2022 FINANCIAL REPORT

NUVISTA ENERGY LTD

www.nuvistaenergy.com

NUVISTA ENERGY LTD

MANAGEMENT'S DISCUSSION & ANALYSIS

For the three months and year ended December 31, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis **("MD&A")** of financial conditions and results of operations should be read in conjunction with NuVista Energy Ltd.'s **("NuVista" or the "Company")** audited financial statements (the **"financial statements"**) for the year ended December 31, 2022 and December 31, 2021, together with the notes related thereto, for a full understanding of the financial position and results of operations of the Company. The following MD&A was prepared at and is dated March 7, 2023. The financial statements, Annual Information Form and other disclosure documents are available on SEDAR at www.sedar.com or can be obtained at www.nuvistaenergy.com. Our Annual Information Form will be filed on or before March 30, 2023.

Throughout this MD&A and in other materials disclosed by the Company, NuVista adheres to generally accepted accounting principles ("GAAP"), however the Company also uses various specified financial measures (as defined in National Instrument 51-112 - *Non-GAAP and Other Financial Measures* ("NI 51-112")) including "non-GAAP financial measures", "non-GAAP ratios", "capital management measures" and "supplementary financial measures" to analyze financial performance including, **"adjusted funds flow", "annualized current quarter adjusted funds flow", "capital expenditures", "free adjusted funds flow", "netbacks", "cash costs", "net debt", "netbacks per Boe" and "cash costs per Boe"**. For further information, refer to the section "Specified Financial Measures".

These specified financial measures do not have any standardized meaning prescribed under International Financial Reporting Standards ("IFRS") and therefore may not be comparable to similar measures presented by other entities. The specified financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as net earnings (loss), cash provided by operating activities, and cash used in investing activities, as indicators of NuVista's performance.

This MD&A contains forward-looking information within the meaning of applicable Canadian securities laws. Such forward looking-information is based upon certain expectations and assumptions and actual results may differ materially from those expressed or implied by such forward-looking information. For further information regarding the forward-looking information contained herein, including the assumptions underlying such forward-looking information, refer to the "Forward-looking Information and Statements" in the advisories section.

All Boe amounts as presented in this MD&A have been calculated using the conversion of six thousand cubic feet of natural gas to one barrel of oil (6 mcf = 1 bbl). Condensate is a natural gas liquid ("NGL") as defined by National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"). Throughout this MD&A, NGLs comprise all NGLs as defined by NI 51-101 other than condensate, which is disclosed separately as condensate. For further information refer to the "Oil and Gas Measures" in the advisories section.

FINANCIAL AND OPERATING HIGHLIGHTS

($ thousands, except otherwise stated)	Three months ended December 31 2022	2021	% Change	Year ended December 31 2022	2021	% Change
FINANCIAL						
Petroleum and natural gas revenues	**455,868**	323,355	41	**1,745,975**	885,290	97
Cash provided by operating activities	**226,688**	110,063	106	**844,816**	338,578	150
Adjusted funds flow (3)	**256,983**	151,665	69	**892,801**	320,974	178
Per share, basic (6)	**1.16**	0.67	73	**3.94**	1.42	177
Per share, diluted (6)	**1.12**	0.64	75	**3.78**	1.38	174
Net earnings	**159,372**	113,159	41	**631,045**	264,672	138
Per share, basic (6)	**0.72**	0.50	44	**2.78**	1.17	138
Per share, diluted (6)	**0.69**	0.48	44	**2.67**	1.14	134
Capital expenditures (1)	**72,743**	86,402	(16)	**419,476**	288,846	45
Net proceeds on property dispositions	**—**	(1,034)	(100)	**—**	92,544	(100)
Net debt (3)				**171,805**	480,275	(64)
OPERATING						
Daily Production						
Natural gas (MMcf/d)	**259.3**	202.7	28	**239.6**	183.5	31
Condensate (Bbls/d)	**25,112**	21,072	19	**22,591**	16,465	37
NGLs (Bbls/d)	**5,918**	6,028	(2)	**6,162**	5,298	16
Total (Boe/d)	**74,252**	60,888	22	**68,690**	52,345	31
Condensate & NGLs weighting	**42%**	45%		**42%**	42%	
Condensate weighting	**34%**	35%		**33%**	31%	
Average realized selling prices (5)						
Natural gas ($/Mcf)	**7.55**	6.09	24	**7.39**	4.63	60
Condensate ($/Bbl)	**109.69**	96.15	14	**118.34**	84.35	40
NGLs ($/Bbl) (4)	**41.28**	42.38	(3)	**54.90**	35.38	55
Netbacks ($/Boe)						
Petroleum and natural gas revenues	**66.73**	57.73	16	**69.64**	46.34	50
Realized loss on financial derivatives	**(1.17)**	(6.69)	(83)	**(6.56)**	(6.05)	8
Interest	**0.01**	—	—	**—**	—	—
Royalties	**(7.94)**	(4.89)	62	**(7.92)**	(3.41)	132
Transportation expenses	**(5.33)**	(5.20)	3	**(5.16)**	(5.27)	(2)
Operating expenses	**(11.94)**	(10.53)	13	**(11.67)**	(10.65)	10
Operating netback (2)	**40.36**	30.42	33	**38.33**	20.96	83
Corporate netback (2)	**37.62**	27.08	39	**35.60**	16.81	112
SHARE TRADING STATISTICS						
High ($/share)	**14.67**	7.71	90	**14.67**	7.71	90
Low ($/share)	**10.22**	5.06	102	**6.94**	0.89	680
Close ($/share)	**12.48**	6.96	79	**12.48**	6.96	79
Average daily volume (thousands of shares)	**649**	827	(22)	**1,067**	1,133	(6)
Common shares outstanding (thousands of shares)				**219,346**	227,578	(4)

(1) Non-GAAP financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. Reference should be made to the section entitled *"Specified Financial Measures"*.
(2) Non-GAAP ratio that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. Reference should be made to the section entitled *"Specified Financial Measures"*.
(3) Capital management measure. Reference should be made to the section entitled *"Specified Financial Measures"*.
(4) Natural gas liquids ("NGLs") include butane, propane and ethane revenue and sales volumes, and sulphur revenue.
(5) Product prices exclude realized gains/losses on financial derivatives.
(6) Supplementary financial measure. Reference should be made to the section entitled *"Specified Financial Measures"*.

ABOUT NUVISTA ENERGY LTD.

NuVista is an exploration and production company actively engaged in the development, delineation and production of condensate, NGLs, and natural gas reserves in the Western Canadian Sedimentary Basin. NuVista's focus is on the scalable and repeatable condensate rich Montney formation in the Wapiti and Pipestone areas of the Alberta Deep Basin ("Montney"). The common shares of NuVista trade on the Toronto Stock Exchange ("TSX") under the symbol NVA.

FOURTH QUARTER & FULL YEAR 2022 HIGHLIGHTS

Adjusted funds flow and free adjusted funds flow

During the fourth quarter of 2022, NuVista generated adjusted funds flow of $257 million, a 4% increase over the third quarter of 2022 of $246 million and a 69% increase over the same prior year period of $152 million. For the year ended December 31, 2022, adjusted funds flow increased 178% to $893 million from $321 million for the same period of 2021. The increase in adjusted funds flow was primarily due to higher production revenues, net of realized losses on financial derivative contracts in addition to significant growth in production volumes. With adjusted funds flow of $893 million, capital expenditures of $419 million and ARO spending totalling $9 million, NuVista delivered record free adjusted funds flow of $464 million for the year ended December 31, 2022.

Liquidity

NuVista ended the year with $42 million of cash deposits and no amounts drawn on its $440 million credit facility.

NuVista's net debt was $172 million at December 31, 2022, a 64% reduction from $480 million at December 31, 2021, and below the previously announced target of $200 million. The Company's net debt to annualized fourth quarter adjusted funds flow was 0.2x. The significant reduction in net debt in 2022 was primarily due to the stronger commodity price environment and a strong capital program providing for excess free adjusted funds flow, the majority of which was allocated to net debt reduction. In addition, during the fourth quarter of 2022, NuVista successfully redeemed an additional $3 million of its 2026 Notes through open market repurchases, at a weighted average price of $102.34. Total repurchases for the year ended December 31, 2022 were $9 million at a weighted average price of $101.47. Subsequent to December 31, 2022, NuVista repurchased an additional $8 million of its 2026 Notes, leaving $213 million in aggregate principal outstanding.

Production

NuVista delivered a new record production level in the fourth quarter of 2022 averaging 74,252 Boe/d, which was above the fourth quarter guidance range of 72,000 – 74,000 Boe/d, an 8% increase compared to 68,792 Boe/d in the third quarter of 2022 and a 22% increase compared to 60,888 Boe/d in the same period of 2021. Production for the year ended December 31, 2022 averaged 68,690 Boe/d, a 31% increase compared to the prior year period. The production composition for the year ended December 31, 2022 was 33% condensate, 9% NGLs and 58% natural gas. This increase in production was supported by the continued execution of our capital program with 47 new wells brought online in 2022, offsetting natural declines in base production.

Pricing

During the fourth quarter of 2022, revenues continued to improve driven primarily by increased production.

- Realized condensate pricing for the fourth quarter of 2022 averaged $109.69/Bbl, a 1% decrease compared to the third quarter of 2022 at $111.14/Bbl and a 14% increase compared to the same period of 2021 at $96.15/Bbl. For the year ended December 31, 2022, the realized condensate price averaged $118.34/Bbl, 40% higher than the prior year at $84.35/Bbl.

- Realized natural gas pricing weakened in the fourth quarter of 2022 averaging $7.55/Mcf a 9% decrease as compared to the third quarter of 2022 at $8.32/Mcf and a 24% increase as compared to the same period of 2021 at $6.09/Mcf. For the year ended December 31, 2022, the realized natural gas price was $7.39/Mcf, 60% higher than the prior year at $4.63/Mcf.

- Realized NGL pricing for the fourth quarter of 2022 averaged $41.28/Bbl, a 25% decrease as compared to the third quarter of 2022 at $55.14/Bbl and 3% lower than the same period of 2021 at $42.38/Bbl. For the year ended December 31, 2022, the realized NGL price was $54.90/Bbl, 55% higher than the prior year at $35.38/Bbl.

Operating costs

For the fourth quarter of 2022, NuVista's operating expenses on a per Boe basis were $11.94/Boe, a 2% decrease from the third quarter of 2022 at $12.23/Boe, and a 13% increase over the same period in 2021 at $10.53/Boe. For the year ended December 31, 2022, operating costs were 10% higher at $11.67/Boe compared to $10.65/Boe for the prior year. Operating costs in 2022 were impacted by inflationary pressures and higher fuel and utility costs, partially offset by the economies of scale associated with the continued filling up of facility capacity through production growth.

Corporate netback

The corporate netback for the fourth quarter, including a $1.17/Boe realized loss on financial derivatives, was $37.62/Boe. This was 3% lower than the third quarter netback of $38.89/Boe and 39% higher than the corporate netback of $27.08/Boe for the fourth quarter of 2021. For the year ended December 31, 2022, the corporate netback increased 112% to $35.60/Boe from $16.81/Boe for the year ended December 31, 2021.

Capital expenditures

Capital expenditures were $73 million in the fourth quarter of 2022, of which 84% was allocated to drilling and completion related activities with 9 gross (8.4 net) wells drilled and 3 gross (3.0 net) wells completed. For the year ended December 31, 2022, capital expenditures were $419 million of which 83% was allocated to drilling and completion activities with 49 gross (47.5 net) wells drilled and 45 gross (44.4 net) wells completed. NuVista is focused upon maximizing economic value and allocating adjusted funds flow between growth capital to fill and debottleneck existing facilities at an optimal rates, return of capital to shareholders and prudent reduction of debt.

Return of capital to shareholders

With the strong commodity price environment, and our significantly increased production and free adjusted funds flow, NuVista is in the very favorable position of being able to continue our disciplined and value-adding growth strategy concurrently with continuing the reduction of net debt and return of capital to shareholders. On June 9, 2022, NuVista announced the approval of its normal course issuer bid ("NCIB"). The NCIB allows NuVista to purchase up to 18,190,261 of its outstanding common shares over a 12 month period, commencing June 14, 2022. During the quarter ended December 31, 2022, NuVista repurchased and subsequently cancelled 6,645,300 common shares at a weighted average price of $12.88/share for a total cost of $86 million. For the year ended December 31, 2022, NuVista repurchased and subsequently cancelled 13,482,600 common shares at a weighted average price of $11.67/share for a total cost of $157 million. Since inception of the NCIB, purchases represent a 6.3% reduction in common shares outstanding(1) with 80% of our approved NCIB complete. As of March 7, 2023, an additional 3,668,561 common shares remain available for repurchase by NuVista under the NCIB.

(1) Based on common shares outstanding at May 31, 2022 of 230,748,703.

Annual financial information

The following table highlights selected annual financial information for the years ended December 31, 2022, 2021 and 2020:

($ thousands, except per share amounts)	**2022**	2021	2020
Petroleum and natural gas revenues	**1,745,975**	885,290	424,637
Net earnings (loss)	**631,045**	264,672	(197,879)
Per share, basic	**2.78**	1.17	(0.88)
Per share, diluted	**2.67**	1.14	(0.88)
Balance sheet information			
Total assets	**2,821,666**	2,391,984	2,157,830
Long-term debt	**—**	196,055	362,673
Senior unsecured notes	**215,392**	223,178	217,724
Shareholders' equity	**1,935,493**	1,435,817	1,156,894

ENVIRONMENT, SOCIAL & GOVERNANCE ("ESG")

In August 2022, we released our 2021 ESG report which highlights our performance through 2021. We have made significant progress on our ESG targets and continue to advance projects that support and enhance our objectives. For more information regarding our ESG performance and targets, please refer to our 2021 ESG report which is available on our website at www.nuvistaenergy.com. On June 9, 2022, we successfully incorporated sustainability linked performance features into our credit facility and as a result of our ongoing ESG initiatives, we are on track to meet or exceed these established sustainability performance targets ("SPTs").

Environment

Approximately 60% of our current production is comprised of natural gas which has the lowest carbon footprint of any hydrocarbon. Our ongoing efforts to reduce greenhouse gas emissions ("GHG") emissions led to a 16% reduction in our Scope 1 & 2 GHG intensity for 2021 relative to our 2020 baseline year. This was a significant step in achieving our stated goal of realizing a 20% reduction in GHG intensity by 2025. Implementation of our GHG reduction plans continued in 2022 and we are now in the process of evaluating results and compiling annual emissions data. Reducing methane emissions from fugitive and routine sources has been a major area of focus for us. Making changes to facility design and driving continual improvements in our fugitive emissions management program resulted in a methane emissions intensity for 2021 that was 80% lower than 2012. Efforts to reduce flaring, venting and fugitive emissions continued throughout 2022. More details on our emissions reduction efforts can be found within our annual submissions to the Carbon Disclosure Project. Our 2022 score for the 2021 reporting year was a B; the highest score given across our peer group.

We continue to make strides in the reduction of fresh water use for drilling and completions activities. In 2021 we exceeded our stated goal for reducing fresh-water use intensity in well completions. Our goal was to achieve a 40% reduction by 2025 relative to our 2018 baseline year. In 2021 we achieved a 50% reduction. Our water management efforts are continually evolving with an eye towards minimizing our demand on high quality fresh water resources. In 2022, NuVista along with a midstream partner completed an expanded recycling pilot in our Pipestone South field, which yielded a positive technical result towards our long-term goal of utilizing recycled produced water in our completion operations. We have also increased the usage of non-potable sourced water and municipal waste water throughout our operations.

In 2022, we continued our progress on responsibly abandoning and reclaiming inactive wells and facilities in our legacy areas. Throughout 2022, we spent $16 million on abandonment and reclamation work including $7 million in Alberta Site Rehabilitation Program funds that were directed towards NuVista assets. A high percentage of these funds were spent directly with businesses owned and operated by our local First Nations partners. Our 2022 asset retirement program led to the successful abandonment of 26 inactive wells, 77 inactive pipelines, and one legacy oil processing and storage facility. Numerous environmental remediation and reclamation projects were undertaken throughout the year, leading to the final reclamation certification of 20 former wellsites and progressing 45 wellsites from the environmental assessment and remediation phase to the final surface reclamation phase.

Social

Safety

NuVista is committed to protecting the health and safety of our workers and the public while minimizing our impact on the environment. We always strive towards a goal of zero injuries for our employees and third-party contractors working on our sites. Of key importance to us at NuVista is maintaining focus on Lost Time Injuries ("LTI") and high-potential near-miss incidents. These near-miss incidents are events which did not result in serious harm to people or the environment, but could have if conditions were slightly different. During the first few months of 2022 we observed an increase in both LTI and high-potential near misses among our contract work force. With the help of our staff and contractors we implemented a "whole-company" response focused on Isolation and Control of Hazardous Energy and effective management of short service workers. We also continued to embed Energy Safety Canada's 10 Life Saving Rules through our operations. These rules are a key tool in preventing the most frequent causes of fatalities and serious injury within our industry.

Community

Investment in our people and the communities where we live and operate continues to be a top priority. Giving is at the heart of our organization and we continue to look for opportunities to make a difference for the communities where we live and operate. Our 2022 United Way Campaign with employees and the Company proudly raised over $300,000 for organizations in and around the Calgary area, a record for our Company. We also have long-standing relationships in and around the Grand Prairie region, having been recently recognized in the Town of Beaverlodge where its recreation center will be named the NuVista Energy Center for at least the next five years. We have contributed over $200,000 in donations and sponsorships to the town over the past three years, which has supported the purchase of playground equipment and a bus that provides transportation to seniors and other not-for-profit and youth organizations in the community. NuVista, with our employees, stepped up more than ever throughout 2022 and donated over $800,000 to charitable organizations, making a difference where we live and operate.

We continue to emphasize building relationships with the Indigenous communities with whom we work and consult. Our approach is guided by the four pillars of our Indigenous Inclusion Guiding Principles. With respect to our cultural awareness pillar, we have multiple events annually in addition to formal training, with most employees having participated. NuVista employees have also participated in training offered in communities with whom we consult. Our cultural training helps raise awareness about the history, experiences and cultures of Indigenous Peoples in Canada and supports our ongoing economic advancement efforts with Indigenous communities in our areas of operation. With respect to our economic inclusion pillar, NuVista remains focused on providing concrete benefits to the Indigenous communities surrounding our operations, including contracts and jobs. In 2022, NuVista spent over $26 million on contracts with Indigenous community-owned, member-owned, or partnered businesses.

NuVista emphasizes community investment as part of its inclusion efforts. We entered into an agreement with Horse Lake First Nation to provide $150,000 in funding over the next three years for a youth addictions treatment centre being opened by the Nation and have sponsored educational events in several communities. Cumulatively, NuVista has spent over $250,000 on Indigenous community investment over the last three years.

Governance

We believe we have world class governance standards, like so many of our Canadian peers. Governance plays a key role in providing leadership to our organization. Our Governance & Compensation and ESG Committees provide Board oversight of our policies and programs and ensures Management's continued focus on these key principles. These principles provide a framework for our field and head office staff to operate in a safe and environmentally conscious manner. We have improved our Board diversity at the end of 2021 with the addition of Kate Holzhauser in November, and we welcome her as a strong addition to our Board. Our female membership on the Board has reached 20% and we have set a new target of 30% by our 2023 Annual General Meeting to ensure continuous progress in diversity.

2023 GUIDANCE UPDATE

NuVista is in the extremely fortunate position of having top tier assets and economics, and with disciplined execution we have been spending only approximately half of free adjusted funds flow on capital to execute our plans. This means that despite the recent significant moderation of natural gas pricing, free adjusted funds flow is reduced but still highly positive. Due to our condensate weighting, our execution economics are still very strong. As such, we will continue with our capital execution plans unchanged while still returning free adjusted funds flow to shareholders and reducing net debt.

Full year production and capital expenditure guidance is reaffirmed at 79,000 – 83,000 Boe/d and $425 to $450 million respectively. We intend to continue our track record of carefully directing free adjusted funds flow towards a prudent balance of returns to shareholders and debt reduction, while investing in production growth until our existing facilities are filled and debottlenecked to maximum efficiency. NuVista has an exceptional business plan that maximizes free adjusted funds flow and the return of capital to shareholders when our existing facilities are debottlenecked and filled to maximum efficiency at production levels of approximately 100,000 - 105,000 Boe/d. With facilities optimized, returns are enhanced further with corporate netbacks which are expected to grow by approximately $2-$3/Boe due to the efficiencies of scale which will reduce our unit operating, transportation, and interest expenses.

($ thousands, unless otherwise indicated)	2023 Forecast Guidance
Production	
Total oil equivalent (Boe/d)	79,000 - 83,000
Natural gas (%)	62
Condensate (%)	29
NGLs (%)	9
Capital expenditures[1]	425,000 - 450,000
Commodity prices (average)[2]	
AECO ($/GJ)	2.94
NYMEX (US$/MMBtu)	3.20
WTI (US$/Bbl)	77.85
Cdn$/US$ exchange rate	1.34

(1) Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities.
(2) Forecast was based on forward commodity prices as at February 15, 2023 and adjusted for January actual.

CONSOLIDATED RESULTS

Net earnings

	Three months ended December 31		Year ended December 31	
($ thousands, except per share amounts)	**2022**	2021	**2022**	2021
Net earnings	**159,372**	113,159	**631,045**	264,672
Per share, basic	**0.72**	0.50	**2.78**	1.17
Per share, diluted	**0.69**	0.48	**2.67**	1.14

Details of the change in net earnings for the three months and year ended December 31, 2021 to net earnings for the three months and year ended December 31, 2022, are provided in the following table:

	Three months ended	Year ended
($ thousands)	**2022**	**2022**
Net earnings - December 31, 2021	**113,159**	**264,672**
Change in petroleum and natural gas sales	132,513	860,685
Change in royalties	(26,877)	(133,575)
Change in realized losses on financial derivatives	29,526	(48,733)
Change in unrealized gains on financial derivatives	(53,451)	128,130
Change in interest and other income	932	5,938
Change in operating expense	22,583	89,111
Change in transportation expense	7,256	28,531
Change in general and administrative expense	855	1,338
Change in share-based compensation expense	1,910	1,301
Change in depletion, depreciation, and impairment reversal	9,919	210,258
Change in exploration and evaluation expense	(10,225)	(8,188)
Change in gain (loss) on property dispositions	(2,044)	31,643
Change in financing costs	(1,841)	(11,058)
Change in deferred income tax expense	8,017	103,136
Net earnings - December 31, 2022	**159,372**	**631,045**

For the three months ended December 31, 2022, net earnings increased $46.2 million to $159.4 million ($0.72/share) from fourth quarter 2021 earnings of $113.2 million ($0.50/share) driven primarily by increased adjusted funds flow of $105.3 million and decreases of $12.3 million in exploration and evaluation expenses and loss on dispositions, offset by a decrease in the unrealized gain of $53.5 million, a $9.9 million increase in DD&A, and an increase in the deferred tax expense of $8.0 million.

For the year ended December 31, 2022, net earnings increased $366.4 million to $631.0 million ($2.78/share) from $264.7 million ($1.17/share) for the year ended December 31, 2021, due primarily to a $571.8 million increase in adjusted funds flow, a $128.1 million increase in the unrealized gain and a $8.2 million decrease in exploration and evaluation expense, partially offset by a decrease in the gain on dispositions of $31.6 million, an increase to the deferred tax expense of $103.1 million and a $210.3 million increase in DD&A expense, due primarily to the $163.2 million impairment recovery included in the prior year comparative period.

The net earnings (loss) reported in a period is significantly impacted by unrealized gains (losses) on financial derivatives recognized in each period as a result of the fair values of financial derivative contracts in place at each period end. Before taxes and excluding impairment expense and unrealized gains (losses) on financial derivatives there were net earnings of $193.2 million and $678.6 million for the three months and year ended December 31, 2022, compared to net earnings of $85.5 million and $174.0 million for the prior year comparative periods. The unrealized mark to market values are a function of highly volatile commodity prices, resulting in significant variances in the values from quarter to quarter. The financial derivatives contracts are in place to provide greater adjusted funds flow stability and certainty. Over the past five years, NuVista has a cumulative realized loss on financial derivatives totaling $230.3 million.

Cash provided by operating activities and adjusted funds flow

The following table is NuVista's cash provided by operating activities and adjusted funds flow [(1)] for the three months and year ended December 31:

	Three months ended December 31		Year ended December 31	
($ thousands, except per share and per Boe amounts)	**2022**	2021	**2022**	2021
Cash provided by operating activities	**226,688**	110,063	**844,816**	338,578
Per share, basic	**1.02**	0.48	**3.73**	1.50
Per share, diluted	**0.98**	0.47	**3.58**	1.45
Adjusted funds flow [(1)]	**256,983**	151,665	**892,801**	320,974
Adjusted funds flow $/Boe	**37.62**	27.08	**35.60**	16.81
Per share, basic	**1.16**	0.67	**3.94**	1.42
Per share, diluted	**1.12**	0.64	**3.78**	1.38

(1) Capital management measure. Reference should be made to the section entitled *"Specified Financial Measures"*.

