

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") interim financial statements for the three months ended March 31, 2019 and audited financial statements for the year ended December 31, 2018. The following MD&A of financial condition and results of operations was prepared at and is dated May 7, 2019. Our December 31, 2018 audited financial statements, Annual Information Form and other disclosure documents are available through our filings on SEDAR at www.sedar.com or can be obtained from our website at www.nuvistaenergy.com.

Basis of presentation

Unless otherwise noted, the financial data presented below 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 ("Mcf") 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.

Advisory regarding 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; the effect of financial, commodity, and natural gas risk management strategy and market diversification; NuVista's planned capital expenditures and sources of funding; drilling plans; expectations with respect to the construction and start up of the Pipestone compressor station; planned 2019 maintenance outages; funding plans with respect to the Pipestone compressor station; NuVista's 110,000 Boe/d growth plan; the anticipated potential and growth opportunities associated with NuVista's asset base; NuVista's future exposure to AECO; the impact of royalty changes on NuVista's results of operations; capital spending, production and adjusted funds flow guidance; the timing of NuVista's next borrowing base review; asset retirement obligations and the amount and timing of such expenditures and the source of funding thereof; the future development opportunities associated with the Pipestone Acquisition; estimated tax pools and future taxability; targeted net debt to annualized current quarter adjusted funds flow; environmental compliance costs and the effect of proposed changes to environmental regulation; industry conditions and anticipated accounting changes and their impact on NuVista's operations and financial position. 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, industry conditions, current and future commodity prices, currency and interest rates, anticipated production 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. NuVista has included the forward-looking statements in this MD&A in order to provide readers with a more complete perspective on NuVista's future operations and such information may not be appropriate for other purposes. NuVista disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Non-GAAP measurements

Within the MD&A, references are made to terms commonly used in the oil and natural gas industry. Management uses "adjusted funds flow", "adjusted funds flow per share", "operating netback", "corporate netback", "capital expenditures" and "net debt" to analyze performance and leverage. These terms do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. For further information refer to the section "Non-GAAP measures" within this MD&A.

Description of business

NuVista is an exploration and production company actively engaged in the development, delineation and production of condensate, oil 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 ("Wapiti Montney"). The common shares of NuVista trade on the Toronto Stock Exchange ("TSX") under the symbol NVA.

Asset Transactions

On September 6, 2018, the Company closed the acquisition of Cenovus Pipestone ULC and Cenovus Pipestone Partnership (the "Pipestone Acquisition") which held assets in the Pipestone area of Northwest Alberta (the "Acquired Assets") for \$619.4 million including customary adjustments. Subsequently, all of the Acquired Assets were assumed by NuVista and the partnership and ULC were dissolved. The Acquired Assets are situated primarily in the condensate-rich Alberta Triassic Montney fairway on 35,250 net acres of land featuring four layers of Montney development, and represented a 29% increase to the Company's Montney land position, adding approximately 9,600 Boe/d per year of production and significant infrastructure. The Pipestone Acquisition was funded with the Company's expanded credit facilities and the issuance of 47.4 million common shares at a price of \$8.10 per share for gross proceeds of \$384.1 million.

Drilling activity

| Number of wells | Three months ended March 31 | |
|--|-----------------------------|---------|
| | 2019 | 2018 |
| Wells drilled - gross (net) ⁽¹⁾ | 15 (15.0) | 8 (8.0) |
| Wells completed - gross (net) ⁽²⁾ | 14 (14.0) | 8 (8.0) |
| Wells brought on production - gross (net) ⁽³⁾ | 9 (8.8) | 4 (4.0) |

⁽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 March 31, 2019, NuVista drilled 14 (14.0 net) Montney natural gas wells and 1 (1.0 net) oil well, compared to 7 (7.0 net) Montney natural gas wells and 1 (1.0 net) water disposal well in the comparable period of 2018.

All wells in 2019 and 2018 were drilled with a 100% success rate and an average working interest of 100% and 100% respectively.

Production

| | Three months ended March 31 | | |
|--|-----------------------------|---------|----------|
| | 2019 | 2018 | % Change |
| Natural gas (Mcf/d) | 159,224 | 132,717 | 20 |
| Condensate & oil (Bbls/d) | 12,752 | 11,313 | 13 |
| Natural gas liquids ("NGLs") (Bbls/d) | 4,549 | 2,667 | 71 |
| Total (Boe/d) | 43,839 | 36,099 | 21 |
| Condensate, oil & NGLs weighting ⁽¹⁾⁽²⁾ | 39% | 39% | |
| Condensate & oil weighting ⁽²⁾ | 29% | 31% | |

⁽¹⁾ NGLs include butane, propane and ethane.

⁽²⁾ Product weighting is based on total production.

Production for the three months ended March 31, 2019 increased 21% over the comparative period of 2018 as a result of production increases from continued drilling of Montney wells and the incremental production associated with the Pipestone Acquisition, partially offset by declines and a plant turnaround at our Elmworth compressor station. First quarter production of 43,839 Boe/d decreased 11% from fourth quarter 2018 production of 49,060 Boe/d, primarily as a result of the plant turnaround and wells temporarily shut in as planned due to offsetting fracing operations and temporary freezeoffs during the unusually cold winter weather. Condensate & oil volume weighting of 29% was slightly lower than the 31% in the prior year comparative period, and 30% in the fourth quarter of 2018 due to normal fluctuations and well phasing.

Pricing

| | Three months ended March 31 | | |
|---|-----------------------------|-------|----------|
| | 2019 | 2018 | % change |
| Realized selling prices ^{(1) & (2)} | | | |
| Natural gas (\$/Mcf) | 3.92 | 3.50 | 12 |
| Condensate & oil (\$/Bbl) | 60.19 | 73.69 | (18) |
| NGLs (\$/Bbl) | 21.32 | 33.31 | (36) |
| Barrel of oil equivalent (\$/Boe) | 33.98 | 38.40 | (12) |
| Benchmark pricing | | | |
| Natural gas - AECO 5A daily index (Cdn\$/Mcf) | 2.62 | 2.08 | 26 |
| Natural gas - AECO 7A monthly index (Cdn\$/Mcf) | 1.94 | 1.86 | 4 |
| Natural gas - NYMEX (monthly) (US\$/MMbtu) | 3.15 | 3.00 | 5 |
| Natural gas - Chicago Citygate (monthly) (US\$/MMbtu) | 3.35 | 3.27 | 2 |
| Natural gas - Dawn (daily) (US\$/MMbtu) | 2.91 | 3.03 | (4) |
| Natural gas - Malin (monthly) (US\$/MMbtu) | 3.88 | 2.51 | 55 |
| Oil - WTI (US\$/Bbl) | 54.90 | 62.87 | (13) |
| Oil - Edmonton Par - (Cdn\$/Bbl) | 66.44 | 72.13 | (8) |
| Condensate - Condensate @ Edmonton (Cdn\$/Bbl) | 67.13 | 79.75 | (16) |
| Exchange rate - (Cdn\$/US\$) | 1.33 | 1.27 | 5 |

⁽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⁾ The average condensate and NGLs selling price is net of pipeline tariffs and fractionation fees.

