Interim Consolidated Financial Statements

Consolidated Balance Sheet
(Unaudited, expressed in thousands of Canadian dollars)

As at	Note	March 31, 2019	December 31, 2018
Assets			
Current assets			
Cash and cash equivalents	20	$ **154,080**	$ 317,704
Trade receivables and other		**447,986**	218,203
Inventories		**106,161**	97,514
Commodity risk management	22	**3,101**	122,658
		711,328	756,079
Non-current assets			
Property, plant and equipment	3, 5	**6,646,978**	6,645,224
Exploration and evaluation assets	6	**550,268**	550,020
Intangible assets	7	**10,393**	10,948
Other assets	3, 8	**224,331**	210,628
Deferred income tax asset	3, 19	**277,843**	236,578
Total assets		$ **8,421,141**	$ 8,409,477
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ **403,607**	$ 426,353
Current portion of long-term debt	9	**16,500**	16,852
Current portion of provisions and other liabilities	10	**19,062**	17,058
Commodity risk management	22	**97,631**	6,061
		536,800	466,324
Non-current liabilities			
Long-term debt	9	**3,659,547**	3,740,150
Provisions and other liabilities	3, 10	**352,549**	293,817
Commodity risk management	22	**21,743**	23,648
Total liabilities		**4,570,639**	4,523,939
Shareholders' equity			
Share capital	11	**5,427,120**	5,427,023
Contributed surplus		**174,853**	170,173
Deficit	3	**(1,786,280)**	(1,750,653)
Accumulated other comprehensive income		**34,809**	38,995
Total shareholders' equity		**3,850,502**	3,885,538
Total liabilities and shareholders' equity		$ **8,421,141**	$ 8,409,477

Commitments and contingencies (Note 24)

The accompanying notes are an integral part of these Interim Consolidated Financial Statements.

Consolidated Statement of Earnings (Loss) and Comprehensive Income (Loss)
(Unaudited, expressed in thousands of Canadian dollars, except per share amounts)

Three months ended March 31			2019		2018
Revenues					
Petroleum revenue, net of royalties	13	$	**895,778**	$	708,025
Other revenue	13		**22,853**		12,566
			918,631		720,591
Expenses					
Diluent and transportation	14		**391,733**		384,942
Operating expenses			**69,414**		59,230
Purchased product	15		**195,636**		91,227
Depletion and depreciation	5, 7		**115,107**		110,899
General and administrative			**17,767**		21,723
Stock-based compensation	12		**(5,144)**		5,838
Research and development			**2,231**		988
Net finance expense	17		**78,314**		68,699
Other expenses	18		**6,983**		831
Gain on asset dispositions	5, 7		**(12,338)**		(318,398)
Commodity risk management loss (gain), net	22		**229,980**		75,751
Foreign exchange loss (gain), net	16		**(78,098)**		107,946
Earnings (loss) before income taxes			**(92,954)**		110,915
Income tax expense (recovery)	19		**(45,426)**		(29,658)
Net earnings (loss)			**(47,528)**		140,573
Other comprehensive income (loss), net of tax					
Items that may be reclassified to profit or loss:					
Foreign currency translation adjustment			**(4,186)**		5,701
Comprehensive income (loss) for the year		$	**(51,714)**	$	146,274
Net earnings (loss) per common share					
Basic	21	$	**(0.16)**	$	0.48
Diluted	21	$	**(0.16)**	$	0.47

The accompanying notes are an integral part of these Interim Consolidated Financial Statements.

Consolidated Statement of Changes in Shareholders' Equity
(Unaudited, expressed in thousands of Canadian dollars)

	Note	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance as at December 31, 2018		**$5,427,023**	**$ 170,173**	**$ (1,750,653)**	**$ 38,995**	**$ 3,885,538**
IFRS 16 opening deficit adjustment	3	**—**	**—**	**11,901**	**—**	**11,901**
Stock-based compensation	12	**—**	**4,750**	**—**	**—**	**4,750**
Stock options exercised	11	**40**	**(13)**	**—**	**—**	**27**
RSUs vested and released	11	**57**	**(57)**	**—**	**—**	**—**
Comprehensive income (loss)		**—**	**—**	**(47,528)**	**(4,186)**	**(51,714)**
Balance as at March 31, 2019		**$5,427,120**	**$ 174,853**	**$ (1,786,280)**	**$ 34,809**	**$ 3,850,502**
Balance as at December 31, 2017		$5,403,978	$ 166,636	$ (1,629,091)	$ 22,590	$ 3,964,113
IFRS 9 opening deficit adjustment		—	—	(4,659)	—	(4,659)
Stock-based compensation		—	6,803	—	—	6,803
Comprehensive income (loss)		—	—	140,573	5,701	146,274
Balance as at March 31, 2018		$5,403,978	$ 173,439	$ (1,493,177)	$ 28,291	$ 4,112,531

The accompanying notes are an integral part of these Interim Consolidated Financial Statements.

Consolidated Statement of Cash Flow
(Unaudited, expressed in thousands of Canadian dollars)

Three months ended March 31	Note	2019	2018
Cash provided by (used in):			
Operating activities			
Net earnings (loss)		**$ (47,528)**	$ 140,573
Adjustments for:			
Depletion and depreciation	5, 7	**115,107**	110,899
Stock-based compensation	12	**4,294**	6,129
Unrealized loss (gain) on foreign exchange	16	**(77,018)**	141,298
Unrealized loss (gain) on derivative financial liabilities	17	**(253)**	2,976
Unrealized loss (gain) on commodity risk management	22	**208,996**	58,032
Onerous contracts expense	18	**—**	644
Deferred income tax expense (recovery)	19	**(45,669)**	(29,774)
Amortization of debt discount and debt issue costs	8, 9	**6,145**	4,728
Gain on asset dispositions	5	**(12,338)**	(318,398)
Other		**2,078**	1,412
Decommissioning expenditures	10	**(340)**	(2,621)
Payments on onerous contracts	10	**—**	(6,008)
Net change in other liabilities		**(2,916)**	—
Net change in non-cash working capital items	20	**(220,287)**	8,136
Net cash provided by (used in) operating activities		**(69,729)**	118,026
Investing activities			
Capital investments:			
Property, plant and equipment	5	**(52,556)**	(147,254)
Exploration and evaluation	6	**(225)**	(438)
Intangible assets	7	**(115)**	78
Net proceeds on dispositions	5, 7	**12,491**	1,502,869
Other		**(92)**	(657)
Net change in non-cash working capital items	20	**(43,141)**	13,404
Net cash provided by (used in) investing activities		**(83,638)**	1,368,002
Financing activities			
Issue of shares, net of issue costs		**27**	—
Payments on term loan	20	**(4,078)**	(1,272,775)
Payments on leased liabilities	10	**(3,682)**	—
Receipts on leased assets		**182**	—
Net cash provided by (used in) financing activities		**(7,551)**	(1,272,775)
Effect of exchange rate changes on cash and cash equivalents held in foreign currency		**(2,706)**	(1,668)
Change in cash and cash equivalents		**(163,624)**	211,585
Cash and cash equivalents, beginning of year		**317,704**	463,531
Cash and cash equivalents, end of period		**$ 154,080**	$ 675,116

The accompanying notes are an integral part of these Interim Consolidated Financial Statements.

