

PERPETUAL ENERGY INC.
Condensed Interim Consolidated Statements of Financial Position

As at **September 30, 2015** December 31, 2014
(Cdn\$ thousands, unaudited)

Assets

Current Assets

Cash and cash equivalents	\$ —	\$ 11,497
Restricted cash	—	6,552
Accounts receivable	25,563	50,297
Marketable securities (note 3)	207,081	—
Prepaid expenses and deposits	3,782	1,635
Derivatives (note 9)	1,017	9,315
	237,443	79,296

Property, plant and equipment (note 4)	455,976	561,956
Exploration and evaluation (note 5)	56,063	84,227
Equity-method investment	24,781	25,123
Derivatives (note 9)	113	—
Total assets	\$ 774,376	\$ 750,602

Liabilities

Current liabilities

Accounts payable and accrued liabilities	\$ 37,461	\$ 91,859
Derivatives (note 9)	9,980	2,398
Bank indebtedness (note 6)	68,590	—
Convertible debentures (note 7)	34,601	33,810
Financial obligation	3,127	3,584
Provisions (note 8)	5,411	5,372
	159,170	137,023

Derivatives (note 9)	2,516	3,872
Senior notes	271,411	270,690
Financial obligation	8,633	11,806
Provisions (note 8)	219,201	220,928
Total liabilities	660,931	644,319

Equity

Share capital	1,259,902	1,258,840
Shares held in trust	(2,496)	(1,387)
Equity component of convertible debentures	3,174	3,174
Contributed surplus	39,698	36,754
Deficit	(1,186,833)	(1,191,098)
Total equity	113,445	106,283
Total liabilities and equity	\$ 774,376	\$ 750,602

Subsequent events (notes 3 and 6)

See accompanying notes. The notes are an integral part of the Corporation's condensed interim consolidated financial statements.

/s/ Robert A. Maitland

Robert A. Maitland
 Director

/s/ Geoffrey C. Merritt

Geoffrey C. Merritt
 Director

PERPETUAL ENERGY INC.
Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
<i>(Cdn\$ thousands, except per share amounts, unaudited)</i>				
Revenue				
Oil and natural gas	\$ 35,460	\$ 63,126	\$ 109,393	\$ 200,228
Royalties	(4,663)	(8,473)	(13,075)	(23,931)
	30,797	54,653	96,318	176,297
Change in fair value of commodity price derivatives (note 9)	(4,199)	7,366	(10,174)	(10,223)
Gas over bitumen	830	1,792	2,450	7,435
	27,428	63,811	88,594	173,509
Expenses				
Production and operating	15,066	17,647	52,612	57,648
Transportation	2,823	3,388	9,148	9,291
Exploration and evaluation (note 5)	1,180	1,322	9,922	3,618
General and administrative	5,673	4,830	15,639	17,640
Gain on dispositions (note 4)	(6,260)	(33,498)	(146,271)	(39,120)
Depletion and depreciation (note 4)	23,061	22,249	67,507	69,478
Income (loss) from operating activities	(14,115)	47,873	80,037	54,954
Finance expense (note 10)	(52,867)	(10,907)	(75,430)	(30,524)
Share of net loss of equity-method investment	(157)	(552)	(342)	(2,791)
Net income (loss) and comprehensive income (loss)	\$ (67,139)	\$ 36,414	\$ 4,265	\$ 21,639
Income (loss) per share (note 11)				
Basic	\$ (0.44)	\$ 0.24	\$ 0.03	\$ 0.15
Diluted	\$ (0.44)	\$ 0.23	\$ 0.03	\$ 0.14

See accompanying notes. The notes are an integral part of the Corporation's condensed interim consolidated financial statements.