Global oil prices began to recover in the first quarter of 2019 with the WTI benchmark averaging US\$54.90/Bbl after falling below US\$50.00/Bbl in December. US production growth continued its upward trajectory and production waivers given to Iran allowed for more supply than anticipated. This led to storage builds in the fourth quarter of 2018 and a softening of global oil prices. In December, OPEC and other nations agreed to a 1.2 million Bbl/d production cut to stabilize the global oil market and prices have been improving since then. Canadian heavy oil differentials widened in a sudden and unprecedented fashion in the fourth quarter of 2018 and this temporarily but significantly pressured the light oil market and also the condensate market. In December, the Alberta Government announced a mandated temporary oil supply curtailment which had the immediate effect of improving heavy oil, light oil and condensate differentials starting in January 2019 and this continued throughout the first quarter. Condensate prices continued to outperform light oil prices with the Edmonton marker averaging C\$67.13/Bbl for the quarter. The oil supply curtailment does not apply to condensate or to NuVista.

There has been sizable growth in US gas production in 2018 primarily from the Marcellus play along with associated gas from liquids production. This production growth was offset by growth in US liquid natural gas ("LNG") exports, exports to Mexico, and strong power demand. The significant storage deficit continued throughout the winter heating season. NYMEX gas prices were down slightly compared to the fourth quarter of 2018 averaging US\$3.15/MMBtu. Eastern North American and MidWest prices were similar to NYMEX gas prices in the first quarter and Malin prices were a bit stronger. Gas production growth in Western Canada along with a slow start to winter led to continued weak AECO gas prices. AECO gas prices averaged \$1.94/Mcf in the first quarter of 2019 representing an increase of 2% from \$1.90/Mcf in the fourth quarter of 2018 and a 4% increase from the first quarter of 2018.

Revenue

Petroleum and natural gas revenues

| | Three months ended March 31 | | | |
|---|-----------------------------|------------|----------------|------------|
| | 2019 | | 2018 | |
| (\$ thousands, except % amounts) | \$ | % of total | \$ | % of total |
| Natural gas ⁽¹⁾ | 56,257 | 42 | 41,737 | 34 |
| Condensate & oil | 69,077 | 52 | 75,025 | 60 |
| NGLs ⁽²⁾ | 8,730 | 6 | 7,994 | 6 |
| Total petroleum and natural gas revenues | 134,064 | | 124,756 | |

⁽¹⁾ Natural gas revenue includes price risk management gains and losses on physical delivery sale contracts. For the three months ended March 31, 2019, our physical delivery sales contracts resulted in a loss of \$0.6 million (2018 – \$4.2 million gain).

⁽²⁾ Includes butane, propane, and ethane and an immaterial amount of sulphur revenue.

For the three months ended March 31, 2019, petroleum and natural gas revenues increased 7% over the comparable period of 2018, due primarily to a 21% increase in production offset by a 12% decrease in average per Boe realized price for the quarter.

Condensate & oil volumes of 29% of total production in the first quarter of 2019, amounted to 52% of total petroleum and natural gas revenues. As a result of weaker condensate prices that began in the fourth quarter of 2018 and extended throughout most of the first quarter of 2019, combined with a slightly lower condensate & oil weighting, condensate & oil sales as a percentage of total petroleum and natural gas revenues was lower than the comparative average of 60%.

Natural gas revenue

A breakdown of natural gas revenue is as follows:

| (\$ thousands, except per unit amounts) | Three months ended March 31 | | | |
|--|-----------------------------|-------------|---------------|-------------|
| | 2019 | | 2018 | |
| | \$ | \$/Mcf | \$ | \$/Mcf |
| Natural gas revenue - AECO reference price ⁽¹⁾ | 27,294 | 1.94 | 22,094 | 1.86 |
| Heat/value adjustment ⁽²⁾ | 2,347 | 0.17 | 1,983 | 0.17 |
| Transportation revenue ⁽³⁾ | 7,289 | 0.52 | 5,105 | 0.43 |
| Natural gas market diversification revenue | 19,975 | 1.34 | 8,404 | 0.69 |
| AECO physical delivery sales contract gains ⁽⁴⁾ | (648) | (0.05) | 4,151 | 0.35 |
| Total natural gas revenue | 56,257 | 3.92 | 41,737 | 3.50 |

⁽¹⁾ Average AECO 7A monthly index.

⁽²⁾ Based on NuVista's historical adjustment of 9-10%.

⁽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 March 31, 2019, natural gas revenue increased 35% over the comparable period of 2018, due to a 20% increase in production and a 12% increase in realized selling prices.

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

| | Three months ended March 31 | |
|-----------------------------|-----------------------------|------|
| | 2019 | 2018 |
| AECO physical deliveries | 34% | 47% |
| Dawn physical deliveries | 27% | 33% |
| Malin physical deliveries | 24% | —% |
| Chicago physical deliveries | 15% | 20% |

NuVista receives a premium to the AECO spot gas price due to the higher heat content of its natural gas production, as well as 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 to limit its exposure to spot AECO pricing. For the three months ended March 31, 2019, the Company delivered 34% of its gas to AECO of which 6% was under AECO physical fixed price delivery sales contracts. NuVista delivered approximately 27% of its natural gas production to Dawn, 24% to Malin, and 15% to Chicago.

NuVista's exposure to AECO floating prices was limited to approximately 8% of forecast volumes in the first quarter of 2019 as a result of this market egress, and the inclusion of pre-existing financial delivery sales contracts at prices that are higher than current market prices as disclosed in section (b) under "Commodity price risk management". NuVista's existing contracts for firm transportation on export pipelines coupled with the financial NYMEX basis natural gas sales price derivative contracts will result in long term price diversification and exposure to AECO floating pricing limited to approximately 10%-25% of volumes in 2019 and beyond.

Excluding the impact of realized gains on physical sales contracts, the average selling price for natural gas for the three months ended March 31, 2019 was \$3.97/Mcf compared to \$3.15/Mcf for the comparative period of 2018, and \$3.62/Mcf in the fourth quarter of 2018.

Condensate & oil revenue

For the three months ended March 31, 2019, condensate & oil revenue decreased 8% over the comparable period of 2018 due to a 13% increase in production offset by a 18% decrease in average realized selling price.

Strong demand for condensate & oil in Alberta results in benchmark condensate prices at Edmonton trading at a premium to Canadian light oil prices. NuVista's realized condensate & oil prices include adjustments for pipeline tariffs to Edmonton and quality differentials. Condensate & oil realized selling prices averaged \$60.19/Bbl in the three months ended March 31, 2019, a decrease of 18% from \$73.69/Bbl for the comparable period of 2018.

NGL revenue

For the three months ended March 31, 2019, NGL revenue increased 9% over the comparable period of 2018, due to a 71% increase in production partially offset by a 36% decrease in average realized selling price.