1. CORPORATE INFORMATION

MEG Energy Corp. (the "Corporation") was incorporated under the *Alberta Business Corporations Act* on March 9, 1999. The Corporation's shares trade on the Toronto Stock Exchange ("TSX") under the symbol "MEG". The Corporation owns a 100% interest in over 900 square miles of oil sands leases in the southern Athabasca oil sands region of northern Alberta and is primarily engaged in an in situ steam-assisted gravity drainage oil sands development at its 80 section Christina Lake Project.

In the first quarter of 2018, the Corporation successfully completed the sale of its 50% interest in the Access Pipeline and its 100% interest in the Stonefell Terminal.

The corporate office is located at 600 – 3rd Avenue SW, Calgary, Alberta, Canada.

2. BASIS OF PRESENTATION

The unaudited interim consolidated financial statements (“interim consolidated financial statements”) were prepared using the same accounting policies and methods as those used in the Corporation’s audited consolidated financial statements for the year ended December 31, 2018, except as described in Note 3. The interim consolidated financial statements are in compliance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board ("IASB"), has been omitted or condensed. The preparation of interim consolidated financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Corporation’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, have been set out in Note 4 of the Corporation’s audited consolidated financial statements for the year ended December 31, 2018 and in Note 4 of these interim consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the Corporation’s audited consolidated financial statements for the year ended December 31, 2018.

These interim consolidated financial statements are presented in Canadian dollars ($ or C$), which is the Corporation’s functional currency. The Corporation’s operations are aggregated into one operating segment for reporting, consistent with the internal reporting provided to the chief operating decision-maker of the Corporation.

These interim consolidated financial statements were approved by the Corporation’s Audit Committee on May 6, 2019.

3. CHANGE IN ACCOUNTING POLICIES

New accounting standards

IFRS 16 *Leases*

The IASB issued IFRS 16, *Leases* ("IFRS 16"), which replaces IAS 17 *Leases*, and is effective for annual periods beginning on or after January 1, 2019. IFRS 16, a single recognition and measurement model applicable to lessees, requires recognition of lease assets and lease liabilities on the balance sheet. The standard eliminates the classification of leases as either operating leases or finance leases for lessees, essentially treating all leases as finance leases. Short-term leases and leases for low-value assets are exempt from recognition and will continue to be treated as operating leases. The accounting requirements for lessors is substantially unchanged and a lessor will continue to classify leases as either finance leases or operating leases.

The Corporation adopted IFRS 16 *Leases,* effective January 1, 2019, using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period comparative financial information as the cumulative effect is recognized as an adjustment to the opening deficit on the transition date and the standard is applied prospectively. Therefore, the comparative information in the Corporation's condensed Consolidated balance sheet, Consolidated statement of earnings (loss) and comprehensive income, Consolidated statement of changes in shareholders' equity, and Consolidated statement of cash flow have not been restated.

On adoption of IFRS 16, the Corporation elected to use the following practical expedients permitted by the standard:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Accounted for leases with a remaining term of less than 12 months as at January 1, 2019 as short-term leases;
- Used hindsight when determining the lease term where the contract contained options to extend or terminate the lease;
- Excluded initial direct costs from the measurement of the right-of-use ("ROU") asset as at January 1, 2019; and
  Relied on the Corporation’s previous assessment of whether leases were onerous under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* immediately before initial application as an alternative to performing an impairment review on the ROU assets. ROU assets have been adjusted by the amount of the onerous contracts provision recognized in the consolidated financial statements as at December 31, 2018.

The impacts of the adoption of IFRS 16, as at January 1, 2019, are as follows:

		IFRS 16 Opening Balance Sheet Adjustments			
	Reported balance as at Dec 31, 2018	**Finance Sublease Receivables[a]**	**Transportation Leases[b]**	**Office Leases[b]**	**Restated balance as at January 1, 2019**
Assets					
Property, plant and equipment	$ 6,645,224		$ 17,418	$ 41,607	$ 6,704,249
Other assets	210,628	$ 19,164			229,792
Deferred income tax asset	236,578	(5,174)		773	232,177
Liabilities					
Provisions and other liabilities	(293,817)		(17,418)	(44,469)	(355,704)
Shareholders' Equity					
Deficit	1,750,653	(13,990)		2,089	1,738,752
	$ 8,549,266	**$ —**	**$ —**	**$ —**	**$ 8,549,266**

a. On adoption, the Corporation has recognized finance sublease receivables in relation to certain sublease arrangements that were previously recognized on the consolidated balance sheet as at December 31, 2018 within the onerous contracts provision.

b. On adoption, the Corporation has recognized lease liabilities in relation to lease arrangements measured at the present value of the remaining lease payments as at December 31, 2018, and discounted using the Corporation’s estimated incremental borrowing rate as of January 1, 2019. The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, on January 1, 2019.

Reconciliation of Commitments to Lease Liabilities

The following table provides a reconciliation of the commitments as at December 31, 2018 to the Corporation's lease liabilities as at January 1, 2019:

	Reconciliation
Commitments as at December 31, 2018	$ 9,025,882
Less:	
Agreements that do not contain a lease	(8,842,245)
Non-lease components	(64,130)
Short-term and immaterial leases	(11,902)
Impact of discounting	(25,450)
	82,155
Add:	
Finance lease liabilities under IAS 17	131,063
Provisions previously recognized under IAS 37	77,625
Lease liabilities as at January 1, 2019	**$ 290,843**

Significant Accounting Policies

Leases

The Corporation has applied IFRS 16 using the modified retrospective approach. As a result, the comparative information contained herein has been accounted for in accordance with the Corporation's previous accounting policies which can be found in the audited consolidated financial statements for the year ended December 31, 2018.

The following accounting policy is applicable as of January 1, 2019:

The Corporation assesses whether a contract is a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration.