PERPETUAL ENERGY INC.
Condensed Interim Consolidated Statements of Changes in Equity

	Share capital		Shares held in trust	Equity component of convertible debentures	Contributed surplus	Deficit	Total equity
<i>(Cdn\$ thousands, unaudited)</i>	<i>(thousands)</i>	<i>(\$ thousands)</i>					
Balance at December 31, 2014	150,077	\$ 1,258,840	\$ (1,387)	\$ 3,174	\$ 36,754	\$ (1,191,098)	\$ 106,283
Net income	–	–	–	–	–	4,265	4,265
Common shares issued	3,117	1,062	–	–	(720)	–	342
Share based compensation	–	–	–	–	3,664	–	3,664
Change in shares held in trust	–	–	(1,109)	–	–	–	(1,109)
Balance at September 30, 2015	153,194	\$1,259,902	\$ (2,496)	\$ 3,174	\$ 39,698	\$ (1,186,833)	\$ 113,445

	Share capital		Shares held in trust	Equity component of convertible debentures	Contributed surplus	Deficit	Total equity
<i>(Cdn\$ thousands, unaudited)</i>	<i>(thousands)</i>	<i>(\$ thousands)</i>					
Balance at December 31, 2013	148,490	\$ 1,257,315	\$ –	\$ 13,971	\$ 21,474	\$ (1,194,464)	\$ 98,296
Net income	–	–	–	–	–	21,639	21,639
Common shares issued	1,524	1,479	–	–	(1,449)	–	30
Share based compensation	–	–	–	–	4,223	–	4,223
Redemption of convertible debentures	–	–	–	(8,522)	8,522	–	–
Change in shares held in trust	–	(19)	(683)	–	–	–	(702)
Balance at September 30, 2014	150,014	\$ 1,258,775	\$ (683)	\$ 5,449	\$ 32,770	\$ (1,172,825)	\$ 123,486

See accompanying notes. The notes are an integral part of the Corporation's condensed interim consolidated financial statements.

PERPETUAL ENERGY INC.
Condensed Interim Consolidated Statements of Cash Flows

Three months ended September 30, Nine months ended September 30,
2015 2014 **2015** 2014

(Cdn\$ thousands, unaudited)

Cash flows from (used in) operating activities

Net income (loss)	\$ (67,139)	\$ 36,414	\$ 4,265	\$ 21,639
Adjustments to add (deduct) non-cash items:				
Depletion and depreciation (note 4)	23,061	22,249	67,507	69,478
Exploration and evaluation (note 5)	260	345	6,166	1,097
Share based compensation expense	1,359	1,554	3,653	4,223
Change in fair value of commodity price derivatives	1,944	(8,329)	14,411	(2,592)
Finance expenses (note 10)	44,970	2,893	52,828	7,681
Share of net loss of equity-method investment	157	552	342	2,791
Gain on dispositions	(6,260)	(33,498)	(146,271)	(39,120)
Long term Crown receivable adjustments	2,095	-	-	10,997
Expenditures on decommissioning obligations	(1,046)	(1,451)	(5,194)	(4,480)
Change in non-cash working capital	3,201	6,550	8,124	(7,298)
Net cash from operating activities	2,602	27,279	5,831	64,416

Cash flows from (used in) financing activities

Change in bank indebtedness	(6,410)	(60,135)	68,590	(70,618)
Redemption of convertible debentures	-	(99,902)	-	(99,902)
Net proceeds on senior notes issuance	-	122,517	-	122,517
Change in financial obligation (note 9)	(882)	1,417	(2,878)	19,871
Transactions with trustee	-	(451)	(1,109)	(702)
Common shares issued	-	24	342	30
Change in non-cash working capital	(5,064)	(5,800)	(5,405)	(5,854)
Net cash from (used in) financing activities	(12,356)	(42,330)	59,540	(34,658)

Cash flows from (used in) investing activities

Acquisitions	-	-	(243)	(242)
Capital expenditures	(15,254)	(46,930)	(75,510)	(90,704)
Proceeds on dispositions	2,630	46,998	23,956	49,998
Proceeds on sale of marketable securities (note 3)	2,896	-	2,896	-
Change in non-cash working capital	(1,344)	41,719	(27,967)	37,926
Net cash from (used in) investing activities	(11,072)	41,787	(76,868)	(3,022)
Change in cash and cash equivalents	(20,826)	26,736	(11,497)	26,736
Cash and cash equivalents, beginning of period	20,826	-	11,497	-
Cash and cash equivalents, end of period	\$ -	\$ 26,736	\$ -	\$ 26,736
Interest paid	\$ 12,963	\$ 11,393	\$ 28,010	\$ 26,296

See accompanying notes. The notes are an integral part of the Corporation's condensed interim consolidated financial statements.

