

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 and nine months ended September 30, 2018 and audited financial statements for the year ended December 31, 2017. The following MD&A of financial condition and results of operations was prepared at and is dated November 9, 2018. Our December 31, 2017 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; financial and commodity risk management strategy; NuVista's planned capital expenditures and sources of funding; 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 AEEO; 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 scope, timing and costs of environmental remediation required in connection with the pipeline spill in Northwest Alberta; 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.

This MD&A also contains financial outlook information (collectively, "FOFI") about NuVista's prospective results of operations and adjusted funds flow, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth 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. NuVista's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and FOFI, or if any of them do so, what benefits NuVista will derive therefrom. NuVista has included the forward-looking statements and FOFI 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", "annualized current quarter adjusted funds flow", "net debt", "net debt to annualized current quarter adjusted funds flow", "operating netback", and "corporate netback", to analyze performance and leverage. These terms do not have any standardized meaning prescribed by GAAP and therefore may not be comparable with the calculation of similar measures for other entities. These terms are used by management to analyze operating performance on a comparable basis with prior periods and to analyze the liquidity of NuVista.

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, asset retirement expenditures and environmental remediation recovery, as management believes the timing of collection, payment, and occurrence is variable and by excluding these items from the calculation, management is able to provide a more meaningful performance measure. 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.

Net debt

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, accounts payable and accrued liabilities, accrued environmental remediation liabilities, long term debt (credit facility) and senior unsecured notes.

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, and interest expense. Management feels these netbacks are key industry benchmarks and measures of performance for NuVista that provides investors with information that is 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.

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 \$625 million before closing 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.

There were no property dispositions in the three and nine months ended September 30, 2018, compared to minor dispositions of non core assets in the comparable periods of 2017.

Drilling activity

Number of wells	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Wells drilled - gross (net) ⁽¹⁾	7.0 (6.9)	3.0 (3.0)	23.0 (22.5)	26.0 (26.0)
Wells completed - gross (net) ⁽²⁾	8.0 (7.7)	16.0 (16.0)	17.0 (16.8)	29.0 (29.0)
Wells brought on production - gross (net) ⁽³⁾	8.0 (7.7)	18.0 (18.0)	18.0 (17.7)	28.0 (28.0)

⁽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 September 30, 2018, NuVista drilled 7 (6.9 net) natural gas wells compared to 3 (3.0 net) natural gas wells in the comparable period of 2017. For the nine months ended September 30 2018, NuVista drilled 22 (21.5 net) natural gas wells and 1 disposal well, compared to 26 (26.0 net) natural gas wells in the comparable period of 2017.

All wells in 2018 and 2017 were drilled in NuVista's Wapiti Montney operating area with a 100% success rate and an average working interest of 97.8% and 100% respectively.

Production

	Three months ended September 30			Nine months ended September 30		
	2018	2017	% Change	2018	2017	% Change
Natural gas (Mcf/d)	143,254	109,343	31	134,796	100,262	34
Condensate & oil (Bbls/d)	12,819	9,273	38	11,969	8,773	36
Natural gas liquids ("NGLs") (Bbls/d)	3,385	1,908	77	2,984	1,723	73
Total (Boe/d)	40,080	29,405	36	37,419	27,206	38
Condensate, oil & NGLs weighting ^{(1) & (2)}	40%	38%		40%	39%	
Condensate & oil weighting ⁽²⁾	32%	32%		32%	32%	

⁽¹⁾ NGLs include butane, propane and ethane.

⁽²⁾ Product weighting is based on total production.

Production for the three and nine months ended September 30, 2018 increased 36% and 38% respectively over the comparative periods of 2017 as a result of production increases from new development in the Montney and the incremental production associated with the Pipestone Acquisition. Production increased from second quarter 2018 production of 36,035 Boe/d, primarily as a result of the Acquired Assets. Condensate & oil volume weighting of 32% remained consistent compared to the prior year comparative periods, and 33%% in the second quarter of 2018.

Production from the Acquired Assets for the three and nine months ended September 30, 2018 was 2,957 Boe/d and 996 Boe/d respectively.