As Lessee

Leases are recognized as a lease liability and a corresponding ROU asset at the date on which the leased asset is available for use by the Corporation. Liabilities and assets arising from a lease are initially measured on a present value basis. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Corporation's estimated incremental borrowing rate when the rate implicit in the lease is not readily available. The corresponding right-of-use assets are measured at the amount equal to the lease liability.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Corporation will exercise a purchase, extension or termination option that is within the control of the Corporation.

The ROU asset, initially measured at an amount equal to the corresponding lease liability, is depreciated on a straight-line basis, over the shorter of the estimated useful life of the asset or the lease term. The ROU asset may be adjusted for certain remeasurements of the lease liability and impairment losses.

Upon adoption of IFRS 16, there is an increase to depletion and depreciation expense on right-of-use assets, an increase to net finance expense on lease liabilities, a reduction to general and administrative expense and a reduction to transportation expense. Accounting treatment of existing sale and leasebacks resulting in a finance lease under IAS 17 remain unchanged.

Lease payments are allocated between the lease liability and finance costs. Cash outflows for repayment of the principal portion of the lease liability is classified as cash flows from financing activities. The interest portion of the lease payments is classified as cash flows from operating activities.

Leases that have terms of less than twelve months or leases on which the underlying asset is of low value are recognized as an expense in the consolidated statement of earnings (loss) on a straight-line basis over the lease term.

As Lessor

Accounting requirements for lessors is substantially unchanged and a lessor will continue to classify leases as either finance leases or operating leases, and disclosure requirements are enhanced. As an intermediate lessor, the Corporation accounts for its interest in the head lease and subleases separately. The Corporation has reassessed subleases previously classified as operating leases under IAS 17 to determine whether each sublease should be classified as an operating lease or a finance lease. An operating lease that is reclassified to a finance lease is accounted for as a new finance lease entered into on January 1, 2019.

4. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The same accounting estimates, assumptions and judgments are used in the unaudited interim consolidated financial statements as were used in the Corporation's audited financial statements. Additional estimates, assumptions and judgments for 2019 are outlined below:

(a) Critical judgments related to leases under IFRS 16, *Leases*

The Corporation applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease within the scope of IFRS 16. Leases that are recognized are subject to further judgment and estimation in various areas specific to the arrangement.

When a lease contract contains an option to extend or terminate a lease, the Corporation must use their best estimate to determine the appropriate lease term. Management must consider all facts and circumstances to determine if there is an economic benefit to exercise an extension option or to not exercise a termination option. The lease term must be reassessed if a significant event or change in circumstance occurs.

Lease liabilities recognized have been estimated using a discount rate equal to the Corporation's estimated incremental borrowing rate. This rate represents the rate that the Corporation wold incur to obtain the funds necessary to purchase an asset of a similar value, with similar payment terms and security in a similar economic environment.

5. PROPERTY, PLANT AND EQUIPMENT

	Crude oil	Transportation and storage	Corporate assets	Total
Cost				
Balance as at December 31, 2017	$ 8,298,090	$ 1,617,841	$ 76,448	$ 9,992,379
Additions	618,725	201,583	773	821,081
Transfers to other assets (Note 8)	—	(67,318)	—	(67,318)
Dispositions	—	(1,397,099)	—	(1,397,099)
Change in decommissioning liabilities	(37,087)	(329)	—	(37,416)
Balance as at December 31, 2018	$ 8,879,728	$ 354,678	$ 77,221	$ 9,311,627
IFRS 16 opening balance sheet adjustment	—	17,418	41,607	59,025
Additions	52,485	—	338	52,823
Change in decommissioning liabilities	4,352	19	—	4,371
Balance as at March 31, 2019	**$ 8,936,565**	**$ 372,115**	**$ 119,166**	**$ 9,427,846**

	Crude oil	Transportation and storage	Corporate assets	Total
Accumulated depletion and depreciation				
Balance as at December 31, 2017	$ 2,184,248	$ 140,634	$ 33,098	$ 2,357,980
Depletion and depreciation	425,505	22,306	6,364	454,175
Dispositions	—	(145,752)	—	(145,752)
Balance as at December 31, 2018	$ 2,609,753	$ 17,188	$ 39,462	$ 2,666,403
Depletion and depreciation	109,203	3,083	2,179	114,465
Balance as at March 31, 2019	**$ 2,718,956**	**$ 20,271**	**$ 41,641**	**$ 2,780,868**
Carrying amounts				
Balance as at December 31, 2018	$ 6,269,975	$ 337,490	$ 37,759	$ 6,645,224
Balance as at March 31, 2019	**$ 6,217,609**	**$ 351,844**	**$ 77,525**	**$ 6,646,978**

On adoption of IFRS 16, the Corporation recognized right-of-use assets of $59.0 million in relation to corporate office lease arrangements and transportation and storage lease arrangements measured at the present value of the remaining lease payments as at December 31, 2018, and discounted using the Corporation's estimated incremental borrowing rate as of January 1, 2019. These right-of-use assets were measured at the amount equal to the lease liability on January 1, 2019. As at March 31, 2019, the carrying amount of the ROU assets, including the previously recognized finance lease under IAS 17, is $245.8 million.

During the first quarter of 2018, the Corporation successfully completed the sale of its 50% interest in the Access Pipeline and its 100% interest in the Stonefell Terminal for proceeds of $1.52 billion (net of transaction costs of $18.5 million). As a result of the transaction, the Corporation recognized a gain of $318.4 million on the sale of its 50% interest in the Access Pipeline. The sale of its 100% interest in the Stonefell Terminal has been accounted for as a sale and leaseback transaction that resulted in a finance lease (Note 10(a)). The $189.2 million net book value of the leased asset is included in transportation and storage assets within property, plant and equipment. The Stonefell Lease Agreement is a 30-year arrangement that secures the Corporation's operational control and exclusive use of 100% of Stonefell Terminal's 900,000 barrel blend and condensate facility.

As at March 31, 2019, property, plant and equipment was assessed for impairment and no impairment was recognized. Included in the cost of property, plant and equipment is $296.3 million of assets under construction (December 31, 2018 – $291.0 million).

6. EXPLORATION AND EVALUATION ASSETS

Cost		
Balance as at December 31, 2017	$	548,828
Additions		2,906
Exploration expense and dispositions		(978)
Change in decommissioning liabilities		(736)
Balance as at December 31, 2018	$	550,020
Additions		225
Change in decommissioning liabilities		23
Balance as at March 31, 2019	**$**	**550,268**

Exploration and evaluation assets consist of exploration projects which are pending the determination of proved or probable reserves. These assets are not subject to depletion, as they are in the exploration and evaluation stage, but are reviewed on a quarterly basis for any indication of impairment. If it is determined that the project is not technically feasible and commercially viable or if the Corporation decides not to continue the exploration and evaluation activity, the unrecoverable accumulated costs are expensed as exploration expense. As at March 31, 2019, these assets were assessed for impairment and no impairment has been recognized on exploration and evaluation assets.