PERPETUAL ENERGY INC.
Selected notes to the Condensed Interim Consolidated Financial Statements (Unaudited)
For the three and nine months ended September 30, 2015
(All tabular amounts are in Cdn\$ thousands, except where otherwise noted)

1. REPORTING ENTITY

Perpetual Energy Inc. ("Perpetual" or the "Corporation") is a Canadian corporation engaged in the exploration, development and marketing of oil and gas based energy in Alberta, Canada. The Corporation operates a diversified asset portfolio that includes shallow gas and conventional heavy oil in eastern Alberta, liquids-rich gas in the Alberta deep basin and several long-term resource style tight gas and bitumen resource properties.

The address of the Corporation's registered office is 3200, 605 – 5 Avenue SW, Calgary, Alberta, T2P 3H5.

The condensed interim consolidated financial statements of the Corporation as at and for the three and nine months ended September 30, 2015 are comprised of the accounts of Perpetual and its wholly owned subsidiaries, Perpetual Energy Operating Corp. and Perpetual Operating Trust, which are incorporated in Canada.

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all of the information required for full annual financial statements. These condensed interim consolidated financial statements should be read in conjunction with the Corporation's consolidated financial statements as at and for the year ended December 31, 2014 which were prepared in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The accounting policies, basis of measurement, critical accounting judgments and significant estimates used to prepare the annual consolidated financial statements as at and for the year ended December 31, 2014 have been applied in the preparation of these condensed interim consolidated financial statements.

These condensed interim consolidated financial statements of the Corporation were approved and authorized for issue by the Board of Directors on November 10, 2015.

3. MARKETABLE SECURITIES

On April 1, 2015, the Corporation received 6.75 million common shares of Tourmaline Oil Corp. ("TOU Shares") in exchange for the Corporation's West Edson asset (note 4). During the period ended September 30, 2015, the Corporation sold 85,000 TOU Shares for total proceeds of \$2.9 million which resulted in total holdings at September 30, 2015 of 6.67 million TOU Shares. Subsequent to September 30, 2015, the Corporation sold an additional 165,000 TOU Shares for proceeds of \$5.7 million.

Marketable securities are non-derivative financial instruments classified as fair value through profit or loss ("FVTPL") as the Corporation manages such investments and makes decisions based on their fair value in accordance with the Corporation's risk management or investment strategy. At September 30, 2015, the fair market value of the 6.67 million TOU Shares was \$207.1 million based on a September 30, 2015 closing price of \$31.07 per share. Income for the nine month period ended September 30, 2015 includes an unrealized loss of \$48.7 million representing the change in value between closing on April 1, 2015 of \$38.32 per share and the period end closing price of \$31.07 per share.

4. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Corporate assets	Total
Cost			
December 31, 2013	\$ 2,560,503	\$ 6,407	\$ 2,566,910
Additions	114,975	614	115,589
Non-monetary additions	9,362	–	9,362
Change in decommissioning obligations estimates	8,324	–	8,324
Transferred from exploration and evaluation	5,495	–	5,495
Acquisitions	826	–	826
Dispositions	(65,585)	–	(65,585)
December 31, 2014	2,633,900	7,021	2,640,921
Additions	70,238	44	70,282
Non-monetary additions	3,700	–	3,700
Change in decommissioning obligations estimates	617	–	617
Transferred from exploration and evaluation	692	–	692
Acquisitions	3	–	3
Dispositions	(218,863)	–	(218,863)
September 30, 2015	\$ 2,490,287	\$ 7,065	\$ 2,497,352
Accumulated depletion, depreciation and impairment losses			
December 31, 2013	\$ (1,983,978)	\$ (5,978)	\$ (1,989,956)
Depletion and depreciation	(94,391)	(345)	(94,736)
Dispositions	27,127	–	27,127
Impairment	(26,400)	–	(26,400)
Impairment reversal	5,000	–	5,000
December 31, 2014	(2,072,642)	(6,323)	(2,078,965)
Depletion and depreciation	(67,271)	(236)	(67,507)
Dispositions	105,096	–	105,096
September 30, 2015	\$ (2,034,817)	\$ (6,559)	\$ (2,041,376)
Carrying amount			
December 31, 2014	\$ 561,258	\$ 698	\$ 561,956
September 30, 2015	\$ 455,470	\$ 506	\$ 455,976

