe)[1]	15.70	18.45	(15)	10.70	47	12.70	18.73	(32
Balance sheet								
Investments in oil and natural gas assets ($)	125.5	232.9	(46)	165.3	(24)	626.0	1,229.5	(49
Available funding ($)[1]	1,030.8	1,351.0	(24)	1,113.1	(7)	1,030.8	1,351.0	(24
Net debt ($)[1]	1,940.9	2,099.3	(8)	2,178.8	(11)	1,940.9	2,099.3	(8
Purchase of common shares ($)	-	50.2	(100)	-	-	15.6	168.1	(91
Weighted average shares outstanding - basic	333.3	336.5	(1)	333.3	-	333.3	346.8	(4
Weighted average shares outstanding - diluted	336.2	337.9	(1)	334.0	1	334.3	348.5	(4

(1) Refer to the Reader Advisory section at the end of this news release for additional information regarding the Company's GAAP and non-GAAP measures.

(2) Represents the total of liquids and natural gas sales, net of royalties, gains (losses) on risk management contracts and other income.

(3) See "Note Regarding Product Types" in the Reader Advisory section at the end of this news release.

(4) Excludes realized hedging gains and losses, as well as the purchase and sale of condensate and natural gas in respect of the Company's transportation commitment utilization and marketing activities.

	Three months ended December 31,			Year ended December 31,		
Nest Activity	2020	2019	% Change	2020	2019	% Change
Drilling[1]						
Horizontal wells rig released	14	20	(30)	49	78	(37)
Average measured depth (m)	6,362	5,782	10	6,190	5,966	4
Average horizontal length (m)	3,159	2,579	22	2,967	2,729	9
Average drilling days per well	30	26	15	29	28	4
Average drill cost per metre ($)[2]	475	526	(10)	497	545	(9)
Average well cost ($ millions)[2]	3.0	3.1	(3)	3.1	3.3	(6)
Completion[1]						
Wells completed	19	10	90	65	79	(18)
Average tonnes pumped per metre	2.1	1.7	24	2.0	2.0	-
Average cost per tonne ($)[2]	563	1,070	(47)	711	1,073	(34)
Average cost per lateral metre ($)[2]	1,156	1,850	(38)	1,405	2,131	(34)
Average well cost ($ millions)[2]	3.6	4.8	(25)	3.7	5.7	(35)
Total D&C cost per well ($ millions)[2][3]	6.6	7.9	(16)	6.8	9.0	(24)
Wells brought on production	19	26	(27)	68	83	(18)

(1) The metrics include all horizontal Montney wells that are tied in for production. Excluded from the metrics are vertical wells re-drilled, abandoned wells, water disposal wells, as well as any delineated and expiring wells not tied in for production. Drilling counts are based on rig release date and on production counts are based on the first production date after the wells are tied-in to permanent facilities.

(2) Information provided is based on field estimates and is subject to change.

(3) The number of horizontal wells rig-released do not correspond to the number of wells completed in the table above. Accordingly, the total average D&C costs per well may differ from the actual D&C costs for any individual well.

OPERATIONS AND RESOURCE DEVELOPMENT

Seven Generations' balanced activity levels progressed through the fourth quarter of 2020 and are forecast to remain stable throughout 2021. Fourth quarter drilling costs were lower than forecast despite average lateral lengths measuring 3,159 metres, or 13% longer than the company's standard design of 2,800 metres. At $475 per metre, fourth quarter 2020 drilling costs represent a 10% reduction to the per-metre drill costs achieved during the fourth quarter of 2019.

Completion costs in the fourth quarter averaged $563 per tonne, a 47% reduction in costs relative to the same period in 2019. Reductions in completion costs reflect the combination of limited entry techniques, enhanced water management and newly negotiated contract pricing. The company continues to evaluate potential cost optimization initiatives across its supply chain.

Operating costs of $3.52/boe for the quarter and $4.36/boe for the year were lower than updated guidance and represent a record-low for the company. Fourth quarter 2020 operating costs were lower than the third quarter due to 7G's September 2020 turnaround expenditures and higher volume throughput. Full-year 2021 guidance of $4.50-$4.75/boe reflects the impact of planned compressor maintenance and minor pad turnarounds anticipated throughout the year.