Pricing

	Three months ended September 30			Nine months ended September 30		
	2018	2017	% change	2018	2017	% change
Realized selling prices ^{(1) & (2)}						
Natural gas (\$/Mcf)	3.41	3.43	(1)	3.43	3.62	(5)
Condensate & oil (\$/Bbl)	80.74	51.94	55	78.95	57.31	38
NGLs (\$/Bbl)	34.61	24.63	41	35.38	22.36	58
Barrel of oil equivalent (\$/Boe)	40.94	30.72	33	40.41	33.22	22
Benchmark pricing						
Natural gas - AECO 5A daily index (Cdn\$/Mcf)	1.19	1.45	(18)	1.48	2.31	(36)
Natural gas - AECO 7A monthly index (Cdn\$/Mcf)	1.35	2.04	(34)	1.41	2.58	(45)
Natural gas - NYMEX (monthly) (US\$/MMbtu)	2.90	3.00	(3)	2.90	3.17	(9)
Natural gas - Chicago Citygate (monthly) (US\$/MMbtu)	2.75	2.83	(3)	2.87	3.08	(7)
Natural gas - Dawn (daily) (US\$/MMbtu)	2.91	2.90	—	2.91	3.07	(5)
Natural gas - Malin (monthly) (US\$/MMbtu)	2.39	2.70	(11)	2.29	2.86	(20)
Oil - WTI (US\$/Bbl)	69.50	48.20	44	66.75	49.47	35
Oil - Edmonton Par - (Cdn\$/Bbl)	82.00	56.60	45	78.25	60.81	29
Exchange rate - (Cdn\$/US\$)	1.31	1.25	5	1.29	1.31	(2)

⁽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 continued their upward trend with the WTI benchmark increasing close to 2% from \$67.88 in the second quarter of 2018 to average US\$69.50/Bbl in the third quarter of 2018. US production growth continued its upward trajectory, however strong global demand coupled with OPEC led production cuts and the reduction in Iranian exports more than offset this growth. This led to storage withdrawals in the first three quarters of this year with oil and refined product inventories now normalizing close to historic averages. Canadian heavy oil differentials widened in the third quarter, nevertheless condensate prices maintained their strength with the Edmonton marker trading well above light oil prices averaging C\$87.35/Bbl for the quarter.

There has been sizable growth in US gas production since last fall primarily from the Marcellus play along with associated gas from liquids production. This production growth was offset by growth in US LNG exports, exports to Mexico, and strong power demand this summer. The significant storage deficit continued throughout the summer and NYMEX gas prices are up slightly compared to the second quarter of 2018 averaging US\$2.90/MMbtu. Eastern North American prices were similar to NYMEX gas prices in the third quarter and MidWest gas prices were a little lower. Gas production growth in Western Canada along with it being the Nova maintenance season led to a continued weak gas price. AECO gas prices averaged \$1.35/Mcf in the third quarter of 2018 representing an increase of 31% from \$1.03/Mcf in the second quarter of 2018 and a 34% decrease from the third quarter of 2017.

Revenue

Petroleum and natural gas revenues

	Three months ended September 30				Nine months ended September 30			
	2018		2017		2018		2017	
(\$ thousands, except % amounts)	\$	% of total	\$	% of total	\$	% of total	\$	% of total
Natural gas ⁽¹⁾	44,952	30	34,467	41	126,034	31%	98,956	40%
Condensate & oil	95,226	63	44,308	53	257,980	62%	137,263	56%
NGLs ⁽²⁾	10,778	7	4,325	6	28,829	7%	10,518	4%
Total petroleum and natural gas revenues	150,956		83,100		412,843		246,737	

⁽¹⁾ Natural gas revenue includes price risk management gains and losses on physical delivery sale contracts. For the three and nine months ended September 30, 2018, our physical delivery sales contracts resulted in gains of \$5.8 million and \$17.2 million respectively (2017 – \$7.1 million gain and \$12.5 million gain).

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

For the three months ended September 30, 2018, petroleum and natural gas revenues increased 82% over the comparable period of 2017, due primarily to a 36% increase in production and a 33% increase in realized prices for the quarter.

For the nine months ended September 30, 2018, petroleum and natural gas revenues increased 67% over the comparable period of 2017, due primarily to a 38% increase in production and a 22% increase in realized selling prices.

Condensate & oil volumes of 32% of total production in the third quarter of 2018, amounted to 63% of total petroleum and natural gas revenues.

Natural gas revenue

A breakdown of natural gas revenue is as follows:

	Three months ended September 30				Nine months ended September 30			
	2018		2017		2018		2017	
(\$ thousands, except per unit amounts)	\$	\$/Mcf	\$	\$/Mcf	\$	\$/Mcf	\$	\$/Mcf
Natural gas revenue - AECO reference price ⁽¹⁾	16,511	1.35	20,186	2.04	50,873	1.41	69,375	2.58
Heat/value adjustment ⁽²⁾	1,814	0.15	1,999	0.20	4,998	0.14	6,628	0.24
Transportation revenue ⁽³⁾	7,205	0.59	1,286	0.13	19,273	0.53	4,329	0.16
Natural gas market diversification revenue	13,631	0.88	3,862	0.35	33,693	0.88	6,133	0.18
AECO physical delivery sales contract gains ⁽⁴⁾	5,791	0.44	7,134	0.71	17,197	0.47	12,491	0.46
Total natural gas revenue	44,952	3.41	34,467	3.43	126,034	3.43	98,956	3.62

⁽¹⁾ Quarter 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 September 30, 2018, natural gas revenue increased 30% over the comparable period of 2017, due to a 31% increase in production.