For the three months ended December 31, 2022, cash provided by operating activities increased 106% to $226.7 million ($1.02/share, basic) from $110.1 million ($0.48/share, basic) for the comparable period of 2021, primarily due to higher average commodity prices, increased production volumes and lower realized losses on commodity derivative contracts, partially offset by an increase in royalties and changes in non-cash working capital.

Adjusted funds flow for the three months ended December 31, 2022 increased 69% to $257.0 million ($1.16/share, basic) from $151.7 million ($0.67/share, basic) for the comparable period of 2021, for similar reasons as noted above.

For the year ended December 31, 2022, cash provided by operating activities increased 150% to $844.8 million ($3.73/share, basic) from $338.6 million ($1.50/share, basic) from the comparative period of 2021, primarily as a result of higher commodity prices and an increase in production volumes, partially offset by higher realized losses on commodity derivative contracts and an increase in royalties and changes in non-cash working capital.

Adjusted funds flow for the year ended December 31, 2022 increased 178% to $892.8 million ($3.94/share, basic) from $321.0 million ($1.42/share,basic) for the same period of 2021, for similar reasons as noted above.

Free adjusted funds flow

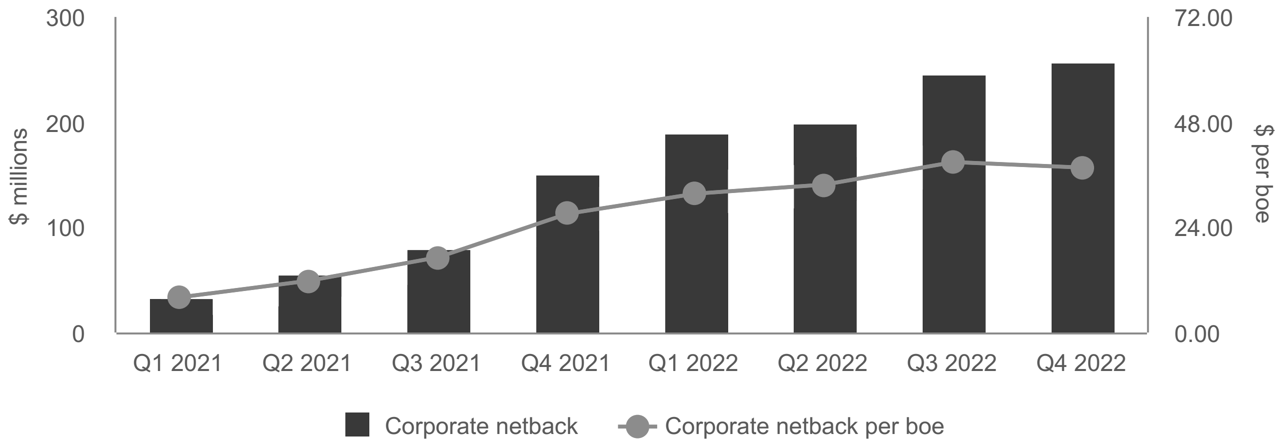
NuVista uses free adjusted funds flow, defined as adjusted funds flow less capital and asset retirement expenditures, as an indicator of the funds available for additional capital allocation. For the three months and year ended December 31, 2022, free adjusted funds flow was $183.0 million and $464.0 million compared to $64.5 million and $26.7 million in the prior year comparative periods.

	Three months ended December 31		Year ended December 31	
($ thousands)	**2022**	2021	**2022**	2021
Adjusted funds flow [(1)]	**256,983**	151,665	**892,801**	320,974
Capital expenditures [(2)]	**(72,743)**	(86,402)	**(419,476)**	(288,846)
Asset retirement expenditures	**(1,223)**	(809)	**(9,302)**	(5,478)
Free adjusted funds flow [(2)]	**183,017**	64,454	**464,023**	26,650

(1) Capital management measure. Reference should be made to the section entitled *"Specified Financial Measures"*.
(2) Non-GAAP financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. Reference should be made to the section entitled *"Specified Financial Measures"*.

Operating netback, corporate netback and cash costs

Quarterly corporate netback



The table below summarizes operating netback and corporate netback on a per Boe basis for the three months and year ended December 31, 2022 and 2021:

	Three months ended December 31		Year ended December 31	
$/Boe	**2022**	2021	**2022**	2021
Petroleum and natural gas revenues [(1)]	**66.73**	57.73	**69.64**	46.34
Realized loss on financial derivatives	**(1.17)**	(6.69)	**(6.56)**	(6.05)
Interest income	**0.01**	—	**—**	—
	65.57	51.04	**63.08**	40.29
Royalties	**(7.94)**	(4.89)	**(7.92)**	(3.41)
Transportation expense	**(5.33)**	(5.20)	**(5.16)**	(5.27)
Operating expense	**(11.94)**	(10.53)	**(11.67)**	(10.65)
Operating netback [(2)]	**40.36**	30.42	**38.33**	20.96
General and administrative expense	**(0.86)**	(0.90)	**(0.85)**	(1.04)
Share-based compensation expense	**(0.53)**	(0.41)	**(0.29)**	(0.41)
Financing costs [(3)]	**(1.35)**	(2.03)	**(1.59)**	(2.70)
Corporate netback [(2)]	**37.62**	27.08	**35.60**	16.81

(1) For the three months and year ended December 31, 2022 includes price risk management losses of $0.23/Boe and $0.76/Boe (2021 – losses of $0.41/Boe and $0.12/Boe, respectively) on physical delivery sales contracts.
(2) Non-GAAP ratio that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. Reference should be made to the section entitled *"Specified Financial Measures"*.
(3) Excludes accretion expense.

The table below summarizes cash costs on a per Boe basis for the three months and year ended December 31, 2022 and 2021:

	Three months ended December 31		Year ended December 31	
$/Boe	**2022**	2021	**2022**	2021
Operating expense	**11.94**	10.53	**11.67**	10.65
Transportation expense	**5.33**	5.20	**5.16**	5.27
General and administrative expense	**0.86**	0.90	**0.85**	1.04
Financing costs [(1)]	**1.35**	2.03	**1.59**	2.70
Total cash costs [(2)]	**19.48**	18.66	**19.27**	19.66

(1) Excludes accretion expense.
(2) Non-GAAP ratio that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. Reference should be made to the section entitled *"Specified Financial Measures"*.

OPERATING RESULTS

Operations activity

Number of wells	Three months ended December 31 2022	2021	Year ended December 31 2022	2021
Wells drilled - gross (net) (1)	**9 (8.4)**	17 (17.0)	**49 (47.5)**	38 (38.0)
Wells completed - gross (net) (2)	**3 (3.0)**	10 (10.0)	**45 (44.4)**	44 (44.0)
Wells brought on production - gross (net) (3)	**2 (1.6)**	10 (10.0)	**47 (46.4)**	38 (38.0)

(1) Based on rig release date.
(2) Based on frac end date.
(3) Based on first production date of in-line test or on production and tied-in to permanent facilities.

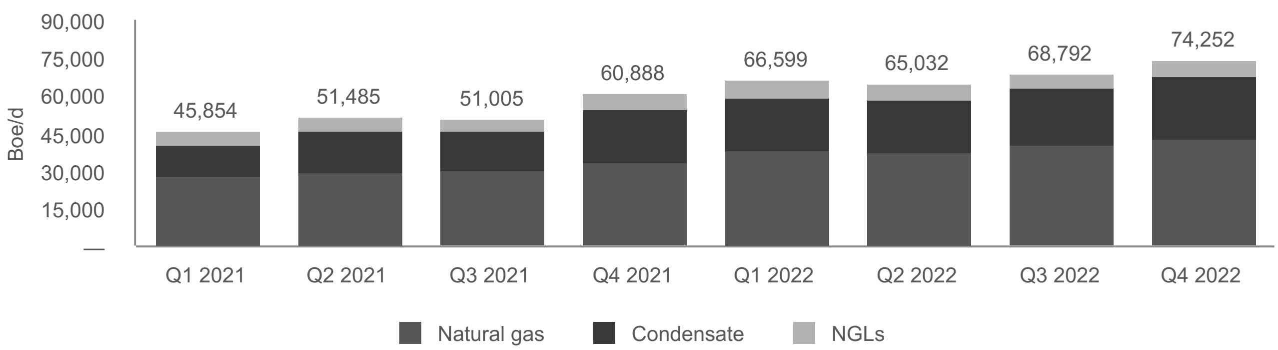
For the three months ended December 31, 2022, NuVista drilled 9 gross (8.4 net) wells compared to 17 (17.0 net) wells in the comparable period of 2021. In addition, 3 (3.0 net) wells were completed with 2 (1.6 net) wells brought online throughout the fourth quarter. For the year ended December 31, 2022, NuVista drilled 49 (47.5 net) wells compared to 38 (38.0 net) wells in 2021. In addition, 45 (44.4 net) wells were completed with 47 (46.4 net) wells brought online in 2022.

Production

	Three months ended December 31 2022	2021	% Change	Year ended December 31 2022	2021	% Change
Natural gas (Mcf/d)	**259,335**	202,730	28	**239,620**	183,497	31
Condensate (Bbls/d)	**25,112**	21,072	19	**22,591**	16,465	37
NGLs (Bbls/d) (1)	**5,918**	6,028	(2)	**6,162**	5,298	16
Total (Boe/d)	**74,252**	60,888	22	**68,690**	52,345	31
Condensate & NGLs weighting (2)	**42%**	45%		**42%**	42%	
Condensate weighting (2)	**34%**	35%		**33%**	31%	

(1) NGLs include butane, propane and ethane.
(2) Product weighting is based on total production.

Average daily production



Production for the three months and year ended December 31, 2022 was 22% and 31% higher than the comparative periods of 2021, due to new well production and optimization of existing production offsetting natural production declines. Fourth quarter production of 74,252 Boe/d was above the fourth quarter guidance range of 72,000 - 74,000 Boe/d and 8% higher from third quarter 2022 production of 68,792 Boe/d, primarily as a result of the new wells that were brought online at the end of the third quarter.

Condensate volume weighting for the three months and year ended December 31, 2022 was 34% and 33% compared to 35% and 31% in the prior year comparative periods. Condensate weightings for the fourth quarter of 2022 were positively impacted by high condensate rates realized primarily in our Pipestone North area.

Pricing

	Three months ended December 31			Year ended December 31		
	2022	2021	% change	**2022**	2021	% change
Realized selling prices (1),(2)						
Natural gas ($/Mcf)	**7.55**	6.09	24	**7.39**	4.63	60
Condensate ($/Bbl)	**109.69**	96.15	14	**118.34**	84.35	40
NGLs ($/Bbl) (3), (4)	**41.28**	42.38	(3)	**54.90**	35.38	55
Barrel of oil equivalent ($/Boe)	**66.73**	57.73	16	**69.64**	46.34	50
Benchmark pricing						
Natural gas - AECO 5A daily index (Cdn$/Mcf)	**5.11**	4.66	10	**5.31**	3.62	47
Natural gas - AECO 7A monthly index (Cdn$/Mcf)	**5.58**	4.94	13	**5.56**	3.56	56
Natural gas - NYMEX (monthly) (US$/MMbtu)	**6.26**	5.83	7	**6.64**	3.84	73
Natural gas - Chicago Citygate (monthly) (US$/MMBtu)	**5.86**	5.87	—	**6.61**	3.77	75
Natural gas - Dawn (daily) (US$/MMBtu)	**5.16**	4.65	11	**6.04**	3.62	67
Natural gas - Malin (monthly) (US$/MMBtu)	**8.45**	5.99	41	**7.20**	3.97	81
Oil - WTI (US$/Bbl)	**82.64**	77.13	7	**94.23**	67.90	39
Oil - Edmonton Par - (Cdn$/Bbl)	**110.12**	93.01	18	**120.12**	80.07	50
Condensate - @ Edmonton (Cdn$/Bbl)	**113.23**	99.60	14	**121.80**	85.47	43
Condensate - Average C5-WTI differential (US$/Bbl)	**0.72**	1.95	(63)	**(0.47)**	0.30	(257)
Exchange rate - (Cdn$/US$)	**1.36**	1.26	8	**1.30**	1.25	4

(1) Prices exclude price risk management realized and unrealized gains and losses on financial derivative commodity contracts but includes gains and losses on physical sale contracts and natural gas price diversification.
(2) Condensate and NGLs selling price is net of fractionation fees and excludes pipeline tariffs which is within transportation expense.
(3) Natural gas liquids ("NGLs") include butane, propane and ethane revenue and sales volumes, and sulphur revenue.
(4) Sulphur revenue for the three months and year ended December 31, 2022 was $0.4 million and $21.9 million (2021 - $2.8 million and $8.1 million, respectively).

WTI benchmark averaged US$82.64/Bbl in the fourth quarter of 2022, 7% above the fourth quarter of the prior year and 10% lower than the third quarter of 2022 which averaged US$91.56/Bbl. Global oil and product inventories continue to be below normal levels for this time of year in most regions. The significant strategic petroleum reserves ("SPR") releases by the US and other OECD countries have come to an end. Sanctions and price caps have put Russian production at risk with exports declining throughout last year. Many OPEC nations are also not meeting their production quotas and with prices softening in September, OPEC decided to cut quotas again to defend oil prices. Total US production has been growing but at a moderate pace as shale producers continue to show discipline in their capital programs. Non-OPEC production has been flat to declining in most regions of the world. Despite the strong structural setup with China reopening, declining Russian exports and the end of SPR releases, the ongoing risk of a recession could have a material impact on prices. NuVista continues to monitor this risk and its potential impact on our business plan.

With the growth in heavy oil production in Canada, demand for condensate has been strong. Condensate differentials from WTI averaged +US$0.72/Bbl in the fourth quarter and premiums have increased significantly in the first quarter of 2023. With much lower condensate production growth in Western Canada coupled with robust demand from the oil sands, especially with Enbridge Line 3 now in service and Transmountain Pipeline expansion to enter into service at the end of this year, the condensate market is expected to remain strong in the long-term. Condensate prices continued to outperform other liquid prices with the Edmonton marker averaging $113.23/Bbl in the quarter.

NGL prices improved significantly in 2022 compared to 2021 but have softened slightly throughout the fourth quarter of 2022. Butane prices are weaker primarily due to the decline in WTI prices throughout the fourth quarter. Propane prices were much higher in 2022 due to significantly higher US exports into the Asian petrochemical market. Canadian propane prices have kept pace with US prices as exports off of the West Coast of Canada continue to ramp up and storage inventories continue to operate in normal ranges. The warm winter most of North America has experienced has led to weaker propane prices in the fourth quarter.

NYMEX gas prices averaged US$6.26/MMBtu in the fourth quarter, down 24% from the third quarter of 2022 which averaged $8.20/MMBtu and 7% higher than the fourth quarter of last year which averaged $5.83/MMBtu. Gas prices were very strong throughout the third quarter of 2022 in most regions of North America but began to weaken into the fourth quarter. With a very warm winter in most key consuming regions, storage withdrawals have been muted and the price of gas has declined significantly at the end of the year and into the start of 2023. The one exception has been the West Coast where we have seen record high gas prices in December and into January of 2023. NuVista has exposure to Malin with approximately 11% of physical natural gas sales to that location in 2023. US LNG exports had been exceeding 12 Bcf/d for most of this year and at times had approached 13 Bcf/d. A fire at the Freeport LNG terminal in June reduced flows by approximately 2 Bcf/d. The return of this facility has been delayed multiple times but it appears a partial restart will now happen toward the end of the first quarter in 2023. US gas production has been growing, but at a measured pace and is only now above pre-pandemic levels. Gas prices in Europe and Asia are still high but have moderated significantly from their peak last fall due to unprecedented successful efforts to fill storage closer to normal levels coupled with a warm start to winter in Europe.

AECO gas prices averaged $5.58/Mcf in the fourth quarter of 2022 representing a decrease of 4% from the third quarter average of $5.81/Mcf and a 13% increase from the fourth quarter of 2021 which averaged $4.94/Mcf. AECO differentials were very wide during the third and fourth quarters due to the elevated NYMEX prices, but have recently narrowed as US gas prices have weakened.

Revenue

Petroleum and natural gas revenues

	Three months ended December 31				Year ended December 31			
	2022		2021		**2022**		2021	
($ thousands, except % amounts)	**$**	**% of total**	$	% of total	**$**	**% of total**	$	% of total
Natural gas [1]	**179,972**	**39**	113,450	35	**646,653**	**37**	309,979	35
Condensate	**253,423**	**56**	186,405	58	**975,839**	**56**	506,890	57
NGLs [2]	**22,473**	**5**	23,500	7	**123,483**	**7**	68,421	8
Total petroleum and natural gas revenues	**455,868**		323,355		**1,745,975**		885,290	

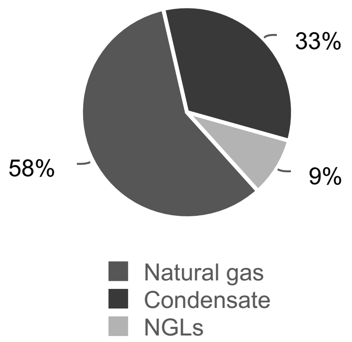
[1] Natural gas revenue includes price risk management gains and losses on physical delivery sale contracts. For the three months and year ended December 31, 2022, our physical delivery sales contracts resulted in losses of $1.5 million and $19.1 million (2021 – losses of $2.3 million, respectively).
[2] Includes butane, propane, ethane and sulphur.

For the three months ended December 31, 2022, petroleum and natural gas revenues increased 41% from the comparable period of 2021, due primarily to a 16% increase in average per Boe realized price and a 22% increase in production for the quarter.

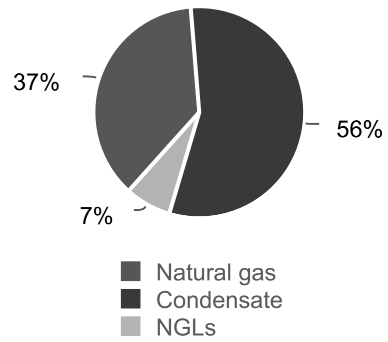
For the year ended December 31, 2022, petroleum and natural gas revenues increased 97% over the comparable period of 2021, due primarily to a 50% increase in average per Boe realized price, and a 31% increase in production.

Condensate volumes averaged 34% of total production in the fourth quarter of 2022, contributing 56% of total petroleum and natural gas revenues. For the year ended December 31, 2022, condensate volumes averaged 33% of total production, contributing 56% of total petroleum and natural gas revenues.

Year ended December 31, 2022
Production mix (Boe/d)



Year ended December 31, 2022
Revenue by product type ($)



A breakdown of natural gas revenue is as follows:

	Three months ended December 31				Year ended December 31			
	2022		2021		**2022**		2021	
($ thousands, except per unit amounts)	**$**	**$/Mcf**	$	$/Mcf	**$**	**$/Mcf**	$	$/Mcf
Natural gas revenue - AECO reference price [(1)]	**135,342**	**5.58**	91,118	4.94	**487,453**	**5.56**	242,235	3.55
Heat/value adjustment [(2)]	**15,284**	**0.67**	9,762	0.54	**54,264**	**0.64**	24,409	0.37
Transportation revenue [(3)]	**10,710**	**0.47**	8,272	0.45	**37,267**	**0.44**	33,848	0.51
Natural gas market diversification gain	**20,177**	**0.89**	6,612	0.28	**86,744**	**0.97**	11,816	0.23
AECO physical delivery sales contract losses [(4)]	**(1,541)**	**(0.06)**	(2,314)	(0.12)	**(19,075)**	**(0.22)**	(2,329)	(0.03)
Total natural gas revenue	**179,972**	**7.55**	113,450	6.09	**646,653**	**7.39**	309,979	4.63

(1) Average AECO 7A monthly index.
(2) Based on NuVista's historical adjustment of 10-13%.
(3) Cost of gas transportation from the transfer of custody sales point to the final sales point.
(4) Excludes price risk management realized and unrealized gains and losses on financial derivative commodity contracts but includes gains and losses on physical sale contracts.

For the three months ended December 31, 2022, natural gas revenue increased 59% from the comparable period of 2021, due to a 24% increase in realized selling prices and a 28% increase in production. For the year ended December 31, 2022, natural gas revenue increased 109% from the comparable period of 2021, due primarily to an 60% increase in realized selling prices and a 31% increase in production.

The Company's physical natural gas sales portfolio was based on the following physical fixed price contracts or physical market deliveries:

	Three months ended December 31		Year ended December 31	
	2022	2021	**2022**	2021
AECO physical deliveries	**44 %**	26 %	**40 %**	20 %
Dawn physical deliveries	**17 %**	22 %	**18 %**	24 %
Malin physical deliveries	**14 %**	19 %	**15 %**	20 %
Chicago physical deliveries	**25 %**	33 %	**27 %**	36 %

NuVista receives a premium to the AECO spot gas price due to the higher heat content of its natural gas production. Price risk is also mitigated by the various gas marketing and transportation arrangements that the Company has in place to diversify and gain exposure to alternative natural gas markets in North America. For the three months ended December 31, 2022, the Company delivered 44% of its natural gas production to AECO, 17% to Dawn, 14% to Malin, and 25% to Chicago. For the year ended December 31, 2022, Company delivered 40% of its natural gas production to AECO, 18% to Dawn, 15% to Malin, and 27% to Chicago.

NuVista’s exposure to AECO floating prices was approximately 18% of volumes in the fourth quarter of 2022 as a result of this market egress, the inclusion of pre-existing physical and financial delivery sales contracts. NuVista’s existing contracts for firm transportation on export pipelines coupled with the financial NYMEX basis natural gas sales price derivative contracts serve to provide for long-term price diversification.

Excluding the impact of realized losses on physical sales contracts, the average selling price for natural gas for both the three months and year ended December 31, 2022 was $7.61/Mcf, compared to $6.21/Mcf and $4.66/Mcf for the comparative periods of 2021, and $8.62/Mcf for the third quarter of 2022.

Condensate revenue

For the three months ended December 31, 2022, condensate revenue increased 36% over the comparable period of 2021 due to a 14% increase in the average realized selling price and a 19% increase in production. For the year ended December 31, 2022, condensate revenue increased 93% over the comparable period of 2021, due primarily to a 40% increase in realized selling prices and a 37% increase in production.

Strong demand for condensate in Alberta results in benchmark condensate prices at Edmonton trading at a premium to Canadian light oil prices. NuVista’s realized condensate price includes adjustments for fractionation fees and quality differentials. The condensate realized selling price was $109.69/Bbl and $118.34/Bbl in the three months and year ended December 31, 2022, compared to $96.15/Bbl and $84.35/Bbl for the comparable periods of 2021, and $111.14/Bbl for the third quarter of 2022.

NGL revenue

For the three months ended December 31, 2022, NGL revenue decreased 4% over the comparable period of 2021, due to a 3% decrease in the average realized selling price and a 2% decrease in production. For the year ended December 31, 2022, NGL revenue increased 80% over the comparable period of 2021, due primarily to a 55% increase in the average realized selling price, and a 16% increase in production. NGL revenue in 2022 was materially impacted by a significant but temporary improvement in sulphur pricing. For the three months and year ended December 31, 2022, sulphur revenue was $0.4 million and $21.9 million compared to $2.8 million and $8.1 million for the comparative periods of 2021, and $3.9 million in the third quarter of 2022. Sulphur revenues are inherently very volatile and not typically a material portion of NuVista’s NGL revenue composition.

Commodity price risk management

NuVista has a disciplined commodity price risk management program as part of its financial risk management strategy. The purpose of this program is to reduce volatility in financial results and help stabilize adjusted funds flow against the unpredictable commodity price environment. NuVista's Board of Directors has authorized the use of fixed price, put option and costless collar contracts (“Fixed Price Contracts”), and approved the terms of NuVista's commodity price risk management program to allow the securing of minimum prices of the following:

(% of net forecast after royalty production)	First 18 month forward period	Following 18 month forward period	Following 24 month forward period
Natural Gas Fixed Price Contracts	up to 70%	up to 60%	up to 50%
Crude Oil Fixed Price Contracts	up to 70%	up to 60%	up to 30%

The Board of Directors has set limits for entering into natural gas basis differential contracts that are the lesser of 70% of forecast natural gas production, net of royalties, or the volumes that would bring the combined natural gas basis differential contracts and natural gas fixed price contracts to 100% of forecast natural gas production, net of royalties, with a term of not more than 7 years from the date any such swap is entered into.

Hedges on crude oil, natural gas liquids, natural gas, differentials and basis may be made in Canadian or US dollars at the time the position is established and the US dollar positions may be hedged to Canadian dollars during the term of the applicable hedge. Foreign currency exposure on interest payments and long-term debt, if there is exposure, may also be hedged back to Canadian dollars.