2020 YEAR-END RESERVES

The following table summarizes 7G's reserves, based upon reports prepared by McDaniel, as at December 31, 2019 and December 31, 2020 (the "McDaniel Reports"), using the forecast price and cost assumptions in effect at the applicable effective reserve evaluation dates.

	Year ended December 31,			
($ millions)	2020		2019	
Reserve Category[1]	MMboe	$MM[2]	MMboe	$MM[2]
Gross proved developed producing reserves	259	$ 2,390	261	$ 2,899
Gross proved ("1P") reserves	710	$ 5,057	842	$ 6,730
Gross proved plus probable ("2P") reserves	1,544	$ 10,501	1,604	$ 12,602

(1) Refer to the Reader Advisory section at the end of this news release for additional information regarding the company's estimated reserves and net present value of future net revenue.

(2) Estimated pre-tax net present value of discounted cash flows from reserves using a 10% discount rate.

Changes to the company's 1P reserves in 2020 primarily reflect a moderated pace of future development. This is due to the current energy price and market environment and the resulting delay in development activities beyond the time horizon constraints established by the Canadian Oil & Gas Evaluators Handbook. Reductions in the pre-tax net present value of reserves reflect the combination of reduced evaluator price expectations year-over-year and the deferral of activity due to the pace of development, offset by improving future development costs.

PDP FD&A costs of $9.49/boe represent the lowest cost of reserves development in the history of the company. 2020's PDP FD&A represents a 27% improvement relative to 2019. Despite the challenges of global commodity pricing, 2020 PDP operating netback recycle ratios held stable relative to 2019 at 1.6x.

2021 OUTLOOK

Subject to the completion of the Merger Transaction described below, the company reiterates prior full-year guidance expectations, with production expected to average between 180-185 Mboe/d and capital investments expected to be approximately $650 million. Other detailed assumptions remain unchanged and are available in the company's latest corporate presentation.

RISK MANAGEMENT

Seven Generations continues to execute its consistent hedging program that is designed to manage commodity price risk, support returns on invested capital, and ensure a minimum level of cash flow despite fluctuating commodity prices. Details of the company's liquids and natural gas hedges at the end of the fourth quarter are shown below:

	2021	2022	2023
WTI Hedges - bbl/d	24,000	6,750	-
Floor Price - US$/bbl	$44.20	$42.83	n/a
Ceiling Price - US$/bbl	$48.03	$44.35	n/a
Natural Gas Hedges - MMbtu/d(1)	252,500	150,000	52,500
Floor Price - US$/MMbtu	$2.58	$2.53	$2.53
Ceiling Price - US$/bbl	$2.64	$2.55	$2.53

(1) Combined Henry Hub, Chicago Citygate and AECO fixed price instruments.

(2) Complete details of 7G's hedging program including CAD/USD hedges are available in Management's Discussion and Analysis for the years ended December 31, 2020 and 2019, and the March 2021 corporate presentation.

ESG UPDATE

Aligned to its goal of economically reducing its emissions profile, 7G is pleased to announce its first fully electrified pad. The 13-10 pad is the first of its kind for the company, with entirely electric instrumentation, compression and pumps. The electrification of the pad is also anticipated to modestly improve the overall pad economics with electrification costs being more than offset by a reduction in consumed natural gas input costs and lower future maintenance expenses. Moving forward, the company anticipates adding additional electric-powered pads.

In keeping with its commitment to safe operations, Seven Generations also achieved a record low total recordable incident frequency ("TRIF") during the fourth quarter, at just 0.08, with a full-year TRIF of 0.42. December was the first month in the history of the company with zero recordable injuries, and the company continues to advance initiatives targeting ongoing improvements in safe operations.

Seven Generations and Sustainitech have entered into an agreement to construct and operate a modular Controlled Environment Agriculture ("CEA") farm on five acres of land directly adjacent to 7G's Gold Creek Plant. 7G will hold a 20% equity stake in the project, that will be funded through the company's 7G Sustainability Fund ("7GSF"). The CEA farm is the first of its kind co-located on an industrial site and will be powered by waste heat and electricity pulled off of 7G's Gold Creek facility. Once operational, this project is anticipated to generate approximately 4,800 metric tonnes of carbon credits to 7G on an annual basis. Overall, this innovative project will enable approximately 15,000 metric tonnes of CO^2e emissions avoidance annually, while creating employment opportunities and sustainable food production in the region. The 7GSF has been funded through 7G's responsible natural gas supply agreements, with additional commercial agreements remaining a priority for the company.