For the nine months ended September 30, 2018, natural gas revenue increased 27% over the comparable period of 2017, due primarily to a 34% increase in production more than offsetting a 5% decrease in realized selling prices.

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

	Three months ended September 30	
	2018	2017
AECO physical spot price deliveries	—%	—%
AECO physical fixed price sales contracts	21%	68%
Dawn physical deliveries	32%	—%
Malin physical deliveries	28%	—%
Chicago physical deliveries	19%	32%

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 outside Alberta to limit its exposure to spot AECO pricing. For the three months ended September 30, 2018, the Company had no exposure to AECO spot prices. Natural gas sales under AECO physical fixed price delivery sales contracts represented approximately 21% of the Company's total natural gas production. NuVista delivered approximately 32% of its natural gas production to Dawn, 28% to Malin, and 19% to Chicago.

NuVista's exposure to AECO floating prices is limited to approximately 10% of forecast volumes in the fourth quarter of 2018 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 20%-40% 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 and nine months ended September 30, 2018 was \$2.97/Mcf and \$2.96/Mcf respectively, compared to \$2.72/Mcf and \$3.16/Mcf for the comparative periods of 2017, and \$2.75/Mcf in the second quarter of 2018.

Condensate & oil revenue

For the three months ended September 30, 2018, condensate & oil revenue increased 115% over the comparable period of 2017 due to a 38% increase in production and a 55% increase in realized selling prices, which is consistent with a 44% increase in the WTI benchmark for the period.

For the nine months ended September 30, 2018, condensate & oil revenue increased 88% over the comparable period of 2017, due primarily to a 36% increase in production and a 38% increase in realized selling prices, which is consistent with a 35% increase in the WTI benchmark for the period.

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 \$80.74/Bbl and \$78.95/Bbl in the three and nine months ended September 30, 2018, an increase of 55% and 38% from \$51.94/Bbl and \$57.31/Bbl for the comparable periods of 2017, consistent with the increase in WTI prices compared to 2017.

NGL revenue

For the three months ended September 30, 2018, NGL revenue increased 149% over the comparable period of 2017, due to a 77% increase in production and a 41% increase in realized selling prices.

For the nine months ended September 30, 2018, NGL revenue increased 174% over the comparable period of 2017, due primarily to a 73% increase in production and a 58% increase in realized selling prices.

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 had 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 100,000 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 September 30					
	2018			2017		
	Realized gain (loss)	Unrealized gain (loss)	Total gain (loss)	Realized gain (loss)	Unrealized gain (loss)	Total gain (loss)
Natural gas	1,728	(27,622)	(25,894)	1,331	1,740	3,071
Condensate & oil	(15,158)	1,952	(13,206)	1,956	(8,997)	(7,041)
Foreign exchange	(21)	186	165	—	—	—
Gain (loss) on financial derivatives	(13,451)	(25,484)	(38,935)	3,287	(7,257)	(3,970)

During the third quarter of 2018, the commodity price risk management program resulted in a total loss of \$38.9 million, compared to a total loss of \$4.0 million for the comparable period of 2017. 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.

(\$ thousands)	Nine months ended September 30					
	2018			2017		
	Realized gain (loss)	Unrealized gain (loss)	Total gain (loss)	Realized gain (loss)	Unrealized gain (loss)	Total gain (loss)
Natural gas	5,222	(3,998)	1,224	2,652	1,709	4,361
Condensate & oil	(32,928)	(32,644)	(65,572)	1,844	23,917	25,761
Foreign exchange	54	77	131	—	—	—
Gain (loss) on financial derivatives	(27,652)	(36,565)	(64,217)	4,496	25,626	30,122

For the nine months ended September 30, 2018, the commodity price risk management program resulted in a loss of \$64.2 million compared to a realized gain of \$30.1 million for the comparable period of 2017.

Price risk management gains on our physical delivery sale contracts totaled \$5.8 million and \$17.2 million for the three and nine months ended September 30, 2018 compared to gains of \$7.1 million and \$12.5 million for the comparable periods of 2017. The mark to market value of the physical delivery sale contracts at September 30, 2018 was an asset of \$1.7 million. The fair value of physical delivery sales contracts is not recorded on the financial statements but is recognized in net earnings as settled.