7. INTANGIBLE ASSETS

Cost		
Balance as at December 31, 2017	$	113,455
Additions		851
Balance as at December 31, 2018	$	114,306
Additions		115
Balance as at March 31, 2019	**$**	**114,421**

Accumulated depreciation		
Balance as at December 31, 2017	$	100,418
Depreciation		2,940
Balance as at December 31, 2018	$	103,358
Depreciation		670
Balance as at March 31, 2019	**$**	**104,028**

Carrying amounts		
Balance as at December 31, 2018	$	10,948
Balance as at March 31, 2019	**$**	**10,393**

As at March 31, 2019, intangible assets consist of $10.4 million invested in software that is not an integral component of the related computer hardware (December 31, 2018 – $10.9 million). As at March 31, 2019, no impairment has been recognized on these assets. During the three months ended March 31, 2019, the Corporation sold internally generated emission performance credits that were recorded at a nominal amount, and recognized a gain on sale of intangible assets of $12.3 million.

8. OTHER ASSETS

As at		March 31, 2019		December 31, 2018
Non-current pipeline linefill[(a)]	$	**192,027**	$	194,066
Finance sublease receivables[(b)]		**18,982**		—
Deferred financing costs		**11,742**		15,481
Prepaid transportation costs[(c)]		**8,620**		8,643
		231,371		218,190
Less current portion		**(7,040)**		(7,562)
	$	**224,331**	$	210,628

a. Non-current pipeline linefill on third party owned pipelines is classified as a non-current asset as these transportation contracts expire between the years 2020 and 2048. As at March 31, 2019, no impairment has been recognized on these assets.

b. On adoption of IFRS 16, the Corporation has recognized finance sublease receivables in relation to certain sublease arrangements that were previously recognized on the consolidated balance sheet as at December 31, 2018 within the onerous contracts provision. The IFRS 16 opening balance sheet adjustment related to finance sublease receivables was $19.2 million as at January 1, 2019.

c. Prepaid transportation costs related to upgrading third-party transportation infrastructure under the terms of a non-current transportation services agreement have been capitalized and are being amortized to transportation expense over the 30-year term of the agreement.

9. LONG-TERM DEBT

As at		March 31, 2019		December 31, 2018
Senior secured term loan (March 31, 2019 – US$222.3 million; due 2023; December 31, 2018 – US$225.4 billion)[(a)]	$	**296,993**	$	307,552
6.375% senior unsecured notes (US$800.0 million; due 2023)		**1,068,800**		1,091,640
7.0% senior unsecured notes (US$1.0 billion; due 2024)		**1,336,000**		1,364,550
6.5% senior secured second lien notes (US$750.0 million; due 2025)		**1,002,000**		1,023,413
		3,703,793		3,787,155
Less unamortized financial derivative liability discount		**—**		(1,267)
Less unamortized deferred debt discount and debt issue costs		**(27,746)**		(28,886)
		3,676,047		3,757,002
Less current portion of senior secured term loan		**(16,500)**		(16,852)
	$	**3,659,547**	$	3,740,150

The U.S. dollar denominated debt was translated into Canadian dollars at the period end exchange rate of US$1 = C$1.3360 (December 31, 2018 – US$1 = C$1.3646).

All of the Corporation's long-term debt is "covenant-lite" in structure, meaning it is free of any financial maintenance covenants and is not dependent on, nor calculated from, the Corporation's crude oil reserves.

a. As at March 31, 2019, the senior secured credit facilities are comprised of a US$222.3 million term loan and a US $1.4 billion revolving credit facility. The senior secured term loan, credit facilities and second lien notes are secured by substantially all the assets of the Corporation. As at March 31, 2019, no amount has been drawn under the US$1.4 billion revolving credit facility.

The Corporation's letter of credit facility, guaranteed by Export Development Canada, has a limit of US$440 million. Letters of credit under this facility do not consume capacity of the revolving credit facility. As at March 31, 2019, the Corporation had US$165.2 million of unutilized capacity under this facility.

10. PROVISIONS AND OTHER LIABILITIES

As at		March 31, 2019		December 31, 2018
Lease liabilities[(a)]	$	**287,382**	$	131,063
Onerous contracts provision[(b)]		**—**		77,625
Decommissioning provision[(c)]		**70,684**		64,965
Deferred lease inducements[(d)]		**567**		20,932
Other liabilities		**12,978**		16,290
Provisions and other liabilities		**371,611**		310,875
Less current portion		**(19,062)**		(17,058)
Non-current portion	$	**352,549**	$	293,817

a. Lease liabilities:

As at		March 31, 2019		December 31, 2018
Balance, beginning of year	$	**131,063**	$	—
IFRS 16 opening balance sheet adjustment		**159,780**		—
Liabilities incurred		**—**		130,446
Liabilities settled		**(9,964)**		(12,166)
Interest expense		**6,503**		12,783
Balance, end of period		**287,382**		131,063
Less current portion		**(16,139)**		—
Non-current portion	$	**271,243**	$	131,063

On adoption of IFRS 16, the Corporation recognized lease liabilities of $159.8 million in relation to corporate office space and marketing storage arrangements measured at the present value of the remaining lease payments as at January 1, 2019, and discounted using the Corporation’s estimated incremental borrowing rate of 6.0% for assets over a similar term with similar security, determined in accordance with IFRS 16. The associated right-of-use assets were measured at the amount equal to the lease liabilities on January 1, 2019.