7G was also recently included in the 2021 Bloomberg Gender-Equality Index ("GEI") with companies from a variety of industries, including automotive, banking, consumer services, engineering and construction, and retail. The GEI brings transparency to gender-related practices and policies at publicly listed companies increasing the breadth of environmental, social and governance data available to investors. The comprehensive, transparent GEI scoring methodology allows investors to assess company performance and compare across industry peer groups. 7G was included in this year's index for scoring at or above a global threshold established by Bloomberg to reflect a high level of disclosure and overall performance across the framework's five pillars.

ARC RESOURCES AND SEVEN GENERATIONS STRATEGIC MONTNEY COMBINATION

On February 10, 2021, Seven Generations and ARC Resources Ltd. ("ARC") announced a definitive agreement to combine in an all-share transaction valued at approximately $8.1 billion, inclusive of net debt (the "Merger Transaction"). Under the terms of the agreement, if the Merger Transaction is completed, Seven Generations shareholders will receive 1.108 common shares of ARC for each common share of Seven Generations. Following the close of the Merger Transaction, ARC shareholders will own approximately 49 per cent of total shares outstanding of the combined company, and Seven Generations shareholders will own approximately 51 per cent, on a fully diluted basis. The combined company will operate as ARC Resources Ltd. and remain headquartered in Calgary, Alberta.

The Merger Transaction has been unanimously approved by the Boards of Directors of Seven Generations and ARC and is structured through a plan of arrangement in respect of the securities of Seven Generations under the Canada Business Corporations Act, and is subject to the approval of at least two-thirds of the votes cast by holders of Seven Generations common shares. The issuance of ARC common shares is subject to the approval of the majority of votes cast by holders of ARC common shares. The transaction is also subject to regulatory approvals and other customary closing conditions and is expected to close in the second quarter of 2021. The press release and investor presentation for the Merger Transaction are available online at www.7genergy.com.

The announcement of the Merger Transaction created a requirement to perform an impairment review, and should the Merger Transaction be completed, ARC will be acquiring 7G's shares. In the impairment review, the IFRS fair value hierarchy prioritizes observable market-based valuations over discounted cash flow models. The implied deal value of this equity-based exchange indicated that the net book value of the Company's Property Plant and Equipment (PP&E) exceeded its fair market value. The recoverable value of the Kakwa River Project as at December 31, 2020 was primarily based on the value of consideration anticipated to be received by the Company, which was determined to be 110.8% of ARC's estimated share price at the date of closing for each of Seven Generations' outstanding common shares and dilutive share-based compensation units. The results of the impairment test indicated that the net book value of the Company's PP&E exceeded its recoverable value and Seven Generations recognized a non-cash impairment loss of $1.413 billion.

Seven Generations is a low supply-cost energy producer dedicated to stakeholder service, responsible development and generating strong returns from its liquids-rich Kakwa River Project in northwest Alberta. 7G's corporate office is in Calgary, its operations headquarters is in Grande Prairie and its shares trade on the TSX under the symbol VII. Further information is available on the company's website: www.7genergy.com.

Reader Advisory

Non-GAAP Financial Measures

This news release includes certain terms or performance measures commonly used in the oil and natural gas industry that are not defined under International Financial Reporting Standards ("IFRS"), including "operating netback", "funds flow per boe", "funds flow per diluted share", "marketing income per boe", "adjusted net income", "adjusted net income per diluted share", "free cash flow", "CROIC", "ROCE", "available funding" and "adjusted working capital."

The data presented is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Such non-GAAP measures should be read in conjunction with the company's consolidated financial statements for the years ended December 31, 2020 and 2019 and the accompanying notes. Readers are cautioned that the non-GAAP measures do not have any standardized meaning and should not be used to make comparisons between the company and other companies without also taking into account any differences in the way the calculations were prepared. For additional information about these measures, please see "Advisories and Guidance - Non-GAAP measures" in Management's Discussion and Analysis dated February 17, 2021, for the years ended December 31, 2020 and 2019.