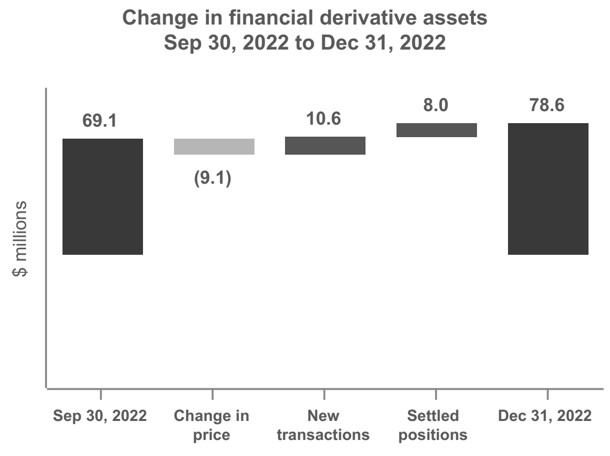
	Three months ended December 31					
	2022			2021		
($ thousands)	Realized loss	Unrealized gain	Total gain (loss)	Realized loss	Unrealized gain	Total gain (loss)
Natural gas	(1,714)	6,219	4,505	(22,139)	52,187	30,048
Condensate & oil	(6,256)	3,247	(3,009)	(15,357)	10,730	(4,627)
Gain (loss) on financial derivatives	(7,970)	9,466	1,496	(37,496)	62,917	25,421

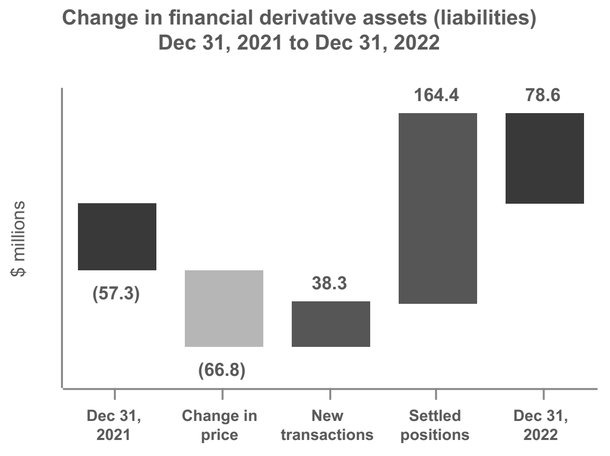
During the fourth quarter of 2022, the commodity price risk management program resulted in a gain of $1.5 million, compared to a gain of $25.4 million for the prior year comparative period and a gain of $67.2 million in the third quarter of 2022. The fair value of financial derivative contracts is recorded in the financial statements. Unrealized gains and losses are the change in mark to market values of financial derivative contracts in place at the end of the quarter compared to the start of the quarter.

The unrealized gain in the fourth quarter is primarily a result of gains due to the decrease in NYMEX forward strip pricing and decreasing WTI forward strip pricing, offset by losses as a result of the narrowing AECO-NYMEX basis strip at the end of the quarter compared to the beginning of the quarter. Due to increased volatility in oil and gas prices and the related forward strip pricing, the impact of unrealized gains and/or losses on overall net earnings in a particular reporting period can be substantial.

	Year ended December 31					
	2022			2021		
($ thousands)	Realized loss	Unrealized gain	Total gain (loss)	Realized loss	Unrealized gain (loss)	Total loss
Natural gas	(63,133)	107,844	44,711	(48,515)	26,405	(22,110)
Condensate	(101,216)	27,969	(73,247)	(67,101)	(18,722)	(85,823)
Gain (loss) on financial derivatives	(164,349)	135,813	(28,536)	(115,616)	7,683	(107,933)

For the year ended December 31, 2022, the commodity price risk management program resulted in a loss of $28.5 million compared to a loss of $107.9 million for the comparable period of 2021.





NuVista has been primarily using three-way collars to provide downside protection while maintaining upside for price growth. We currently possess hedges which, in aggregate, cover 4% of projected 2023 liquids production (primarily Q1-Q2) at an average WTI floor price of C$100/Bbl. We have hedged 29% of projected 2023 gas production (primarily Q1-Q3) at an average floor price of C$4.30/Mcf (hedged and exported volumes converted to an AECO equivalent price) using a combination of swaps and collars. These percentage figures relate to production net of royalty volumes.

Price risk management on our physical delivery sale contracts resulted in losses of $1.5 million and $19.1 million for the three months and year ended December 31, 2022 compared to a loss of $2.3 million for both the comparable periods of 2021.

Financial instruments

The following is a summary of financial derivatives contracts in place as at December 31, 2022:

	C5 - WTI differential swap		C$ WTI 3 way collar			
Term [1]	Bbls/d	US$/Bbl	Bbls/d	Cdn$/Bbl	Cdn$/Bbl	Cdn$/Bbl
Q1 2023	4,000	0.00	2,250	85.00	100.00	128.61
Q2 2023	4,000	0.00	1,250	85.00	100.00	136.31

[1] Table presented as weighted average volumes and prices.

	AECO-NYMEX basis swap	
Term [1]	MMBtu/d	US$/MMBtu
Q1 2023	100,000	(1.01)
Q2 2023	110,000	(1.01)
Q3 2023	110,000	(1.01)
Q4 2023	103,370	(1.01)
2024	100,000	(1.00)
2025	105,000	(0.96)
2026	137,500	(0.91)
2027	70,000	(0.85)

[1] Table presented as weighted average volumes and prices.

	AECO fixed price swap	
Term [1]	GJ/d	Cdn$/GJ
Q1 2023	15,000	4.30
Q2 2023	20,000	3.87
Q3 2023	20,000	3.87
Q4 2023	6,739	3.87
2024	15,000	4.00
2025	15,000	4.00

[1] Table presented as weighted average volumes and prices.

	NYMEX collars			AECO collars		
Term [1]	MMBtu/d	US$/MMBtu	US$/MMBtu	GJ/d	Cdn$/GJ	Cdn$/GJ
Q1 2023	60,000	4.50	10.97	20,000	4.00	7.13
Q2 2023	40,000	4.00	10.07	20,000	3.88	5.39
Q3 2023	40,000	4.00	10.07	20,000	3.88	5.39
Q4 2023	13,478	4.00	10.07	13,370	3.69	5.32

[1] Table presented as weighted average volumes and prices.

Subsequent to December 31, 2022, the following is a summary of financial derivatives that have been entered into:

	Dawn-NYMEX basis swap	
Term [1]	MMBtu/d	US$/MMBtu
Q2 2023	30,000	(0.19)
Q3 2023	30,000	(0.19)
Q4 2023	10,109	(0.19)

[1] Table presented as weighted average volumes and prices.

Physical delivery sales contracts

The Company enters into physical delivery sales contracts to manage commodity price risk. These contracts are not considered to be derivatives and therefore not recorded at fair value. They are considered sales contracts and are recorded at cost at the time of transaction.

The following is a summary of the physical delivery sales contracts in place as at December 31, 2022:

	AECO fixed price swap		AECO-NYMEX basis	
Term [1]	GJ/d	Cdn$/GJ	MMBtu/d	US$/MMBtu
Q1 2023	5,000	4.82	—	—
Q2 2023	35,000	3.92	—	—
Q3 2023	41,630	3.82	—	—
Q4 2023	15,163	3.77	—	—
2024	35,000	4.01	—	—
2025	35,000	4.01	5,000	(1.15)

[1] Table presented as weighted average volumes and prices.

Royalties

	Three months ended December 31		Year ended December 31	
($ thousands, except % and per Boe amounts)	**2022**	2021	**2022**	2021
Gross royalties	**65,261**	34,415	**245,586**	91,874
Gas cost allowance (“GCA”)	**(11,003)**	(7,034)	**(46,912)**	(26,775)
Net royalties	**54,258**	27,381	**198,674**	65,099
Gross royalty % excluding physical delivery sales contracts[1]	**14.3**	10.6	**13.9**	10.4
Gross royalty % including physical delivery sales contracts	**14.3**	10.6	**14.1**	10.4
Net royalty %	**11.9**	8.5	**11.4**	7.4
Net royalties $/Boe	**7.94**	4.89	**7.92**	3.41

[1] Calculated as gross royalties as a % of petroleum and natural gas revenues excluding gains (losses) on physical delivery sales contracts.

For the three months and year ended December 31, 2022, gross royalties increased 90% and 167% compared to the prior year comparative periods primarily as a result of the increase in the average $/Boe realized sales price. Gross royalties as a percentage of petroleum and natural gas revenues increased from the prior year comparative periods, as a result of higher crown reference pricing on which NuVista's royalty obligations are calculated. In addition, due to the higher price environment a greater number of wells fully utilized the lower initial royalty rates under the Alberta royalty incentive programs in 2022, after which an increased royalty rate is applied.

The Company receives GCA from the Crown, which reduces royalties to account for expenses incurred by NuVista to process and transport the Crown's portion of natural gas production. For the three months and year ended December 31, 2022, the 56% and 75% increase in GCA credits received compared to the comparative periods of 2021 is primarily due to GCA received related to NuVista's investment in gas processing and transportation infrastructure.

The gross natural gas and liquids (condensate and NGL) royalty rates for the three months ended December 31, 2022 were 9% and 18% compared to 5% and 14% respectively, in the comparative periods of 2021. Compared to the third quarter, gross natural gas and liquids royalty rates increased from 5% and 16%. The gross natural gas and liquids (condensate and NGL) royalty rates for the year ended December 31, 2022 were 8% and 18% compared to 5% and 13% respectively, in the comparative periods of 2021.

NuVista's physical price risk management and gas market diversification activities impact reported average royalty rates as royalties are based on government market reference prices for delivery of product in Alberta and not the Company's average realized prices that include price risk management and gas market diversification activities.

Transportation expenses

	Three months ended December 31		Year ended December 31	
($ thousands, except per unit and per Boe amounts)	**2022**	2021	**2022**	2021
Natural gas transportation expense	**19,277**	17,940	**75,387**	70,709
Condensate & NGL transportation expense	**17,100**	11,181	**53,926**	30,073
Total transportation expense	**36,377**	29,121	**129,313**	100,782
Natural gas transportation $/Mcf (1)	**0.81**	0.96	**0.86**	1.06
Condensate & NGL transportation $/Bbl	**5.99**	4.48	**5.14**	3.79
Total transportation $/Boe	**5.33**	5.20	**5.16**	5.27

(1) Includes total gas transportation from the plant gate to the final sales point.

For the three months and year ended December 31, 2022, natural gas transportation expense on a total dollar basis was higher than the prior year comparative periods due to increased firm commitments for natural gas transportation. However, over the same periods, the cost on a $/Mcf basis decreased due to a 28% and 31% increase in natural gas production. Compared to the third quarter of 2022, natural gas transportation expense increased from $18.6 million ($0.83/Mcf) due to the increase in natural gas production.

Condensate & NGL transportation for the three months and year ended December 31, 2022, increased on both a total dollar and $/Bbl basis from the prior year comparative periods due to increased production, primarily in the Pipestone area, increased pipeline tolls reflective of consumer price index adjustments, and temporary trucking costs incurred as a result of an extended third party pipeline outage throughout the fourth quarter of 2022.

Operating expenses

	Three months ended December 31		Year ended December 31	
($ thousands, except per Boe amounts)	**2022**	2021	**2022**	2021
Operating expenses	**81,570**	58,987	**292,568**	203,457
Per Boe	**11.94**	10.53	**11.67**	10.65

For the three months and year ended December 31, 2022, operating expenses on a total dollar and $/Boe basis were higher than the prior year comparative periods due to increased production in the Pipestone area as well as the impact of inflationary pressures and higher utility and fuel costs realized at both NuVista and third party midstream facilities. Fourth quarter operating expenses of $81.6 million ($11.94/Boe) increased from third quarter operating expenses of $77.4 million ($12.23/Boe) on total dollar basis due to the impact of midstream processing charges on higher production volumes.

The capital fees associated with the Pipestone South gas processing lease and gas transportation lease is excluded from operating expense and classified as a lease under *IFRS 16 - Leases*. For the three months and year ended December 31, 2022, total payments under these two leases of $4.4 million and $17.2 million were excluded from operating expenses and accounted for under the lease standard, compared to $4.3 million and $16.2 million in the prior year comparative periods.

General and administrative expenses (“G&A”)

	Three months ended December 31		Year ended December 31	
($ thousands, except per Boe amounts)	**2022**	2021	**2022**	2021
Gross G&A expenses	**7,936**	6,435	**29,091**	25,979
Overhead recoveries	**(835)**	(444)	**(2,981)**	(1,731)
Capitalized G&A	**(1,198)**	(943)	**(4,863)**	(4,339)
Net G&A expenses	**5,903**	5,048	**21,247**	19,909
Gross G&A per Boe	**1.16**	1.15	**1.16**	1.36
Net G&A per Boe	**0.86**	0.90	**0.85**	1.04

For the three months and year ended December 31, 2022, G&A expenses on a total dollar basis increased from the prior year comparative periods, due to compensation and discretionary spending returning to pre-COVID levels, and general economic inflationary pressures, offset by higher overhead recoveries. However, G&A expenses on a per Boe basis have decreased from the prior year as a result of the increase in production volumes.

The Company’s base rent for the head office is excluded from G&A expense and classified as a lease under *IFRS 16 - Leases.* For the three months and year ended December 31, 2022 and December 31, 2021, total payments of $0.2 million and $0.8 million were excluded from gross G&A expenses and accounted for under the lease standard.

Share-based compensation expense

	Three months ended December 31		Year ended December 31	
($ thousands)	**2022**	2021	**2022**	2021
Stock options	**453**	417	**1,662**	1,678
Restricted share awards	**550**	398	**1,904**	1,498
Performance share awards	**925**	558	**3,244**	1,878
Non-cash share-based compensation expense	**1,928**	1,373	**6,810**	5,054
Director deferred share units	**3,681**	2,287	**7,385**	7,047
Performance share units	**(42)**	(4)	**(48)**	687
Restricted share awards [1]	**—**	—	**—**	26
Performance share awards [1]	**—**	—	**—**	32
Cash share-based compensation expense	**3,639**	2,283	**7,337**	7,792
Total share-based compensation expense	**5,567**	3,656	**14,147**	12,846

[1] Awards under share-based plans elected by the Company to be settled with cash and not the issuance of shares from treasury.

Share-based compensation expense relates to the amortization of the fair value of stock option awards, performance share awards (“PSA”), restricted share awards (“RSA”) and accruals for future cash settled liabilities under the director deferred share unit (“DSU”) and the performance share unit (“PSU”) plans.

The change in share-based compensation expense over the prior year comparative period is primarily due to the number and fair value of units granted or exercised for non-cash share-based awards, changes in performance multipliers associated with the PSAs, and the change in the valuation of the liability of the cash share-based DSU and awards as result of the change in share price from the beginning of the period to the end of the period.

For the three months ended December 31, 2022, the increase in total share-based compensation was primarily a result of an increase in DSU expense and a corresponding increase in the recorded liability due to the increase in the Company’s share price. At December 31, 2022, the Company’s closing share price was $12.48/share compared to $9.81/share at September 30, 2022 and $6.96/share at December 31, 2021.

For the year ended December 31, 2022, the increase in total share-based compensation was primarily due to an increase to the performance multiplier for 2022 PSAs, which was determined by the Board to be 1.23x (3 year average), based on above-target Company performance.

Financing costs

	Three months ended December 31		Year ended December 31	
($ thousands, except per Boe amounts)	**2022**	2021	**2022**	2021
Interest on long-term debt (credit facility)	**1,156**	3,233	**7,110**	15,931
Interest on senior unsecured notes	**4,809**	4,870	**19,525**	18,907
Early redemption expense on 2026 Notes	**131**	—	**356**	—
Call premium on redemption of 2023 Notes	**—**	—	**—**	3,575
Interest expense	**6,096**	8,103	**26,991**	38,413
Lease interest expense	**3,141**	3,271	**12,763**	13,248
Accretion expense	**770**	474	**3,062**	2,213
Total financing costs	**10,007**	11,848	**42,816**	53,874
Interest expense per Boe	**0.89**	1.45	**1.08**	2.01
Total financing costs per Boe	**1.46**	2.12	**1.71**	2.82

For the three months and year ended December 31, 2022, the decrease in interest expense on long-term debt from the prior year comparable periods was primarily due to lower average borrowings on the credit facility offset by an increase in interest rates. The average interest rate on long-term debt (credit facility) for the three months and year ended December 31, 2022 was 7.0% and 5.3% compared to the average interest rate of 3.7% and 4.3% for the comparative periods of 2021. Interest expense on long-term debt includes interest standby charges on the Company's syndicated credit facility.

On July 23, 2021, the Company issued $230.0 million aggregate principal amount of 7.875% senior unsecured notes due July 23, 2026 (“2026 Notes”). Part of the proceeds from the 2026 Notes were used to redeem the full aggregate principal amount of $220 million of the Company’s then outstanding 6.5% senior unsecured notes due March 2, 2023 (“2023 Notes”) which were issued on March 2, 2018. See also the *Liquidity and Capital Resources* section in this MD&A. During the year ended December 31, 2022, NuVista repurchased and cancelled $9.4 million aggregate principal of its 2026 Notes plus accrued and unpaid interest, for a total purchase price of $9.6 million, resulting in an early redemption expense of $0.4 million compared to the carrying value of $9.2 million.

Depletion, depreciation and amortization (“DD&A”)

	Three months ended December 31		Year ended December 31	
($ thousands, except per Boe amounts)	**2022**	2021	**2022**	2021
Depletion and depreciation of property, plant and equipment	**59,982**	50,062	**202,153**	155,073
Depreciation of right-of-use assets	**2,241**	2,242	**8,967**	8,967
DD&A expense	**62,223**	52,304	**211,120**	164,040
Property, plant and equipment (“PP&E”) impairment reversal	**—**	—	**—**	(163,178)
Total DD&A and impairment expense	**62,223**	52,304	**211,120**	862
DD&A rate per Boe	**9.11**	9.34	**8.42**	8.59

DD&A expense for three months and year ended December 31, 2022 was $62.2 million ($9.11/Boe) and $211.1 million ($8.42/Boe), compared to $52.3 million ($9.34/Boe) and $164.0 million ($8.59/Boe) for the comparable periods of 2021, and $54.3 million ($8.58/Boe) in the third quarter of 2022.

Included in DD&A expense is the accelerated depletion expense or accelerated depletion recovery relating to a change in asset retirement obligation as a result of the change in estimate and change in discount rate, for wells with no remaining reserves that were previously fully depleted. For the three months and year ended December 31, 2022, the DD&A rate excluding the impact of accelerated depletion was $8.62/Boe and $8.65/Boe compared to the prior year comparative periods of $8.75/Boe and $8.65/Boe, and $8.63/Boe in the third quarter of 2022.

The Montney cash generating unit ("CGU") DD&A rate per Boe for the three months and year ended December 31, 2022 increased to $8.37/Boe and $8.31/Boe compared to $8.34/Boe and $8.16/Boe for the comparable periods of 2021. The higher DD&A rates are primarily a result of the increase in the depletable base as a result of the reversal of previously recognized impairment expense in the third quarter of 2021. The current quarter rate of $8.37/Boe increased slightly from the third quarter rate of $8.30/Boe.

At December 31, 2022, there were no indicators of impairment identified on any of the Company's CGUs within property, plant and equipment and an impairment test was not performed.

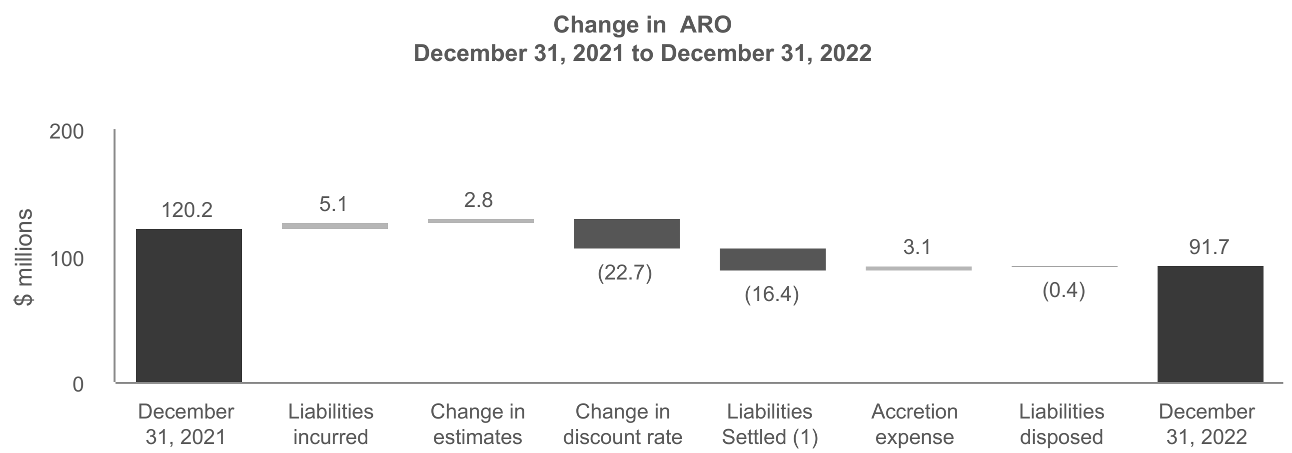
At September 30, 2021, there were indicators of reversal of impairment identified in NuVista's Montney CGU primarily as a result of improved forward commodity prices for natural gas and condensate, improving well economics and improvements to economic cutoff limits on reserve evolution, continued strong well performance, and a significantly improved share price. An impairment test was performed on PP&E assets. PP&E assets were assessed based on the recoverable amount estimated using a value in use calculation based on expected future cash flows generated from proved and proved plus probable reserves using pre-tax discount rates ranging from 10% to 20% based on an internally prepared reserves report. A total impairment recovery of $163.2 million was recognized at September 30, 2021 in NuVista's Montney CGU, which has been included in the depletion, depreciation, amortization and impairment. As of September 30, 2021, all impairment expenses previously recognized within PP&E were fully reversed.

The following benchmark price forecasts [1] were used to calculate the recoverable amounts:

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030 [2]
WTI (US$/Bbl)	75.00	72.00	69.01	67.24	68.58	69.96	71.35	72.78	74.24	75.72
NYMEX (US$/MMBtu)	5.70	4.50	3.50	3.15	3.21	3.28	3.34	3.41	3.48	3.55
Exchange rate (US$/Cdn$)	0.79	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80

(1) GLJ Ltd. price forecast, effective October 1, 2021.
(2) 2031 and beyond commodity price forecasts are inflated at 2.0% per annum. In 2031 and beyond there is no escalation of exchange rates.

Asset retirement obligations



(1) For the year ended December 31, 2022, includes non-cash settlements of $7.1 million (2021 - $1.2 million) that were funded by payments made directly to NuVista's service providers from the Alberta Site Rehabilitation Program ("ASRP") with respect to approved abandonment and reclamation expenditures. These amounts have been recorded within "Interest and other income".

Asset retirement obligations ("ARO") are based on estimated costs to reclaim and abandon ownership interests in condensate and natural gas assets including well sites, gathering systems and processing facilities. At December 31, 2022, NuVista had an ARO balance of $91.7 million as compared to $120.2 million as at December 31, 2021. The Government of Canada long-term risk-free bond rate of 3.3% (December 31, 2021 – 1.7%) and an inflation rate of 2.1% (December 31, 2021 – 1.8%) were used to calculate the net present value of the asset retirement obligations. At December 31, 2022, the estimated total undiscounted and uninflated amount of cash required to settle NuVista's ARO was $110.7 million (December 31, 2021 – $117.1 million) with an estimated 35% to be incurred within the next 10 years. Actual ARO expenditures for the year ended December 31, 2022 were $16.4 million including funding by payments made under the ASRP of $7.1 million, compared to $6.7 million including funding by payments made under the ASRP of $1.2 million for the year ended December 31, 2021.

NuVista's ARO liability decreased by $28.6 million in 2022 due primarily to a $22.7 million decrease as a result of a change in the discount rate used to value the liability from December 31, 2021, in addition to $16.4 million of liabilities settled, partially offset by a $2.8 million increase in ARO cost estimates and $5.1 million of liabilities incurred as a result of new wells drilled.

There are uncertainties related to asset retirement obligations and the impact on the financial statements could be material, as the eventual timing and expected costs to settle these obligations could differ from our estimates. The main factors that could cause expected costs to differ are changes to laws, regulations, reserve estimates, costs and technology. Any reclamation or abandonment expenditures will generally be funded from cash provided by operating activities.

Cash used in investing activities and capital expenditures

Capital expenditures for the three months and year ended December 31, 2022 were $72.7 million and $419.5 million, compared to $86.4 million and $288.8 million in the comparative periods of 2021. For the three months and year ended December 31, 2022, cash used in investing activities was $79.3 million and $442.1 million, compared to $42.6 million and $176.3 million in the comparative periods of 2021, with the first quarter of 2021 including proceeds on property dispositions of $93.6 million.

The increase in capital expenditures for the three months and year ended December 31, 2022 is reflective of the increased activity and increase to the capital budget in 2022 in response to the improved economic environment. Capital expenditures for the year came in at the top of guidance range of $410 - $420 million.