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 50% 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. In addition, a maximum volume of up to 150,000 MMBtu/day has been approved, with a term of 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 U.S. dollars at the time the position is established and the position may be hedged to Canadian or U.S. dollars, as the case may be, during the term of the applicable hedge. Foreign currency of interest payments and of long-term debt, if there is that exposure, may also be hedged back to the Canadian dollar.

| (\$ thousands) | Three months ended March 31 | | | | | |
|--------------------------------------|-----------------------------|------------------------|-------------------|----------------------|------------------------|-------------------|
| | 2019 | | | 2018 | | |
| | Realized gain (loss) | Unrealized gain (loss) | Total gain (loss) | Realized gain (loss) | Unrealized gain (loss) | Total gain (loss) |
| Natural gas | (2,597) | (22,338) | (24,935) | 614 | 25,029 | 25,643 |
| Condensate & oil | 5,304 | (44,566) | (39,262) | (5,903) | (14,197) | (20,100) |
| Foreign exchange | — | — | — | — | 303 | 303 |
| Gain (loss) on financial derivatives | 2,707 | (66,904) | (64,197) | (5,289) | 11,135 | 5,846 |

During the first quarter of 2019, the commodity price risk management program resulted in a total loss of \$64.2 million, compared to a total gain of \$5.8 million for the comparable period of 2018 and a total gain of \$119.3 million

in the fourth quarter of 2018. The fair value of financial derivative contracts are recorded in the financial statements. Unrealized gains and losses are the change in mark to market values or fair value of financial derivative contracts in place at the end of the quarter compared to the start of the quarter. The significant unrealized loss in the first quarter is a result of higher WTI and AECO forward strip pricing at the end of the quarter compared to the beginning of the quarter and the resulting decrease in the value of oil and gas derivative contracts in place at the end of the quarter. Due to increased volatility in oil and gas prices and the related forward strips pricing, the impact of unrealized gains and/or losses on overall earnings in a particular reporting period can be substantial, as was the case in the fourth quarter of 2018 and the first quarter of 2019.

Nuvista has significant hedges currently in place, with approximately 61% of 2019 condensate production hedged at a floor C\$ WTI price of 79.58/Bbl, and approximately 52% of 2019 natural gas production hedged at a floor AECO price of \$2.13/Mcf.

Price risk management losses on our physical delivery sale contracts, which are included in total petroleum and natural gas revenues, totaled \$0.6 million for the three months ended March 31, 2019 compared to a gain of \$4.2 million for the comparable period of 2018.

(a) Financial instruments

The following is a summary of financial derivatives contracts in place as at March 31, 2019:

| Term ⁽¹⁾ | WTI fixed price swap | |
|---------------------|----------------------|-----------|
| | Bbls/d | Cdn\$/Bbl |
| 2019 remainder | 5,253 | 76.72 |
| 2020 | 1,899 | 79.21 |

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

| Term ⁽¹⁾ | C\$ WTI 3 Way Collar | | | |
|---------------------|----------------------|-----------|-----------|-----------|
| | Bbls/d | Cdn\$/Bbl | Cdn\$/Bbl | Cdn\$/Bbl |
| 2019 remainder | 4,801 | 68.24 | 82.60 | 89.84 |
| 2020 | 2,699 | 67.41 | 82.33 | 89.72 |

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

| Term ⁽¹⁾ | AECO-NYMEX basis swap | | Chicago-NYMEX basis swap | | Malin-NYMEX basis swap | | AECO-Malin basis swap | | Dawn-NYMEX basis swap | |
|---------------------|-----------------------|------------|--------------------------|------------|------------------------|------------|-----------------------|------------|-----------------------|------------|
| | MMbtu/d | US\$/MMbtu | MMbtu/d | US\$/MMbtu | MMbtu/d | US\$/MMbtu | MMbtu/d | US\$/MMbtu | MMbtu/d | US\$/MMbtu |
| 2019 remainder | 17,500 | (0.94) | 11,109 | (0.25) | 17,782 | (0.40) | 10,000 | 0.68 | 2,218 | (0.26) |
| 2020 | 47,500 | (0.96) | 15,000 | (0.25) | 11,667 | (0.51) | 8,333 | 0.68 | 10,000 | (0.26) |
| 2021 | 95,000 | (0.98) | 15,000 | (0.24) | 20,000 | (0.66) | — | — | 10,000 | (0.26) |
| 2022 | 95,000 | (0.97) | 12,493 | (0.24) | 16,658 | (0.66) | — | — | 8,329 | (0.26) |
| 2023 | 100,000 | (1.01) | — | — | — | — | — | — | — | — |
| 2024 | 100,000 | (1.00) | — | — | — | — | — | — | — | — |

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

| Term ⁽¹⁾ | AECO fixed price swap | | NYMEX fixed price swap | | Dawn fixed price swap | |
|---------------------|-----------------------|------------|------------------------|------------|-----------------------|------------|
| | MMbtu/d | US\$/MMbtu | MMbtu/d | US\$/MMbtu | MMbtu/d | US\$/MMbtu |
| 2019 remainder | 3,891 | 1.30 | 40,564 | 2.78 | 7,782 | 2.50 |
| 2020 | — | — | 20,833 | 2.79 | — | — |

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

Subsequent to March 31, 2019 the following is a summary of financial derivatives that have been entered into:

| Term ⁽¹⁾ | WTI fixed price swap | |
|---------------------|----------------------|-----------|
| | Bbls/d | Cdn\$/Bbl |
| 2019 remainder | 513 | 81.07 |
| 2020 | 800 | 81.11 |

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

| Term ⁽¹⁾ | C\$ WTI 3 Way Collar | | | |
|---------------------|----------------------|-----------|-----------|-----------|
| | Bbls/d | Cdn\$/Bbl | Cdn\$/Bbl | Cdn\$/Bbl |
| 2019 remainder | 111 | 70.00 | 81.00 | 88.75 |
| 2020 | 200 | 70.00 | 81.00 | 88.75 |

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

| Term ⁽¹⁾ | AECO-NYMEX basis swap | |
|---------------------|-----------------------|------------|
| | MMbtu/d | US\$/MMbtu |
| 2025 | 10,000 | (1.00) |

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

(b) Physical delivery sales contracts

The following is a summary of the physical delivery sales contracts in place as at March 31, 2019:

| Term ⁽¹⁾ | AECO fixed price swap | | Dawn fixed price swap | | Dawn-NYMEX Basis | |
|---------------------|-----------------------|----------|-----------------------|------------|------------------|------------|
| | GJ/d | Cdn\$/GJ | MMbtu/d | US\$/MMbtu | MMbtu/d | US\$/MMbtu |
| 2019 remainder | 52,800 | 1.49 | 7,782 | 2.50 | 2,218 | (0.26) |
| 2020 | 8,333 | 1.60 | — | — | 10,000 | (0.26) |
| 2021 | — | — | — | — | 10,000 | (0.26) |
| 2022 | — | — | — | — | 8,329 | (0.26) |

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

Royalties

| (\$ thousands, except % and per Boe amounts) | Three months ended March 31 | |
|--|-----------------------------|---------|
| | 2019 | 2018 |
| Gross royalties | 7,814 | 4,498 |
| Gas cost allowance ("GCA") | (3,238) | (2,666) |
| Net royalties | 4,576 | 1,832 |
| Gross royalty % excluding physical delivery sales contracts ⁽¹⁾ | 5.8 | 3.7 |
| Gross royalty % including physical delivery sales contracts | 5.8 | 3.6 |
| Net royalties \$/Boe | 1.16 | 0.56 |

⁽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 ended March 31, 2019, gross royalties increased 74% as compared to the comparable period of 2018 as a result of the production increase over the prior year. Gross royalties as a percentage of petroleum and natural gas revenues increased as a result of an increase in realized and benchmark gas prices over the prior year comparative period and the effect of a prior period adjustment in the first quarter of 2018 that resulted in a lower royalty rate.

The Company also 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 ended March 31, 2019, the 21% increase in GCA credits received compared to the comparative period of 2018 is consistent with increased crown royalty payments made to the Crown as a result of increased production.