"Net debt" has been included in Note 16 - Capital Management in the company's consolidated financial statements for the years ended December 31, 2020 and 2019 and "funds flow" has been presented in the consolidated cash flow statement. Accordingly, these performance measures are additional GAAP measures and are not considered non-GAAP measures. Readers are cautioned that these additional GAAP measures do not have any standardized meaning and should not be used to make comparisons between Seven Generations and other companies without also taking into account any differences in the methods by which the calculations are prepared. For additional information about these measures, please see "Advisories and Guidance - GAAP measures" in Management's Discussion and Analysis dated February 17, 2021, for the years ended December 31, 2020 and 2019.

Forward-looking information advisory

This news release contains certain forward-looking information and statements that involve various risks, uncertainties and other factors. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "should", "believe", "plans", and similar expressions are intended to identify forward looking information or statements. In particular, but without limiting the foregoing, this document contains forward-looking information and statements pertaining to the following: the expectation that pad-electrification will materially reduce emissions, lower costs and improve overall pad economics; plans to add additional electric powered pads; the objectives of the Company's hedging program; the disclosure under the heading "2021 Outlook", including expected production and capital investments for 2021 (if the Merger Transaction is not completed); plans to power the Sustainitech CEA farm with waste heat and electricity from 7G' Gold Creek Facility and the expected carbon credits to be generated on an annual basis from that project. In addition to the foregoing, information and statements in this news release relating to reserves and the net present value of future net revenue from reserves are deemed to be forward looking statements as they involve the implied assessment, based on certain estimates and assumptions that the reserves described exist in the quantities predicted or estimated and that they can be profitably produced and/or sold based upon certain forecast prices and costs, as evaluated by the Company's qualified independent reserves evaluator.

With respect to the Merger Transaction that has been announced, this document contains forward-looking statements pertaining to the following: the focus and business strategies of Seven Generations and ARC in connection with the Merger Transaction; the estimated value of the transaction; the acquisition of each of the issued and outstanding Seven Generations common shares by ARC in exchange for 1.108 common shares of ARC; the percentage of the shares of the combined company that will be held by ARC's shareholders and Seven Generations' shareholders, respectively. Readers are cautioned not to place undue reliance on forward-looking information as the combined company's actual results may differ materially from those expressed or implied.

With respect to forward-looking information contained in this document, assumptions have been made regarding, among other things: future oil, NGLs and natural gas prices being consistent with current commodity price forecasts after factoring in quality adjustments at the Company's points of sale; the Company's continued ability to obtain qualified staff and equipment in a timely and cost-efficient manner; drilling and completion techniques; infrastructure and facility design concepts that have been successfully applied by the Company elsewhere in its Kakwa River Project may be successfully applied to other properties within the Kakwa River Project; the consistency of the regulatory regime and framework governing royalties, taxes and environmental matters in the jurisdictions in which the Company conducts its business and any other jurisdictions in which the Company may conduct its business in the future; the Company's ability to market production of oil, NGLs and natural gas successfully to customers; the Company's future production levels and amount of future capital investment will be consistent with the Company's current development plans and budget; new technologies for recovery and production of the Company's reserves and resources may improve capital and operational efficiencies in the future; the recoverability of the Company's reserves and resources; sustained future capital investment by the Company; future cash flows from production; taxes and royalties will remain consistent with the Company's calculated rates; the future sources of funding for the Company's capital program; the Company's future debt levels; geological and engineering estimates in respect of the Company's reserves and resources; the geography of the areas in which the Company is conducting exploration and development activities, and the access, economic, regulatory and physical limitations to which the Company may be subject from time to time; the impact of competition on the Company; and the Company's ability to obtain financing on acceptable terms.

With respect to the Merger Transaction, assumptions and risk factors on which the forward-looking information pertaining to the Merger Transaction is based include, but are not limited to: the satisfaction of the conditions to closing of the transaction in a timely manner and completing the arrangement on the expected terms; the combined company's ability to successfully integrate the businesses of ARC and Seven Generations; and the combined company's ability to issue securities.