As at September 30, 2015, property, plant and equipment included \$5.0 million (December 31, 2014 - \$35.0 million) of costs currently not subject to depletion and \$19.6 million (December 31, 2014 - \$19.6 million) of costs related to shut-in gas over bitumen reserves which are not being depleted due to the non-producing status of the wells in the affected properties.

During the nine months ended September 30, 2015, the Corporation disposed of oil and natural gas properties for net proceeds of \$24.0 million (2014 - \$50.0 million). In addition, the Corporation closed an arrangement to swap its joint interest share in its West Edson asset in West Central Alberta for 6.75 million TOU Shares valued at approximately \$258.7 million on closing. Net gains on dispositions totaling \$146.3 million (2014 - \$39.1 million) were recorded in net income.

Impairment Assessment

For the period ended September 30, 2015, Perpetual conducted an assessment of impairment indicators for the Corporation's CGUs. In performing the review, management determined that the recent decline in commodity pricing and the impact these price declines have on the economic performance of the Corporation's CGUs justified calculation of the recoverable amount of all CGUs. The recoverable amount of the CGUs was based on the higher of value in use ("VIU") and fair value less costs of disposal ("FVLCD"). The impairment test was completed using estimates of VIU for each CGU.

VIU was determined based on the net present value of cash flows from the CGUs oil, natural gas, and NGL reserves using estimates of total proved plus probable reserves along with the current commodity price forecast, and an estimate of market discount rates between 8 and 15 percent to consider risks specific to the asset. The Corporation determined that the recoverable amount of each CGU exceeds the carrying value as at September 30, 2015, as such, no impairment was recorded for the period ending September 30, 2015.

The impairment test was performed at September 30, 2015 on each CGU using pre-tax discount rates between 8 and 15 percent and the following commodity price estimates:

Year	WTI Crude Oil (US\$/bbl)	USD/CDN exchange rate (US\$/Cdn\$)	Alberta heavy crude oil (Cdn\$/bbl)	AECO natural gas (Cdn\$/mmbtu)
2015	50.00	0.76	43.50	2.90
2016	55.00	0.76	50.20	3.35
2017	61.20	0.78	54.70	3.65
2018	65.00	0.78	58.20	3.85
2019	69.00	0.80	60.30	4.00
2020	73.10	0.80	64.10	4.25
2021	77.30	0.80	67.90	4.45
2022	81.60	0.80	71.80	4.70
2023	86.20	0.80	76.00	5.00
2024	87.90	0.80	77.50	5.10
2025	89.60	0.80	79.00	5.20
2026	91.40	0.80	80.60	5.30
2027	93.30	0.80	82.20	5.40
2028	95.10	0.80	83.80	5.50
2029	97.00	0.80	85.50	5.60

Escalate 2.0 percent per year thereafter.

5. EXPLORATION AND EVALUATION

	September 30, 2015	December 31, 2014
Carrying amount, beginning of period	\$ 84,227	\$ 88,177
Additions	6,670	3,990
Non-monetary additions	5,880	6,000
Acquisitions	240	172
Dispositions	(34,096)	(6,482)
Transfers to property, plant and equipment	(692)	(5,495)
Non-cash exploration and evaluation expense	(6,166)	(2,135)
Carrying amount, end of period	\$ 56,063	\$ 84,227

During the nine months ended September 30, 2015, \$3.8 million (2014 - \$2.5 million) in costs were charged directly to exploration and evaluation expense in net income.