The table below summarizes the breakdown of capital expenditures in each category of capital expenditures for the three months and year ended December 31, 2022 and 2021:

	Three months ended December 31				Year ended December 31			
($ thousands, except % amounts)	**2022**	**% of total**	2021	% of total	**2022**	**% of total**	2021	% of total
Land and retention costs	**20**	**—**	1,000	1	**3,378**	**1**	1,000	—
Geological and geophysical	**139**	**—**	98	—	**386**	**—**	421	—
Drilling and completion	**61,348**	**84**	75,221	88	**345,735**	**83**	242,875	84
Facilities and equipment	**9,882**	**14**	8,941	10	**64,386**	**15**	39,391	14
Corporate and other	**1,354**	**2**	1,142	1	**5,591**	**1**	5,159	2
Capital expenditures [1]	**72,743**		86,402		**419,476**		288,846	

[1] Non-GAAP financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. Reference should be made to the section entitled *"Specified Financial Measures"*.

The majority of 2022 capital expenditures was focused on drilling and completion activities. Looking forward, the Company expects to continue to spend between 80-85% of planned capital expenditures on drilling and completion related activities.

Asset transactions

For the year ended December 31, 2022, the Company had minor asset transactions resulting in an accounting gain of $1.7 million. During the first quarter of 2022, a non-cash land swap valued at $1.3 million resulted in an accounting gain of $1.3 million. The lands disposed had a net book value of nil within property, plant & equipment, and the lands acquired in the swap valued at $1.3 million are included in exploration & evaluation assets. During the second quarter of 2022, the Company disposed of non-core assets resulting in an accounting gain of $0.4 million. There were no transactions in last half of 2022.

During the first quarter of 2021, NuVista completed the divestiture of its non-core Charlie Lake and Cretaceous Unit assets in the Wembley area, as well as selected water infrastructure assets in the Wembley/Pipestone area, for total proceeds of $93.5 million. Closing adjustments of $1.0 million were recognized in the fourth quarter of 2021, resulting in a reduction to the original proceeds. A gain on dispositions was recorded in the amount of $33.3 million. The sale included production of approximately 1,100 Boe/d and a reduction in our asset retirement obligations of $17.6 million. There was no change to NuVista's ownership in our core Montney assets in Pipestone, Wapiti, and the surrounding area and no material change to our ownership in the Wembley gas plant. The proceeds were applied to reduce borrowings on NuVista's $440 million credit facility with no reduction in the credit facility capacity, further improving the Company's liquidity and undrawn credit capacity. In exchange for the divestiture of the selected water infrastructure assets, NuVista has entered into a long-term water infrastructure service and supply contract for the provision of water for the completion of future wells.

Right-of-use assets and lease liabilities

The Company has right-of-use assets and lease liabilities for its head and field office leases, a gas processing lease associated with the Pipestone South compressor, and a gas gathering lease associated with the pipeline that connects the Pipestone South compressor to the Energy Transfer Partners Wapiti plant. At December 31, 2022, the total right-of-use asset is $99.0 million. The total lease liability is $116.7 million, of which $5.9 million is classified as a current liability.

Deferred income taxes

For the three months and year ended December 31, 2022, the Company recorded deferred tax expense of $43.2 million and $183.3 million compared to $35.2 million and $80.2 million for the prior year comparative periods. As a result of the increase in net earnings, the deferred tax liability of $260.3 million at December 31, 2022 increased from the December 31, 2021 balance of $87.8 million. The combined federal and provincial corporate tax rate in 2021 and 2022 is 23%. Within the context of current strip prices and our current capital spending plans, we expect to be cash taxable starting in 2023.

Tax pools

At December 31, 2022, NuVista had $1.1 billion (2021 – $1.6 billion) of tax pools available for deduction against future years' taxable income.

	Available tax pools	Maximum annual deduction
($ thousands)	2022	%
Canadian exploration expenses	**158,000**	100 %
Canadian development expenses	**463,000**	30-45% declining balance
Canadian oil and natural gas property expenses	**277,000**	10-15% declining balance
Undepreciated capital cost	**177,000**	25-37.5% declining balance
Non-capital losses	**67,000**	100 %
Other	**7,000**	various rates
Total federal tax pools	**1,149,000**	
Additional Alberta tax pools	**13,000**	100 %

Liquidity and capital resources

With the strong commodity price environment and our significantly increased production and free adjusted funds flow, NuVista is in the very favorable position of being able to continue our disciplined and value-adding growth strategy concurrently with continuing reduction of net debt and the continued return of capital to shareholders. Options for the return of capital to shareholders include the repurchase of shares and dividend strategies, and remaining free adjusted funds flow can also be considered for allocation towards continued growth and highly selective M&A, where value adding for shareholders. Currently, our Board has set a target of 75% of free adjusted funds flow returned to shareholders through the repurchase of the Company's common shares.

Our Board has approved a long-term sustainable target net debt to adjusted funds flow of less than 1.0 times in a stress test price environment of US$45/Bbl WTI and US$2.00/MMBtu NYMEX natural gas. We believe that the best method for return of capital to shareholders is initially to repurchase shares, however we continue to re-evaluate the uses of free adjusted funds flow. The re-evaluation takes into account the supply and demand and pricing environment, and includes all options including continued disciplined growth beyond existing facility capacity, share repurchases, dividend payments and prudent targeted M&A.

Long-term debt (credit facility)

At December 31, 2022, the Company had a $440 million (December 31, 2021 - $440 million) extendible revolving term credit facility available from a syndicate of Canadian financial institutions. Borrowing under the credit facility may be made by prime loans and bankers' acceptances. These advances bear interest at the bank's prime rate and/or at money market rates plus a borrowing margin. The credit facility is secured by a first floating charge debenture, general assignment of book debts and NuVista's properties and equipment. The credit facility has a tenor of two years and is subject to an annual review by the lenders, at which time the lenders can extend the revolving period or can request conversion to a one-year term loan. During the revolving period, a review of the maximum borrowing amount occurs semi-annually on November 30 and May 31. During the term period, no principal payments would be required until a year after the revolving period matures on May 31, 2024 in the event of a reduction or the credit facility not being renewed. The credit facility does not contain any financial covenants but NuVista is subject to various industry standard non-financial covenants. Compliance with these covenants is monitored on a regular basis and as at December 31, 2022, NuVista was in compliance with all covenants. The semi-annual review was completed on November 30, 2022, with no change to the credit facility capacity, and the credit facility now incorporates sustainability linked performance features. The next annual review is scheduled on or before May 31, 2023.

The conversion of the NuVista's credit facility to a sustainability-linked loan ("SLL") allows the Company to link performance on key sustainability themes to its borrowing costs, whereby rates increase or decrease depending on established annual sustainability performance targets ("SPTs") related to:

- A reduction of Scope 1 & 2 GHG Intensity;
- Increased spending on asset retirement obligations, over and above the minimum Alberta Energy Regulator established regulations as well as the number of well sites moved through the assessment and remediation process; and
- Gender diversity at the Board of Directors level.

Successfully achieving these SPTs will result in a decrease to the ongoing costs of the credit facility, and conversely, NuVista will incur an increase to the ongoing costs if it fails to meet the SPTs. The SPTs are important to the business plan and corporate values while demonstrating continuing commitment to the environment. Currently, NuVista is on track to meet or exceed the SPTs.

As at December 31, 2022, the Company had drawn nil on its term credit facility (December 31, 2021 – $196.1 million) and had outstanding letters of credit of $7.2 million which reduce the credit available on this credit facility.

As at December 31, 2022, the Company had available cash on hand of $41.9 million in its Canadian cash account attracting an interest rate of approximately 4.1% (2021 - nil).

Export development Canada (“EDC”) facility

The Company has a $30 million unsecured letter of credit facility under Export Development Canada's (“EDC”) Account Performance Security Guarantee (“APSG”) program. At December 31, 2022, the Company had outstanding letters of credit associated with the APSG of $22.8 million, leaving $7.2 million of credit available on this facility.

Senior unsecured notes

On July 23, 2021, the Company issued $230.0 million aggregate principal amount of 7.875% senior unsecured notes due July 23, 2026. The 2026 Notes were issued at $989.89 expressed as a price per $1,000.00 principal amount. Interest is payable semi-annually in arrears. The 2026 Notes are fully and unconditionally guaranteed as to the payment of principal and interest, on a senior unsecured basis by the Company. There are no maintenance or financial covenants.

The 2026 Notes are non-callable by the Company prior to July 23, 2023. At any time on or after July 2, 2023, the Company may redeem all or part of the 2026 Notes at the redemption prices set forth in the table below plus any accrued and unpaid interest:

12 month period beginning on:	Percentage
July 23, 2023	103.938%
July 23, 2024	101.969%
July 23, 2025 and thereafter	100.000%

If a change of control occurs, each holder of the 2026 Notes will have the right to require the Company to purchase all or any part of that holder's 2026 Notes for an amount in cash equal to 101% of the aggregate principal repurchased plus accrued and unpaid interest.

During the year ended December 31, 2022, NuVista redeemed a total of $9.4 million in aggregate principal of its 2026 Notes through open market repurchases at a weighted average price of $101.47 plus accrued and unpaid interest. The difference between the repurchase price and the carrying value was recognized as an early redemption expense within financing costs in the consolidated statement of earnings. The remaining face value of the 2026 Notes at December 31, 2022 was $220.6 million, with a carrying value of $215.4 million.

Subsequent to December 31, 2022, NuVista repurchased an additional $7.8 million in aggregate principal of its 2026 Notes. The remaining face value of the 2026 Notes is $212.7 million with a carrying value of $205.0 million.

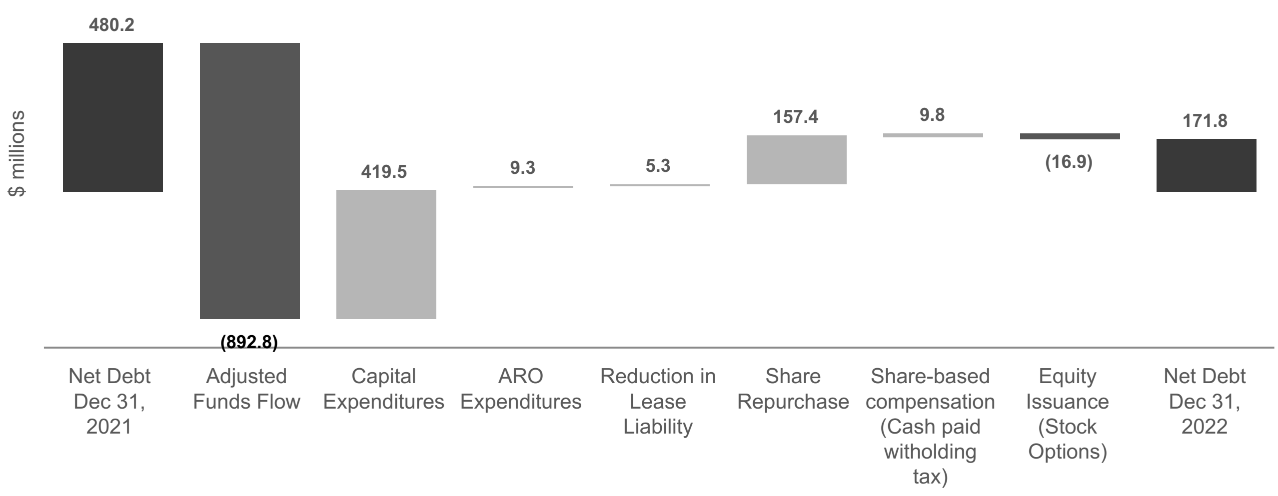
Market capitalization and net debt

The following is a summary of total market capitalization, net debt and net debt to annualized current quarter funds flow:

($ thousands)	**December 31, 2022**	December 31, 2021
Basic common shares outstanding ('000s)	**219,346**	227,578
Share price [1]	**12.48**	6.96
Total market capitalization	**2,737,438**	1,583,943
Cash and cash equivalents	**(41,890)**	—
Accounts receivable and prepaid expenses	**(196,678)**	(88,537)
Other receivable	**(7,063)**	—
Accounts payable and accrued liabilities	**185,129**	140,002
Current portion of other liabilities [2]	**15,375**	7,990
Long-term debt (credit facility)	**—**	196,055
Senior unsecured notes	**215,392**	223,178
Other liabilities	**1,540**	1,587
Net debt [3,4]	**171,805**	480,275
Annualized current quarter adjusted funds flow [3,4]	**1,027,932**	606,660
Net debt to annualized current quarter adjusted funds flow	**0.2**	0.8
Adjusted funds flow [2,3]	**892,801**	320,974
Net debt to adjusted funds flow	**0.2**	1.5

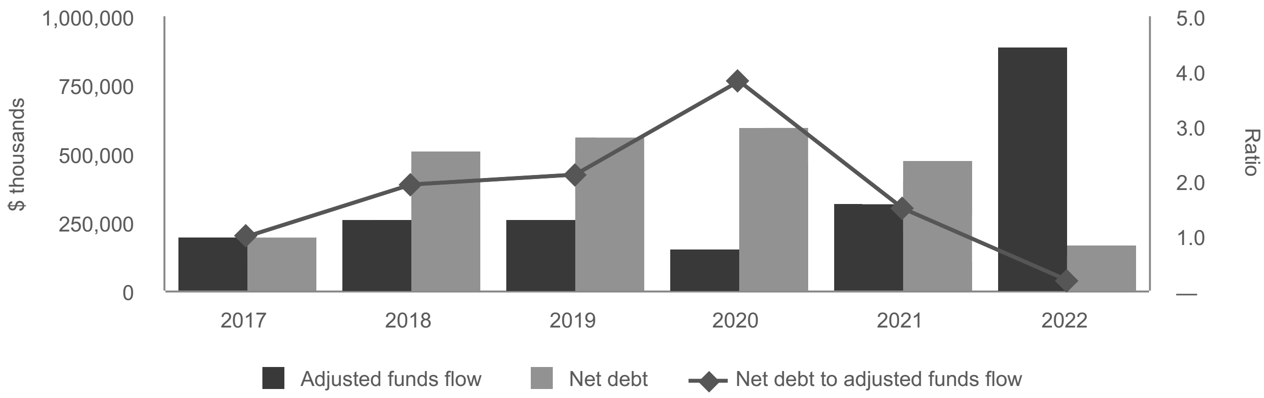
[1] Represents the closing share price on the TSX on the last trading day of the period.
[2] Prior year comparative of $8.0 million has been reclassified from long-term to current liabilities to align with the current presentation.
[3] Capital management measure. Reference should be made to the section entitled *"Specified Financial Measures"*.
[4] Refer to Note 18, "Capital Management" in NuVista's financial statements.

Net debt reconciliation



NuVista has more than sufficient liquidity to execute its business plan. At current strip pricing, the Company is forecasting net debt reduction from adjusted funds flow in excess of capital expenditures and financing of our NCIB, while achieving prudent production growth. Net debt has been reduced to $171.8 million and we achieved a favorable net debt to annualized current quarter adjusted funds flow of 0.2x. This represents the time period it would take to pay off NuVista's net debt if no further capital expenditures were incurred and if adjusted funds flow remained constant. NuVista plans to monitor its business plan and has flexibility to adjust its capital program, NCIB expenditures and net debt reduction in the context of commodity prices and net debt levels.

Net debt to adjusted funds flow [1]



[1] Based on full year adjusted funds flow.

Share Capital

On June 9, 2022, NuVista announced the approval of its normal course issuer bid ("NCIB"). The NCIB allows NuVista to purchase up to 18,190,261 of its outstanding common shares over a 12-month period, commencing June 14, 2022. During the quarter ended December 31, 2022, NuVista repurchased 6,645,300 common shares at a weighted average price of $12.88/share for a total cost of $85.6 million. Since the inception of the NCIB, NuVista has repurchased a total of 13,482,600 common shares at a weighted average price of $11.67/share for a total cost of $157.4 million. Shares were cancelled upon repurchase. Subsequent to December 31, 2022, the Company repurchased and subsequently cancelled 1,039,100 common shares at a weighted average price of $11.53/share for a total cost of $12.0 million.

As at December 31, 2022, there were 219.3 million common shares outstanding. In addition, there were 4.1 million stock options with an average exercise price of $3.84 per option and 0.8 million RSAs and 4.3 million PSAs outstanding.

Commitments

NuVista enters into contract obligations as part of conducting business. Such commitments include processing costs associated with natural gas at third party facilities, and transportation costs for delivery of our natural gas, condensate, and NGLs to sales points. NuVista manages our commitments in conjunction with future development plans and to ensure we are diversified into multiple markets.

The following is a summary of NuVista's contractual obligations and commitments as at December 31, 2022:

($ thousands)	**Total**	2023	2024	2025	2026	2027	Thereafter
Transportation (1)	**904,272**	131,685	130,914	123,220	119,390	104,937	294,126
Processing (1)	**1,262,893**	84,163	97,659	97,522	94,770	95,240	793,539
Servicing (2)	**16,560**	5,000	5,780	5,780	—	—	—
Total commitments (3)	**2,183,725**	220,848	234,353	226,522	214,160	200,177	1,087,665

(1) Certain of the transportation and processing commitments are secured by outstanding letters of credit of $29.0 million at December 31, 2022 (December 31, 2021 - $24.2 million).
(2) Effective November 2022, NuVista entered into a 3-year fracturing services and proppant supply agreement with a third-party. Part of the agreement includes USD and the conversion rate used was as at December 31, 2022 1.36 Cdn$/US$.
(3) Excludes commitments recognized within lease liabilities.

Off "balance sheet" arrangements

NuVista has certain commitments which are reflected in the contractual obligations and commitments table, which were entered into in the normal course of operations. Most transportation and processing commitments are treated as executory contracts whereby the payments are included in operating or transportation expenses.

QUARTERLY FINANCIAL INFORMATION

($ thousands, except otherwise stated)	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
FINANCIAL								
Petroleum and natural gas revenues	**455,868**	445,007	463,273	381,827	323,355	222,601	187,925	151,409
Net earnings (loss)	**159,372**	223,463	177,954	70,255	113,159	147,065	(10,941)	15,389
Per share, basic (6)	**0.72**	0.99	0.78	0.31	0.50	0.65	(0.05)	0.07
Per share, diluted (6)	**0.69**	0.95	0.74	0.30	0.48	0.63	(0.05)	0.07
Cash provided by operating activities	**226,688**	228,018	227,668	162,442	110,063	124,007	58,357	46,151
Per share, basic (6)	**1.02**	1.01	0.99	0.71	0.48	0.55	0.26	0.20
Per share, diluted (6)	**0.98**	0.97	0.95	0.68	0.47	0.53	0.26	0.20
Adjusted funds flow (1)	**256,983**	246,115	199,833	189,869	151,665	80,602	55,452	33,257
Per share, basic	**1.16**	1.09	0.87	0.83	0.67	0.36	0.25	0.15
Per share, diluted	**1.12**	1.04	0.83	0.80	0.64	0.35	0.25	0.14
Capital expenditures (2)	**72,743**	111,746	115,023	119,964	86,402	77,152	44,344	80,948
Total assets ($ millions)	**2,822**	2,750	2,613	2,505	2,392	2,353	2,140	2,137
Weighted average basic shares outstanding (thousands of shares)	**222,483**	226,770	229,595	228,146	226,951	226,301	226,045	225,842
Weighted average diluted shares outstanding (thousands of shares)	**230,366**	235,540	239,405	238,084	235,691	233,400	226,045	229,813
OPERATING								
Daily Production								
Natural gas (Mcf/d)	**259,335**	244,709	225,070	228,978	202,730	184,149	178,293	168,433
Condensate (Bbls/d)	**25,112**	22,478	21,058	21,680	21,072	15,779	16,296	12,627
NGLs (Bbls/d) (4)	**5,918**	5,529	6,463	6,756	6,028	4,534	5,473	5,155
Total (Boe/d)	**74,252**	68,792	65,032	66,599	60,888	51,005	51,485	45,854
Condensate & NGLs weighting	**42%**	41%	42%	43%	45%	40%	42%	39%
Average realized selling prices (5)								
Natural gas ($/Mcf)	**7.55**	8.32	7.83	5.79	6.09	4.88	3.48	3.79
Condensate ($/Bbl)	**109.69**	111.14	135.67	119.21	96.15	84.59	79.00	70.87
NGLs ($/Bbl)	**41.28**	55.14	73.09	49.30	42.38	41.36	28.73	28.80
Netbacks ($/Boe)								
Petroleum and natural gas revenues	**66.73**	70.32	78.28	63.71	57.73	47.44	40.11	36.68
Realized gain (loss) on financial derivatives	**(1.17)**	(5.63)	(12.77)	(7.54)	(6.69)	(6.04)	(6.13)	(5.11)
Interest income	**0.01**	—	—	—	—	—	—	—
Royalties	**(7.94)**	(6.23)	(12.11)	(5.56)	(4.89)	(3.51)	(2.24)	(2.61)
Transportation expenses	**(5.33)**	(5.12)	(5.59)	(4.58)	(5.20)	(5.38)	(5.44)	(5.07)
Operating expenses	**(11.94)**	(12.23)	(11.55)	(10.89)	(10.53)	(10.49)	(10.54)	(11.11)
Operating netback (3)	**40.36**	41.11	36.26	35.14	30.42	22.02	15.76	12.78
Corporate netback (3)	**37.62**	38.89	33.76	31.69	27.08	17.18	11.84	8.06

(1) Capital management measure. Reference should be made to the section entitled *"Specified Financial Measures"*.
(2) Non-GAAP financial measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. Reference should be made to the section entitled *"Specified Financial Measures*".
(3) Non-GAAP ratio that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. Reference should be made to the section entitled *"Specified Financial Measures"*.
(4) Natural gas liquids ("NGLs") include butane, propane, ethane and sulphur revenue.
(5) Product prices exclude realized gains/losses on financial derivatives.
(6) Supplementary financial measure. Reference should be made to the section entitled *"Specified Financial Measures"*.

Petroleum and natural gas revenues over the prior eight quarters, have ranged from $151.4 million to $463.3 million, largely due to the volatility of commodity prices and changes in production. Net earnings (loss) has been in a range of a net loss of $10.9 million to net earnings of $223.5 million, primarily influenced by commodity prices and production volumes, realized and unrealized gains and losses on financial derivatives, impairment charges and reversals and deferred income taxes.

SPECIFIED FINANCIAL MEASURES

The Company's MD&A uses various specified financial measures including "non-GAAP financial measures", "non-GAAP ratios", "capital management measures", and “supplementary financial measures” (as such terms are defined in NI 51-112), which are described in further detail below. Management believes that the presentation of these non-GAAP measures provide useful information to investors and shareholders as the measures provide increased transparency and the ability to better analyze performance against prior periods on a comparable basis.

Non-GAAP financial measures

NI 52-112 defines a non-GAAP financial measure as a financial measure that: (i) depicts the historical or expected future financial performance, financial position or cash flow of an entity; (ii) with respect to its composition, excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in the primary financial statements of the entity; (iii) is not disclosed in the financial statements of the entity; and (iv) is not a ratio, fraction, percentage or similar representation.

These non-GAAP financial measures are not standardized financial measures under IFRS and may not be comparable to similar measures presented by other companies where similar terminology is used. Investors are cautioned that these measures should not be construed as alternatives to or more meaningful than the most directly comparable IFRS measures as indicators of NuVista's performance.

The following list identifies the non-GAAP financial measures included in NuVista’s MD&A:

Capital expenditures

Capital expenditures are equal to cash used in investing activities, excluding changes in non-cash working capital, other receivable expenditures and property dispositions. Any other receivable expenditures are being refunded to NuVista and are therefore included under current assets. NuVista considers capital expenditures to be a useful measure of cash flow used for capital reinvestment.

The following table provides a reconciliation between the non-GAAP measure of capital expenditures to the most directly comparable GAAP measure of cash used in investing activities for the period:

	Three months ended December 31		Year ended December 31	
($ thousands)	**2022**	2021	**2022**	2021
Cash used in investing activities	**(79,310)**	(42,620)	**(442,091)**	(176,258)
Changes in non-cash working capital	**6,567**	(44,254)	**22,615**	(15,249)
Other receivable expenditures	**—**	(562)	**—**	(4,795)
Property dispositions	**—**	1,034	**—**	(92,544)
Capital expenditures	**(72,743)**	(86,402)	**(419,476)**	(288,846)

Free adjusted funds flow

Free adjusted funds flow is adjusted funds flow less capital and asset retirement expenditures. Each of the components of free adjusted funds flow are non-GAAP financial measures. Please refer to disclosures under the headings "Capital management measures" and "Capital expenditures" for a description of each component of free adjusted funds flow. Management uses free adjusted funds flow as a measure of the efficiency and liquidity of its business, measuring its funds available for additional capital allocation to manage debt levels, pay dividends, and return capital to shareholders. By removing the impact of current period capital and asset retirement expenditures, management believes this measure provides an indication of the funds the Company has available for future capital allocation decisions.

The following table sets out our free adjusted funds flow compared to the most directly comparable GAAP measure of cash provided by operating activities less cash used in investing activities for the period:

	Three months ended December 31		Year ended December 31	
($ thousands)	**2022**	2021	**2022**	2021
Cash provided by operating activities	**226,688**	110,063	**844,816**	338,578
Cash used in investing activities	**(79,310)**	(42,620)	**(442,091)**	(176,258)
Excess cash provided by operating activities over cash used in investing activities	**147,378**	67,443	**402,725**	162,320
Adjusted funds flow	**256,983**	151,665	**892,801**	320,974
Capital expenditures	**(72,743)**	(86,402)	**(419,476)**	(288,846)
Asset retirement expenditures	**(1,223)**	(809)	**(9,302)**	(5,478)
Free adjusted funds flow	**183,017**	64,454	**464,023**	26,650

Non-GAAP ratios

NI 52-112 defines a non-GAAP ratio as a financial measure that: (i) is in the form of a ratio, fraction, percentage or similar representation; (ii) has a non-GAAP financial measure as one or more of its components; and (iii) is not disclosed in the financial statements of the entity. Set forth below is a description of the non-GAAP ratios used in this MD&A.