Actual results could differ materially from those anticipated in the forward-looking information that is contained herein as a result of the risks and risk factors that are set forth in the annual information form dated February 17, 2021 for the year ended December 31, 2020 (the "AIF"), which is available on SEDAR, including, but not limited to: volatility in market prices and demand for oil, NGLs and natural gas and hedging activities related thereto; global or national health concerns, including the outbreak of pandemic or contagious diseases, such as the current novel coronavirus (COVID-19) and including the evolution of new variants of COVID-19 and delays relating to vaccine development, procurement and distribution; general economic, business and industry conditions; variance of the Company's actual capital costs, operating costs and economic returns from those anticipated; the ability to find, develop or acquire additional reserves and the availability of the capital or financing necessary to do so on satisfactory terms; Seven Generations and ARC Resources may fail to realize, or may fail to realize in the expected timeframes, the anticipated benefit and synergies resulting from the Merger Transaction; The conditions to completion of the Merger Transaction, including receiving all regulatory, court and securityholder approvals may not be satisfied or waived and may result in the Merger Transaction not being completed in a timely manner or at all; the varied and far ranging risks associated with climate change, including the adoption or modification of climate change legislation by governments; potential climate change litigation; risk to the Company's reputation as a result of negative public perception and stigmatization of oil sands development, oil and natural gas development and transportation, hydraulic fracturing and fossil fuels; and the potential physical impacts of climate change on the Company's operations; risks related to the exploration, development and production of oil and natural gas reserves; actions by governmental authorities, including changes in government regulation, royalties and taxation; potential legislative and regulatory changes; the ability for third-party projects, that are intended to be utilized by the Company, to receive regulatory approvals to proceed; the ability to secure new water licenses and the rescission, or amendment to the conditions of, water licenses of the Company; pace of the Company's development; the ability to successfully identify and make attractive acquisitions, joint ventures or investments, or successfully integrate future acquisitions or businesses; the availability, cost or shortage of rigs, equipment, raw materials, supplies or qualified personnel; the ability to satisfy obligations under the Company's firm commitment transportation and processing arrangements; uncertainty associated with estimates of oil, NGLs and natural gas reserves and the variance of such estimates from actual future production; dependence upon compressors, gathering lines, pipelines and other facilities, certain of which the Company does not control; the export and sale of natural gas to the United States; increased regulation of transportation of dangerous goods; the uncertainties related to the Company's identified drilling locations; the high-risk nature of successfully stimulating well productivity and drilling for and producing oil, NGLs and natural gas; operating hazards and uninsured risks; risk of fires, floods and natural disasters which could be more frequent or of a greater magnitude as a result of climate change; the possibility that the Company's drilling activities may encounter sour gas; execution risks associated with the Company's business plan; failure to acquire or develop replacement reserves; the concentration of the Company's assets in the Kakwa area; unforeseen title defects; Indigenous claims; failure to accurately estimate abandonment and reclamation costs; development and exploratory drilling efforts and well operations may not be profitable or achieve the targeted return; horizontal drilling and completion technique risks and failure of drilling results to meet expectations for reserves or production; limited intellectual property protection for operating practices and dependence on employees and contractors; third-party claims regarding the Company's right to use technology and equipment; expiry of certain leases for the undeveloped leasehold acreage in the near future; failure to realize the anticipated benefits of acquisitions or dispositions; failure of properties acquired now or in the future to produce as projected and inability to determine reserve and resource potential, identify liabilities associated with acquired properties or obtain protection from sellers against such liabilities; political changes; changes in the interpretation and enforcement of applicable laws and regulations; environmental, health and safety requirements; restrictions on development intended to protect certain species of wildlife; potential conflicts of interests; actual results differing materially from management estimates and assumptions; seasonality of the Company's activities and the Canadian oil and gas industry; alternatives to and changing demand for petroleum products; extensive competition in the Company's industry; changes in the Company's credit ratings; third party credit risk; dependence upon a limited number of customers; lower oil, NGLs and natural gas prices and higher costs; failure of 2D and 3D seismic data used by the Company to accurately identify the presence of oil and natural gas or appropriate well placement within a reservoir; risks relating to commodity price hedging instruments; terrorist attacks or armed conflict; cyber security risks, loss of information and computer systems; inability to dispose of non-strategic assets on attractive terms; the potential for security deposits to be required under provincial liability management programs; reassessment by taxing and royalty authorities of the Company's prior transactions and filings; variations in foreign exchange rates and interest rates; the potential for risks associated with counterparties in risk management activities related to commodity prices and foreign exchange rates; sufficiency of insurance policies; ability of the Company to obtain contractual indemnities from third-party vendors; potential for litigation; breach of agreements and potential enforceability issues in contracts; impact of expansion into new activities on risk exposure; inability of the Company to respond quickly to competitive pressures; risks related to the common shares that are publicly traded and the senior notes and other indebtedness.