6. BANK INDEBTEDNESS

The Corporation's credit facility is with a syndicate of Canadian chartered banks. On April 1, 2015, as part of the lender's semi-annual review of the borrowing base and in conjunction with the West Edson swap, total availability was reduced from \$105 million to \$100 million consisting of a Margin Loan of \$75 million secured by the pledge of 6.75 million TOU Shares, and a revolving credit facility of \$25 million which includes a \$10 million demand loan and \$15 million working capital facility.

Revolving Credit Facility

Advances under the credit facility are made in the form of Banker's Acceptances ("BA"), prime rate loans or letters of credit at the Corporation's option. At September 30, 2015, the Corporation had drawn \$4.3 million on the credit facility (December 31, 2014 - nil) and has outstanding letters of credit in the amount of \$5.3 million (December 31, 2014 - \$8.8 million). Collateral for the revolving credit facility is provided by a floating-charge debenture covering all existing and acquired property of the Corporation, as well as unconditional full liability guarantees from all subsidiaries in respect of amounts borrowed under the credit facility.

The credit facility bears interest at its lenders' prime rate or BA rates, plus applicable margins and standby fees. The applicable margins range between 1.25% and 4.75% depending on the form of borrowing and changes in the Corporation's Consolidated Debt Ratio for the most recently completed reporting period.

The revolving feature of the credit facility expires on April 29, 2016 with a 365 day term to maturity should it not be extended. The next semi-annual redetermination is set to occur on or before November 30, 2015.

Margin Loan

During the period ended September 30, 2015, the Margin Loan was reduced to \$64.3 million. Subsequent to the end of the third quarter, the Margin Loan was further reduced to \$58.4 million. These permanent reductions were in conjunction with a decline in the market value of TOU Shares. The Corporation is required to maintain a 1 to 3 lending ratio based on the daily closing market value of TOU shares.

The Margin Loan matures on November 30, 2015 should it not be extended in conjunction with the semi-annual redetermination to occur on or before November 30, 2015. Management is currently pursuing repayment options for the Margin Loan including refinancing, asset dispositions, and proceeds from the sale of TOU Shares or a combination thereof. Collateral for the Margin Loan is provided by a securities pledge agreement relating to the TOU Shares obtained in conjunction with the swap of the West Edson assets. The Margin Loan bears interest at its lenders' prime rate plus applicable margins ranging from 1.25% to 4.75% depending on changes in the Corporation's Consolidated Debt Ratio for the most recently completed reporting period.

Covenants

The Corporation has maintenance covenants that require consolidated debt to trailing twelve month income before interest, taxes, depletion and depreciation and non-cash items ("Consolidated Debt Ratio") to be less than 4.0 to 1.0 except for the quarters ending December 31, 2015 and March 31, 2016 when the Corporation will be required to maintain a Consolidated Debt Ratio not exceeding 5.0 to 1.0. Consolidated debt is defined as the sum of the Corporation's period end balance of the Margin Loan, credit facility, senior notes and outstanding letters of credit reduced by the lesser of the mark to market value of the TOU Shares or the TOU Share quarterly average value. The credit facility also contains covenants that require consolidated senior debt to trailing twelve month income before interest, taxes, depletion and depreciation and non-cash items ("Consolidated Senior Debt Ratio") to be less than 3.0 to 1.0. Consolidated senior debt is defined as the sum of consolidated debt less the period end balance of the senior notes.

The Corporation was in compliance with the lender's covenants at September 30, 2015. As a result of the current low commodity price environment, the Corporation has forecasted non-compliance with the maintenance covenants attached to the credit facility beginning with the quarter ended December 31, 2015. The Corporation is in discussions with the Agent bank on alternatives in conjunction with the semi-annual redetermination to occur on or before November 30, 2015. It is within the Corporation's control to use proceeds from the sale of TOU Shares to repay the outstanding balance of the credit facility in order to prevent non-compliance with the maintenance covenants.

7. CAPITAL MANAGEMENT

The Corporation's remaining \$34.9 million 7.00% convertible unsecured subordinated debentures ("7.00% Convertible Debentures") mature on December 31, 2015. The Corporation has the option to settle all, or a portion of the outstanding 7.00% Convertible Debentures through the issuance of common shares by giving notice of such intent to debenture holders not more than 60 and not less than 30 days prior to the maturity date.