These non-GAAP ratios are not standardized financial measures under IFRS and might not be comparable to similar measures presented by other companies where similar terminology is used. Investors are cautioned that these ratios should not be construed as alternatives to or more meaningful than the most directly comparable IFRS measures as indicators of NuVista's performance.

Operating netback and corporate netback ("netbacks"), per Boe

NuVista calculated netbacks per Boe by dividing the netbacks by total production volumes sold in the period. Each of operating netback and corporate netback are non-GAAP financial measures. Operating netback is calculated as petroleum and natural gas revenues including realized financial derivative gains/losses, less royalties, transportation and operating expenses. Corporate netback is operating netback less general and administrative, deferred share units, interest and lease finance expense.

Management believes both operating and corporate netbacks are key industry benchmarks and measures of operating performance for NuVista that assists management and investors in assessing NuVista's profitability, and are commonly used by other petroleum and natural gas producers. The measurement on a Boe basis assists management and investors with evaluating NuVista's operating performance on a comparable basis.

Cash costs (“cash costs”), per Boe

NuVista calculated cash costs per Boe by dividing the cash costs by total production volumes sold in the period. Cash costs are a non-GAAP financial measure, calculated as the sum of operating expenses, transportation expenses, general and administrative expenses and financing costs, excluding accretion expense.

Management believes that cash costs are a key industry benchmark and measures of operating performance for NuVista that assists management and investors in assessing NuVista's profitability, and are commonly used by other petroleum and natural gas producers. The measurement on a Boe basis assists management and investors with evaluating NuVista's operating performance on a comparable basis.

Capital management measures

NI 52-112 defines a capital management measure as a financial measure that: (i) is intended to enable an individual to evaluate an entity's objectives, policies and processes for managing the entity's capital; (ii) is not a component of a line item disclosed in the primary financial statements of the entity; (iii) is disclosed in the notes to the financial statements of the entity; and (iv) is not disclosed in the primary financial statements of the entity.

Please refer to Note 18 "Capital Management" in NuVista's financial statements for additional disclosure on net debt, adjusted funds flow, net debt to adjusted funds flow, and net debt to annualized current quarter adjusted funds flow, each of which are capital management measures used by the Company in this MD&A.

Supplementary financial measures

This MD&A may contain certain supplementary financial measures. NI 52-112 defines a supplementary financial measure as a financial measure that: (i) is intended to be disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of an entity; (ii) is not disclosed in the financial statements of the entity; (iii) is not a non-GAAP financial measure; and (iv) is not a non-GAAP ratio.

NuVista calculates: (i) "adjusted funds flow per share" by dividing adjusted funds flow for a period by the number of weighted average common shares of NuVista for the specified period; and (ii) "net earnings per share" by dividing the net earnings for a period by the number of weighted average common shares of NuVista for the specified period.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the financial statements and the reported amounts of revenue and expenses during the period. Estimates are subject to measurement uncertainty and changes in such estimates in future years could require material change in the financial statements. These underlying assumptions are based on historical experience and other factors that management believes to be reasonable under the circumstances, and are subject to change as new events occur, as more industry experience is acquired, as additional information is obtained as NuVista's operating environment changes. Estimates and underlying assumptions are reviewed on an ongoing basis by management. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in the future periods affected.

The following are critical judgments that management has made in the process of applying accounting policies that have the most significant effect on the financial statements:

Determination of cash generating units

Oil and natural gas assets are grouped into cash generating units ("CGUs") that have been identified as being the smallest identifiable group of assets that generate cash flows that are independent of cash flows of other assets or groups of assets. The determination of NuVista's CGUs is subject to management judgement and interpretations with respect to the geographical proximity, shared infrastructure, commodity composition, similar market exposure, and the way in which operations are managed.

Impairment indicators

NuVista assesses its property, plant and equipment for impairment or impairment reversal when internal or external indicators of impairment or impairment reversal exist and impairment testing is required. If any indication of impairment exists, NuVista performs an impairment test on the CGU. The carrying amount of each CGU is compared to its recoverable amount, which is defined as the greater of its fair value less costs of disposal and value in use, and is subject to management's estimates. If in determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of reserves which are dependent upon variables including forecasted oil and natural gas prices, operating costs, royalties, production volumes, future development costs, discount rates and other relevant assumptions. NuVista also assesses its property, plant and equipment to determine if events or circumstances would support the reversal of any previously recorded impairment charges. In this assessment NuVista considers the facts and circumstances that caused the original impairment charge to be recognized and whether there is a sustained period in which those facts and circumstances changed.

Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation ("E&E") assets requires management to make certain judgments in determining whether it is likely that future economic benefits exist when activities have not generally reached a stage where technical feasibility and commercial viability can be reasonably determined.

Reserve estimates

Proved and proved plus probable oil and natural gas reserves are used in the calculation of depletion, impairment and impairment reversals and to assess for indicators of impairment or impairment reversal on each of the Company's CGUs. Reserve estimates and their related cash flows are based on a number of significant assumptions, which include forecasted oil and natural gas prices, operating costs, royalties, production volumes and future development costs, all of which are subject to many uncertainties and interpretations. The Company expects that, over time, its reserve estimates will be revised upward or downward based on updated information such as the results of future drilling, testing and production levels and changes in commodity prices.

Independent third-party reserve evaluators are engaged annually to estimate proved and proved plus probable oil and gas reserves and the related cash flows from the Company's interest in oil and gas properties. This evaluation of proved and proved plus probable gas reserves is prepared in accordance with the reserves definitions as set up by the Canadian Securities Administrators in National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* and the Canadian Oil and Gas Evaluation ("COGE") Handbook.

Asset retirement obligations

Asset retirement obligations are recognized for the future decommissioning and restoration of property, plant and equipment. These obligations are based on estimated costs, which take into account the anticipated method and extent of restoration and technological advances. Actual costs are uncertain and estimates can vary as a result of changes to relevant laws and regulations, the emergence of new technology, operating experience and prices. The expected timing of future decommissioning and restoration may change due to certain factors, including reserve life. The estimate for these obligations is also impacted by the risk-free rate and inflation rates used to calculate the present value of the asset retirement obligation.

Income taxes

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. The deferred tax asset or liability is based on estimates as to the timing of the reversal of temporary differences, substantively enacted tax rates and the likelihood of assets being realized.

Lease arrangements

Management applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease. Leases that are recognized are subject to further management judgment and estimation in various areas specific to the arrangement, including lease term and discount rate.

The preparation of the consolidated financial statements in accordance with IFRS 16 requires management to make judgments, estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses. Actual results could differ significantly from these estimates. Key areas where management has made judgments, estimates and assumptions related to the application of IFRS 16 include:

Incremental borrowing rate

The incremental borrowing rates are based on judgments including economic environment, term, and the underlying risk inherent to the asset. The carrying balance of the right-of-use assets, lease liabilities and the resulting lease interest and depreciation expense may differ due to changes in the market conditions and lease term.

Lease term

Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

Share-based compensation

Compensation expense recognized for the Company's performance share awards is subject to estimation relating to the performance multiplier, which will determine the ultimate equity payout at the vesting date. This multiplier, ranging from zero to two, will be applied at vesting and is dependent on the performance of the Company relative to pre-defined corporate performance measures for a particular period and the Board of Directors' discretion. Assumptions on the forfeiture rate at the time of grant are also subject to management estimates

The compensation expense recognized for the awards granted under the Company's stock option plan is subject to the estimation of what the ultimate payout will be using pricing models such as the Black-Scholes model, which is based on significant assumptions such as volatility, forfeiture, discount rates and expected term.

Depreciation, depletion, amortization and impairment (reversal)

Property, plant and equipment is measured at cost less accumulated depreciation, depletion, amortization and impairment (reversal). Depletion of crude oil and natural gas assets is determined based on total proved plus probable reserves as well as future development costs as estimated by an independent qualified reserve evaluator.

Future accounting pronouncements

Various amendments to existing standards and new accounting requirements have been released that are effective January 1, 2023. The Company does not anticipate the new requirements to have a material impact on the financial statements.

CONTROLS AND PROCEDURES

Disclosure controls and procedures

Disclosure controls and procedures ("DC&P") have been designed to ensure that information to be disclosed by NuVista is accumulated and communicated to management, as appropriate, to allow timely decisions regarding required disclosures. All control systems by their nature have inherent limitations and, therefore, the Company's disclosure controls and procedures are believed to provide reasonable, but not absolute, assurance that the objectives of the control systems are met.

NuVista's President and Chief Executive Officer ("CEO") and Vice President, Finance and Chief Financial Officer ("CFO") ("the Certifying Officers") have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's DC&P at December 31, 2022 and have concluded that the Company's DC&P were effective.

Internal control over financial reporting

NuVista complies with National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings". The certification requires that NuVista disclose in the MD&A any material weaknesses in NuVista's internal controls over financial reporting and/or any changes in NuVista's internal controls over financial report that occurred during the period that may have materially affected, or are reasonably likely to materially affect, NuVista's internal controls over financial reporting.

The CEO and CFO have designed internal controls over financial reporting ("ICFR"), or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of NuVista's financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of NuVista;
- are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with GAAP, and that receipts and expenditures of NuVista are being made only in accordance with authorizations of management and directors of NuVista; and
- are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of NuVista's assets that could have a material effect on the annual financial statements.

NuVista has designed its ICFR based on the Committee of Sponsoring Organizations of the Treadway Commission (2013). The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's ICFR at December 31, 2022 and have concluded that the Company's ICFR was effective at December 31, 2022. No changes were made to NuVista's ICFR during the year ended December 31, 2022 that have materially or are reasonably likely to materially affect the internal controls over financial reporting.

Because of their inherent limitations, disclosure controls and procedures and internal control over financial reporting may not prevent or detect misstatements, error or fraud. Control systems, no matter how well conceived or operated, can provide only reasonable, not absolute assurance, that the objectives of the control system are met.

ASSESSMENT OF BUSINESS RISKS

Operational risk

The following are the primary risks associated with the business of NuVista. Most of these risks are similar to those affecting others in the conventional oil and natural gas sector. NuVista's financial position and results of operations are directly impacted by these factors:

- Commodity risk as crude oil, condensate and natural gas prices and differentials fluctuate due to market forces;
- Risk associated with a potential recession and its corresponding impact on commodity prices;
- Inflationary pressures on the procurement of materials and labour to safely deliver on our forecasted capital and operational plans;
- Changing government regulations relating to royalty legislation, income tax laws, incentive programs, operating practices, fracturing regulations and environmental protection relating to the oil and natural gas industry;
- Transition risks as countries adopt policies and legislation to reduce GHG emissions;
- Supply chain risk on the ability to execute our development plan;
- Labour risk related to availability, productivity and retention of qualified personnel;
- Risk associated with the re-negotiation of NuVista's credit facility and the continued participation of NuVista's lenders;
- Financial risk such as volatility of the Cdn/US dollar exchange rate, interest rates and debt service obligations;
- Operational risk associated with the production of oil and natural gas;
- Operational risk associated with third party facility outages and downtime;
- Reserves risk with respect to the quantity and quality of recoverable reserves;
- Market risk relating to the availability of transportation systems to move the product to market;
- Our ability to satisfy obligations under our firm commitment transportation and processing arrangements; and
- Environmental and safety risk associated with well operations and production facilities.

NuVista seeks to mitigate these risks by:

- Maintaining product mix to balance exposure to commodity prices;
- Monitoring pricing trends and developing a mix of contractual arrangements for the marketing of products with creditworthy counterparties;
- Maintaining a price risk management program to manage commodity prices and foreign exchange currency rates risk and transacting with creditworthy counterparties;
- Keeping informed of proposed changes in regulations and laws to properly respond to and plan for the effects that these changes may have on our operations;
- Establishing ESG related processes and targets and investments in projects that reduce GHG emissions;
- Acquiring properties with established production trends to reduce technical uncertainty as well as undeveloped land with development potential;
- Maintaining a low-cost structure to maximize product netbacks and reduce impact of commodity price cycles;
- Diversifying properties to mitigate individual property and well risk;
- Conducting rigorous reviews of all property acquisitions;
- Ensuring strong third-party operators for non-operated properties;
- Adhering to NuVista's safety program and keeping abreast of current operating best practices;
- Carrying industry standard insurance to cover losses;
- Establishing and maintaining adequate cash resources to fund future abandonment and site restoration costs;
- Closely monitoring commodity prices and capital programs to manage financial leverage; and
- Monitoring the debt and equity markets to understand how changes in the capital market may impact NuVista's business plan.

Climate change risk

Widening concerns over climate change, fossil fuel consumption, greenhouse gas emissions, and water and land use could lead governments to enact additional laws, regulations and costs or taxes that may be applicable to NuVista. Changes to environmental regulations related to climate change could impact the demand for, development of or quality of NuVista's petroleum products, or could require increased capital expenditures, operating expenses, asset retirement obligations and costs, which could result in increased costs which would reduce the profitability and competitiveness of NuVista if commodity prices do not rise commensurate with the increased costs. In addition, such regulatory changes could necessitate NuVista to develop or adapt new technologies, possibly requiring significant investments of capital. Where possible, NuVista has considered these factors in the preparation of the consolidated financial statements.

Changing regulation

Emissions, carbon and other regulations impacting climate and climate related matters are constantly evolving. With respect to ESG and climate reporting, the International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. In addition, the Canadian Securities Administrators have issued a proposed National Instrument 51-107 *Disclosure of Climate-related Matters.* The cost to comply with these standards, and others that may be developed or evolve over time, has not yet been quantified. NuVista is committed to transparent and comprehensive reporting of its sustainability performance and considers these standards.

Information regarding risk factors associated with the business of NuVista and how NuVista seeks to mitigate these risks are contained in our Annual Information Form under the Risk Factors section for the year ended December 31, 2021.

GLOSSARY

The following tables summarize the measurements and abbreviations used in this document:

MEASUREMENTS			
Bbl	barrel	Mcf	thousand cubic feet
Bbls	barrels	Mcf/d	thousand cubic feet per day
Bbls/d	barrels per day	MMcf	million cubic feet
Boe	barrels of oil equivalent	MMcf/d	million cubic feet per day
Boe/d	barrels of oil equivalent per day	Bcf	billion cubic feet
NGLs	natural gas liquids	Bcf/d	billion cubic feet per day
GJ	gigajoule	MMBtu	million British Thermal Units

OTHER ABBREVIATIONS	
AECO	benchmark price for natural gas determined at the AECO ‘C’ hub in southeast Alberta
AIF	annual information form
ARO	asset retirement obligation
ASRP	Alberta site rehabilitation program
AER	Alberta Energy Regulator
CDP	Climate Disclosure Project
Chicago	Chicago city-gate benchmark price for natural gas
CGU	cash-generating unit
DAWN	natural gas traded at Union Gas Dawn hub in Dawn Township, Ontario
DD&A	depreciation, depletion and amortization
DSU	director deferred share units
ESG	environment, social and governance
GAAP	generally accepted accounting principles
GCA	gas cost allowance
GHG	greenhouse gas
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
LTI	lost time injuries
MALIN	natural gas traded at Malin, Oregon
NCIB	normal course issuer bid
NYMEX	New York Mercantile Exchange natural gas futures benchmark prices
OECD	Organization of Economic Cooperation and Development (OECD)
PSA	performance share awards
PSU	performance share units
RSA	restricted share awards
SLL	sustainability-linked loan
SPR	Strategic Petroleum Reserve
SPT	sustainability performance targets
TSX	Toronto Stock Exchange
WCSB	Western Canadian Sedimentary Basin
WTI	West Texas Intermediate

ADVISORIES

Oil and Gas Measures

Unless otherwise noted, the financial data presented herein has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") also known as International Financial Reporting Standards ("IFRS"). The reporting and measurement currency is the Canadian dollar. Natural gas is converted to a barrel of oil equivalent ("Boe") using six thousand cubic feet of gas to one barrel of oil. In certain circumstances natural gas liquid volumes have been converted to a thousand cubic feet equivalent ("Mcfe") on the basis of one barrel of natural gas liquids to six thousand cubic feet of gas. Boes and Mcfes may be misleading, particularly if used in isolation. A conversion ratio of one barrel to six thousand cubic feet of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion ratio on a 6:1 basis may be misleading as an indication of value. National Instrument 51-101 - "Standards of Disclosure for Oil and Gas Activities" includes condensate within the product type of natural gas liquids. NuVista has disclosed condensate values separate from natural gas liquids herein as NuVista believes it provides a more accurate description of NuVista's operations and results therefrom.

Forward-looking information and statements

This MD&A contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable securities laws. The use of any of the words "will", "expects", "believe", "plans", "potential" and similar expressions are intended to identify forward-looking statements. More particularly and without limitation, this MD&A contains forward looking statements, including management's assessment of: NuVista's future focus, strategy, plans, opportunities and operations; plans to maximize economic value and divide free adjusted funds flow between prudent reduction of debt and growth capital to fill existing facilities at an optimal rate; the quality of NuVista's asset base and economics therein; the ability to continue to execute NuVista's 2023 capital plan in the current commodity price environment while returning free adjusted funds flow to shareholders and reducing net debt; NuVista's expectation of maximum production levels and anticipated growth in netbacks and timing thereof; the anticipated re-evaluation of the uses of free adjusted funds flow and anticipated outcomes therefrom; expectations with respect to achieving our sustainable net debt target of less than 1.0 times adjusted funds flow in the stress test price environment of US$45/Bbl WTI and US$2.00/MMBtu and anticipated timing thereof; 2023 capital expenditure guidance, plans and expected allocations; 2023 guidance with respect to production and production mix; that NuVista's credit facility and APSG program will continue to provide it with more than sufficient liquidity to continue to execute its capital plans to maximize value; NuVista's ability to meet the SPTs under the SLL; NuVista's ability to adjust its capital program, NCIB expenditures and net debt reduction in the context of commodity prices and net debt levels; expectations related to gas storage levels; ESG plans, targets and results from ESG initiatives; future commodity prices; expectations with respect to future liquidity; asset retirement obligations and the amount and timing of such expenditures and the source of funding thereof; plans to reduce net debt while achieving prudent production growth; anticipated reductions in net debt and net debt to adjusted funds flow ratio alongside significant production and adjusted funds flow growth in 2023; that NuVista will become cash taxable in 2023; the ability to reduce our unit operating, transportation, and interest expenses; the effect of NuVista's financial, commodity, and natural gas risk management strategy and market diversification; 2023 drilling and completion plans, timing and expected results; anticipated drilling and completions costs; expectations with respect to the structure set-up of global oil and gas supply and demand; and expectations with respect to the condensate price environment for 2023.

By their nature, forward-looking statements are based upon certain assumptions and are subject to numerous risks and uncertainties, some of which are beyond NuVista's control, including the impact of general economic conditions, the impact of ongoing global events including European tensions, impacts of higher inflation and interest rates, industry conditions, current and future commodity prices, currency and interest rates, anticipated production rates, expected natural decline rates, borrowing, operating and other costs and adjusted funds flow, the timing, allocation and amount of capital expenditures and the results therefrom, anticipated reserves and the imprecision of reserve estimates, the performance of existing wells, the success obtained in drilling new wells, the sufficiency of budgeted capital expenditures in carrying out planned activities, access to infrastructure and markets, competition from other industry participants, availability of qualified personnel or services and drilling and *related equipment, stock market volatility, effects of regulation by governmental agencies including changes in environmental regulations, tax laws and royalties; the ability to access sufficient capital from internal sources and bank and equity markets; and including, without limitation, those risks considered under "Risk Factors" in our Annual Information Form. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. NuVista's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements, or if any of them do so, what benefits NuVista will derive therefrom.*

This MD&A also contains future-oriented financial information and financial outlook information (collectively, "FOFI") about our prospective results of operations including, without limitation, NuVista's ability to repay debt, expectations with respect to future net debt to adjusted funds flow ratios, projected adjusted funds flows at current strip prices and capital expenditures, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in above. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on FOFI and forward-looking statements. Our actual results, performance or achievement could differ materially from those expressed in, or implied by, these FOFI and forward-looking statements, or if any of them do so, what benefits we will derive therefrom. We have included the FOFI and forward-looking statements in this MD&A in order to provide readers with a more complete perspective on our prospective results of operations and such information may not be appropriate for other purposes. The FOFI and forward-looking statements and information contained in this MD&A are made as of the date hereof and we undertake no obligation to update publicly or revise any FOFI or forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

NUVISTA ENERGY LTD

CONSOLIDATED FINANCIAL STATEMENTS

As at, and for the years then ended:
December 31, 2022 and 2021

MANAGEMENT'S REPORT

The preparation of the accompanying consolidated financial statements is the responsibility of Management. The consolidated financial statements have been prepared by Management in accordance with International Financial Reporting Standards. Financial information contained throughout all other financial and operating data is consistent with these consolidated financial statements.

Management is responsible for the integrity and objectivity of the consolidated financial statements. Where necessary, the consolidated financial statements include estimates, which are based on Management's informed judgments.

Management has established systems of internal controls, which are designed to provide reasonable assurance those assets, are safeguarded from loss or unauthorized use and to produce reliable accounting records for the preparation of financial information.

Under the supervision of our Chief Executive Officer and our Chief Financial Officer, Management has conducted an evaluation of the effectiveness of our internal control over financial reporting. Management has concluded that as of December 31, 2022, our internal controls over financial reporting were effective. Because of the inherent limitations, internal controls over financial reporting may not prevent or detect misstatements and even those systems determined to be effective can provide only reasonable assurance with respect to the financial statement preparation and presentation.

The Board of Directors is responsible for ensuring Management fulfils its responsibilities for financial reporting and internal controls. It exercises its responsibilities primarily through the Audit Committee, all of whose members are non-management directors. The Audit Committee has reviewed the consolidated financial statements with Management and the auditors and has reported to the Board of Directors which have approved the consolidated financial statements.

KPMG LLP are independent auditors appointed by NuVista's shareholders. The auditors have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards.

(signed) "Jonathan A. Wright"
President and Chief Executive Officer
March 7, 2023

(signed) "Ivan J. Condic"
Vice President, Finance and Chief Financial Officer

KPMG

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of NuVista Energy Ltd.

Opinion

We have audited the consolidated financial statements of NuVista Energy Ltd. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2022 and December 31, 2021
- the consolidated statements of earnings and comprehensive income for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key Audit Matters Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Assessment of the impact of estimated proved and proved plus probable oil and natural gas reserves on development and production assets

Description of the matter

We draw attention to notes 2 and 3 to the financial statements. The Entity uses estimated proved and proved plus probable oil and natural gas reserves in the calculation of depletion, impairment and impairment reversals of development and production assets, and to assess for indicators of impairment or impairment reversal on each of the Entity's cash generating units ("CGU"). The Entity has $2.4 billion of development and production assets as at December 31, 2022. The Entity depletes its net carrying value of development and production assets using the unit-of-production method by reference to the ratio of production in the period to the related proved and proved plus probable oil and natural gas reserves, taking into account estimated future development costs necessary to bring those reserves into production. Depletion and depreciation expense was $211 million for the year ended December 31, 2022.

The estimate of proved and proved plus probable oil and natural gas reserves includes significant assumptions related to:

- Forecasted oil and natural gas prices
- Forecasted production volumes
- Forecasted operating costs
- Forecasted royalties
- Future development costs.

The Entity engages independent third-party reserve evaluators to estimate the proved and proved plus probable oil and gas reserves and the related cash flows.

Why the matter is a key audit matter

We identified the assessment of the impact of estimated proved and proved plus probable oil and gas reserves on development and production assets as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures regarding the estimate of proved and proved plus probable oil and natural gas reserves.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

We assessed the depletion expense calculation for compliance with IFRS as issued by the IASB.

With respect to the estimate of proved and proved plus probable oil and gas reserves:

- We evaluated the competence, capabilities and objectivity of the independent third-party reserve evaluators engaged by the Entity
- We compared forecasted oil and natural gas prices to those published by other independent third-party reserve evaluators
- We compared the 2022 actual production volumes, operating costs, royalties and development costs of the Entity to those estimates used in the prior year's estimate of proved oil and gas reserves to assess the Entity's ability to accurately forecast
- We evaluated the appropriateness of forecasted production volumes and forecasted operating costs, royalties and future development costs assumptions by comparing to 2022 historical results. We took into account changes in conditions and events affecting the Entity to assess the adjustments or lack of adjustments made by the Entity in arriving at the assumptions.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor’s report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor's report is Jassie Kang.

(signed) "KPMG LLP"

Chartered Professional Accountants

Calgary, Canada

March 7, 2023

NUVISTA ENERGY LTD.