Any financial outlook and future-oriented financial information contained in this document regarding prospective financial performance, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action based on management's assessment of the relevant information that is currently available. Projected operational information contains forward-looking information and is based on a number of material assumptions and factors, as are set out above. These projections may also be considered to contain future oriented financial information or a financial outlook. The actual results of the Company's operations for any period will likely vary from the amounts set forth in these projections and such variations may be material. Actual results will vary from projected results. Readers are cautioned that any such financial outlook and future-oriented financial information contained herein should not be used for purposes other than those for which it is disclosed herein. The forward-looking information and statements contained in this document speak only as of the date hereof and the Company does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

Independent Reserves Evaluation

Estimates of the company's reserves and the net present value of future net revenue attributable to the company's reserves contained in this news release are based upon the reports prepared McDaniel & Associates Consultants Ltd. ("McDaniel"), as at December 31, 2020 and as at December 31, 2019. The estimates of reserves contained herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided in this news release and the differences may be material. Estimates of net present value of future net revenue attributable to the company's reserves do not represent the fair market value of the Company's reserves and there is uncertainty that the net present value of future net revenue will be realized. There is no assurance that the forecast price and cost assumptions applied by McDaniel in evaluating Seven Generations' reserves will be attained and variances could be material. For important additional information regarding the independent reserves evaluations that were conducted by McDaniel, please refer to the AIF, as well as the annual information form dated February 26, 2020 for the year ended December 31, 2019, which are available on the SEDAR website at www.sedar.com.

Note Regarding Oil and Gas Metrics

This news release includes certain metrics, including barrels of oil equivalent ("boe"), finding, development and acquisition ("FD&A") costs, PDP FD&A Cost, PDP operating netback recycle ratio, which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included herein to provide readers with additional information to evaluate the company's performance; however, such measures are not reliable indicators of the future performance of the company and future performance may not compare to the performance in previous periods.

Seven Generations has adopted the standard of 6 Mcf:1 bbl when converting natural gas to boes.

Condensate and other NGLs are converted to boes at a ratio of 1 bbl:1 bbl. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl is based roughly on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the Company's sales point. Given the value ratio based on the current price of oil as compared to natural gas and NGLs is significantly different from the energy equivalency of 6 Mcf: 1 bbl and 1 bbl: 1 bbl, respectively, utilizing a conversion ratio at 6 Mcf: 1 bbl for natural gas and 1 bbl: 1 bbl for NGLs, may be misleading as an indication of value.

F&D costs have been calculated by the company as the sum of exploration and development capital, plus changes in future development costs for the given year, divided by total reserves additions for that year. This metric is utilized by the company to monitor reserve addition efficiencies over time.

FD&A costs have been calculated by the company as the sum of exploration and development capital, plus acquisition capital, plus changes in future development costs for the given year, divided by total reserve additions for that year. This metric is utilized by the company to monitor reserve addition efficiencies over time.

PDP Reserve Capital is defined as total capital investments during the year plus any changes in future development capital.

PDP Reserves Additions is defined as the sum of all extensions/improved recoveries, technical revisions and economic factors for the year.

PDP FD&A cost has been calculated by dividing the PDP Reserve Capital by the PDP Reserves Additions. This metric is utilized by the company to monitor reserve addition efficiencies, inclusive of acquisition costs, over time.

PDP operating netback recycle ratio has been calculated by the company as operating netback before hedging and marketing gains (losses) divided by F&D costs on a boe basis. This metric is utilized by the company to monitor reserve addition efficiencies, inclusive of acquisition costs, relative to the netbacks achieved from such reserve additions.