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

| (\$ thousands, except per unit amounts) | Three months ended March 31 | |
|--|-----------------------------|-------|
| | 2019 | 2018 |
| Natural gas transportation expense | 12,059 | 8,727 |
| Condensate, oil & NGL transportation expense | 425 | 715 |
| Total transportation expense | 12,484 | 9,442 |
| Natural gas transportation \$/Mcf ⁽¹⁾ | 0.84 | 0.73 |
| Condensate, oil & NGL transportation \$/Bbl | 0.37 | 0.70 |
| Total transportation \$/Boe | 3.16 | 2.91 |

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

For the three months ended March 31, 2019, total transportation expenses on a total dollar and per Boe basis increased from the comparative period of 2018 due primarily to higher volumes and additional firm commitments for gas transportation. NuVista incurs transportation expenses on these gas volumes, however, the tolls are more than offset by the higher realized gas prices received at markets outside Alberta. Compared to the fourth quarter total transportation expense of \$13.2 million (\$2.93/Boe), transportation expenses for the first quarter decreased as a result of lower production.

Condensate transportation expense on a \$/Bbl basis is dependent on the proportion of condensate production volumes flowing through third party liquids pipelines which incurs lower transportation rates than volumes being trucked. The lower condensate transportation rates for the three months ended March 31, 2019 as compared to the prior year comparative period was primarily as a result of increased condensate production and a higher proportion of condensate volumes flowing through third party liquids pipelines versus more costly trucking of volumes, resulting in a lower condensate transportation \$/Bbl.

Operating expenses

| (\$ thousands, except per unit amounts) | Three months ended March 31 | |
|---|-----------------------------|--------|
| | 2019 | 2018 |
| Operating expenses | 36,737 | 32,570 |
| Per Boe | 9.31 | 10.02 |

For the three months ended March 31, 2019, operating expenses increased 13% as a result of the increased production compared to the prior year comparative period of 2018, while the per Boe costs decreased 7% from the comparative period due to increased production, operational efficiencies, increased utilization of the Elmworth and Bilbo compressor stations and the integration of the acquired Pipestone assets. Compared to fourth quarter operating expenses of \$40.9 million (\$9.06/Boe), first quarter operating expenses per Boe increased primarily due to lower production, the impact of the plant turnaround in the first quarter, extreme cold weather, and increased trucking expenses for water handling.

In accordance with the adoption of IFRS 16 - Leases on January 1, 2019 as disclosed in Note 3 to the financial statements, base rent for the Company's field office expense is recognized as a lease prospective January 1, 2019.

This has resulted in base rent costs in the amount of \$32 thousand in the first quarter of 2019 being excluded from operating expenses, as the costs are now accounted for under the new lease standard.

General and administrative expenses ("G&A")

| (\$ thousands, except per Boe amounts) | Three months ended March 31 | |
|--|-----------------------------|---------|
| | 2019 | 2018 |
| Gross G&A expenses | 6,252 | 5,936 |
| Overhead recoveries | (455) | (53) |
| Capitalized G&A | (1,580) | (1,296) |
| Net G&A expenses | 4,217 | 4,587 |
| Gross G&A per Boe | 1.58 | 1.83 |
| Net G&A per Boe | 1.07 | 1.41 |

As a result of continued efficiency gained from an operational focus on Wapiti Montney and continued focus on cost control, as well as the natural efficiencies associated with the Pipestone Acquisition, NuVista has continued to drive G&A costs per Boe downwards. For the quarter ended March 31, 2019, gross G&A expenses have increased slightly compared to the prior year comparative period primarily due to a small increase in employees associated with growing Montney production activities and the Pipestone Acquisition.

The Company's policy of allocating and capitalizing G&A expenses associated with new capital projects remained unchanged in 2018 and 2019. Overhead recoveries have increased since the Pipestone Acquisition due to NuVista's ownership interest and operatorship of the Wembley gas plant. G&A capitalized and operating recoveries are in accordance with industry practice.

In accordance with the adoption of IFRS 16 - *Leases* on January 1, 2019 as disclosed in Note 3 to the financial statements, base rent for the Company's head office expense is recognized as a lease prospective January 1, 2019. This has resulted in base rent costs in the amount of \$184 thousand in the first quarter of 2019 being excluded from gross G&A expenses, as the costs are now accounted for under the new lease standard.

Share-based compensation expense

| (\$ thousands) | Three months ended March 31 | |
|-------------------------------|-----------------------------|-------|
| | 2019 | 2018 |
| Stock options | 961 | 957 |
| Director deferred share units | 127 | (117) |
| Restricted share awards | 351 | 450 |
| Performance share awards | 108 | — |
| Total | 1,547 | 1,290 |

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 payments under the director deferred share unit ("DSU") plan. In the past, the Company's share award incentive plan consisted of RSAs. Starting in the second quarter of 2018, the share award plan was revised to include both RSAs and PSAs.

The increase in share-based compensation for the three months ended March 31, 2019 compared to the comparable period of 2018 is due primarily to the increase in the DSU liability and related DSU expense in the first quarter of 2019 as a result of the increase in share price from \$4.08/share at December 31, 2018 to \$4.30/share at March 31, 2019.

Financing costs

| (\$ thousands, except per Boe amounts) | Three months ended March 31 | |
|---|-----------------------------|--------|
| | 2019 | 2018 |
| Interest on long-term debt (credit facility) | 3,213 | 1,096 |
| Interest on senior unsecured notes ⁽¹⁾ | 3,690 | 4,763 |
| Call premium on redemption of 2021 Notes | — | 6,562 |
| Interest expense | 6,903 | 12,421 |
| Lease finance expense | 73 | — |
| Accretion expense | 488 | 404 |
| Total financing costs | 7,464 | 12,825 |
| Interest expense per Boe | 1.75 | 3.82 |
| Total financing costs per Boe | 1.89 | 3.95 |

⁽¹⁾ Year to date value includes \$2.2 million of remaining accretion of carrying value to face value on redemption of 2021 Notes.

For the three months ended March 31, 2019 interest expense on long-term debt increased from the comparable period in 2018 due to higher average bank indebtedness and interest rates throughout the period. Average interest rates on long term debt for the three months ended March 31, 2019 was 3.7% compared to average interest rate of 3.4% for the comparative period of 2018. Interest rates have increased in 2019 commensurate with an increase in the Bank of Canada overnight lending rates. Interest expense on long-term debt includes interest standby charges on the Company's syndicated credit facilities.

On March 2, 2018, the Company issued \$220.0 million aggregate principal amount of 6.50% senior unsecured notes due March 2, 2023 ("2023 Notes"). Part of the proceeds from the 2023 Notes were used to redeem all of the Company's existing \$70.0 million of 9.875% senior unsecured notes ("2021 Notes"), resulting in an agreed redemption call premium of \$6.6 million, and \$2.2 million of remaining accretion of the carrying value which is included in interest expense on a year to date basis, for a total incremental expense on payout of \$8.8 million. See also the "liquidity and capital resources" section in this MD&A.

Interest on the senior unsecured notes issued for the three months ended March 31, 2019, is for interest paid or accrued at the coupon rate to the end of the period on the 2021 and 2023 Notes. The effective interest rate on the 2021 Notes was 11.0%. The effective interest rate on the 2023 Notes is 7.0%. The carrying value of the 2023 Note at March 31, 2019 is \$216.1 million.