Consolidated Statements of Financial Position

($Cdn thousands)

As at December 31,	Note	2022	2021
Assets			
Current assets			
Cash and cash equivalents		$ **41,890**	$ —
Accounts receivable and prepaid expenses		**196,678**	$ 88,537
Financial derivative assets	20	**37,925**	—
Other receivable		**7,063**	—
		283,556	88,537
Financial derivative assets	20	**40,633**	—
Exploration and evaluation assets	6	**18,307**	18,135
Property, plant and equipment	7	**2,380,205**	2,177,379
Right-of-use assets	8	**98,965**	107,933
Total assets		$ **2,821,666**	$ 2,391,984
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ **185,129**	$ 140,002
Current portion of other liabilities	19	**15,375**	7,990
Current portion of lease liabilities	12	**5,908**	5,300
Current portion of asset retirement obligations	13	**9,950**	7,075
Financial derivative liabilities	20	—	40,317
		216,362	200,684
Long-term debt	10	—	196,055
Senior unsecured notes	11	**215,392**	223,178
Other liabilities	19	**1,540**	1,587
Lease liabilities	12	**110,822**	116,730
Asset retirement obligations	13	**81,731**	113,162
Financial derivative liabilities	20	—	16,938
Deferred tax liability	14	**260,326**	87,833
Total liabilities		**886,173**	956,167
Shareholders' equity			
Share capital	15	**1,183,769**	1,228,275
Contributed surplus		**65,963**	68,337
Retained earnings		**685,761**	139,205
Total Shareholders'		**1,935,493**	**1,435,817**
Total liabilities and shareholders' equity		$ **2,821,666**	$ 2,391,984
Subsequent events	11,15,20		
Commitments	23		

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Directors of NuVista Energy Ltd:

(signed) "Deborah Stein"

Deborah Stein

Chair of the Audit Committee and Director

(signed) "Pentti Karkkainen"

Pentti Karkkainen

Chair of the Board of Directors and Director

NUVISTA ENERGY LTD.
Consolidated Statements of Earnings and Comprehensive Income

($Cdn thousands, except per share amounts)

Year ended December 31,	Note	2022	2021
Revenues			
Petroleum and natural gas sales	17	$ 1,745,975	$ 885,290
Royalties		(198,674)	(65,099)
Revenue from petroleum and natural gas sales		1,547,301	820,191
Realized loss on financial derivatives		(164,349)	(115,616)
Unrealized gain on financial derivatives		135,813	7,683
Interest and other income	13	7,186	1,248
Total revenue, other income and gain (loss) on risk management contracts		1,525,951	713,506
Expenses			
Operating		292,568	203,457
Transportation		129,313	100,782
General and administrative		21,247	19,909
Share-based compensation	19	14,147	12,846
Financing costs	21	42,816	53,874
Depletion, depreciation, amortization, and impairment reversal	7,8	211,120	862
Exploration and evaluation	6	2,037	10,225
Gain on property dispositions	9	(1,688)	(33,331)
		711,560	**368,624**
Earnings before taxes		814,391	344,882
Deferred income tax expense	14	183,346	80,210
Net earnings and comprehensive income		$ 631,045	$ 264,672
Net earnings per share	16		
Basic		$ 2.78	$ 1.17
Diluted		$ 2.67	$ 1.14

See accompanying notes to the consolidated financial statements.

NUVISTA ENERGY LTD.
Consolidated Statements of Changes in Shareholders' Equity

($Cdn thousands)

Year ended December 31,	Note	2022	2021
Share capital	15		
Balance, January 1		$ 1,228,275	$ 1,220,032
Issued for cash on exercise of stock options		16,949	3,305
Contributed surplus transferred on exercise of stock options		7,466	1,297
Conversion of restricted share awards		1,405	1,921
Conversion of performance share awards		2,543	1,720
Repurchase of shares for cancellation		(72,869)	—
Balance, end of period		$ 1,183,769	$ 1,228,275
Contributed surplus			
Balance, January 1		$ 68,337	$ 62,329
Share-based compensation		8,032	5,894
Transfer to share capital on exercise of stock options		(7,466)	(1,297)
Conversion of restricted share awards		(1,405)	(1,921)
Conversion of performance share awards		(2,543)	(1,720)
Share-based compensation - tax withholdings settled in cash		(9,845)	—
Tax deduction on excess value of share awards	14	10,853	5,052
Balance, end of period		$ 65,963	$ 68,337
Retained earnings (deficit)			
Balance, January 1		$ 139,205	$ (125,467)
Repurchase of shares for cancellation		(84,489)	—
Net earnings		631,045	264,672
Balance, end of period		$ 685,761	$ 139,205
Total shareholders' equity		$ 1,935,493	$ 1,435,817

See accompanying notes to the consolidated financial statements.

NUVISTA ENERGY LTD.
Consolidated Statements of Cash Flows

($Cdn thousands)

Year ended December 31,	Note	2022	2021
Cash provided by (used in)			
Operating activities			
Net earnings		**$ 631,045**	$ 264,672
Items not requiring cash from operations:			
Other income	13	**(7,118)**	(1,248)
Depletion, depreciation, amortization and impairment reversal	7,8	**211,120**	862
Exploration and evaluation	6	**2,037**	10,225
Gain on property dispositions	9	**(1,688)**	(33,331)
Share-based compensation	19	**6,810**	5,054
Unrealized gain on financial derivatives		**(135,813)**	(7,683)
Deferred income tax expense		**183,346**	80,210
Accretion	13	**3,062**	2,213
Asset retirement expenditures	13	**(9,302)**	(5,478)
Change in non-cash working capital	22	**(38,683)**	23,082
Cash provided by operating activities		**844,816**	338,578
Financing activities			
Issuance of share capital on exercise of stock options		**16,949**	3,305
Share-based compensation - tax withholdings settled with cash		**(9,845)**	—
Payment on lease liabilities		**(5,300)**	(3,929)
Repurchase of shares		**(157,358)**	—
Decrease of long-term debt		**(196,055)**	(166,618)
Issuance of senior unsecured notes, net of financing costs		**—**	222,646
Repayment of senior unsecured notes		**(9,226)**	(217,724)
Cash used in financing activities		**(360,835)**	(162,320)
Investing activities			
Property, plant and equipment expenditures	7	**(416,171)**	(287,837)
Exploration and evaluation expenditures	6	**(3,305)**	(1,009)
Proceeds on property dispositions		**—**	92,544
Other receivable expenditures		**—**	4,795
Change in non-cash working capital	22	**(22,615)**	15,249
Cash used in investing activities		**(442,091)**	(176,258)
Change in cash and cash equivalents		**41,890**	—
Cash and cash equivalents, beginning of period		**—**	—
Cash and cash equivalents, end of period		**$ 41,890**	$ —
Cash interest paid		**$ 26,914**	$ 28,332

See accompanying notes to the consolidated financial statements.

1. Corporate information

NuVista Energy Ltd. and its subsidiary (together “NuVista” or the “Company”) is a Canadian publicly traded company incorporated in the province of Alberta. The Company is a condensate and natural gas company actively engaged in the development, delineation, and production of condensate and natural gas reserves in the Western Canadian Sedimentary Basin. NuVista’s focus is on the scalable and repeatable condensate-rich Montney formation in the Alberta Deep Basin.

The Company’s registered office and principal place of business is located at 2500, 525 – 8th Avenue S.W., Calgary, Alberta, Canada, T2P 1G1. NuVista’s common shares are traded on the Toronto Stock Exchange (“TSX”) under the symbol NVA.

2. Basis of preparation

Statement of compliance

These consolidated financial statements (the “financial statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). A summary of NuVista’s significant accounting policies under IFRS are presented in Note 3, “Significant accounting policies”. These policies have been applied consistently for all periods presented in these financial statements. Certain comparative figures have been reclassified to conform with current period presentation in the financial statements.

These financial statements were approved and authorized for issuance by the Board of Directors on March 7, 2023.

Basis of measurement

These financial statements have been prepared on the historical cost basis, except for certain items that have been measured at fair value as detailed in the accounting policies disclosed in Note 3 “Significant Accounting Policies”.

Functional and presentation currency

These financial statements are presented in Canadian dollars (“CDN”), which is the Company’s functional currency.

Reporting environment changes

Emissions, carbon and other regulations impacting climate and climate-related matters are constantly evolving. With respect to environmental, social, governance (“ESG”) and climate reporting, the International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. In addition, the Canadian Securities Administrators published for comment Proposed National Instrument 51-107 – Disclosure of Climate Related Matters, intended to introduce climate related disclosure requirements for reporting issuers in Canada with limited exceptions. If NuVista is not able to meet future sustainability reporting requirements of regulators or current and future expectations of investors, insurance providers, or other stakeholders, its business and ability to attract and retain skilled employees, obtain regulatory permits, licenses, registrations, approvals, and authorizations from various governmental authorities, and raise capital may be adversely affected. The cost to comply with these standards, and others that may be developed or evolve over time, has not yet been quantified.

Health, safety and environmental considerations are integrated into key business planning and risk management processes throughout the Company.

Use of estimates and judgments

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the financial statements and the reported amounts of revenue and expenses during the period. Estimates are subject to measurement uncertainty and changes in such estimates in future years could require material change in the financial statements. These underlying assumptions are based on historical experience and other factors that management believes to be reasonable under the circumstances, and are subject to change as new events occur, as more industry experience is acquired, as additional information is obtained as NuVista's operating environment changes. Estimates and underlying assumptions are reviewed on an ongoing basis by management. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in the future periods affected.

The following are critical judgments that management has made in the process of applying accounting policies that have the most significant effect on the financial statements:

Determination of cash generating units

Oil and natural gas assets are grouped into cash generating units ("CGUs") that have been identified as being the smallest identifiable group of assets that generate cash flows that are independent of cash flows of other assets or groups of assets. The determination of NuVista's CGUs is subject to management judgement and interpretations with respect to the geographical proximity, shared infrastructure, commodity composition, similar market exposure, and the way in which operations are managed.

Impairment indicators

NuVista assesses its property, plant and equipment for impairment or impairment reversal when internal or external indicators of impairment or impairment reversal exist and impairment testing is required. If any indication of impairment exists, NuVista performs an impairment test on the CGU. The carrying amount of each CGU is compared to its recoverable amount, which is defined as the greater of its fair value less costs of disposal and value in use, and is subject to management's estimates. If in determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of reserves which are dependent upon variables including forecasted oil and natural gas prices, operating costs, royalties, production volumes, future development costs, discount rates and other relevant assumptions. NuVista also assesses its property, plant and equipment to determine if events or circumstances would support the reversal of any previously recorded impairment charges. In this assessment NuVista considers the facts and circumstances that caused the original impairment charge to be recognized and whether there is a sustained period in which those facts and circumstances changed.

Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation ("E&E") assets requires management to make certain judgments in determining whether it is likely that future economic benefits exist when activities have not generally reached a stage where technical feasibility and commercial viability can be reasonably determined.

Reserve estimates

Proved and proved plus probable oil and natural gas reserves are used in the calculation of depletion, impairment and impairment reversals and to assess for indicators of impairment or impairment reversal on each of the Company's CGUs. Reserve estimates and their related cash flows are based on a number of significant assumptions, which include forecasted oil and natural gas prices, operating costs, royalties, production volumes and future development costs, all of which are subject to many uncertainties and interpretations. The Company expects that, over time, its reserve estimates will be revised upward or downward based on updated information such as the results of future drilling, testing and production levels and changes in commodity prices.

Independent third-party reserve evaluators are engaged annually to estimate proved and proved plus probable oil and gas reserves and the related cash flows from the Company's interest in oil and gas properties. This evaluation of proved and proved plus probable gas reserves is prepared in accordance with the reserves definitions as set up by the Canadian Securities Administrators in National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* and the Canadian Oil and Gas Evaluation ("COGE") Handbook.

Asset retirement obligations

Asset retirement obligations are recognized for the future decommissioning and restoration of property, plant and equipment. These obligations are based on estimated costs, which take into account the anticipated method and extent of restoration and technological advances. Actual costs are uncertain and estimates can vary as a result of changes to relevant laws and regulations, the emergence of new technology, operating experience and prices. The expected timing of future decommissioning and restoration may change due to certain factors, including reserve life. The estimate for these obligations is also impacted by the risk-free rate and inflation rates used to calculate the present value of the asset retirement obligation.

Income taxes

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. The deferred tax asset or liability is based on estimates as to the timing of the reversal of temporary differences, substantively enacted tax rates and the likelihood of assets being realized.

Lease arrangements

Management applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease. Leases that are recognized are subject to further management judgment and estimation in various areas specific to the arrangement, including lease term and discount rate.

The preparation of the consolidated financial statements in accordance with IFRS 16 requires management to make judgments, estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses. Actual results could differ significantly from these estimates. Key areas where management has made judgments, estimates and assumptions related to the application of IFRS 16 include:

Incremental borrowing rate

The incremental borrowing rates are based on judgments including economic environment, term, and the underlying risk inherent to the asset. The carrying balance of the right-of-use assets, lease liabilities and the resulting lease interest and depreciation expense may differ due to changes in the market conditions and lease term.

Lease term

Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

Share-based compensation

Compensation expense recognized for the Company's performance share awards is subject to estimation relating to the performance multiplier, which will determine the ultimate equity payout at the vesting date. This multiplier, ranging from zero to two, will be applied at vesting and is dependent on the performance of the Company relative to pre-defined corporate performance measures for a particular period and the Board of

Directors' discretion. Assumptions on the forfeiture rate at the time of grant are also subject to management estimates

The compensation expense recognized for the awards granted under the Company's stock option plan is subject to the estimation of what the ultimate payout will be using pricing models such as the Black-Scholes model, which is based on significant assumptions such as volatility, forfeiture, discount rates and expected term.

Depreciation, depletion, amortization and impairment (reversal)

Property, plant and equipment is measured at cost less accumulated depreciation, depletion, amortization and impairment (reversal). Depletion of crude oil and natural gas assets is determined based on total proved plus probable reserves as well as future development costs as estimated by an independent qualified reserve evaluator.

3. Significant accounting policies

Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and short-term highly liquid cash investments which have an original maturity date of three months or less.

Jointly controlled operations

A portion of exploration, development and production activities are conducted jointly with others and, accordingly, the Company only reflects its proportionate interest of the assets, liabilities, revenues, expenses and cash flows. The Company does not have any joint arrangements that are structured through a separate vehicle.

Exploration and evaluation assets

Exploration and evaluation expenditures are initially capitalized within "exploration and evaluation assets". E&E costs may include the costs of acquiring licenses, technical services and studies, seismic acquisition, exploration drilling and testing costs, directly attributable general and administrative costs, and the cost of acquiring undeveloped land with no booked reserves. Costs incurred prior to having obtained the legal right to explore an area are charged to net earnings as exploration and evaluation expenditures in the period in which they are incurred.

E&E assets are not depreciated. These costs are accumulated and are carried forward until technical feasibility and commercial viability of the area is determined or the assets are determined to be impaired. Technical feasibility and commercial viability are met when the Company has determined that an E&E asset will be developed, as evidenced by the classification of proved or probable reserves and the appropriate internal and external approvals.

E&E assets are assessed for impairment if: (i) sufficient data exists to determine technical feasibility and commercial viability; and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is defined as the higher of fair value less costs to sell and value in use.

If proved and/or probable reserves have been discovered, E&E assets are first tested for impairment prior to the reclassification to property, plant and equipment. The carrying value, after any impairment loss, of the relevant E&E assets and associated undeveloped land is then reclassified as development and production assets within property, plant and equipment.

Any impairment loss on E&E assets, unsuccessful E&E costs and the cost of undeveloped land that has expired are charged to net earnings as exploration and evaluation expense.

Development and production assets

Items of property, plant and equipment which include oil and gas development and production assets and corporate assets are measured at cost less accumulated depletion, depreciation, amortization and impairment (reversal). Development and production assets are accumulated on an area-by-area basis and represent the cost of developing the commercial reserves discovered and bringing them into production, together with the E&E expenditures incurred in finding commercial reserves transferred from E&E assets as outlined above.

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as oil and natural gas assets only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in net earnings as incurred. Such capitalized oil and natural gas assets generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in net earnings as incurred.

Impairment

An impairment test is performed when events and circumstances arise, at each reporting date, that indicate that the carrying value of a development and production asset may exceed its recoverable amount. The carrying value is compared against the expected recoverable amount of the asset, defined as the greater of fair value less costs to sell and its value in use. Fair value less costs to sell is determined as the amount that would be obtained for the sale of a CGU in an arm's length transaction between knowledgeable and willing parties. Fair value less costs to sell may be determined by using discounted future net cash flows of proved and proved plus probable reserves using forecast prices and costs including expansion prospects and its eventual disposal, using assumptions that an independent market participant may take into account. Value in use is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset. If any indications of impairment exist, the Company performs an impairment test related to the assets. Individual assets or areas are grouped for impairment assessment purposes into CGU's.

Where the carrying amount of a CGU exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount. The impairment loss is recorded within depletion, depreciation, amortization and impairment expense in net earnings. Impairments are reversed when events or circumstances give rise to changes in the estimate of the recoverable amount since the period the impairment was recorded. An impairment loss is reversed only to the extent that the CGU's carrying amount does not exceed the carrying amount that would have been determined, net of depletion, if no impairment loss had been recognized.

Depletion, depreciation, amortization ("DD&A)

The costs of development and production assets are depleted using the unit-of-production method by reference to the ratio of production in the period to the related proved and proved plus probable reserves, taking into account estimated future development costs necessary to bring those reserves into production and the estimated salvage value of the assets at the end of their useful lives. Future development costs are estimated by taking into account the level of development required to produce the reserves. These estimates are evaluated by independent third-party reserve evaluators at least annually.

Other property, plant and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) and depreciated over their useful lives. Costs associated with workovers are depreciated over two years and plant turnarounds and overhauls are depreciated over five years. Corporate assets are depreciated on a straight-line basis over the useful life of the related assets. Right-of-use assets are depreciated on a straight-line basis over the economic life of the contract. The assets' useful lives and residual values are assessed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

Asset purchases, disposals and exchanges

Transactions involving the purchase of an individual area, or a group of areas, that do not qualify as a business combination, are treated as asset purchases irrespective of whether the specific transactions involved the transfer of the areas directly or the transfer of an incorporated entity. Accordingly, no goodwill arises and the consideration is allocated to the assets and liabilities purchased on an appropriate basis.

Proceeds on disposition are compared to the carrying value of the specific exploration and evaluation assets, development and production assets and asset retirement obligations disposed and any surplus or shortfall is recorded as a gain or loss on disposal in net earnings.

Asset exchange transactions for development and production assets are measured at the fair value of the asset acquired and the assets given up are measured at the carrying amount. Gains and losses are recorded in net earnings in the period incurred.

Business combinations

Determining whether an acquisition meets the definition of a business combination or represents an asset purchase requires judgment on a case by case basis. Business combinations are accounted for using the acquisition method. The acquired identifiable assets and liabilities are measured at their fair value at the date of acquisition, with limited exceptions. Any excess of the purchase price over the recognized amount (generally the fair value) of the net assets acquired is recognized as goodwill. Any deficiency of the purchase price below the recognized amount of the net assets acquired is recorded as a bargain purchase gain in net earnings. Associated transactions costs are expensed when incurred.

NuVista may elect for each transaction or event to an apply an optional “concentration test” which permits a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or group of similar identifiable assets. If the transaction is determined to be an asset acquisition, the purchase price is allocated to the identifiable assets and liabilities based on their relative fair values at the acquisition date.

Provisions

Provisions are recognized when the Company has a present obligation (legal and/or constructive) as a result of a past event, if it is probable the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

When some or all of the economic benefits required to settle a provision are expected to be recovered by a third-party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Asset retirement obligations

The Company recognizes a liability in the period in which it has a present and legal or constructive liability and a reasonable estimate of the amount can be made. On a periodic basis, the Company reviews these estimates and changes, if any, are applied prospectively. An obligation is recognized for the estimated cost of abandonment and site restoration, by discounting expected future cash flows required to settle the obligation using a risk free rate, with a corresponding amount capitalized as asset retirement costs in property, plant and equipment. These asset retirement costs are subsequently depleted on a unit-of-production basis over the life of the proved and probable reserves. The obligation is adjusted each reporting period to reflect the passage of time and changes to the estimated future cash flows underlying the obligation. The increase in the obligation due to the passage of time is recognized as accretion expense and changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the obligations are charged against the liability.

Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Leases are recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Company.

A lease liability is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date, discounted at the Company's incremental borrowing rate where the rate implicit in the lease is not readily determinable. The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics. Each lease payment is allocated between the liability and lease interest expense. The lease interest expense is charged net earnings (loss) over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. A corresponding right-of-use asset is recognized at the amount of the lease liability. The right-of-use asset is depreciated on a straight line basis over the term of the lease. Lease payments on short term leases with lease terms of less than twelve months or leases on which the underlying asset is of low value are accounted for as expenses in net earnings (loss) on a straight-line basis over the lease term.

Revenue recognition

The Company’s petroleum and natural gas revenue from the sale of natural gas, condensate and natural gas liquids (“NGLs”) are based on the consideration specified in contracts with customers. NuVista recognizes revenue when it transfers control of the product to the customer. This is generally at the point in time when the customer obtains legal title to the product which is when it is physically transferred to the pipeline or other transportation method agreed upon and collection is reasonably assured. The amount of revenue recognized is based on the consideration specified in the contract.

NuVista evaluates its arrangements with third parties and partners to determine if NuVista is acting as the principal or as an agent. NuVista is considered the principal in a transaction when it has primary responsibility for the transaction. If NuVista acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net basis, only reflecting the fee, if any, realized by NuVista from the transaction. As a result of various marketing arrangements, NuVista will give up title to their commodity to a third party marketing company who will deliver the product to the end customer using NuVista's pipeline capacity. This revenue is shown separate as transportation revenue.

The transaction price for variable price contracts is based on a representative commodity price index, and may be adjusted for quality, location, delivery method, or other factors depending on the agreed upon terms of the contract. The amount of revenue recorded can vary depending on the grade, quality and quantities of natural gas, condensate or NGLs transferred to customers. Market conditions, which impact NuVista's ability to negotiate certain components of the transaction price, can also cause the amount of revenue recorded to fluctuate from period to period. Tariffs, tolls and fees charged to other entities for use of pipelines and facilities owned by NuVista are evaluated by management to determine if these originate from contracts with customers or from incidental or collaborative arrangements. Tariffs, tolls and fees charged to other entities that are from contracts with customers are recognized in revenue when the related services are provided.

Government grants

Government grants are only provided in rare circumstances and usually in such cases, to foster the execution of carbon reduction projects. Broadly, this represents the recycling of carbon tax revenues towards carbon reduction projects. Government grants are recognized when there is a reasonable expectation that the conditions attached to the grants have been met, and that the grants will be received. Government grants primarily related to asset expenditures are presented as a reduction to the capital cost of the asset the grant relates to. Government grants primarily related to income are presented in the consolidated statement of earnings (loss) in the period in which the expenditures are incurred or the related income is earned.

Transportation

Transportation expenses include costs incurred to transport natural gas, condensate, and natural gas liquids from the wellhead to the point of title transfer.

Financial instruments

Non-derivative financial instruments

Financial instruments are measured at fair value on initial recognition. For subsequent measurement, financial instruments have three principal classification categories; measured at amortized cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit or loss ("FVTPL"). The Company's classification for each identified financial instrument is provided below:

Financial Instrument	Measurement Category
Cash and cash equivalents	Amortized cost
Accounts receivable and prepaid expenses	Amortized cost
Derivative assets and liabilities	FVTPL
Other receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Lease liability	Amortized cost
Other liabilities	Amortized cost
Long-term debt	Amortized cost
Senior unsecured notes	Amortized cost

The classification of financial assets and liabilities is based on the business model in which the asset is managed and its contractual cash flow characteristics. Financial assets and liabilities are subsequently measured at amortized cost if it meets both of the following conditions:

- the asset is held with a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows on specified dates that are solely payments of principal and interest on principal amounts outstanding.

Financial assets and liabilities that meet criteria above that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets is subsequently measured at FVOCI. All other financial assets and liabilities are subsequently measured at FVTPL.

Where the fair value option is applied to financial liabilities, any change in fair value resulting from an entity's own credit risk is recorded through comprehensive earnings (loss) rather than net earnings (loss).

NuVista recognizes loss allowances for expected credit losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, NuVista measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability weighted estimate of credit loss and are discounted at the effective interest rate of the related financial asset.

Derivative financial instruments

The Company has entered into certain financial derivative contracts in order to manage the exposure to market risks from fluctuations in commodity prices. These instruments are not used for trading or speculative purposes. The Company has not designated its financial derivative contracts as effective accounting hedges, and has not applied hedge accounting, even though the Company considers all commodity contracts to be economic hedges. As a result, all financial derivative contracts are classified as fair value through net earnings (loss) and are recorded on the consolidated statements of financial position at fair value. Transaction costs are recognized in net earnings (loss) when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in net earnings (loss).