(a) Financial instruments

The following is a summary of financial derivatives contracts in place as at September 30, 2018:

Term ⁽¹⁾	WTI fixed price swap		WTI fixed price swap		Currency derivatives	
	Bbls/d	Cdn\$/Bbl	Bbls/d	US\$/Bbl	US\$/Mo	CAD/USD
2018 remainder	7,500	71.70	1,000	50.24	2,000,000	1.3036
2019	4,043	76.23	—	—	—	—
2020	399	87.68	—	—	—	—

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

Term ⁽¹⁾	C\$ WTI 3 Way Collar			
	Bbls/d	Cdn\$/Bbl	Cdn\$/Bbl	Cdn\$/Bbl
2018 remainder	1,300	70.00	83.85	89.60
2019	2,899	69.28	83.21	90.22
2020	599	70.00	86.03	92.38

⁽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
2018 remainder	23,261	(0.65)	10,000	(0.24)	16,630	(0.40)	6,630	0.68	5,054	(0.22)
2019	23,664	(0.86)	10,836	(0.25)	18,329	(0.40)	10,000	0.68	1,671	(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⁾	NYMEX fixed price swap		Dawn fixed price swap	
	MMbtu/d	US\$/MMbtu	MMbtu/d	US\$/MMbtu
2018 remainder	54,946	2.90	6,630	2.50
2019	33,315	2.80	8,329	2.50

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

Subsequent to September 30, 2018 the following is a summary of financial derivatives that have been entered into:

Term ⁽¹⁾	C\$ WTI		C\$ WTI 3 Way Collar			
	Bbls/d	Cdn\$/Bbl	Bbls/d	Cdn\$/Bbl	Cdn\$/Bbl	Cdn\$/Bbl
2019	300	90.05	1,151	70.00	86.05	92.77
2020	300	90.05	1,200	70.00	86.00	92.73

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

Term ⁽¹⁾	NYMEX fixed price swap	
	MMbtu/d	US\$/MMbtu
2019	2,932	2.66

⁽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 September 30, 2018:

Term ⁽¹⁾	AECO fixed price swap		Dawn fixed price swap		Dawn fixed price swap		Dawn-Nymex Basis	
	GJ/d	Cdn\$/GJ	GJ/d	Cdn\$/GJ	MMbtu/d	US\$/MMbtu	MMbtu/d	US\$/MMbtu
2018 remainder	29,266	2.72	3,370	3.07	6,630	2.50	—	—
2019	—	—	—	—	8,329	2.50	1,671	(0.26)
2020	—	—	—	—	—	—	10,000	(0.26)
2021	—	—	—	—	—	—	10,000	(0.26)
2022	—	—	—	—	—	—	8,329	(0.26)

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

Subsequent to September 30, 2018 the following is a summary of the physical delivery sales contracts that have been entered into:

Term ⁽¹⁾	AECO fixed price swap	
	GJ/d	Cdn\$/GJ
2018 remainder	6,630	1.68
2019	11,260	1.57

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

Royalties

(\$ thousands, except % and per Boe amounts)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Gross royalties	8,278	4,285	19,587	13,220
Gas cost allowance ("GCA")	(2,996)	(1,977)	(8,162)	(5,840)
Net royalties	5,282	2,308	11,425	7,380
Gross royalty % excluding physical delivery sales contracts ⁽¹⁾	5.7	5.6	5.0	5.6
Gross royalty % including physical delivery sales contracts	5.5	5.2	4.7	5.4
Net royalties per Boe	1.43	0.85	1.12	0.99

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

For the three and nine months ended September 30, 2018, gross royalties increased 93% and 48% respectively as compared to the comparable periods of 2017 as a result of the production increases over the prior year. Gross royalties as a percentage of petroleum and natural gas revenues decreased as compared to the comparable year to date period of 2017 as a result of lower realized and benchmark gas prices, and a decrease in the percent of natural production exposed to AECO pricing as a result of the diversification of the gas sales portfolio.

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 and nine months ended September 30, 2018, the 52% and 40% increase in GCA credits received compared to the comparative periods of 2017 is primarily due to the increased crown royalty payments made to the Crown as a result of increased production.

NuVista's physical price risk management activities impact reported average royalty rates as royalties are based on government market reference prices and not the Company's average realized prices that include price risk management activities.

In 2016, the provincial government of Alberta announced the key highlights of a proposed Modernized Royalty Framework ("MRF") that is effective for wells drilled after January 1, 2017. These highlights include a permanent structure providing a 5% royalty during the pre-payout period of conventional crude oil, natural gas, and NGL resources, then a higher royalty rate after the payout period. The payout period is governed by a revenue minus cost structure which focuses upon cost reduction and efficiency while staying nearly neutral on the average rate of return for any given play when compared to the prior royalty framework. Mature wells still receive reduced royalties, and there are no changes to the royalty structure of wells drilled prior to 2017 for a 10-year period from the royalty program's implementation date. The changes are not currently expected to have a material impact on NuVista's results of operations.