Management is pursuing repayment options for the 7.00% Convertible Debentures and Margin Loan including asset dispositions, the sale of TOU Shares, refinancing or a combination thereof. There is no assurance that the Corporation will be able to raise additional capital to settle all or a portion of the outstanding 7.00% Convertible Debentures in cash, in which case, the Corporation would have the option to settle all or a portion of the debentures with common shares.

8. PROVISIONS

	September 30, 2015	December 31, 2014
Decommissioning obligations, beginning of period	\$ 222,976	\$ 213,906
Obligations acquired	–	85
Obligations incurred	1,442	3,067
Obligations disposed	(1,938)	(1,173)
Change in risk free rate	617	14,343
Change in estimates	–	(6,019)
Obligations settled	(5,194)	(6,633)
Accretion	3,012	5,400
Decommissioning obligations, end of period	220,915	222,976
Gas over bitumen obligation	3,697	3,324
Carrying amount, end of period	224,612	226,300
Provisions – current	5,411	5,372
Provisions – non-current	219,201	220,928
	\$ 224,612	\$ 226,300

At September 30, 2015, the Corporation used a weighted average risk free rate of 1.89 percent (December 31, 2014 – 1.98 percent) to calculate the present value of the decommissioning obligation.

9. FINANCIAL RISK MANAGEMENT

Realized gains on commodity price derivatives recognized in net income for the nine months ended September 30, 2015 were \$4.2 million (2014 – losses of \$12.8 million). The realized gains on commodity price derivatives for the nine months ended September 30, 2015, included gains of \$5.7 million in respect of the settlement of contracts prior to maturity (2014 - \$0.4 million).

Natural gas contracts

At September 30, 2015, the Corporation had entered into financial natural gas sales arrangements at AECO as follows:

Term	Perpetual sold/bought	Volumes at AECO (GJ/d)	Average price (\$/GJ)	Type of contract
October 2015	Sold	75,000	2.54	Financial
October 2015 – December 2015	Sold	7,500	2.60	Financial
November 2015 – December 2015	Sold	40,000	2.80	Financial
January 2016 – December 2016	Sold	10,000	2.82	Financial

At September 30, 2015, the Corporation had entered into financial natural gas sales arrangements to fix the basis differential between the New York Mercantile Exchange ("NYMEX") and AECO trading hubs. The price at which these contracts settle is equal to the NYMEX index less a fixed basis amount.

Term	Perpetual sold/bought	Volumes at NYMEX-AECO (MMBtu/d)	Average price (\$USD/MMBtu)	Type of contract
January 2016 – December 2016	Sold	37,500	(0.73)	Financial

Oil contracts

At September 30, 2015, the Corporation had entered into the following costless collar oil sales arrangements which settle in \$CAD:

Term	Volumes at WTI (bbl/d)	Floor price (\$CAD/bbl)	Ceiling price (\$CAD/bbl)	Type of contract
October 2015 – December 2015	1,000	67.50	76.70	Collar

At September 30, 2015, the Corporation had entered into the following costless collar oil sales arrangements which settle in \$USD:

Term	Volumes at WTI (bbl/d)	Floor price (\$USD/bbl)	Ceiling price (\$USD/bbl)	Type of contract
January 2016 – December 2016	750	45.00	52.10	Collar

At September 30, 2015, the Corporation had entered into financial oil sales arrangements to fix the basis differential between the West Texas Intermediate ("WTI") and Western Canadian Select ("WCS") trading hubs. The price at which these contracts settle is equal to the WTI index less a fixed basis amount.