The Corporation's minimum lease payments are as follows:

As at		March 31, 2019
Within one year	$	**36,949**
Later than one year but not later than five years		**148,033**
Later than five years		**556,776**
Minimum lease payments		**741,758**
Amounts representing finance charges		**(454,376)**
Present value of net minimum lease payments	$	**287,382**

The Corporation has short-term leases with lease terms of twelve months or less as well as low-value leases. As these lease costs are incurred they are recognized as either general and administrative expense or operating expense depending on their nature. As at March 31, 2019, the present value of these arrangements is $8.8 million, using the Corporation's estimated incremental borrowing rate.

b. Onerous contracts provision:

On adoption of IFRS 16, the Corporation elected to use the practical expedient and rely on its previous assessment of whether leases were onerous under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets,* immediately before initial application, as an alternative to performing an impairment review. As a result, the Corporation has adjusted the right-of-use asset by $77.6 million which was the amount of the onerous contracts provision recognized in the consolidated financial statements as at December 31, 2018.

c. Decommissioning provision:

The following table presents the decommissioning provision associated with the reclamation and abandonment of the Corporation’s property, plant and equipment and exploration and evaluation assets:

As at	March 31, 2019	December 31, 2018
Balance, beginning of year	**$ 64,965**	$ 102,530
Changes in estimated future cash flows and settlement dates	**1,506**	(4,983)
Changes in discount rates	**2,689**	(39,132)
Liabilities incurred	**199**	6,013
Liabilities disposed	**—**	(976)
Liabilities settled	**(340)**	(5,225)
Accretion	**1,665**	6,738
Balance, end of period	**70,684**	64,965
Less current portion	**(2,661)**	(2,557)
Non-current portion	**$ 68,023**	$ 62,408

The decommissioning provision represents the present value of the estimated future costs for the reclamation and abandonment of the Corporation's property, plant and equipment and exploration and evaluation assets. The total undiscounted amount of the estimated future cash flows to settle the decommissioning obligations is $725.4 million (December 31, 2018 – $719.4 million). The Corporation has estimated the net present value of the decommissioning obligations using a weighted average credit-adjusted risk-free rate of 13.7% (December 31, 2018 – 14.1%) and an inflation rate of 2.1% (December 31, 2018 - 2.1%). The decommissioning provision is estimated to be settled in periods up to the year 2067 (December 31, 2018 - periods up to the year 2067).

d. Deferred office building lease inducements:

On adoption of IFRS 16, the Corporation recognized an opening balance sheet adjustment of $18.6 million related to deferred office building lease inducements. The remaining deferred office building lease inducements of $0.6 million are being amortized over the respective terms of the Corporation’s office building leases.

11. SHARE CAPITAL

The Corporation is authorized to issue an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares.

Changes in issued common shares are as follows:

	Three months ended March 31, 2019		Year ended December 31, 2018	
	Number of shares (thousands)	**Amount**	**Number of shares** (thousands)	**Amount**
Balance, beginning of year	**296,841**	**$ 5,427,023**	294,104	$ 5,403,978
Issued upon exercise of stock options	**6**	**40**	212	1,813
Issued upon vesting and release of RSUs and PSUs	**10**	**57**	2,525	21,232
Balance, end of period	**296,857**	**$ 5,427,120**	296,841	$ 5,427,023

12. STOCK-BASED COMPENSATION

The Corporation has a number of stock-based compensation plans which include stock options, restricted share units (“RSUs”), performance share units (“PSUs”) and deferred share units (“DSUs”). Further detail on each of these plans is outlined below.

a. Cash-settled plans

i. Restricted share units and performance share units:

RSUs granted under the cash-settled RSU plan generally vest on the first, second and third anniversary of the grant date. PSUs granted under the cash-settled RSU plan generally vest on the third anniversary of the grant date, provided that the Corporation satisfies certain performance criteria identified by the Corporation’s Board of Directors within a target range and which are set and measured annually. The stock-based compensation expense for PSUs is determined based on an estimate of the final number of PSU awards that eventually vest based on the performance multiplier and the performance criteria.

Cash-settled RSUs and PSUs outstanding:

Three months ended March 31 (expressed in thousands)	**2019**
Outstanding, beginning of year	**4,262**
Granted [1]	**864**
Vested and released	**(7)**
Forfeited	**(208)**
Outstanding, end of period	**4,911**

[1] *Additional PSUs were granted due to the confirmation of the annual performance factor applied to previously granted PSUs.*

ii. Deferred share units outstanding:

The Deferred Share Unit Plan allows for the granting of DSUs to directors of the Corporation. As at March 31, 2019, there were 342,775 DSUs outstanding (December 31, 2018 – 342,775 DSUs outstanding).

As at March 31, 2019, the Corporation has recognized a liability of $20.5 million relating to the fair value of cash-settled RSUs, PSUs and DSUs (December 31, 2018 – $30.4 million). The current portion of $15.0 million is included within accounts payable and accrued liabilities and $5.5 million is included as a non-current liability within provisions and other liabilities based on the expected payout dates of the individual awards.

b. Equity-settled plans

i. Stock options outstanding:

The Corporation's Stock Option Plan allows for the granting of stock options to directors, officers, employees and consultants of the Corporation. Stock options granted are generally fully exercisable after three years and expire seven years after the grant date.

Three months ended March 31, 2019	**Stock options** (thousands)		**Weighted average exercise price**
Outstanding, beginning of year	**8,517**	**$**	**21.27**
Exercised	**(6)**		**4.53**
Forfeited	**(74)**		**16.90**
Expired	**(25)**		**44.07**
Outstanding, end of period	**8,412**	**$**	**21.26**

ii. Restricted share units and performance share units:

RSUs granted under the equity-settled Restricted Share Unit Plan generally vest on the first, second and third anniversary of the grant date. PSUs granted under the equity-settled Restricted Share Unit Plan generally vest on the third anniversary of the grant date, provided that the Corporation satisfies certain performance criteria identified by the Corporation's Board of Directors within a target range and which are set and measured annually.

Equity-settled RSUs and PSUs outstanding:

Three months ended March 31 (expressed in thousands)	**2019**
Outstanding, beginning of year	**6,534**
Granted [1]	**178**
Vested and released	**(10)**
Forfeited	**(551)**
Outstanding, end of period	**6,151**

[1] *Additional PSUs were granted due to the confirmation of the annual performance factor applied to previously granted PSUs.*

c. Stock-based compensation

Three months ended March 31		**2019**		**2018**
Cash-settled expense (recovery) [i]	**$**	**(9,438)**	$	(291)
Equity-settled expense		**4,294**		6,129
Stock-based compensation	**$**	**(5,144)**	$	5,838

(i) Cash-settled RSUs and PSUs are accounted for as liability instruments and are measured at fair value based on the market value of the Corporation's common shares at each period end and certain estimates including a performance multiplier for PSUs. Fluctuations in the fair value are recognized during the period in which they occur.