Transportation expenses

(\$ thousands, except per unit amounts)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Natural gas transportation expense	10,341	6,411	29,503	16,604
Condensate, oil & NGL transportation expense	1,065	387	2,358	3,489
Total transportation expense	11,406	6,798	31,861	20,093
Natural gas transportation \$/Mcf ⁽¹⁾	0.78	0.64	0.80	0.61
Condensate, oil & NGL transportation \$/Bbl	0.90	0.45	0.72	1.46
Total transportation \$/Boe	3.09	2.51	3.12	2.71

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

For the three and nine months ended September 30, 2018, total transportation expenses on a total dollar and per Boe basis increased from the comparative periods of 2017 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 second quarter transportation expense of \$11.0 million (\$3.36/Boe), transportation expenses for the third quarter increased as a result of increased 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. Condensate transportation in the third quarter of 2018 was \$0.90/Bbl as compared to \$0.45/Bbl in the comparable period of 2017 due to increased condensate production, capacity constraints on third party liquids pipelines limiting the volumes that could be pipelined, and the resulting increase in the volumes trucked which incur higher transportation rates. For the nine months ended September 30, 2018, condensate transportation was \$0.74/Bbl lower than the prior year comparative period as a result of increased condensate production and a higher proportion of condensate volumes flowing through third party liquids pipelines which incurs minimal transportation expense throughout 2018 compared to 2017, resulting in a lower condensate transportation \$/Bbl.

Operating expenses

(\$ thousands, except per unit amounts)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Operating expenses	36,199	27,743	102,717	78,218
Per Boe	9.82	10.26	10.06	10.53

For the three and nine months ended September 30, 2018, operating expenses increased as a result of the increased production compared to the prior year comparative periods of 2017, while the per Boe costs decreased 4% respectively from the comparative periods due to increased production, operational efficiencies, and increased utilization of the Elmworth and Bilbo compressor stations. Compared to second quarter operating expenses of \$33.9 million (\$10.35/Boe), third quarter operating expenses per Boe decreased, as second quarter operating expenses were higher than normal as a result of higher hauling rates associated with spring road conditions.

General and administrative expenses ("G&A")

(\$ thousands, except per Boe amounts)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Gross G&A expenses	5,703	5,328	17,590	16,195
Overhead recoveries	(188)	(52)	(437)	(406)
Capitalized G&A	(1,159)	(1,190)	(3,693)	(3,548)
Net G&A expenses	4,356	4,086	13,460	12,241
Gross G&A per Boe	1.55	1.97	1.72	2.18
Net G&A per Boe	1.18	1.51	1.32	1.65

As a result of continued focus on Wapiti Montney, NuVista has continued to realize efficiencies within G&A. For the three and nine months ended September 30, 2018, gross G&A expenses have increased due to the slight increase in staff associated with the growing Montney production activities and the Pipestone Acquisition. On a per Boe basis, G&A expenses have decreased due to increased production as well as the Company's continued focus on cost control.

The Company's policy of allocating and capitalizing G&A expenses associated with new capital projects remained unchanged in 2017 and 2018. G&A capitalized and operating recoveries are in accordance with industry practice.

Share-based compensation expense

(\$ thousands)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Stock options	636	746	2,595	2,420
Director deferred share units	(229)	311	359	552
Restricted share awards	304	355	1,255	1,104
Performance share awards	83	—	128	—
Total	794	1,412	4,337	4,076

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 RSA's. Starting in the current quarter, the share award plan consists of both RSAs and PSAs, and during the three months ending June 30, 2018, the Company had an initial grant of PSAs.

The decrease in share-based compensation for the three months ended September 30, 2018 compared to the comparable period of 2017 is due primarily to the decrease in the DSU liability in the third quarter of 2018 as a result of the decrease in share price from \$9.12 at June 30, 2018 to \$7.50 at September 30, 2018.

On a year to date basis total share based compensation remained relatively consistent, with a slight increase in the weighted average fair value of stock options and RSAs granted in 2018 offset by a decrease in the share price used to value DSUs over the comparable period of 2017.

Transaction Costs

(\$ thousands, except per Boe amounts)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Total transaction costs	2,624	—	2,624	—
Total transaction costs per Boe	0.71	—	0.26	—

Transaction costs are those costs related to the Pipestone Acquisition that cannot be capitalized as part of the cost of such transactions under IFRS. These costs include advisory, legal and other professional fees.