Lease finance expense for the three months ended March 31, 2019 is from the adoption of IFRS 16 - *Leases* on January 1, 2019 as disclosed in Note 3 to the financial statements. The weighted average incremental borrowing rate on the office lease liabilities is 5.5%.

Operating netback and corporate netback

The tables below summarize operating netback and corporate netback on a total dollar and per Boe basis for the three months ended March 31, 2019 and 2018:

| (\$ thousands, except per Boe amounts) | Three months ended March 31 | | | |
|---|-----------------------------|--------|----------|---------|
| | 2019 | | 2018 | |
| | \$ | \$/Boe | \$ | \$/Boe |
| Petroleum and natural gas revenues ⁽¹⁾ | 134,064 | 33.98 | 124,756 | 38.40 |
| Realized gain (loss) on financial derivatives | 2,707 | 0.69 | (5,289) | (1.63) |
| | 136,771 | 34.67 | 119,467 | 36.77 |
| Royalties | (4,576) | (1.16) | (1,832) | (0.56) |
| Transportation expense | (12,484) | (3.16) | (9,442) | (2.91) |
| Operating expense | (36,737) | (9.31) | (32,570) | (10.02) |
| Operating netback ⁽²⁾ | 82,974 | 21.04 | 75,623 | 23.28 |
| General and administrative expense | (4,217) | (1.07) | (4,587) | (1.41) |
| Deferred share units recovery (expense) | (127) | (0.03) | 117 | 0.04 |
| Interest and lease finance expense | (6,976) | (1.77) | (12,421) | (3.82) |
| Corporate netback ⁽²⁾ | 71,654 | 18.17 | 58,732 | 18.09 |

⁽¹⁾ Includes price risk management losses of \$0.6 million (2018 - \$4.2 million gain) on physical delivery sales contracts.

⁽²⁾ Non-GAAP 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 "Non-GAAP measurements".

Cash flow from operating activities and adjusted funds flow

The following table is NuVista's cash flow from operating activities and adjusted funds flow ⁽¹⁾ for the three months ended March 31:

| (\$ thousands, except per share amounts) | Three months ended March 31 | |
|--|-----------------------------|--------|
| | 2019 | 2018 |
| Cash flow from operating activities | 53,302 | 65,294 |
| Per share, basic | 0.24 | 0.38 |
| Per share, diluted | 0.24 | 0.37 |
| Adjusted funds flow ⁽¹⁾ | 71,654 | 58,732 |
| Per share, basic | 0.32 | 0.34 |
| Per share, diluted | 0.32 | 0.34 |

⁽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 companies where similar terminology is used. Reference should be made to the section entitled "Non-GAAP measurements".

For the three months ended March 31, 2019, cash flow from operating activities of \$53.3 million decreased 18% from \$65.3 million in the comparable period of 2018 primarily due to lower realized commodity pricing and higher royalties, transportation and operating expenses as a result of the increase in production.

Adjusted funds flow for the three months ended March 31, 2019 and the comparable period of 2018 was \$71.7 million (\$0.32/share, basic) and \$58.7 million (\$0.34/share, basic) respectively, \$18.4 million higher and \$6.6 million lower than cash flow from operating activities in the comparable periods, due to changes in asset retirement expenditures and non-cash working capital.

Depletion, depreciation and amortization ("DD&A")

| (\$ thousands, except per Boe amounts) | Three months ended March 31 | |
|--|-----------------------------|--------|
| | 2019 | 2018 |
| Depletion of oil and gas assets | 47,602 | 33,817 |
| Depreciation of fixed assets | 3,977 | 3,062 |
| Depreciation of right-of-use assets | 198 | — |
| DD&A expense | 51,777 | 36,879 |
| DD&A rate per Boe | 13.12 | 11.35 |

DD&A expense for three months ended March 31, 2019 was \$51.8 million (\$13.12/Boe) compared to \$36.9 million (\$11.35/Boe) for the comparable period of 2018, and \$46.5 million (\$10.29/Boe) in the fourth quarter of 2018. DD&A expense for the three months ended March 31, 2019 includes a depletion charge in the amount of \$12.4 million (\$3.15/Boe) related to an increase in estimate and impact of the change in discount rate on asset retirement obligations for wells with no remaining reserves that were previously fully depleted. The full amount of this asset retirement obligation liability increase is included in depletion expense.

The Wapiti Montney CGU DD&A rate per Boe for three months ended March 31, 2019 decreased to \$9.95/Boe compared to \$10.12/Boe for the comparable period of 2018, and increased slightly from the DD&A rate of \$9.62/Boe in the fourth quarter of 2018. These improved DD&A rates compared to the first quarter of 2018 is a result of continued successful development and favorable acquisition metrics for the Acquired Assets.

Depreciation of right-of-use assets is the depreciation of assets recognized for the Company's head office lease in Calgary and the field office lease in Grande Prairie starting on January 1, 2019, with the adoption of IFRS 16 - *Leases* as disclosed in Note 3 of the financial statements. Depreciation on right-of-use assets is recorded on a straight line basis over the term of the lease.

At March 31, 2019, there were no indicators of impairment or reversal of impairment identified on any of the Company's CGU's within property, plant & equipment and an impairment test was not performed.

Exploration and evaluation ("E&E") expense

| (\$ thousands, except per Boe amounts) | Three months ended March 31 | |
|--|-----------------------------|------|
| | 2019 | 2018 |
| Exploration and evaluation expense | 977 | — |
| Per Boe | 0.25 | — |

Exploration and evaluation expense relates to the cost of mineral land expiries that were classified as E&E assets.

Asset retirement obligations

| (\$ thousands) | March 31, 2019 | December 31, 2018 |
|--|----------------|-------------------|
| Balance, January 1 | 102,703 | 72,430 |
| Accretion expense | 488 | 1,776 |
| Liabilities acquired | — | 11,141 |
| Change in discount rate, Pipestone Acquisition | — | 17,571 |
| Liabilities incurred | 1,756 | 3,291 |
| Liabilities disposed | — | (14) |
| Change in estimates | 9,101 | 5,791 |
| Change in discount rate | 6,021 | 4,175 |
| Liabilities settled | (12,678) | (13,458) |
| Balance, end of period | 107,391 | 102,703 |
| Expected to be incurred within one year | 8,335 | 12,500 |
| Expected to be incurred beyond one year | 99,056 | 90,203 |

Asset retirement obligations ("ARO") are based on estimated costs to reclaim and abandon ownership interests in oil and natural gas assets including well sites, gathering systems and processing facilities. At March 31, 2019, NuVista had an ARO balance of \$107.4 million as compared to \$102.7 million as at December 31, 2018. The liability was discounted using the Bank of Canada's long-term risk-free bond rate of 1.9% at March 31, 2019 (December 31, 2018 – 2.2%). At March 31, 2019, the estimated total undiscounted and uninflated amount of cash required to settle NuVista's ARO was \$104.7 million (December 31, 2018 – \$106.0 million). The majority of the costs are expected to be incurred within the next 50 years. Actual ARO expenditures for the three months ended March 31, 2019 were \$12.7 million compared to \$13.5 million for the year ended December 31, 2018.