For important additional information regarding the independent reserves evaluations that were conducted by McDaniel, please refer to the AIF, as well as the annual information form dated February 26, 2020 for the year ended December 31, 2019, which are available on the SEDAR website at www.sedar.com.

Note Regarding Product Types

This news release includes references to total average daily production, condensate production, other NGL production, natural gas production and liquids production. Other NGLs refers to all natural gas liquids, except for condensate, which is reported separately. Natural gas refers to conventional natural gas and shale gas combined. Liquids refers to condensate and other NGLs combined. The following table is intended to provide supplemental information about the product type composition for each of the production figures that are provided in this news release:

	Condensate (mbbl/d)	Other NGLs (mbbl/d)	Shale gas (MMcf/d)	Conventional natural gas (MMcf/d)	Total (mboe/d)
Three months ended					
September 30, 2019	75.5	43.2	480.5	34.8	204.6
December 31, 2019	75.0	45.9	492.4	30.7	208.1
September 30, 2020	57.6	38.8	413.7	20.9	168.9

December 31, 2020	66.0	43.1	466.7	19.5	190.1
Year ended					
December 31, 2019	74.8	44.4	469.1	33.9	203.0
December 31, 2020	64.2	41.5	446.3	23.1	183.9

Seven Generations expects that approximately 32% - 36% of its total average daily production will be comprised of condensate, 39% - 43% will be comprised of shale gas, 22% - 24% will be comprised of other NGLs and 3% will be comprised of conventional natural gas.

Oil and Gas Definitions

Certain terms that are used in this news release that are not otherwise defined herein are provided below:

developed producing reserves are those gross reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

developed reserves are those gross reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

gross means (i) in relation to the Company's interest in production or reserves, its "company gross reserves", which are the Company's working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the Company; and (ii) in relation to wells, the total number of wells in which the Company has an interest.

probable reserves are those additional gross reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

proved reserves are those gross reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on: (i) analysis of drilling, geological, geophysical and engineering data; (ii) the use of established technology; and (iii) specified economic conditions, which are generally accepted as being reasonable. Reserves are classified according to the degree of certainty associated with the estimates.

Abbreviations

AECO	physical storage and trading hub for natural gas on the TransCanada Alberta transmission system which i the delivery point for various benchmark Alberta index prices
AIF	annual information form dated February 17, 2021 for the year ended December 31, 2020
bbl	barrel
bbls	barrels
boe	

barrels of oil equivalent

CROIC	cash return on invested capital
C$ or CAD	Canadian dollars
d	day
D&C	drilling and completions
ESG	environment, social and governance factors
FD&A	finding, development and acquisition costs
FX	foreign exchange
G&A	general and administrative expenses
GAAP	generally accepted accounting practices
IFRS	International Financial Reporting Standards
m	metres
Mboe	thousand barrels of oil equivalent
Mbbl	thousands of barrels
mcf	thousand cubic feet
MM	millions
MMbbls	millions of barrels
MMboe	millions of barrels of oil equivalent
MMbtu	million British thermal units
MMcf	million cubic feet
Nest	the Nest 1, Nest 2 and Nest 3 areas combined
Nest 1	the "Nest 1" area that is shown in the map that is provided under the heading "Description of Business - Development Areas" in the AIF, which is available on the SEDAR website at www.sedar.com
Nest 2	the "Nest 2" area that is shown in the map that is provided under the heading "Description of Business - Development Areas" in the AIF, which is available on the SEDAR website at www.sedar.com
Nest 3	the "Nest 3" area that is shown in the map that is provided under the heading "Description of Business - Development Areas" in the AIF, which is available on the SEDAR website at www.sedar.com
NGLs	natural gas liquids
nm	not meaningful information
PDP	gross total proved developed producing reserves
PP&E	property, plant and equipment
ROCE	return on capital employed
TSX	Toronto Stock Exchange
US$ or USD	United States dollars

WTI	West Texas Intermediate
1P	gross total proved reserves
2P	gross total proved plus probable reserves
$MM	millions of dollars

Seven Generations Energy Ltd. is also referred to as Seven Generations, Seven Generations Energy, 7G, we, our, the company or the Company.

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