Financing costs

(\$ thousands, except per Boe amounts)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Interest on long-term debt (credit facility)	1,383	1,725	2,961	3,091
Interest on senior unsecured notes ⁽¹⁾	3,874	1,890	12,409	5,560
Call premium on redemption of 2021 Notes	—	—	6,562	—
Interest expense	5,257	3,615	21,932	8,651
Accretion expense	439	341	1,236	1,137
Total financing costs	5,696	3,956	23,168	9,788
Interest expense per Boe	1.43	1.34	2.15	1.16
Total financing costs per Boe	1.54	1.46	2.27	1.32

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

Interest expense on long-term debt includes interest standby charges on the Corporation's syndicated credit facilities. For the three and nine months ended September 30, 2018 interest expense on long-term debt decreased from the comparable periods in 2017 due to lower average bank indebtedness throughout the periods. Average borrowing

costs on long term debt for the three and nine months ended September 30, 2018 were 3.2% and 3.3% compared to average borrowing costs of 3.1% and 3.0% for the comparative periods of 2017.

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 and nine months ended September 30, 2018, 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 September 30, 2018 is \$215.7 million.

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, 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 is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

NuVista reports adjusted funds flow in total and on a per share basis. Refer to Note 14 "Capital Management" in the financial statements. A reconciliation of adjusted funds flow is presented in the following tables.

Adjusted funds flow, as reconciled to net earnings and comprehensive income

(\$ thousands)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Net earnings (loss) and comprehensive income (loss)	3,467	(4,366)	32,159	59,718
Non cash items:				
Depletion, depreciation, amortization	38,272	29,704	109,624	83,654
Exploration and evaluation	335	—	1,789	44
Loss on property dispositions	—	7,489	146	4,197
Share-based compensation	1,023	1,101	3,978	3,524
Unrealized gain (loss) on financial derivatives	25,484	7,257	36,565	(25,626)
Deferred income tax expense	3,590	—	15,316	—
Environmental remediation recovery	—	—	—	(2,550)
Accretion	439	341	1,236	1,137
Adjusted funds flow	72,610	41,526	200,813	124,098

Adjusted funds flow

(\$ thousands)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Cash provided by operating activities	51,740	39,278	180,610	115,602
Add back:				
Environmental remediation recovery	—	—	—	(2,550)
Asset retirement expenditures	2,680	(3,191)	10,623	7,868
Change in non-cash working capital	18,190	5,439	9,580	3,178
Adjusted funds flow ⁽¹⁾	72,610	41,526	200,813	124,098
Adjusted funds flow per share, basic	0.39	0.24	1.12	0.72
Adjusted funds flow per share, diluted	0.38	0.24	1.12	0.71

⁽¹⁾ Includes transaction costs relating to the Pipestone Acquisition of \$2.6 million.

For the three months ended September 30, 2018, NuVista's adjusted funds flow was \$72.6 million (\$0.39/share, basic), compared to \$41.5 million (\$0.24/share, basic) for the comparable period of 2017 and \$69.5 million (\$0.40/share, basic) in the second quarter of 2018. The increased adjusted funds flow in the third quarter of 2018 compared to the third quarter of 2017 is primarily a result of higher realized commodity pricing and higher production, partially offset by a realized loss on financial derivatives compared to a realized gain in the prior year comparative period, higher royalties, operating and transportation expenses associated with the increased production, and higher interest as a result of the increase in the principal of the senior unsecured notes payable from \$70.0 million at 9.875% (2021 Notes) to \$220.0 million at 6.50% (2023 Notes).

For the nine months ended September 30, 2018, adjusted funds flow was \$200.8 million (\$1.12/share, basic) compared to \$124.1 million (\$0.72/share, basic) for the comparable period of 2017. Adjusted funds flow was higher than the comparable period of 2017 primarily due to higher production levels and realized commodity pricing, offset by a realized loss on financial derivatives as compared to a realized gain in the prior year comparative period, higher royalties, transportation, and operating expenses associated with the increased production, and higher interest as a result of the redemption of the 2021 Notes which resulted in interest and an agreed redemption call premium of \$8.8 million, and the increase in the principal of the senior unsecured notes payable from \$70.0 million at 9.875% (2021 Notes) to \$220.0 million at 6.50% (2023 Notes).

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 and nine months ended September 30, 2018 and 2017:

(\$ thousands, except per Boe amounts)	Three months ended September 30, 2018		Three months ended September 30, 2017	
	\$	\$/Boe	\$	\$/Boe
Petroleum and natural gas revenues ⁽¹⁾	150,956	40.94	83,100	30.72
Realized gain (loss) on financial derivatives	(13,451)	(3.65)	3,287	1.22
	137,505	37.29	86,387	31.94
Royalties	(5,282)	(1.43)	(2,308)	(0.85)
Transportation expenses	(11,406)	(3.09)	(6,798)	(2.51)
Operating expenses	(36,199)	(9.82)	(27,743)	(10.26)
Operating netback ⁽²⁾	84,618	22.95	49,538	18.32
General and administrative	(4,356)	(1.18)	(4,086)	(1.51)
Deferred share units	229	0.06	(311)	(0.11)
Interest expense	(5,257)	(1.43)	(3,615)	(1.34)
Transaction costs	(2,624)	(0.71)	—	—
Corporate netback ⁽²⁾	72,610	19.69	41,526	15.36

⁽¹⁾ Includes price risk management gains of \$5.8 million (2017 - \$7.1 million gain) on physical delivery sales contracts.