The Company has accounted for its forward physical delivery sales contracts, which were entered into and continue to be held for the purpose of receipt or delivery of non-financial items, in accordance with its expected purchase, sale or usage requirements as executory contracts. As such, these contracts are not considered to be derivative financial instruments and have not been recorded at fair value on the statement of financial position. Realized gains or losses from natural gas and oil commodity physical delivery sales contracts are recognized in petroleum and natural gas revenue as the contracts are settled.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through net earnings (loss). Changes in the fair value of separable embedded derivatives are recognized in net earnings.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. When NuVista repurchases its own common shares, share capital is reduced by the average carrying value of the shares repurchased. If the average carrying value of the shares exceeds the purchase price, the difference will be recognized as contributed surplus. If the purchase price exceeds the average carrying value of the shares, any previous contributed surplus related to such transactions is reversed. To the extent there is none, the difference is recognized as a reduction to retained earnings. Shares are cancelled upon repurchase.

Share-based compensation

The Company has four types of incentive plans: stock options, director deferred share units (“DSU”), performance share awards (“PSA”), restricted share awards (“RSA”), and performance share units (“PSU”) that may be granted to directors, officers and employees.

The Company’s stock option plan provides the stock option holder with the right to purchase common shares. The Company uses the fair value method for valuing stock option grants using the Black-Scholes option pricing model. Under this method, the compensation cost attributable to all share options granted is measured at fair value at the grant date and expensed over the vesting period to share-based compensation expense with a corresponding increase to contributed surplus. Upon the exercise of stock options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. A forfeiture rate is estimated on the grant date and is subsequently adjusted each period to reflect the actual number of options that are expected to vest.

The Company's DSU plan entitles participants to receive cash based on the Company's share price at the time of retirement. A liability for expected cash payments is accrued over the life of the DSUs based on the market price of the Company's common shares. Compensation expense is recorded in net earnings as share-based compensation expense.

The RSA and PSA incentive plans allows a holder of the RSA and of PSA to receive common shares upon vesting. Grants under the PSA plan are multiplied by a payout multiplier ranging from 0 to 2.0x, determined by the Board based on an assessment of the Company's achievement of predefined corporate performance measures. The Company uses the fair value method for valuing RSA and PSA grants using the Black-Scholes option pricing model. This fair value is recognized as share-based compensation expense over the vesting period with a corresponding increase to contributed surplus. The amount of the compensation expense is reduced by an estimated forfeiture rate determined at the date of the grant. Upon vesting of the RSAs and PSAs the previously recognized value in contributed surplus will be recorded as an increase to share capital.

The Company may settle the minimum statutory withholding tax for a holder from its cash reserve, which is recognized in contributed surplus.

The Company's PSU plan entitles participants to receive cash based on the Company's share price at the time of retirement. Grants under the PSA plan are multiplied by a payout multiplier ranging from 0 to 2.0x, determined by the Board based on an assessment of the Company's achievement of predefined corporate performance measures. A liability for expected cash payments is accrued over the life of the PSUs based on the market price of the Company's common shares and the payout multiplier. Compensation expense is recorded in net earnings (loss) as share-based compensation expense.

Income taxes

Income tax expense represents the sum of the tax currently payable and the deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred income tax assets and liabilities are netted in certain circumstances.

Deferred income tax expense is recognized in the statement of earnings except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net earnings or losses attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised into common shares. The Company calculates the dilutive impact of common shares assuming the proceeds received from the pro forma exercise of in-the-money stock options, RSAs and PSAs are used to purchase common shares at average market prices.

4. Future accounting pronouncements

Various amendments to existing standards and new accounting requirements have been released that are effective January 1, 2023. The Company does not anticipate the new requirements to have a material impact on the financial statements.

5. Cash and cash equivalents

As at December 31, 2022, the Company held cash and cash equivalents of $41.9 million (December 31, 2021 - nil). Interest is earned at a rate of approximately 4.1% in the Company’s Canadian cash account. As at December 31, 2022, the credit risk associated with cash was considered low as the balance was held with the Company’s lead syndicate Canadian bank.

6. Exploration and evaluation assets

	Note	2022	2021
Cost			
Balance, January 1		**$ 18,135**	$ 34,368
Additions		**3,305**	9
Acquisitions [1]		**1,280**	—
Dispositions	9	**—**	(4,912)
Transfers to property, plant and equipment	7	**(2,376)**	(1,105)
Expiries (exploration and evaluation expense)		**(2,037)**	(10,225)
Balance, end of period		**$ 18,307**	$ 18,135

[1] Non-cash land swap included in acquisitions.

7. Property, plant and equipment

	Note	2022	2021
Cost			
Balance, January 1		**$ 3,509,731**	$ 3,311,998
Additions		**416,171**	287,837
Acquisitions [1]		**—**	—
Dispositions	9	**—**	(94,385)
Capitalized share-based compensation	19	**1,222**	840
Change in asset retirement obligations	13	**(14,790)**	2,336
Transfers from exploration and evaluation assets	6	**2,376**	1,105
Balance, end of period		**$ 3,914,710**	$ 3,509,731

	2022	2021
Accumulated depletion, depreciation, amortization and impairment reversal		
Balance, January 1	**$ 1,332,352**	$ 1,364,000
Depletion, depreciation and amortization (“DD&A”)	**202,153**	155,073
Dispositions	**—**	(23,543)
Impairment reversal	**—**	(163,178)
Balance, end of period	**$ 1,534,505**	$ 1,332,352

	2022	2021
Carrying value		
Balance, January 1	**$ 2,177,379**	$ 1,947,998
Balance, end of period	**$ 2,380,205**	$ 2,177,379

Future development costs of $2.3 billion were included in the determination of DD&A for the year ended December 31, 2022 (2021 - $2.2 billion).

At December 31, 2022 and at December 31, 2021, there were no indicators of impairment identified in any of the Company’s CGUs within property, plant & equipment and an impairment test was not performed.

At September 30, 2021, there were indicators of reversal of impairment identified in NuVista’s Montney CGU primarily as a result of improved forward commodity prices for natural gas and condensate, improving well economics and improvements to economic cutoff limits on reserve evolution, continued strong well performance, and a significantly improved share price. An impairment test was performed on PP&E assets. PP&E assets were assessed based on the recoverable amount estimated using a value in use calculation based on expected future cash flows generated from proved and proved plus probable reserves using pre-tax discount rates ranging from 10% to 20% based on an internally prepared reserves report. A total impairment recovery of $163.2 million net of depletion was recognized at September 30, 2021 in NuVista's Montney CGU, which has been included in the depletion, depreciation, amortization and impairment expense (reversal).

The following benchmark price forecasts [1] were used to calculate the recoverable amounts:

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030 [2]
WTI (US$/Bbl)	75.00	72.00	69.01	67.24	68.58	69.96	71.35	72.78	74.24	75.72
NYMEX (US$/MMBtu)	5.70	4.50	3.50	3.15	3.21	3.28	3.34	3.41	3.48	3.55
Exchange rate (US$/Cdn$)	0.79	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80

[1] GLJ Ltd. price forecast, effective October 1, 2021.
[2] 2031 and beyond commodity price forecasts are inflated at 2.0% per annum. In 2031 and beyond there is no escalation of exchange rates.

8. Right-of-use assets

	Office Leases	Gas Gathering Lease	Gas Processing Lease	2022 Total	2021 Total
Cost					
Balance, January 1	$ 5,481	$ 36,921	$ 86,356	$ **128,758**	$ 128,758
Accumulated depreciation					
Balance, January 1	$ 2,378	$ 5,619	$ 12,829	$ **20,826**	$ 11,858
Depreciation	792	2,408	5,767	**8,967**	8,967
Balance, end of period	$ 3,170	$ 8,027	$ 18,596	$ **29,793**	$ 20,825
Carrying amount					
Balance, January 1	$ 3,103	$ 31,302	$ 73,527	$ **107,932**	$ 116,900
Balance, end of period	**$ 2,311**	**$ 28,894**	**$ 67,760**	$ **98,965**	$ 107,933

9. Property dispositions

	2022	2021
Proceeds from dispositions	$ **1,280**	$ 92,544
Exploration and evaluation disposed	—	(4,912)
Property, plant and equipment, net of accumulated DD&A disposed	—	(70,842)
Asset retirement obligations disposed	**408**	17,551
Working capital	—	(1,010)
Gain on dispositions	$ **1,688**	$ 33,331

During the year ended, December 31, 2022, the Company disposed of properties for non-cash proceeds of $1.3 million compared to gross proceeds of $92.5 million for the prior year comparative period. A gain on dispositions of $1.7 million was recorded for the year ended December 31, 2022 compared to a gain of $33.3 million in the prior year comparative period.

10. Long-term debt

At December 31, 2022, the Company had a $440 million (December 31, 2021 - $440 million) extendible revolving term credit facility available from a syndicate of Canadian chartered banks (“the banking syndicate”). Borrowing under the credit facility may be made by prime loans and bankers’ acceptances. These advances bear interest at the bank’s prime rate and/or at money market rates plus a borrowing margin. For the year ended December 31, 2022, borrowing costs averaged 5.3% (December 31, 2021 – 4.3%). The credit facility is secured by a first floating charge debenture, general assignment of book debts and the Company’s condensate and natural gas properties and equipment. The credit facility has a tenor of two years with a maturity date of May 31, 2024 and is subject to an annual review by the lenders. During the revolving period, a review of the maximum borrowing amount occurs annually on or before May 31 and semi-annually on or before November 30. During the term period, no principal payments would be required until a year after the revolving period matures on May 31, 2024 in the event of a reduction or the credit facility not being renewed. The semi annual review was completed on November 30, 2022, with no change to the credit facility capacity, and the credit facility now incorporates sustainability linked performance features. The next annual review is scheduled on or before May 31, 2023.

The conversion of NuVista’s credit facility to a sustainability-linked loan (“SLL”) allows the Company to link performance on key sustainability themes to its borrowing costs, whereby rates increase or decrease based on established annual sustainability performance targets ("SPTs") related to:

- A reduction of Scope 1 & 2 GHG Intensity;
- Increased spending on asset retirement obligations, over and above the minimum Alberta Energy Regulator established regulations as well as the number of well sites moved through the assessment and remediation process; and
- Gender diversity at the Board of Directors level.

Successfully achieving these SPTs will result in a decrease to the ongoing costs of the SLL Facility, and conversely, NuVista will incur an increase to the ongoing costs if it fails to meet the SPTs.

As at December 31, 2022, the Company had drawn nil on its term credit facility (December 31, 2021 – $196.1 million) and had outstanding letters of credit of $7.2 million (December 31, 2021 - $7.0 million) which reduce the credit available on this credit facility. The credit facility does not contain any financial covenants, but the Company is subject to various non-financial covenants under its credit facility. These covenants are monitored on a regular basis and as at December 31, 2022, the Company was in compliance with all covenants.

The Company also has a $30 million unsecured letter of credit facility under Export Development Canada's (“EDC”) Account Performance Security Guarantee (“APSG”) program. At December 31, 2022, the Company had outstanding letters of credit associated with the APSG of $22.8 million (December 31, 2021 - $18.1 million), leaving $7.2 million of credit available on this facility.

11. Senior unsecured notes

On July 23, 2021, the Company issued $230.0 million aggregate principal amount of 7.875% senior unsecured notes due July 23, 2026 (“2026 Notes”). The 2026 Notes were issued at $989.89 expressed as a price per $1,000.00 principal amount. Interest is payable semi-annually in arrears. The 2026 Notes are fully and unconditionally guaranteed as to the payment of principal and interest, on a senior unsecured basis by the Company. There are no maintenance or financial covenants.

The 2026 Notes are non-callable by the Company prior to July 23, 2023. At any time on or after July 23, 2023, the Company may redeem all or part of the 2026 Notes at the redemption prices set forth in the table below plus any accrued and unpaid interest:

12 month period beginning on:	Percentage
July 23, 2023	103.938%
July 23, 2024	101.969%
July 23, 2025 and thereafter	100.000%

If a change of control occurs, each holder of the 2026 Notes will have the right to require the Company to purchase all or any part of that holder's 2026 Notes for an amount in cash equal to 101% of the aggregate principal repurchased plus accrued and unpaid interest.

During the year ended December 31, 2022, NuVista redeemed a total of $9.4 million in aggregate principal of its 2026 Notes through open market repurchases at a weighted average price of $101.47 plus accrued and unpaid interest. The difference between the redemption price and the carrying value was recognized as an early redemption expense within financing costs in the consolidated statement of earnings and comprehensive income.

Subsequent to December 31, 2022, NuVista repurchased an additional $7.8 million in aggregate principal of its 2026 Notes. The remaining face value of the 2026 Notes is $212.7 million with a carrying value of $205.0 million**.**

12. Lease liabilities

The Company has the following future commitments associated with its lease obligations relating to office leases, gas processing and gas transportation commitments:

		2022		2021
Balance, January 1	**$**	**122,030**	$	125,959
Lease interest expense		**12,763**		13,248
Payment of leases		**(18,063)**		(17,177)
Balance, end of period	**$**	**116,730**	$	122,030
Current portion of lease liabilities	**$**	**5,908**	$	5,300
Non-current portion of lease liabilities	**$**	**110,822**	$	116,730

The following table details the undiscounted cash flows and contractual maturities of NuVista's lease liabilities:

		2022		2021
Less than 1 year	**$**	**18,113**	$	18,062
1-3 years		**52,550**		53,397
4-5 years		**34,634**		34,539
After 5 years		**100,217**		117,578
Total undiscounted future lease payments	**$**	**205,514**	$	223,576
Amounts representing lease interest expense over the term of the lease		**(88,784)**		(101,546)
Present value of net lease payments	**$**	**116,730**	$	122,030

13. Asset retirement obligations

	2022	2021
Balance, January 1	$ 120,237	$ 139,965
Accretion expense	3,062	2,213
Liabilities incurred	5,126	4,842
Liabilities disposed	(408)	(17,551)
Change in estimates	2,756	3,148
Change in discount rate	(22,672)	(5,654)
Liabilities settled (cash)	(9,302)	(5,478)
Liabilities settled (non-cash) (1)	(7,118)	(1,248)
Balance, end of period	$ 91,681	$ 120,237
Expected to be incurred within one year	$ 9,950	$ 7,075
Expected to be incurred beyond one year	$ 81,731	$ 113,162

(1) Liabilities settled (non-cash) of $7.1 million (2021 - $1.2 million) were funded by payments made directly to NuVista's service providers from the Alberta Site Rehabilitation program ("SRP") with respect to approved abandonment and reclamation expenditures. These amounts have been recorded as "Other Income".

The Company's asset retirement obligations are based on estimated costs to reclaim and abandon ownership interests in condensate and natural gas assets including well sites, gathering systems and processing facilities. At December 31, 2022, the estimated total undiscounted, uninflated amount of cash flows required to settle the asset retirement obligations is $110.7 million (December 31, 2021 – $117.1 million), of which 35% is estimated to be incurred within the next 10 years. The Government of Canada benchmark long-term risk-free bond rate of 3.3% (December 31, 2021 – 1.7%) and an inflation rate of 2.1% (December 31, 2021 – 1.8%) were used to calculate the net present value of the asset retirement obligations. The inflation rate was determined as the difference between the Government of Canada long-term risk free rate bond rate of 3.3% (December 31, 2021 - 1.7%) and the real rate of interest of 1.19% (December 31, 2021 - (0.14)%).

14. Deferred income taxes

The tax provision differs from the amount computed by applying the combined Canadian federal and provincial statutory income tax rates to income before deferred income tax expense (benefit) as follows:

	2022	2021
Income before tax	$ 814,391	$ 344,882
Expected tax rate (1)	23.00%	23.00%
Expected income tax expense	187,310	79,323
Non-deductible expenses	430	427
Non-deductible share-based expense	(3,091)	—
Other	(1,303)	460
Deferred income tax expense	$ 183,346	$ 80,210

(1) The statutory rate consists of the combined statutory rates for the Company for the years ended December 31, 2022 and 2021.

The significant components of the net deferred income tax liability (asset) are as follows:

	2022	2021
Deferred tax liability		
Oil and natural gas properties	**$ 324,558**	$ 293,906
Financial derivative contracts	**18,068**	—
Senior unsecured notes	**593**	438
	343,219	294,344
Deferred tax assets		
Asset retirement obligations	**(47,935)**	(55,721)
Share issue costs	**(1,423)**	(2,723)
Financial derivative contracts	**—**	(13,169)
Non-capital losses	**(15,483)**	(123,856)
Other	**(18,052)**	(11,042)
	(82,893)	(206,511)
Net deferred tax liability	**$ 260,326**	$ 87,833

A continuity of the net deferred tax liability is detailed in the following tables:

Assets (liability)	Balance January 1, 2022	Recognized in profit or loss	Recognized in equity	Other	**Balance December 31, 2022**
Oil and natural gas properties	$ (293,906)	$ (30,652)	$ —	$ —	**$ (324,558)**
Asset retirement obligations	55,721	(7,786)	—	—	**47,935**
Share issue costs	2,723	(1,300)	—	—	**1,423**
Senior unsecured notes	(438)	(155)	—	—	**(593)**
Financial derivative contracts	13,169	(31,237)	—	—	**(18,068)**
Non-capital losses	123,856	(108,373)	—	—	**15,483**
Other	11,042	(3,843)	10,853	—	**18,052**
Total	$ (87,833)	$ (183,346)	$ 10,853	$ —	**$ (260,326)**

Asset (liability)	Balance January 1, 2021	Recognized in profit or loss	Recognized in equity	Other	Balance December 31, 2021
Oil and natural gas properties	$ (205,545)	$ (88,361)	$ —	$ —	$ (293,906)
Asset retirement obligations	61,162	(5,441)	—	—	55,721
Share issue costs	2,807	(84)	—	—	2,723
Senior unsecured notes	(523)	85	—	—	(438)
Financial derivative contracts	15,585	(2,416)	—	—	13,169
Non-capital losses	112,448	11,408	—	—	123,856
Other	1,391	4,599	5,052	—	11,042
Total	$ (12,675)	$ (80,210)	$ 5,052	$ —	$ (87,833)

A summary of the Company's estimated tax pools is as follows:

	2022	2021
Canadian exploration expenses	$ 158,000	$ 272,000
Canadian development expenses	463,000	390,000
Canadian oil and natural gas property expenses	277,000	171,000
Undepreciated capital cost	177,000	184,000
Non-capital losses	67,000	535,000
Other	7,000	13,000
Total federal tax pools	$ 1,149,000	$ 1,565,000
Additional Alberta tax pools	$ 13,000	$ 11,000

15. Share capital

Common shares

	2022		2021	
	Number	Amount	Number	Amount
Balance, January 1	227,578,334	$ 1,228,275	225,836,865	$ 1,220,032
Issued for cash on exercise of stock options	—	16,949	—	3,305
Contributed surplus transferred on exercise of stock options	3,403,318	7,466	792,027	1,297
Conversion of restricted share awards	1,188,970	1,405	686,089	1,921
Conversion of performance share awards	658,335	2,543	263,353	1,720
Repurchase of shares for cancellation	(13,482,600)	(72,869)	—	—
Balance, end of period	219,346,357	$ 1,183,769	227,578,334	$ 1,228,275

On June 9, 2022, NuVista announced the approval of its normal course issuer bid ("NCIB"). The NCIB allows NuVista to purchase up to 18,190,261 of its outstanding common shares over a 12-month period, commencing June 14, 2022. During the year ended December 31, 2022, NuVista repurchased and subsequently cancelled 13,482,600 common shares at a weighted average price of $11.67/share for a total cost of $157.4 million.

Subsequent to December 31, 2022, the Company repurchased and subsequently cancelled 1,039,100 common shares at a weighted average price of $11.53/share for a total cost of $12.0 million.

16. Earnings per share

The following table summarizes the weighted average common shares used in calculating net earnings per share:

	Year ended December 31	
(thousands of shares)	2022	2021
Weighted average common shares outstanding		
Basic	226,733	226,288
Diluted	236,094	233,050

17. Petroleum and natural gas revenues

NuVista produces natural gas, condensate, and NGLs from its assets in the Montney area of Alberta. The Company sells its production pursuant to fixed-price or variable-price physical delivery contracts. The transaction price for variable-price contracts is based on benchmark commodity price, adjusted for quality, location or other factors whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Under the contracts, NuVista is required to deliver fixed or variable volumes of commodity to the contract counterparty.

Petroleum and natural gas revenue is recognized when NuVista gives up control of the unit of production at the delivery point agreed to under the terms of the contract. The amount of production revenue recognized is based on the agreed transaction price and the volumes delivered. Any variability in the transaction price relates specifically to NuVista's efforts to transfer production and therefore the resulting revenue is allocated to the production delivered in the period to which the variability relates. NuVista does not have any factors considered to be constraining in the recognition of revenue with variable pricing factors.

NuVista enters into contracts with customers with terms ranging from one month to seven years.

Under its contracts with customers, NuVista is required to deliver volumes of natural gas, condensate and NGLs to agreed upon locations where control over the delivered volumes is transferred to the customer. In instances where the third-party marketer takes title of NuVista's product but uses NuVista's pipeline contract to deliver the product to the end customer, a portion of the natural gas revenue is recognized as natural gas price diversification revenue. Revenue is recognized when control of each unit of product is transferred to the customer with revenue due on the 25th day of the month following delivery.

NuVista's customers are primarily oil and natural gas marketers and partners in joint operations in the oil and natural gas industry. Concentration of credit risk is mitigated by marketing production to several oil and natural gas marketers under customary industry and payment terms. NuVista reviews the credit worthiness and obtains certain financial assurances from customers prior to entering sales contracts. The financial strength of the Company's customers is reviewed on a routine basis.

The following table summarizes petroleum and natural gas revenue by product:

	Year ended December 31	
	2022	2021
Natural gas revenue [1]	**$ 646,653**	$ 309,979
Condensate revenue	**975,839**	506,890
NGL revenue [2]	**123,483**	68,421
Total petroleum and natural gas revenue	**$ 1,745,975**	$ 885,290

[1] Natural gas revenue includes price risk management gains and losses on physical delivery sale contracts. For the year ended December 31, 2022, physical delivery sales contracts resulted in a loss of $19.1 million (2021 – loss of $2.3 million).
[2] Includes butane, propane, ethane and sulphur revenue.

A breakdown of natural gas revenue is as follows:

	Year ended December 31	
	2022	2021
Natural gas revenue - AECO reference price [1]	**$ 487,453**	$ 242,235
Heat/value adjustment [2]	**54,264**	24,409
Transportation revenue [3]	**37,267**	33,848
Natural gas market diversification revenue	**86,744**	11,816
AECO physical delivery price risk management losses [4]	**(19,075)**	(2,329)
Total natural gas revenue	**$ 646,653**	$ 309,979

[1] Quarter average AECO 7A monthly index.
[2] Based on NuVista's historical adjustment of 10-13%.
[3] Cost of gas transportation from the transfer of custody sales point to the final sales point.
[4] Excludes price risk management realized and unrealized gains and losses on financial derivative commodity contracts but includes gains and losses on physical sale contracts.

Included in the accounts receivable at December 31, 2022 is $141.8 million (December 31, 2021 - $94.1 million) of accrued petroleum and natural gas revenue related to deliveries for periods prior to the reporting date. There were no significant adjustments for prior period accrued petroleum and natural gas revenue reflected in the Company's current period.

18. Capital management

The Company manages its capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. NuVista is able to change its capital structure by issuing new shares, new debt, repurchasing shares or debt, or changing capital expenditures relative to adjusted funds flow.

The Company has a long-term sustainable net debt target of less than 1.0 times adjusted funds flow annualized for the current quarter in the stress test price environment of US$ 45/Bbl WTI and US$ 2.00/ MMBtu NYMEX natural gas. The actual ratio may fluctuate on a quarterly basis above or below targeted levels due to a number of factors including facility outages, commodity prices, capital expenditures, and the timing of acquisitions and dispositions. At December 31, 2022, the Company's net debt was 0.2 times its annualized fourth quarter adjusted funds flow (December 31, 2021 - 0.8 times). The net debt to annualized current quarter adjusted funds flow ratio represents the time period in years it would take to pay off the net debt if no further capital expenditures were incurred and if adjusted funds flow remained consistent.

To facilitate the management of this ratio, NuVista prepares annual adjusted funds flow and capital expenditure forecasts, which are updated as necessary, and are routinely reviewed and approved by the Board of Directors. The Company manages its capital structure and makes adjustments by continually monitoring its business conditions including: the current economic conditions, the risk characteristics of NuVista's natural gas and condensate assets, the depth of its investment opportunities, current and forecast net debt levels, current and forecast commodity prices, and other factors that influence commodity prices and adjusted funds flow such as quality and basis differentials, royalties, operating costs and transportation costs.

Adjusted funds flow

NuVista considers adjusted funds flow to be a key measure that provides a more complete understanding of the Company's ability to generate cash flow necessary to finance capital expenditures, expenditures on asset retirement obligations, and meet its financial obligations. NuVista has calculated adjusted funds flow based on cash flow provided by operating activities, excluding changes in non-cash working capital and asset retirement expenditures, as management believes the timing of collection, payment, and occurrence is variable and by excluding them from the calculation, management is able to provide a more meaningful performance measure of NuVista's operations on a continuing basis. More specifically, expenditures on asset retirement obligations may vary from period to period depending on the Company's capital programs and the maturity of its operating areas, while environmental remediation recovery relates to an incident that management doesn't expect to occur on a regular basis. The settlement of asset retirement obligations is managed through NuVista's capital budgeting process which considers its available adjusted funds flow.