13. REVENUES

Three months ended March 31		2019		2018
Petroleum revenue				
Proprietary	$	**695,694**	$	672,890
Third-party[(i)]		**203,079**		43,643
Petroleum revenue		**898,773**		716,533
Royalties		**(2,995)**		(8,508)
Petroleum revenue, net of royalties	$	**895,778**	$	708,025
Power revenue	$	**19,514**	$	9,956
Transportation revenue		**3,339**		2,610
Other revenue	$	**22,853**	$	12,566
	$	**918,631**	$	720,591

(i) The Corporation purchases crude oil products from third parties for marketing-related activities. These purchases are included in the consolidated statement of earnings (loss) and comprehensive income (loss) under the caption "Purchased product".

a. Disaggregation of revenue from contracts with customers

The Corporation recognizes revenue upon delivery of goods and services in the following geographic regions:

	Three months ended March 31					
	2019			2018		
	Petroleum Revenue			Petroleum Revenue		
	Proprietary	Third-party	Total	Proprietary	Third-party	Total
Country:						
Canada	**$ 430,500**	**$ 144,995**	**$ 575,495**	$ 429,322	$ 41,029	$ 470,351
United States	**265,194**	**58,084**	**323,278**	243,568	2,614	246,182
	$ 695,694	**$ 203,079**	**$ 898,773**	$ 672,890	$ 43,643	$ 716,533

Other revenue recognized during the three months ended March 31, 2019 and 2018 is attributed to Canada.

b. Revenue-related assets

The Corporation has recognized the following revenue-related assets in trade receivables and other:

As at		March 31, 2019		December 31, 2018
Petroleum revenue	$	**392,883**	$	121,928
Other revenue		**5,895**		4,489
Total revenue-related assets	$	**398,778**	$	126,417

Revenue-related receivables are typically settled within 30 days. As at March 31, 2019 and December 31, 2018, no impairment has been recognized on revenue-related receivables.

14. DILUENT AND TRANSPORTATION

Three months ended March 31		2019		2018
Diluent expense	$	**297,250**	$	332,966
Transportation expense[(a)]		**94,483**		51,976
Diluent and transportation	$	**391,733**	$	384,942

a. On March 22, 2018, the Corporation successfully completed the sale of its 50% interest in the Access Pipeline. Transportation expense includes incremental expenses associated with the related Transportation Services Agreement.

15. PURCHASED PRODUCT

Three months ended March 31		2019		2018
Third-party purchased product	$	**195,636**	$	42,429
Blend purchases		**—**		48,798
Purchased product[(i)]	$	**195,636**	$	91,227

(i) The Corporation purchases crude oil products from third-parties for marketing-related activities.

16. FOREIGN EXCHANGE LOSS (GAIN), NET

Three months ended March 31		2019		2018
Unrealized foreign exchange loss (gain) on:				
Long-term debt	$	**(79,285)**	$	138,784
Other		**2,267**		2,514
Unrealized net loss (gain) on foreign exchange		**(77,018)**		141,298
Realized loss (gain) on foreign exchange		**(1,080)**		2,010
Realized loss (gain) on foreign exchange derivatives[(a)]		**—**		(35,362)
Foreign exchange loss (gain), net	$	**(78,098)**	$	107,946

C$ equivalent of 1 US$		
Beginning of year	**1.3646**	1.2518
End of period	**1.3360**	1.2901

a. On February 8, 2018, the Corporation entered into forward currency contracts to manage the foreign exchange risk on expected Canadian dollar denominated asset sale proceeds designated for U.S. dollar denominated long-term debt repayment. The forward currency contracts were settled on March 22, 2018, resulting in a realized gain of $35.4 million.

17. NET FINANCE EXPENSE

Three months ended March 31	2019	2018
Interest expense on long-term debt	$ 71,724	$ 82,865
Interest expense on lease liabilities[(a)]	6,503	441
Interest income	(1,325)	(2,181)
Net interest expense	76,902	81,125
Accretion on provisions	1,665	1,910
Unrealized loss (gain) on derivative financial liabilities	(253)	2,976
Realized loss (gain) on interest rate swaps[(b)]	—	(17,312)
Net finance expense	$ 78,314	$ 68,699

a. On adoption of IFRS 16, the Corporation recognized lease liabilities of $159.8 million in relation to corporate office space and marketing storage arrangements. These lease liabilities will be accreted through net finance expense over the life of each lease arrangement using the Corporation's estimated incremental borrowing rate of 6.0%, which is the rate determined for assets over a similar term with similar security, and is in accordance with IFRS 16.

b. In the third quarter of 2017, the Corporation entered into an interest rate swap contract to effectively fix the interest rate on US$650.0 million of its US$1.2 billion senior secured term loan at approximately 5.3%. In conjunction with the partial repayment of the senior secured term loan on March 27, 2018, the interest rate swap was terminated and a realized gain of $17.3 million was recognized.

18. OTHER EXPENSES

Three months ended March 31	2019	2018
Severance and other	6,983	187
Onerous contracts expense	—	644
Other expenses	$ 6,983	$ 831

19. INCOME TAX EXPENSE (RECOVERY)

Three months ended March 31	2019	2018
Current income tax expense (recovery)	$ 243	$ 116
Deferred income tax expense (recovery)	(45,669)	(29,774)
Income tax expense (recovery)	$ (45,426)	$ (29,658)

As at March 31, 2019, the Corporation has recognized a deferred tax asset of $277.8 million (December 31, 2018 - $236.6 million). Future taxable income is expected to be sufficient to realize the deferred tax asset.

20. SUPPLEMENTAL CASH FLOW DISCLOSURES

Three months ended March 31	2019	2018
Cash provided by (used in):		
Trade receivables and other	$ (232,897)	$ (8,945)
Inventories	(8,953)	(18,315)
Accounts payable and accrued liabilities	(21,578)	48,800
	$ (263,428)	$ 21,540
Changes in non-cash working capital relating to:		
Operating	$ (220,287)	$ 8,136
Investing	(43,141)	13,404
	$ (263,428)	$ 21,540
Cash and cash equivalents:[a]		
Cash	$ 154,080	$ 281,029
Cash equivalents	—	394,087
	$ 154,080	$ 675,116
Cash interest paid	$ 117,642	$ 127,792

a. As at March 31, 2019, C$42.9 million of the Corporation's total cash and cash equivalents balance was held in U.S. dollars (March 31, 2018 – C$244.4 million). The U.S. dollar cash and cash equivalents balance has been translated into Canadian dollars at the period end exchange rate of US$1 = C$1.3360 (March 31, 2018 – US$1 = C$1.2901).

The following table provides a reconciliation of assets and liabilities to cash flows arising from financing activities:

	Finance sublease receivables	Lease liabilities	Long-term debt
Balance as at December 31, 2018	$ —	$ 131,063	$ 3,757,002
Cash changes:			
Receipts on leased assets	(182)	—	—
Payments on lease liabilities - interest portion	—	(6,282)	—
Payments on lease liabilities - principal portion	—	(3,682)	—
Payments on term loan	—	—	(4,078)
Non-cash changes:			
IFRS 16 opening balance sheet adjustment	19,164	159,780	—
Interest expense on lease liabilities	—	6,503	—
Unrealized loss (gain) on foreign exchange	—	—	(79,285)
Amortization of financial derivative liability discount	—	—	1,267
Amortization of deferred debt discount and debt issue costs	—	—	1,141
Balance as at March 31, 2019	**$ 18,982**	**$ 287,382**	**$ 3,676,047**

(i) Finance sublease receivables, Lease liabilities & Long-term debt all include their respective current portion.