⁽²⁾ Refer to "Non-GAAP measurements".

(\$ thousands, except per Boe amounts)	Nine months ended September 30, 2018		Nine months ended September 30, 2017	
	\$	\$/Boe	\$	\$/Boe
Petroleum and natural gas revenues ⁽¹⁾	412,843	40.41	246,737	33.22
Realized gain (loss) on financial derivatives	(27,652)	(2.71)	4,496	0.61
	385,191	37.70	251,233	33.83
Royalties	(11,425)	(1.12)	(7,380)	(0.99)
Transportation expenses	(31,861)	(3.12)	(20,093)	(2.71)
Operating expenses	(102,717)	(10.06)	(78,218)	(10.53)
Operating netback ⁽²⁾	239,188	23.40	145,542	19.60
General and administrative	(13,460)	(1.32)	(12,241)	(1.65)
Deferred share units expense (recovery)	(359)	(0.04)	(552)	(0.07)
Interest expense	(21,932)	(2.15)	(8,651)	(1.16)
Transaction costs	(2,624)	(0.26)	—	—
Corporate netback ⁽²⁾	200,813	19.63	124,098	16.72

⁽¹⁾ Includes price risk management gains of \$17.2 million (2017 - \$12.5 million gain) on physical delivery sales contracts.

⁽²⁾ Refer to "Non-GAAP measurements".

Environmental remediation expense (recovery)

During the third quarter of 2015, NuVista identified a leak in a remote pipeline carrying oil emulsion in its non core area of Northwest Alberta. The pipeline was immediately shut down and NuVista's emergency response plan was activated. In cooperation with local governmental regulators, First Nations, and with the assistance of qualified consultants, NuVista immediately commenced remediation and restoration activities. The Company recorded \$9.3 million in environmental remediation expense in 2015. The majority of the remediation has been completed, \$8.6

million has been spent and \$0.7 million remains as accrued environmental remediation liabilities. In the second quarter of 2017, the Company received insurance proceeds related to this event in the amount of \$2.6 million. These proceeds have been recognized as environmental remediation recovery. Ongoing monitoring and reclamation will continue throughout 2018 and beyond.

The provision for accrued environmental remediation liability contains significant estimates and judgments about the scope, timing and costs of the work that will be required. The assumptions and estimates used are based on current information and are subject to revision in the future as further information becomes available to the Company.

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

(\$ thousands, except per Boe amounts)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Depletion of oil and gas assets	34,510	26,544	99,530	73,651
Depreciation of fixed assets	3,762	3,160	10,094	10,003
DD&A expense	38,272	29,704	109,624	83,654
DD&A rate per Boe	10.38	10.98	10.73	11.26

DD&A expense for three and nine months ended September 30, 2018 was \$38.3 million (\$10.38/Boe) compared to \$29.7 million (\$10.98/Boe) for the comparable period of 2017, and \$34.5 million (\$10.51/Boe) in the second quarter of 2018. The DD&A rate for the three and nine months ended September 30, 2018 was positively impacted by the Acquired Assets, which had a DD&A rate in the third quarter of \$7.87/Boe. At December 31, 2017, substantially all of the net book value of PP&E for cash generating units ("CGUs") excluding Wapiti Montney was depleted as a result of minimal reserves assigned to those CGUs in the year end reserve report. DD&A expense for the three and nine months ended September 30, 2018 includes depletion expense of \$0.3 million (\$0.08/Boe) and \$4.6 million (\$0.45/Boe) primarily related to a change in estimate on asset retirement obligations. The change in estimate is an increase in asset retirement costs for wells with no remaining reserves. As a result, the full amount is included in depletion expense.

The Wapiti Montney DD&A rate per Boe for three and nine months ended September 30, 2018 decreased to \$10.54/Boe and \$10.33/Boe respectively, compared to \$10.63/Boe and \$10.87/Boe for the comparable periods of 2017, and increased slightly from the DD&A rate of \$10.30/Boe in the second quarter of 2018. This decrease compared to 2017 is a result of increased reserves. The Wapiti Montney DD&A rate for the Acquired Assets in the third quarter of 2018 was \$8.07/Boe.

At September 30, 2018, there were no indicators of impairment or reversal of impairment identified on any of the Company's CGU's within property, plant & equipment.