The ARO liability was increased by \$6.0 million as a result of a lower discount rate from December 31, 2018. The Company was very active in the first quarter in abandonment and reclamation activities, with expenditures of \$12.7 million. As a result of higher costs incurred on some of the abandonment projects in the first quarter, the Company has recognized a change in estimate resulting in an increase to the ARO liability in the amount of \$9.1 million. This change in estimate was included in DD&A expense.

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 flow from operating activities.

Asset under construction

The Company has incurred \$38.7 million in expenditures for the construction of a compressor station at Pipestone South. These costs have been classified as a current asset. The Company has secured third party ownership and funding of the asset. Subsequent to March 31, 2019, ownership of the asset has been purchased by an external party. Under the terms of the contract, NuVista will be compensated to complete the construction of the asset in exchange for entering into a long term commitment for NuVista operatorship and use of the compressor station. Included in the \$38.7 million of expenditures are facilities and equipment expenditures of \$14.2 million that were incurred in 2018 and classified as capital expenditures in the year ended December 31, 2018.

Capital expenditures

| (\$ thousands, except % amounts) | Three months ended March 31 | | | |
|-------------------------------------|-----------------------------|------------|---------|------------|
| | 2019 | % of total | 2018 | % of total |
| Land and retention costs | 817 | 1 | 86 | — |
| Geological and geophysical | 2,125 | 2 | 1,449 | 1 |
| Drilling and completion | 98,648 | 102 | 95,378 | 83 |
| Facilities and equipment | (5,073) | (5) | 18,026 | 16 |
| Corporate and other | 60 | — | 281 | — |
| Capital expenditures ⁽¹⁾ | 96,577 | | 115,220 | |

⁽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 companies where similar terminology is used. Reference should be made to the section entitled "Non-GAAP measurements".

Capital expenditures for the three months ended March 31, 2019 were \$96.6 million. Included in facilities and equipment is a credit of \$14.2 million for costs incurred in 2018 that have been reclassified to asset under construction. The Company focused the majority of its first quarter exploration and development expenditures on drilling and completion activities.

Of the \$96.6 million capital spent to date in 2019, \$94.8 million was classified as property, plant and equipment additions, and \$1.8 million was classified as exploration and evaluation asset additions.

Right-of-use assets and lease liabilities

In accordance with the adoption of IFRS 16 - *Leases*, the Company has recognized a right-of-use asset and lease liability for our head and field office leases. At March 31, 2019, the right-of-use asset is \$5.3 million and the lease liability is \$4.7 million, of which \$0.6 million is classified as a current liability.

Deferred income taxes

For the three months ended March 31, 2019, the provision for income taxes was a recovery of \$12.1 million, compared to an expense of \$8.8 million in the comparable period of 2018.

Net earnings (loss)

| (\$ thousands, except per share amounts) | Three months ended March 31 | |
|--|-----------------------------|--------|
| | 2019 | 2018 |
| Net earnings (loss) | (35,927) | 22,371 |
| Per share - basic | (0.16) | 0.13 |
| Per share - diluted | (0.16) | 0.13 |

The net loss for the three months ended March 31, 2019 compared to the prior year comparative period net earnings is primarily a result of a \$66.9 million unrealized hedging loss in 2019 compared to a \$11.1 million unrealized hedging gain and increased DD&A, offset by increased adjusted funds flow.

Liquidity and capital resources

Long-term debt (credit facility)

At March 31, 2019, the Company had a \$450.0 million (December 31, 2018 - \$450 million) extendible revolving term credit facility available from a syndicate of Canadian chartered banks. Borrowing under the credit facility may be made by prime loans, bankers' acceptances and/or US libor advances. 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 oil and natural gas properties and equipment. The credit facility has a 364-day revolving period 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 October 31 and April 30. During the term period, no principal payments would be required until a year after the revolving period matures on the annual renewal date of April 30, in the event the credit facility is reduced or not renewed. As such, the credit facility is classified as long-term. 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 March 31, 2019, NuVista was in compliance with all covenants.

In April 2019, NuVista completed the annual review of its borrowing base with its lenders and the lenders approved an increase to the revolving term credit facility to \$500.0 million as a result of increased value in producing reserves. The next semi-annual review is scheduled for on or before October 31, 2019.

Senior unsecured notes

On March 2, 2018, the Company issued \$220.0 million aggregate principal amount of 6.50% senior unsecured notes due March 2, 2023 ("2023 Notes"). Proceeds net of costs amounted to \$215.1 million. Interest is payable semi-annually in arrears. The 2023 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 2023 Notes are non-callable by the Company prior to March 2, 2020. At any time on or after March 2, 2020, the Company may redeem all or part of the 2023 Notes at the redemption prices set forth in the table below plus any accrued and unpaid interest:

| 12 month period ended: | Percentage |
|------------------------|------------|
| March 2, 2021 | 103.250% |
| March 2, 2022 | 101.625% |
| March 2, 2023 | 100.000% |

If a change of control occurs, each holder of the 2023 Notes will have the right to require the Company to purchase all or any part of that holder's 2023 Notes for an amount in cash equal to 101% of the aggregate principal repurchased plus accrued and unpaid interest.

On June 22, 2016, the Company issued \$70.0 million of 9.875% senior unsecured notes ("2021 Notes") with a 5 year term by way of private placement. Proceeds net of discount and costs amounted to \$66.9 million. Interest is payable in equal quarterly installments in arrears. The 2021 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 financial covenants. On March 2, 2018, part of the proceeds from the 2023 Notes were used to redeem all of the Company's existing 2021 Notes. The full aggregate principal amount of \$70.0 million was redeemed resulting in an agreed redemption call premium of \$6.6 million and \$2.2 million of remaining accretion of the carrying value to face value of the 2021 Notes which is included in interest expense in 2018, for a total incremental expense on payout of \$8.8 million.

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

| (\$ thousands) | March 31, 2019 | December 31, 2018 |
|---|----------------|-------------------|
| Basic common shares outstanding | 225,333 | 225,306 |
| Share price ⁽¹⁾ | 4.30 | 4.08 |
| Total market capitalization | 968,932 | 919,248 |
| Cash and cash equivalents, accounts receivable and prepaid expenses | (56,479) | (53,334) |
| Asset under construction | (38,742) | — |
| Accounts payable and accrued liabilities | 99,916 | 90,074 |
| Long-term debt (credit facility) | 326,854 | 257,395 |
| Senior unsecured notes | 216,056 | 215,892 |
| Other liabilities | 1,508 | 1,381 |
| Net debt⁽²⁾ | 549,113 | 511,408 |
| Annualized current quarter adjusted funds flow | 286,616 | 254,540 |
| Net debt to annualized current quarter adjusted funds flow | 1.9 | 2.0 |

⁽¹⁾ Represents the closing share price on the Toronto Stock Exchange on the last trading day of the period.

⁽²⁾ Non-GAAP 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 "Non-GAAP measurements".

Net debt

As at March 31, 2019, net debt was \$549.1 million, resulting in a net debt to annualized current quarter adjusted funds flow ratio of 1.9 times. NuVista's long term strategy is to maintain a net debt to annualized current quarter adjusted funds flow ratio of approximately 1.5 times. 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 and the timing of acquisitions and dispositions. At March 31, 2019, NuVista had drawn \$326.9 million on its long-term debt (credit facility) and had outstanding letters of credit of \$7.8 million which reduce the credit available on the credit facility, leaving \$115.4 million of unused credit facility capacity based on the committed credit facility of \$450.0 million.