Term	Perpetual sold/bought	Volumes at WTI-WCS (bbl/d)	Average differential (\$USD/bbl)	Type of contract
October 2015 – December 2015	Sold	1,500	(16.23)	Financial
January 2016 – December 2016	Sold	500	(13.68)	Financial

Foreign exchange contracts

At September 30, 2015, the Corporation had entered into the following \$USD forward sales arrangement:

Term	Perpetual sold/bought	Notional floor \$USD/month	Notional ceiling \$USD/month	Exchange rate floor (\$CAD/\$USD)	Exchange rate ceiling (\$CAD/\$USD)	Type of contract
October 2015 – December 2016 ⁽¹⁾	Sold	2,000,000	3,500,000	1.0400	1.1800	Financial

⁽¹⁾ If the monthly average exchange rate is greater than \$1.1800, the Corporation pays \$USD3,500,000 multiplied by the difference between the average monthly exchange rate and \$1.1270. If the monthly average exchange rate settles below \$1.0400, the Corporation receives \$USD2,000,000 multiplied by the difference between the average monthly exchange rate and \$1.0400.

The following table reconciles the Corporation's change in fair value of commodity price derivatives:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Realized gain (loss) on financial oil contracts	107	(1,016)	5,854	(5,644)
Realized gain (loss) on financial natural gas contracts	(448)	2	3,382	(7,408)
Realized gain (loss) on forward foreign exchange contracts	(1,914)	51	(4,999)	237
Unrealized gain (loss) on financial oil contracts	1,765	8,063	(6,048)	3,896
Unrealized gain (loss) on physical oil contracts	–	(225)	–	24
Unrealized gain (loss) on financial natural gas contracts	(513)	2,964	(2,186)	953
Unrealized gain (loss) on physical natural gas contracts	(100)	118	51	(86)
Unrealized loss on forward foreign exchange contracts	(3,096)	(2,591)	(6,228)	(2,195)
Change in fair value of commodity price derivatives	(4,199)	7,366	(10,174)	(10,223)

Natural gas contracts - sensitivity analysis

As at September 30, 2015, if future natural gas prices changed by \$0.25 per GJ with all other variables held constant, the fair value of commodity price derivatives and after tax net income for the period would change by \$2.1 million. Fair value sensitivity was based on published forward AECO and NYMEX prices.

Oil contracts - sensitivity analysis

As at September 30, 2015, if future oil prices increased by \$5.00 per boe with all other variables held constant, the fair value of commodity price derivatives and after tax net income for the period would increase by \$0.6 million. If future oil prices decreased by \$5.00 per boe with all other variables held constant, the fair value of commodity price derivatives and after tax net income for the period would decrease by \$0.7 million. Fair value sensitivity was based on published forward WTI and WCS prices.

Foreign exchange contracts - sensitivity analysis

As at September 30, 2015, if future exchange rates changed by \$0.10 \$CAD/\$USD with all other variables held constant, the fair value of foreign exchange derivatives and after tax net income for the period would change by \$5.2 million. Fair value sensitivity was based on published forward \$CAD/\$USD rates.

Financial obligation sensitivity analysis

As at September 30, 2015, if future natural gas prices changed by \$0.25 per GJ with all other variables held constant, the fair value of the financial obligation and after tax net income for the period would change by \$1.2 million. Fair value sensitivity is based on published forward AECO prices.

Fair value of financial assets and liabilities

The Corporation's fair value measurements are classified as one of the following levels of the fair value hierarchy:

Level 1 – inputs represent unadjusted quoted prices in active markets for identical assets and liabilities. An active market is characterized by a high volume of transactions that provides pricing information on an ongoing basis.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These valuations are based on inputs that can be observed or corroborated in the marketplace, such as market interest rates or forward prices for commodities.

Level 3 – inputs for the asset or liability are not based on observable market data.

The Corporation aims to maximize the use of observable inputs when preparing calculations of fair value. Classification of each measurement into the fair value hierarchy is based on the lowest level of input that is significant to the fair value calculation.

The fair value of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying amounts due to their short terms to maturity. Bank debt bears interest at a floating market rate with applicable variable margins depending on the form of borrowing and changes in the Corporation's Consolidated Debt Ratio, and accordingly the fair market value approximates the carrying amount.