21. NET EARNINGS (LOSS) PER COMMON SHARE

Three months ended March 31		2019		2018
Net earnings (loss)	$	**(47,528)**	$	140,573
Weighted average common shares outstanding (thousands)[(a)]		**296,847**		294,245
Dilutive effect of stock options, RSUs and PSUs (thousands)[(b)]		**—**		3,417
Weighted average common shares outstanding – diluted (thousands)		**296,847**		297,662
Net earnings (loss) per share, basic	$	**(0.16)**	$	0.48
Net earnings (loss) per share, diluted	$	**(0.16)**	$	0.47

a. Weighted average common shares outstanding for the three months ended March 31, 2019 includes nil PSUs not yet released (three months ended March 31, 2018 - 139,863 PSUs).

b. For the three months ended March 31, 2019, there was no dilutive effect of stock options, RSUs and PSUs due to the Corporation incurring a net loss. If the Corporation had recognized net earnings during the three months ended March 31, 2019, the dilutive effect of stock options, RSUs and PSUs would have been 3.2 million weighted average common shares.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The financial instruments recognized on the consolidated balance sheet are comprised of cash and cash equivalents, trade receivables and other, commodity risk management contracts, accounts payable and accrued liabilities, lease liabilities and derivative financial liabilities included within provisions and other liabilities and long-term debt. As at March 31, 2019, commodity risk management contracts were classified as fair value through profit and loss; cash and cash equivalents, trade receivables and other, accounts payable and accrued liabilities, lease liabilities and long-term debt were carried at amortized cost.

The carrying value of cash and cash equivalents, trade receivables and other and accounts payable and accrued liabilities included on the consolidated balance sheet approximate the fair value of the respective assets and liabilities due to the short-term nature of those instruments.

a. Fair value measurements of long-term debt, derivative financial liabilities and commodity risk management contracts are as follows:

As at March 31, 2019	Carrying amount	Fair value measurements using Level 1	Level 2	Level 3
Recurring measurements:				
Financial assets				
Commodity risk management contracts	$ 3,101	$ —	$ 3,101	$ —
Financial liabilities				
Long-term debt[(i)] (Note 9)	$ 3,703,793	$ —	$ 3,496,045	$ —
Derivative financial liabilities	$ 804	$ —	$ 804	$ —
Commodity risk management contracts	$ 119,374	$ —	$ 119,374	$ —

As at December 31, 2018	Carrying amount	Fair value measurements using Level 1	Level 2	Level 3
Recurring measurements:				
Financial assets				
Commodity risk management contracts	$ 122,658	$ —	$ 122,658	$ —
Financial liabilities				
Long-term debt[(i)] (Note 9)	$ 3,787,155	$ —	$ 3,706,647	$ —
Derivative financial liabilities	$ 1,058	$ —	$ 1,058	$ —
Commodity risk management contracts	$ 29,709	$ —	$ 29,709	$ —

(i) Includes the current and non-current portions.

Level 1 fair value measurements are based on unadjusted quoted market prices.

As at March 31, 2019, the Corporation did not have any financial instruments measured at Level 1 fair value.

Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted prices or indices.

The estimated fair value of long-term debt is derived using quoted prices in an inactive market from a third-party independent broker.

The fair value of commodity risk management contracts and derivative financial liabilities are derived using third-party valuation models which require assumptions concerning the amount and timing of future cash flows and discount rates. Management's assumptions rely on external observable market data including forward prices for commodities, interest rate yield curves and foreign exchange rates. The observable inputs may be adjusted using certain methods, which include extrapolation to the end of the term of the contract.

Level 3 fair value measurements are based on unobservable information.

The estimated fair value of finance leases is based on recently observed transactions, or calculated by discounting the expected future contractual cash flows using a discount rate based on either contractual terms or market rates for instruments of similar maturity and credit risk.

The Corporation recognizes transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

b. Commodity price risk management:

The Corporation enters into derivative financial instruments to manage commodity price risk. The use of the financial commodity risk management contracts is governed by a Risk Management Committee that follows guidelines and limits approved by the Board of Directors. The Corporation does not use financial derivatives for speculative purposes. Financial commodity risk management contracts are measured at fair value, with gains and losses on re-measurement included in the consolidated statement of earnings and comprehensive income in the period in which they arise.

The Corporation had the following financial commodity risk management contracts relating to crude oil sales and condensate purchases outstanding as at March 31, 2019:

As at March 31, 2019	Volumes (bbls/d)[(i)]	Term	Average Price (US$/bbl)[(i)]
Crude Oil Sales Contracts			
WTI[(ii)] Fixed Price	34,446	Apr 1, 2019 - Dec 31, 2019	$63.97
WTI:WCS[(iii)] Fixed Differential	51,608	Apr 1, 2019 - Dec 31, 2019	$(21.49)
WTI:WCS Fixed Differential	17,000	Jan 1, 2020 - Dec 31, 2020	$(22.18)
Condensate Purchase Contracts			
WTI:Mont Belvieu Fixed Differential	5,168	Apr 1, 2019 - Dec 31, 2019	$(7.56)
WTI:Mont Belvieu Fixed Differential	6,000	Jan 1, 2020 - Dec 31, 2020	$(7.62)
Mont Belvieu Fixed % of WTI	9,750	Apr 1, 2019 - Dec 31, 2019	92.2 %
Mont Belvieu Fixed % of WTI	7,750	Jan 1, 2020 - Dec 31, 2020	93.1 %

(i) The volumes and prices in the above table represent averages for various contracts with differing terms and prices. The average price and percentages for the portfolio may not have the same payment profile as the individual contracts and are provided for indicative purposes.
(ii) West Texas Intermediate ("WTI") crude oil
(iii) Western Canadian Select ("WCS") crude oil blend

The Corporation's financial commodity risk management contracts are subject to master agreements that create a legally enforceable right to offset, by counterparty, the related financial assets and financial liabilities on the Corporation's balance sheet in all circumstances.