NuVista plans to monitor its 2019 business plan and adjust its 2019 budgeted capital program of \$300 - \$325 million in the context of commodity prices and net debt levels.

As at March 31, 2019, there were 225.3 million common shares outstanding. In addition, there were 6.8 million stock options with an average exercise price of \$6.77 per option, 0.5 million RSAs, and 0.3 million PSAs outstanding.

Commitments

NuVista enters into contract obligations as part of conducting business. The following is a summary of NuVista's contractual obligations and commitments as at March 31, 2019:

| (\$ thousands) | Total | 2019 | 2020 | 2021 | 2022 | 2023 | Thereafter |
|-------------------------------|------------------|--------|---------|---------|---------|---------|------------|
| Transportation ⁽¹⁾ | 844,942 | 49,079 | 78,021 | 98,220 | 103,756 | 85,905 | 429,961 |
| Processing ⁽¹⁾ | 1,173,879 | 36,127 | 58,745 | 81,337 | 95,455 | 96,039 | 806,176 |
| Office lease ⁽²⁾ | 6,697 | 649 | 877 | 939 | 948 | 999 | 2,285 |
| Total commitments | 2,025,518 | 85,855 | 137,643 | 180,496 | 200,159 | 182,943 | 1,238,422 |

⁽¹⁾ Certain of the transportation and processing commitments are secured by outstanding letters of credit of \$7.3 million at March 31, 2019 (December 31, 2018 - \$7.3 million).

⁽²⁾ Represents the undiscounted future commitments of office lease obligations, as disclosed in Note 10 of the financial statements.

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. Transportation and processing commitments have been treated as operating leases whereby the payments are included in operating or transportation expenses.

Quarterly financial information

The following table highlights NuVista’s performance for the eight quarterly reporting periods from June 30, 2017 to March 31, 2019:

| (\$ thousands, except per share amounts) | 2019 | | 2018 | | 2017 | | | |
|---|-----------------|---------|---------|---------|---------|---------|---------|--------|
| | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 |
| Production (Boe/d) | 43,839 | 49,060 | 40,080 | 36,035 | 36,099 | 37,435 | 29,405 | 25,454 |
| Petroleum and natural gas revenues | 134,064 | 143,006 | 150,956 | 137,131 | 124,756 | 131,009 | 83,100 | 79,401 |
| Net earnings (loss) | (35,927) | 104,086 | 3,467 | 6,322 | 22,371 | 34,651 | (4,366) | 25,767 |
| Per basic share | (0.16) | 0.46 | 0.02 | 0.04 | 0.13 | 0.20 | (0.03) | 0.15 |
| Cash flow from operating activities | 53,302 | 70,447 | 51,740 | 63,576 | 65,294 | 109,078 | 39,278 | 40,298 |
| Per basic share | 0.24 | 0.31 | 0.28 | 0.36 | 0.38 | 0.63 | 0.23 | 0.23 |
| Adjusted funds flow ⁽¹⁾ | 71,654 | 63,635 | 72,610 | 69,472 | 58,732 | 75,932 | 41,526 | 39,318 |
| Per basic share | 0.32 | 0.28 | 0.39 | 0.40 | 0.34 | 0.44 | 0.24 | 0.23 |

⁽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 companies where similar terminology is used. Reference should be made to the section entitled “Non-GAAP measurements”.

NuVista’s Montney production volumes have been increasing with substantially all of the Company’s capital expenditures allocated to the Wapiti Montney area, related successful drilling and production performance, and asset acquisitions in that core area. Production from Wapiti Montney in 2019 is 99% of total production. Total Company production increases since 2016 have more than offset production sold in non core property dispositions. Over the prior eight quarters, quarterly revenue has been in a range of \$79.4 million to \$151.0 million with revenue primarily influenced by production volumes and commodity prices. Net earnings (losses) have been in a range of a net loss of \$35.9 million to net earnings of \$104.1 million with earnings primarily influenced by realized and unrealized gains and losses on financial derivatives, commodity prices, impairments, production volumes, and deferred income taxes.

Non-GAAP measurements

The Company uses terms that are commonly used in the oil and natural gas industry, but do not have any standardized meaning as prescribed by IFRS and therefore may not be comparable with the calculations of similar measures for other entities. 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

The following list identifies the non-GAAP measures included in NuVista’s MD&A, a description of how the measure has been calculated, a discussion of why management has deemed the measure to be useful and a reconciliation to the most comparable GAAP measure.

Adjusted funds flow

NuVista has calculated adjusted funds flow based on cash flow provided by operating activities, excluding changes in non-cash working capital, asset retirement expenditures and environmental remediation recovery, 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 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.

Adjusted funds flow as presented is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, per the statement of cash flows, net earnings (loss) or other measures of financial performance calculated in accordance with GAAP. Adjusted funds flow per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of net earnings (loss) per share. Refer to Note 16 "Capital Management" in the financial statements.

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.

The following table provides a reconciliation between the non-GAAP measure of adjusted funds flow to the more directly comparable GAAP measure of cash flow from operating activities:

| (\$ thousands) | Three months ended March 31 | |
|---|-----------------------------|----------|
| | 2019 | 2018 |
| Cash provided by operating activities | 53,302 | 65,294 |
| Add back: | | |
| Asset retirement expenditures | 12,678 | 6,856 |
| Change in non-cash working capital ⁽¹⁾ | 5,674 | (13,418) |
| Adjusted funds flow | 71,654 | 58,732 |
| Adjusted funds flow per share, basic | 0.32 | 0.34 |
| Adjusted funds flow per share, diluted | 0.32 | 0.34 |

⁽¹⁾ Refer to Note 20 "Supplemental cash flow information" in the financial statements.

Operating netback and Corporate netback ("netbacks")

NuVista reports netbacks on a total dollar and per Boe basis. 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. Netbacks per Boe are calculated by dividing the netbacks by total production volumes sold in the period.

NuVista adopted IFRS 16 - Leases using the modified retrospective approach, whereby the cumulative effect of initially applying the standard was recognized as an increase to right-of-use assets with a corresponding increase to lease liabilities, with no impact to opening retained earnings. Prior year comparative information has not been restated.

Management feels 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.

The following table provides a reconciliation between the non-GAAP measures of operating and corporate netback to the most directly comparable GAAP measure of net earnings (loss) for the period:

| (\$ thousands) | Three months ended March 31 | |
|--|-----------------------------|----------|
| | 2019 | 2018 |
| Net earnings (loss) and comprehensive income (loss) | (35,927) | 22,371 |
| Add back: | | |
| Depletion, depreciation, amortization and impairment | 51,777 | 36,879 |
| Exploration and evaluation | 977 | — |
| Gain on property dispositions | (1,934) | — |
| Share-based compensation | 1,547 | 1,290 |
| Unrealized loss (gain) on financial derivatives | 66,904 | (11,135) |
| Deferred income tax expense (recovery) | (12,051) | 8,806 |
| General and administrative expenses | 4,217 | 4,587 |
| Financing costs | 7,464 | 12,825 |
| Operating netback | 82,974 | 75,623 |
| Deduct: | | |
| General and administrative expenses | (4,217) | (4,587) |
| Deferred share units recovery (expense) | (127) | 117 |
| Interest and lease finance expense | (6,976) | (12,421) |
| Corporate netback | 71,654 | 58,732 |

Capital expenditures

Capital expenditures are equal to cash flow used in investing activities, excluding changes in non-cash working capital and asset under construction. Any expenditures on the asset under construction 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 flow used in investing activities for the period:

| (\$ thousands) | Three months ended March 31 | |
|--|-----------------------------|-----------|
| | 2019 | 2018 |
| Cash flow used in investing activities | (122,642) | (82,610) |
| Changes in non-cash working capital | (12,663) | (32,610) |
| Asset under construction | 38,742 | — |
| Proceeds on property dispositions | (14) | — |
| Capital expenditures | (96,577) | (115,220) |

Net debt

NuVista has calculated net debt based on cash and cash equivalents, accounts receivable and prepaid expenses, accounts payable and accrued liabilities, asset under construction, long term debt (credit facility) and senior unsecured notes.