The fair value of the financial obligation is estimated by discounting future cash payments based on the forecasted Alberta gas reference price multiplied by the contracted deemed volume. This fair value measurement is classified as level 3 as significant unobservable inputs, including the discount rate and forecasted Alberta gas reference prices, are used in determination of the carrying amount. The discount rate of 12.2% (2014 – 12.2%) was determined on inception of the agreement based on the characteristics of the instrument. The forecasted Alberta gas reference prices for the remaining term are based on AECO forward market pricing with adjustments for historical differences between the Alberta reference price and market prices. During the nine months ended September 30, 2015, the Corporation recognized payments on the financial obligation of \$2.9 million (2014 – \$1.4 million) and an unrealized gain of \$0.8 million (2014 – \$0.2 million) which is included in finance expense.

The fair value of financial assets and liabilities, excluding working capital, is attributable to the following fair value hierarchy levels:

As at September 30, 2015	Gross	Netting ⁽¹⁾	Carrying Amount	Level 1	Fair Value Level 2	Level 3
Financial assets						
Fair value through profit and loss						
Marketable securities	207,081	–	207,081	207,081	–	–
Derivatives – current	1,496	(479)	1,017	–	1,017	–
Derivatives – non-current	118	(5)	113	–	113	–
Financial Liabilities						
Financial liabilities at amortized cost						
Convertible debentures	34,601	–	34,601	34,878	–	–
Senior notes	271,411	–	271,411	–	235,875	–
Fair value through profit and loss						
Derivatives – current	10,459	(479)	9,980	–	9,980	–
Derivatives – non-current	2,521	(5)	2,516	–	2,516	–
Financial obligation – current	3,127	–	3,127	–	–	3,127
Financial obligation – non-current	8,633	–	8,633	–	–	8,633

⁽¹⁾ Derivative assets and liabilities presented in the statement of financial position are shown net of offsetting assets or liabilities where the arrangement provides or the legal right and intention for net settlement exists.

10. FINANCE EXPENSE

Finance expense for the three and nine months ended September 30, 2015 is comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Cash interest				
Interest on senior notes	6,015	5,148	18,046	11,656
Interest on convertible debentures	610	2,148	1,831	7,865
Interest on bank indebtedness	1,272	718	2,725	3,322
Total cash interest	7,897	8,014	22,602	22,843
Non-cash finance expense				
Amortization of debt issue costs	513	1,601	1,512	3,486
Accretion on decommissioning obligations (note 8)	1,026	1,357	3,012	4,041
Accretion on GOB obligation	126	111	373	330
Change in fair value of marketable securities	43,283	–	48,683	–
Change in fair value of financial obligation (note 9)	22	(176)	(752)	(176)
Finance expenses recognized in net income (loss)	52,867	10,907	75,430	30,524

11. PER SHARE INFORMATION

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
<i>(thousands, except per share amounts)</i>				
Net income (loss) – basic and diluted	(67,139)	36,414	4,265	21,639
Weighted average shares				
Issued common shares	152,988	149,845	151,501	149,147
Effect of shares held in trust	(2,008)	(271)	(1,865)	(190)
Weighted average common shares outstanding – basic	150,980	149,574	149,636	148,957
Effect of dilutive securities	–	10,708	3,342	9,623
Weighted average common shares outstanding - diluted	150,980	160,282	152,978	158,580
Income (loss) per share – basic	(0.44)	0.24	0.03	0.15
Income (loss) per share – diluted	(0.44)	0.23	0.03	0.14

In computing per share amounts for the three months ended September 30, 2015, 5.0 million potentially issuable common shares through the convertible debentures (2014 – 16.6 million) were excluded as they had an anti-dilutive effect on calculated per share amounts. In computing per share amounts for the three months ended September 30, 2015, 1.5 million potentially issuable common shares through the share based compensation plans (2014 – 8.2 million) were excluded as the Corporation had a net loss.

In computing per share amounts for the nine months ended September 30, 2015, 5.0 million potentially issuable common shares through the convertible debentures (2014 – 20.1 million) were excluded as they had an anti-dilutive effect on calculated per share amounts. In computing per share amounts for the nine months ended September 30, 2015, 1.8 million potentially issuable common shares through the share based compensation plans (2014 – nil) were excluded as they had an anti-dilutive effect on calculated per share amounts.