A reconciliation of adjusted funds flow is presented in the following table:

	Three months ended December 31		Year ended December 31	
	2022	2021	**2022**	2021
Cash provided by operating activities	**$ 226,688**	$ 110,063	**$ 844,816**	$ 338,578
Asset retirement expenditures	**1,223**	809	**9,302**	5,478
Change in non-cash working capital	**29,072**	40,793	**38,683**	(23,082)
Adjusted funds flow [(1)]	**$ 256,983**	$ 151,665	**$ 892,801**	$ 320,974

(1) Adjusted funds flow as presented does not have any standardized meaning prescribed by IFRS and therefore it may not be comparable with the calculation of similar measures of other entities. Management considers adjusted funds flow to be a capital management measure.

Net debt and total capitalization

Net debt is used by management to provide a more complete understanding of the Company's capital structure and provides a key measure to assess the Company's liquidity. NuVista has calculated net debt based on cash and cash equivalents, accounts receivable and prepaid expenses, other receivable, accounts payable and accrued liabilities, long-term debt (credit facility) and senior unsecured notes and other liabilities.

Total market capitalization and net debt to annualized current quarter adjusted funds flow are used by management and the Company's investors in analyzing the Company's balance sheet strength and liquidity.

The following is a summary of total market capitalization, net debt, annualized current quarter adjusted funds flow and net debt to annualized current quarter adjusted funds flow:

		2022		2021
Basic common shares outstanding (thousands of shares)		**219,346**		227,578
Share price[(1)]	**$**	**12.48**	$	6.96
Total market capitalization	**$**	**2,737,438**	$	1,583,943
Cash and cash equivalents	**$**	**(41,890)**	$	—
Accounts receivable and prepaid expenses		**(196,678)**		(88,537)
Other receivable		**(7,063)**		—
Accounts payable and accrued liabilities		**185,129**		140,002
Current portion of other liabilities [(2)]		**15,375**		7,990
Long-term debt (credit facility)		**—**		196,055
Senior unsecured notes		**215,392**		223,178
Other liabilities		**1,540**		1,587
Net debt [(3)]	**$**	**171,805**	$	480,275
Annualized current quarter adjusted funds flow	**$**	**1,027,932**	$	606,660
Net debt to annualized current quarter adjusted funds flow		**0.2**		0.8
Adjusted funds flow	**$**	**892,801**	$	320,974
Net debt to adjusted funds flow		**0.2**		1.5

(1) Represents the closing share price on the TSX on the last trading day of the period.
(2) The prior year comparative balance of $8.0 million has been reclassified from long-term to current liabilities to align with the current presentation.
(3) Net debt as presented does not have any standardized meaning prescribed by IFRS and therefore it may not be comparable with the calculation of similar measures of other entities. Management considers net debt to be a capital management measure.

19. Share-based compensation

Stock options

The Company has established a stock option plan whereby officers, directors and employees may be granted options to purchase common shares. Options granted vest at the rate of one-third per year and expire 2.5 years after the vesting date. The maximum number of stock options currently outstanding and available to be issued as at December 31, 2022 is 5,138,289.

The following continuity table summarizes the stock option activity:

			2022			2021
	Number of options		**Weighted average exercise price**	Number of options		Weighted average exercise price
Balance, January 1	**6,972,487**	**$**	**3.78**	8,054,966	$	4.30
Granted	**487,270**		**12.74**	925,236		3.89
Exercised	**(3,403,318)**		**4.98**	(792,027)		4.17
Forfeited	**(5,820)**		**11.76**	(70,523)		4.13
Expired	**(600)**		**3.92**	(1,145,165)		7.26
Balance, end of period	**4,050,019**	**$**	**3.84**	6,972,487	$	3.78

The following table summarizes stock options outstanding and exercisable under the plan at December 31, 2022:

	Options outstanding				Options exercisable		
Range of exercise price	Number of options outstanding	Weighted average remaining contractual life		Weighted average exercise price	Number of options exercisable		Weighted average exercise price
$0.79 to $1.99	1,488,280	2.4	$	0.83	821,890	$	0.83
$2.00 to $3.99	1,389,941	2.2		2.81	944,309		2.90
$4.00 to $5.99	336,080	1.2		4.47	329,392		4.46
$6.00 to $7.99	248,046	3.2		7.28	83,542		7.28
$8.00 to $9.99	106,222	0.8		9.12	106,222		9.12
$10.00 to $11.99	236,301	3.8		11.70	—		—
$12.00 to $13.99	245,149	4.4		13.77	—		—
$0.79 to $13.99	**4,050,019**	**2.5**	**$**	**3.84**	**2,285,355**	**$**	**2.83**

The Company uses the fair value based method for the determination of the share-based compensation costs. The fair value of each option granted during the year was estimated on the date of grant using the Black-Scholes option pricing model.

The weighted average fair value and weighted average assumptions used to fair value the options are as follows:

	2022	2021
Risk-free interest rate (%)	**3.11**	0.97
Expected volatility (%)	**53**	79
Expected life (years)	**4.5**	4.5
Forfeiture rate (%)	**9**	10
Fair value at grant date ($ per option)	**5.93**	2.35

Share award incentive plan

The Company has a Share Award Incentive Plan ("the Plan") for officers, directors and employees consisting of Restricted Share Awards ("RSA") and Performance Share Awards ("PSA"). The maximum number of common shares reserved for issuance under the Plan is 14,350,000 of which 4,788,679 remain to be issued.

Restricted share awards

The Company has a RSA plan for officers, directors and employees which entitle the holder to receive one common share for each RSA granted upon vesting. RSA grants vest within three years from the date of grant. Life to date, all RSA grants have had a two-year vesting period.

The fair value of RSAs is determined based on the weighted average trading price of the five days preceding the grant date. This fair value is recognized as share-based compensation expense over the vesting period with a corresponding increase to contributed surplus. The amount of the compensation expense is reduced by an estimated forfeiture rate determined at the date of the grant and updated each period. Upon vesting of the RSAs and settlement in common shares, the previously recognized value in contributed surplus will be recorded as an increase to share capital.

The following table summarizes the change in the number of RSAs:

	2022	2021
Balance, January 1	**2,308,555**	2,407,697
Settled - issuance of shares from treasury	**(1,188,970)**	(686,089)
Settled - cash payment [1]	**(496,477)**	(10,961)
Granted	**240,145**	631,911
Forfeited	**(18,049)**	(34,003)
Balance, end of period	**845,204**	2,308,555

[1] For the year ended December 31, 2021 - Awards under share-based plans elected by the Company to be settled with cash and not the issuance of shares from treasury.

For the year ended December 31, 2022, the Company withheld 496,477 shares with respect to minimum statutory withholding tax obligations which the Company settled from its cash reserves. Total withholding tax paid in cash for the year ended December 31, 2022 was $6.6 million (December 31, 2021 - nil).

Performance share awards

The Company has a PSA plan for officers, directors, and employees. Each PSA entitles the holder to be issued the number of common shares designated in the performance award, multiplied by a payout multiplier ranging from 0 to 2.0x. The payout multiplier for performance-based awards will be determined by our Board based on an assessment of the Company's achievement of predefined corporate performance measures in respect of the applicable period. PSA grants vest three years from the date of grant.

The fair value of PSAs is determined based on the weighted average trading price of the five days preceding the grant date. This fair value is recognized as share-based compensation expense over the vesting period with a corresponding increase to contributed surplus. The amount of the compensation expense is reduced by an estimated forfeiture rate determined at the date of the grant and updated each period. Upon vesting of the PSAs and settlement in common shares, the previously recognized value in contributed surplus will be recorded as an increase to share capital.

The following table summarizes the change in the number of PSAs:

	2022	2021
Balance, January 1	**4,644,674**	3,948,785
Settled - issuance of shares from treasury	**(658,335)**	(263,353)
Settled - cash payment [1]	**(249,078)**	(13,702)
Granted	**407,049**	1,043,455
Forfeited	**(157,401)**	(48,246)
Performance adjustment [2]	**320,387**	(22,265)
Balance, end of period	**4,307,296**	4,644,674

[1] For the year ended December 31, 2021- Awards under share-based plans elected by the Company to be settled with cash and not the issuance of shares from treasury.
[2] Awards granted on the vest date due to a performance factor increase to 1.23x for the year ended December 31, 2022. (December 31, 2021 - decrease to 0.91x)

For the year ended December 31, 2022, the Company withheld 249,078 shares with respect to minimum statutory withholding tax obligations which the Company settled from its cash reserves. Total withholding tax paid in cash for the year ended December 31, 2022 was $3.3 million (December 31, 2021 - nil).

Cash award incentive plan

Director deferred share units

The Company's director deferred share unit ("DSU") incentive plan provides compensation to non-management directors. Each DSU entitles the holder to receive cash equal to the trading price of the equivalent number of shares of the Company. All DSUs granted vest and become payable upon retirement of the director.

The compensation expense is calculated using the fair value method based on the trading price of the Company's shares at the end of each reporting period.

The following table summarizes the change in the number of DSUs:

	2022	2021
Balance, January 1	**1,147,930**	1,002,594
Granted	**84,043**	145,336
Balance, end of period	**1,231,973**	1,147,930

The following table summarizes the change in compensation liability relating to DSUs:

	2022	2021
Balance, January 1	**$ 7,990**	$ 943
Change in accrued compensation liabilities	**7,385**	7,047
Balance, end of period	**$ 15,375**	$ 7,990

(1) The prior year comparative balance of $8.0 million has been reclassified from long-term to current to be consistent with current presentation.

The compensation liability was calculated using share prices at December 31, 2022 and December 31, 2021, of $12.48 and $6.96, respectively.

Performance share units

The Company's performance share unit ("PSU") incentive plan provides compensation to executives and employees. Each PSU entitles the holder to receive cash equal to the trading price of the equivalent number of shares of the Company at the time of grant, multiplied by a payout multiplier ranging from 0 to 2.0x. The payout multiplier for performance-based awards will be determined by our Board based on an assessment of the Company's achievement of predefined corporate performance measures in respect of the applicable period, using the same performance assessment metrics as are used in the PSA plan.

The following table summarizes the change in the number of PSUs:

	2022	2021
Balance, January 1	**944,645**	975,436
Settled	**(3,848)**	(10,353)
Forfeited	**(24,431)**	(20,438)
Balance, end of period	**916,366**	944,645

The following table summarizes the change in compensation liability relating to PSUs:

	2022	2021
Balance, January 1	$ 1,587	$ 917
Change in accrued compensation liabilities	(47)	687
Cash settled	—	(17)
Balance, end of period	$ 1,540	$ 1,587

The following table summarizes share-based compensation expense relating to stock options, RSAs, PSAs, DSUs and PSUs:

	2022	2021
Stock options	$ 1,662	$ 1,678
Restricted share awards	1,904	1,498
Performance share awards	3,244	1,878
Non-cash share-based compensation expense	6,810	5,054
Director deferred share units	7,385	7,047
Performance share units	(48)	687
Restricted share awards (1)	—	26
Performance share awards (1)	—	32
Cash share-based compensation expense	7,337	7,792
Total share-based compensation expense	$ 14,147	$ 12,846

(1) Awards under share-based plans elected by the Company to be settled with cash and not the issuance of shares from treasury.

	2022	2021
Capitalized stock options	$ 318	$ 285
Capitalized restricted share awards	341	238
Capitalized performance share awards	563	317
Capitalized share-based compensation	$ 1,222	$ 840

Capitalized share-based compensation is attributable to personnel involved with the development of the Company's capital projects.

20. Risk management activities

Financial instruments

The Company's financial instruments recognized on the statement of financial position consists of cash and cash equivalents, accounts receivable, note receivable, financial derivative contracts, accounts payable and accrued liabilities, compensation liability, lease liabilities, and long-term debt. The carrying value of the long-term debt approximates its fair value as it bears interest at market rates. Except for the financial derivative contracts and compensation liability, which are recorded at fair value, carrying values reflect the current fair value of the Company's financial instruments due to their short-term maturities. The estimated fair values of recognized financial instruments have been determined based on quoted market prices when available, or third-party models and valuation methodologies that use observable market data.

The Company classifies fair value measurements according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

  The Company's cash and cash equivalents are classified as Level 1 measurements, financial derivative contracts as Level 2 measurements. The Company does not have any recurring fair value measurements classified as Level 3. The Company uses third party models and valuation methodologies to determine the fair value of financial derivative contracts. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level.

Financial assets and financial liabilities subject to offsetting

The following is a summary of the Company's financial assets and financial liabilities that are subject to offsetting:

			2022			2021
	Gross financial assets	**Gross financial liabilities**	**Net financial assets**	Gross financial assets	Gross financial liabilities	Net financial liabilities
Current assets (liabilities)	$ 37,925	$ —	$ 37,925	$ —	$ (40,317)	$ (40,317)
Long-term assets (liabilities)	40,633	—	40,633	—	(16,938)	(16,938)
Net position	$ 78,558	$ —	$ 78,558	$ —	$ (57,255)	$ (57,255)

Risk management contracts

The following is a reconciliation of movement in the fair value of financial derivative contracts:

	2022	2021
Fair value of contracts, beginning of year	$ (57,255)	$ (64,938)
Change in the fair value of contracts in the period	(28,536)	(107,933)
Fair value of contracts realized in the period	164,349	115,616
Fair value of contracts, end of year	$ 78,558	$ (57,255)
Financial derivative assets (liabilities) – current	$ 37,925	$ (40,317)
Financial derivative assets (liabilities) – long-term	$ 40,633	$ (16,938)

The following is a summary of financial derivative contracts in place as at December 31, 2022:

	C5 - WTI differential swap		**C$ WTI 3 way collar**			
Term [1]	**Bbls/d**	**US$/Bbl**	**Bbls/d**	**Cdn$/Bbl**	**Cdn$/Bbl**	**Cdn$/Bbl**
Q1 2023	4,000	0.00	2,250	85.00	100.00	128.61
Q2 2023	4,000	0.00	1,250	85.00	100.00	136.31

[1] Table presented as weighted average volumes and prices.

Term (1)	AECO-NYMEX basis swap MMBtu/d	AECO-NYMEX basis swap US$/MMBtu
Q1 2023	100,000	(1.01)
Q2 2023	110,000	(1.01)
Q3 2023	110,000	(1.01)
Q4 2023	103,370	(1.01)
2024	100,000	(1.00)
2025	105,000	(0.96)
2026	137,500	(0.91)
2027	70,000	(0.85)

(1) Table presented as weighted average volumes and prices.

	NYMEX collars			AECO fixed price swap		AECO collars		
Term (1)	MMBtu/d	US$/MMBtu	US$/MMBtu	GJ/d	Cdn$/GJ	GJ/d	Cdn$/GJ	Cdn$/GJ
Q1 2023	60,000	4.50	10.97	15,000	4.30	20,000	4.00	7.13
Q2 2023	40,000	4.00	10.07	20,000	3.87	20,000	3.88	5.39
Q3 2023	40,000	4.00	10.07	20,000	3.87	20,000	3.88	5.39
Q4 2023	13,478	4.00	10.07	6,739	3.87	13,370	3.69	5.32
2024	—	—	—	15,000	4.00	—	—	—
2025	—	—	—	15,000	4.00	—	—	—

(1) Table presented as weighted average volumes and prices.

Subsequent to December 31, 2022, the following is a summary of financial derivatives that have been entered into:

Term (1)	Dawn-NYMEX basis swap MMBtu/d	Dawn-NYMEX basis swap US$/MMBtu
Q2 2023	30,000	(0.19)
Q3 2023	30,000	(0.19)
Q4 2023	10,109	(0.19)

(1) Table presented as weighted average volumes and prices.

Physical delivery sales contracts

The Company enters into physical delivery sales contracts to manage commodity price risk. These contracts are not considered to be derivatives and therefore not recorded at fair value. They are considered sales contracts and are recorded at cost at the time of transaction.

The following is a summary of the physical delivery sales contracts in place as at December 31, 2022:

	AECO fixed price swap		AECO-NYMEX basis	
Term (1)	GJ/d	Cdn$/GJ	MMBtu/d	US$/MMBtu
Q1 2023	5,000	4.82	—	—
Q2 2023	35,000	3.92	—	—
Q3 2023	41,630	3.82	—	—
Q4 2023	15,163	3.77	—	—
2024	35,000	4.01	—	—
2025	35,000	4.01	5,000	(1.15)

(1) Table presented as weighted average volumes and prices.

Financial risk management

In the normal course of business, the Company is exposed to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as:

- credit risk;
- liquidity risk; and
- market risk.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to market conditions and the Company's activities.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk with respect to its accounts receivables. Most of the Company's accounts receivable arises from transactions with joint operations partners and petroleum and natural gas sales with petroleum and natural gas marketers and are now subject to normal credit risk. The Company mitigates its credit risk by entering into contracts with established counterparties that have strong credit ratings and reviewing its exposure to individual counterparties on a regular basis.

The majority of the Company's credit exposure on accounts receivable at December 31, 2022 pertains to accrued sales revenue for December 2022 production volumes. Receivables from oil and natural gas marketers are normally collected on the 25th of the month following production. Receivables with joint operations partners are typically collected within one to three months of the joint operations invoice being issued to the partner. At December 31, 2022, the Company's receivables consisted of $141.8 million from oil and gas marketers $17.8 million from joint operations partners. At December 31, 2022, the Company did not have any past due accounts receivable that it has determined to be uncollectible.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity through continuously monitoring cash flows from operating activities, review of the actual capital expenditure program, managing maturity profiles of financial assets and financial liabilities, maintaining a revolving credit facility with sufficient capacity, and managing its commodity price risk management program. These activities ensure that the Company has sufficient funds to meet its financial obligations when due.

The timing of cash flows relating to financial liabilities as at December 31, 2022 is as follows:

	Total	1 year	2 to 3 years	4 to 5 years	Beyond 5 years
Accounts payable and accrued liabilities	**$ 185,129**	$ 185,129	$ —	$ —	$ —
Senior unsecured notes	**215,392**	—	—	215,392	—
Lease liabilities	**116,730**	5,909	19,839	16,708	74,274
Total financial liabilities	**$ 517,251**	$ 191,038	$ 19,839	$ 232,100	$ 74,274

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in commodity price risk, currency risk, and interest rate risk. The Company is engaged in oil and gas exploration, development and production activities in Canada and as a result has significant exposure to commodity price risk. The Company has adopted a disciplined commodity price risk management program as part of its overall financial management strategy. The Company considers all of these transactions to be economic hedges but does not designate them as hedges for accounting purposes.

(a) Commodity price risk

Commodity price risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in commodity prices. The Company manages the risks associated with changes in commodity prices through the use of various financial derivative and physical delivery sales contracts. The financial derivative contracts are considered financial instruments but the physical delivery sales contracts are excluded from the definition of financial instruments. The Company uses financial instruments and physical delivery sales contracts to manage petroleum and natural gas commodity price risk.

(b) Currency risk

Currency risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Company's financial instruments are only indirectly exposed to currency risk as the underlying commodity prices in Canada for petroleum and natural gas are impacted by changes in exchange rate between the Canadian and United States dollars. In addition, NuVista has US dollar denominated receivables and payables which future cash payments are directly impacted by the exchange rate in effect on the payment date. As at December 31, 2022, the Company's cash and cash equivalents of $41.9 million included US $1.8 million.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows will fluctuate because of changes in market interest rates. The Company is exposed to interest rate fluctuations on its bank loan which bears a floating rate of interest. The Company had no interest rate swap or financial contracts in place as at or during the year ended December 31, 2022.

At December 31, 2022, the Company had no amounts drawn on its bank credit facility.

(d) Financial instrument sensitivities

The following table summarizes the effects of movement in commodity prices on net earnings due to changes in the fair value of financial derivative contracts in place at December 31, 2022. Changes in the fair value generally cannot be extrapolated because the relationship of a change in an assumption to the change in fair value may not be linear.

CDN $		**2022**		2021
Increase in $ WTI – oil $10/Bbl	$	**(1,631)**	$	(4,044)
Decrease in $ WTI – oil $10/Bbl	$	**1,524**	$	12,467
Increase in $ AECO – gas $0.50/GJ	$	**(61,468)**	$	(10,766)
Decrease in $ AECO – gas $0.50/GJ	$	**61,372**	$	3,380

21. Financing costs

	2022	2021
Interest on long-term debt (credit facility)	$ 7,110	$ 15,931
Interest on senior unsecured notes	19,525	18,907
Early redemption expense on 2026 Notes	356	—
Call premium on redemption of 2023 Notes	—	3,575
Interest expense	26,991	38,413
Lease interest expense	12,763	13,248
Accretion expense	3,062	2,213
Total financing costs	$ 42,816	$ 53,874

22. Supplemental cash flow information

The following table provides a detailed breakdown of certain line items contained within cash from operating and investing activities:

	2022	2021
Cash provided by (used for):		
Accounts receivable and prepaid expenses	$ (108,818)	$ (33,571)
Other assets	(6,387)	(1,207)
Accounts payable and accrued liabilities	53,907	73,109
	$ (61,298)	$ 38,331
Related to:		
Operating activities	$ (38,683)	$ 23,082
Investing activities	(22,615)	15,249
	$ (61,298)	$ 38,331

23. Commitments

The following is a summary of the Company's commitments as at December 31, 2022:

	Total	2023	2024	2025	2026	2027	Thereafter
Transportation [1]	$ 904,272	$ 131,685	$ 130,914	$ 123,220	$ 119,390	$ 104,937	$ 294,126
Processing [1]	1,262,893	84,163	97,659	97,522	94,770	95,240	793,539
Servicing [2]	16,560	5,000	5,780	5,780	—	—	—
Total commitments [3]	$ 2,183,725	$ 220,848	$ 234,353	$ 226,522	$ 214,160	$ 200,177	$1,087,665

[1] Certain of the transportation and processing commitments are secured by outstanding letters of credit totaling $29.0 million at December 31, 2022 (December 31, 2021 - $24.2 million).
[2] Effective November 2022, NuVista entered into a 3-year fracturing services and proppant supply agreement with a third-party. Part of the agreement includes USD and the conversion rate used was as at December 31, 2022 1.36 Cdn$/US$.
[3] Excludes commitments recognized within lease liabilities.

24. Personnel expenses

Key management personnel include the Board of Directors and executive officers of the Company. The compensation included in general and administrative expenses relating to key management personnel for the year was comprised of the following:

	2022	2021
Salaries, wages and short-term benefits	$ 5,823	$ 4,874
Share-based payments [1]	10,644	9,471
Total	$ 16,467	$ 14,345

[1] Represents the amortization of share-based compensation expense as recorded in the financial statements.

25. Presentation of expenses

The Company's statement of earnings and comprehensive income is prepared primarily by nature of expense, with the exception of employee compensation costs which are included in both operating and general and administrative expenses.

The following table details the amount of total employee compensation costs included in the operating, general and administrative expenses and share-based compensation in the statement of earnings and comprehensive income:

		2022		2021
Operating	$	**2,830**	$	2,775
General and administrative		**19,434**		17,602
Share-based compensation		**14,147**		12,846
Total employee compensation costs	$	**36,411**	$	33,223

Corporate Information

LEADERSHIP TEAM

Jonathan Wright
President and Chief Executive Officer

Kevin Asman
Vice President, Marketing

Ivan J. Condic
Vice President, Finance and Chief Financial Officer

Mike Lawford
Chief Operating Officer

Chris LeGrow
Vice President, Development & Planning

Ryan Paulgaard
Vice President, Production & Facilities

Josh Truba
Vice President, Land & Business Development

Tanya Dickison
Director, Human Resources & ESG Communications

BOARD OF DIRECTORS

Pentti Karkkainen (1) (2)
Chair of the Board

Ronald J. Eckhardt (2) (4)
Independent Director

Kate Holzhauser (1) (3)
Independent Director

Keith MacPhail (2) (4)
Independent Director

Ronald Poelzer (1) (2)
Independent Director

Sheldon Steeves (3) (4)
Independent Director

Deborah Stein (1) (3)
Independent Director

Grant Zawalsky (3) (4)
Independent Director

Jonathan Wright
President and Chief Executive Officer

(1) Member of Audit Committee
(2) Member of Corporate Governance & Compensation Committee
(3) Member of Environment, Social & Governance Committee
(4) Member of Reserves Committee

BANKERS

Canadian Imperial Bank of Commerce
Royal Bank of Canada
The Bank of Nova Scotia
Bank of Montreal
ATB Financial
Canadian Western Bank
Business Development Bank of Canada

TRANSFER AGENT - COMMON SHARES

Odyssey Trust Company
Calgary, Alberta

TRANSFER AGENT - SENIOR UNSECURED NOTES

Computershare Trust Company of Canada
Calgary, Alberta and Toronto, Ontario

AUDITORS

KPMG LLP
Calgary, Alberta

RESERVE EVALUATORS

GLJ Ltd.
Calgary, Alberta

STOCK EXCHANGE LISTING

The Toronto Stock Exchange (“TSX”)
“NVA”

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