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. Management has excluded the current and long term

financial instrument commodity contracts as they are subject to a high degree of volatility prior to ultimate settlement. Similarly, management has excluded the current and long term portion of asset retirement obligations as these are estimates based on management's assumptions and subject to volatility based on changes in cost and timing estimates, the risk-free rate and inflation rate.

The following table shows the composition of the non-GAAP measure of net debt with GAAP components from the balance sheet:

| (\$ thousands) | March 31, 2019 | December 31, 2018 |
|---|----------------|-------------------|
| Cash and cash equivalents, accounts receivable and prepaid expenses | (56,479) | (53,334) |
| Asset under construction | (38,742) | — |
| Accounts payable and accrued liabilities | 99,916 | 90,074 |
| Long-term debt (credit facility) | 326,854 | 257,395 |
| Senior unsecured notes | 216,056 | 215,892 |
| Other liabilities | 1,508 | 1,381 |
| Net debt | 549,113 | 511,408 |

Critical accounting estimates

Management is required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years 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:

(i) Cash generating units

Cash generating units (“CGUs”) are defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or group of assets. The classification of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, external users, shared infrastructures and the way in which management monitors the Company’s operations.

(ii) Impairment indicators

Judgments are required to assess when impairment indicators exist and impairment testing is required. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of reserves, production rates, future oil and natural gas prices, future costs, discount rates and other relevant assumptions.

(iii) Exploration and evaluation assets

The application of the Company’s accounting policy for exploration and evaluation 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.

The following are key estimates and their assumptions made by management affecting the measurement of balances and transactions in the financial statements:

(iv) Reserve estimates

Oil and natural gas reserves are used in the calculation of depletion, impairment and impairment reversals. Reserve estimates are based on engineering data, estimated future prices and costs, expected future rates of production and the timing of future capital expenditures, 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.

(v) 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. Changes to assumptions related to future expected costs, discount rates and timing may have a material impact on the amounts presented.

(vi) Income taxes

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change. 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.

(vii) Business combinations

Business combinations are accounted for using the acquisition method of accounting when the assets acquired meet the definition of a business combination in accordance with IFRS. The determination of fair value assigned to assets acquired and liabilities assumed requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of oil and gas properties and E&E assets acquired include estimates of reserves acquired, forecast benchmark commodity prices and discount rates used to present future cash flows. Changes in any of these assumptions or estimates used in determining the fair value of assets acquired and liabilities assumed could impact the amounts assigned to assets, liabilities, goodwill or bargain purchase.

Update on financial reporting matters

Adopted new accounting standards

Leases

NuVista adopted IFRS 16 - *Leases* ("IFRS 16") on January 1, 2019. IFRS 16 introduces a single recognition and measurement model for leases which requires a right-of-use asset and lease liability to be recognized on the balance sheet for contracts that are, or contain, a lease.

NuVista adopted IFRS 16 using the modified retrospective approach, whereby the cumulative effect of initially applying the standard was recognized as an increase to right-of-use assets with a corresponding increase to lease liabilities.

On adoption of IFRS 16, the Company has recognized lease liabilities in relation to all lease arrangements measured at the present value of the remaining lease payments from commitments disclosed as at December 31, 2018, adjusted by commitments in relation to arrangements not containing leases, short-term and low-value leases, and discounted using the Company's incremental borrowing rate as of January 1, 2019. The associated right-of-use assets were

measured at the amount equal to the lease liability on January 1, 2019, with no impact on retained earnings. The weighted average incremental borrowing rate used to determine the lease liability at adoption was 5.5%. The right-of-use assets and lease liabilities recognized relate to the Company's head office lease in Calgary, and the field office lease in Grande Prairie.

Disclosure controls and internal controls over financial reporting

NuVista's President and Chief Executive Officer ("CEO") and Vice President, Finance and Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting as defined in National Instrument 52-109. NuVista's CEO and CFO have designed disclosure controls and procedures, or caused them to be designed under their supervision, to provide reasonable assurance that information required to be disclosed by NuVista in its filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and is accumulated and communicated to NuVista's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure. The CEO and CFO have concluded, based on their evaluation as of the end of the period covered by the interim and annual filings that the Company's disclosure controls and procedures are effective.

The CEO and CFO have also designed internal controls over financial reporting, 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:

(a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of NuVista;

(b) 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

(c) 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 internal controls over financial reporting based on the Committee of Sponsoring Organizations of the Treadway Commission (2013). During the three months ended March 31, 2019, there have been no changes to NuVista's internal controls over financial reporting that have materially or are reasonably likely to materially affect the internal controls over financial reporting; the CEO and CFO have concluded that the internal controls over financial reporting are effective.

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

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:

- 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;

- Commodity risk as crude oil, condensate and natural gas prices and differentials fluctuate due to market forces;
- Financial risk such as volatility of the Cdn/US dollar exchange rate, interest rates and debt service obligations;
- Risk associated with the re-negotiation of NuVista's credit facility and the continued participation of NuVista's lenders;
- Market risk relating to the availability of transportation systems to move the product to market;
- Environmental and safety risk associated with well operations and production facilities;
- 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; and
- Labour risk related to availability, productivity and retention of qualified personnel.

NuVista seeks to mitigate these risks by:

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;
- Maintaining product mix to balance exposure to commodity prices;
- Conducting rigorous reviews of all property acquisitions;
- 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;
- Ensuring strong third-party operators for non-operated properties;
- Adhering to NuVista's safety program and keeping abreast of current operating best practices;
- 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;
- 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.

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, 2018.

2019 guidance re-affirmed - strong growth and spending within adjusted funds flow

We are pleased to note that our 2019 budget forecasts fourth quarter 2019 production per share growth of almost 25% as compared to the fourth quarter of 2018. Our production guidance for 2019 is unchanged, with a range of 51,000 to 54,000 Boe/d. Production for the second quarter of 2019 is expected to be within the range of 48,000 to 51,000 Boe/d.

Our capital spending budget for 2019 is unchanged with a planned range of \$300 - \$325 million. This spending is anticipated to be approximately equivalent to the expected 2019 adjusted funds flow, given the current strip for commodity prices. As such, debt levels for the year are anticipated to remain approximately flat as production and adjusted funds flow rise.

NuVista has top quality assets and a management team focused upon relentless improvement. We are excited to continue pursuing our Montney growth plan to 110,000 Boe/d and beyond. We will continue to adjust the annual pace of growth as needed to ensure balance sheet strength comes first, and that the profitability of that growth is always maximized.