The following table provides a summary of the Corporation's unrealized offsetting financial commodity risk management positions:

As at	March 31, 2019			December 31, 2018		
	Asset	Liability	Net	Asset	Liability	Net
Gross amount	**$ 3,101**	**$ (171,123)**	**$ (168,022)**	$ 302,503	$ (65,863)	$ 236,640
Amount offset	**—**	**51,749**	**51,749**	(179,845)	36,154	(143,691)
Net amount	**$ 3,101**	**$ (119,374)**	**$ (116,273)**	$ 122,658	$ (29,709)	$ 92,949
Current portion	**$ 3,101**	**$ (97,631)**	**$ (94,530)**	$ 122,658	$ (6,061)	$ 116,597
Non-current portion	**—**	**(21,743)**	**(21,743)**	—	(23,648)	(23,648)
Net amount	**$ 3,101**	**$ (119,374)**	**$ (116,273)**	$ 122,658	$ (29,709)	$ 92,949

The following table provides a reconciliation of changes in the fair value of the Corporation's financial commodity risk management assets and liabilities from January 1 to March 31:

As at March 31		2019		2018
Fair value of contracts, beginning of year	$	92,949	$	(68,649)
Fair value of contracts realized		20,984		17,719
Change in fair value of contracts		(229,980)		(75,751)
Unamortized premiums on put options		(226)		—
Fair value of contracts, end of period	**$**	**(116,273)**	$	(126,681)

The following table summarizes the financial commodity risk management gains and losses:

Three months ended March 31		2019		2018
Realized loss (gain) on commodity risk management	**$**	**20,984**	$	17,719
Unrealized loss (gain) on commodity risk management		**208,996**		58,032
Commodity risk management loss (gain)	**$**	**229,980**	$	75,751

The following table summarizes the sensitivity of the earnings (loss) before income tax impact of fluctuating commodity prices on the Corporation's open financial commodity risk management positions in place as at March 31, 2019:

Commodity	Sensitivity Range	Increase	Decrease
Crude oil commodity price	± US$1.00 per bbl applied to WTI contracts	**$ (12,595)**	**$ 12,595**
Crude oil differential price (i)	± US$1.00 per bbl applied to WTI:WCS differential contracts	**$ 27,273**	**$ (27,273)**

(i) As the WCS differential is expressed as a discount to WTI, an increase in the differential results in a lower WCS price and a decrease in the differential results in a higher WCS price.

The Corporation entered into the following financial commodity risk management contracts relating to crude oil sales and condensate purchases subsequent to March 31, 2019. As a result, these contracts are not reflected in the Corporation's Consolidated Financial Statements:

Subsequent to March 31, 2019	Volumes (bbls/d)	Term	Average Prices (US$/bbl)
Crude Oil Sales Contracts			
WTI Fixed Price	2,957	Apr 1, 2019 - Apr 30, 2019	$62.50
WTI Fixed Price	15,179	May 1, 2019 - May 31, 2019	$63.46
WTI Fixed Price	2,280	Jul 1, 2019 - Dec 31, 2019	$61.43
WTI Fixed Price	15,000	Jan 1, 2020 - Dec 31, 2020	$59.37
WTI:WCS Fixed Differential	3,300	Jul 1, 2019 - Dec 31, 2019	$(17.89)
Condensate Purchase Contracts			
WTI:Mont Belvieu Fixed Differential	1,250	Jan 1, 2020 - Dec 31, 2020	$(7.67)

c. Credit risk management:

Credit risk arises from the potential that the Corporation may incur a loss if a counterparty fails to meet its obligations in accordance with agreed terms. The Corporation applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Corporation uses a combination of historical and forward looking information to determine the appropriate loss allowance provisions. Credit risk exposure is mitigated through the use of credit policies governing the Corporation's credit portfolio and with credit practices that limit transactions according to each counterparty's credit quality. A substantial portion of accounts receivable are with investment grade customers in the energy industry and are subject to normal industry credit risk. The Corporation has experienced no material loss in relation to trade receivables.

d. Interest rate risk management:

The Corporation is exposed to interest rate cash flow risk on its floating rate long-term debt and periodically enters into interest rate swap contracts to manage its floating to fixed interest rate mix on long-term debt. In the third quarter of 2017, the Corporation entered into an interest rate swap contract to effectively fix the interest rate on US$650.0 million of the US$1.2 billion senior secured term loan at approximately 5.3%. Interest rate swaps are classified as derivative financial assets and liabilities and measured at fair value, with gains and losses on re-measurement included as a component of net finance expense in the period in which they arise. In conjunction with the partial repayment of the senior secured term loan on March 27, 2018, the interest rate swap was terminated and a realized gain of $17.3 million was recognized (Note 17).

23. GEOGRAPHICAL DISCLOSURE

As at March 31, 2019, the Corporation had non-current assets related to operations in the United States of $97.2 million (December 31, 2018 – $99.3 million). For the three months ended March 31, 2019, petroleum revenue related to operations in the United States was $323.3 million (three months ended March 31, 2018 – $246.2 million).

24. COMMITMENTS AND CONTINGENCIES

a. Commitments

The Corporation's commitments are enforceable and legally binding obligations to make payments in the future for goods and services. These items exclude amounts recorded on the consolidated balance sheet. The Corporation had the following commitments as at March 31, 2019:

	2019	2020	2021	2022	2023	Thereafter	Total
Transportation and storage(i)	$ 257,615	$ 374,081	$ 417,435	$ 423,903	$ 443,820	$ 6,284,126	$ 8,200,980
Diluent purchases	325,631	21,153	21,095	21,095	17,570	—	406,544
Other operating commitments	12,024	12,568	10,472	9,441	9,452	50,123	104,080
Variable office lease costs	3,700	4,933	4,933	4,933	4,933	39,464	62,896
Capital commitments	1,955	—	—	—	—	—	1,955
Commitments	**$ 600,925**	**$ 412,735**	**$ 453,935**	**$ 459,372**	**$ 475,775**	**$ 6,373,713**	**$ 8,776,455**

(i) This represents transportation and storage commitments from 2019 to 2048, including the Access Pipeline TSA, and various pipeline commitments which are awaiting regulatory approval and are not yet in service. Excludes finance leases recognized on the consolidated balance sheet (Note 10(a)).

b. Contingencies

The Corporation is involved in various legal claims associated with the normal course of operations. The Corporation believes that any liabilities that may arise pertaining to such matters would not have a material impact on its financial position.

The Corporation is the defendant to a statement of claim originally filed in 2014 in relation to legacy issues involving a unit train transloading facility in Alberta. The claim was amended in the fourth quarter of 2017 asserting a significant increase to damages claimed. The Corporation filed a statement of defense in the first quarter of 2018. The Corporation continues to view this claim, and the recent amendments, as without merit and will continue to defend against all such claims. The Corporation believes that any liabilities that might arise from this matter are unlikely to have a material effect on its financial position.