Exploration and evaluation ("E&E") expense

(\$ thousands, except per Boe amounts)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Exploration and evaluation expense	335	—	1,789	44
Per Boe	0.09	—	0.18	0.01

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

Asset retirement obligations

(\$ thousands)	September 30, 2018	December 31, 2017
Balance, January 1	72,430	75,463
Accretion expense	1,236	1,524
Liabilities incurred	2,706	3,698
Liabilities acquired	11,141	—
Liabilities disposed	(14)	(3,272)
Change in estimates and discount rate	4,761	4,830
Change in discount rate, pursuant to asset acquisitions	17,571	—
Liabilities settled	(10,623)	(9,813)
Balance, end of period	99,208	72,430
Expected to be incurred within one year	13,239	14,250
Expected to be incurred beyond one year	85,969	58,180

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 September 30, 2018, NuVista had an ARO balance of \$99.2 million as compared to \$72.4 million as at December 31, 2017. The liability was discounted using the Bank of Canada's long-term risk-free bond rate of 2.4% at September 30, 2018 (December 31, 2017 – 2.4%). At September 30, 2018, the estimated total undiscounted and uninflated amount of cash flow required to settle NuVista's ARO was \$107.3 million (December 31, 2017 – \$75.9 million). The majority of the costs are expected to be incurred within the next 50 years. Actual ARO expenditures for the nine months ended September 30, 2018 were \$10.6 million compared to \$9.8 million for the year ended December 31, 2017.

Asset retirement obligations acquired pursuant to the Pipestone Acquisition were initially recognized at fair value using a credit adjusted rate of 7.5%. They were subsequently revalued using the respective Bank of Canada long term risk-free bond rate of 2.4%, resulting in the recognition of an additional \$17.6 million in asset retirement obligations.

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.

Capital expenditures

(\$ thousands, except % amounts)	Three months ended September 30				Nine months ended September 30			
	2018	% of total	2017	% of total	2018	% of total	2017	% of total
Exploration and evaluation assets and property plant and equipment ⁽¹⁾								
Land and retention costs	8	—	35	—	1,879	1	443	—
Geological and geophysical	1,833	3	1,293	1	5,023	2	3,898	1
Drilling and completion	52,673	80	76,390	78	207,094	79	216,050	79
Facilities and equipment	11,226	17	19,826	20	48,926	19	53,549	20
Corporate and other	77	—	437	—	437	—	703	—
Total capital expenditures	65,817		97,981		263,359		274,643	

⁽¹⁾ Includes cash paid capital, excludes non cash items.

Capital expenditures for the nine months ended September 30, 2018 were \$263.4 million. The Company focused 79% of its capital expenditures on drilling and completion activities, with 19% on facilities and equipment, primarily

related to the active winter drilling program and bringing wells on production in the period. The Company expects full year 2018 capital expenditures to be in the range of \$325 - \$350 million.

Of the \$263.4 million capital spent to date in 2018, \$258.9 million was spent on property, plant and equipment expenditures, and \$4.4 million was spent on exploration and evaluation expenditures.

Acquisitions

On September 6, 2018, the Company closed the Pipestone Acquisition in which the Company acquired petroleum and natural gas properties and facilities to expand its Montney core area and increase future development opportunities. Total consideration paid and estimates of the fair value of the assets acquired and liabilities assumed as of the date of the acquisition are set forth in the table below. The estimates were made by management at the time of the preparation of these financial statements based on information then available.

(\$ thousands)

Net proceeds from equity issuance	366,594
Borrowings on credit facility	251,171
Cash consideration paid	617,765

(\$ thousands)

Property, plant and equipment	674,757
Exploration and evaluation	28,122
Asset retirement obligations	(11,141)
Deferred tax liabilities	(73,973)
Net assets acquired, at estimated fair value	617,765

Dispositions

For the nine months ended September 30, 2018, there were no property dispositions as compared to property dispositions with cash proceeds of \$2.2 million in the comparable period of 2017, resulting in a loss of \$4.2 million.

Deferred income taxes

For the three and nine months ended September 30, 2018, the provision for income taxes was an expense of \$3.6 million, and \$15.3 million compared to an expense of nil in the comparable periods of 2017.

Elimination of deficit

At the Company's annual general meeting on May 8, 2018, shareholders approved a resolution to reduce share capital for accounting purposes, without payment of or a reduction to stated or paid-up capital, by the amount of the deficit on December 31, 2017 in the amount of \$462.4 million.

Net earnings (loss)

(\$ thousands, except per share amounts)	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Net earnings (loss)	3,467	(4,366)	32,159	59,718
Per share - basic	0.02	(0.03)	0.18	0.35
Per share - diluted	0.02	(0.03)	0.18	0.34

The increase in net earnings for the three months ended September 30, 2018 compared to the prior year comparative period is primarily a result of the increased adjusted funds flow offset by decreased unrealized hedging gains, increased DD&A and the incremental interest on the higher principal balance of the 2023 Notes. For the nine months ended September 30, 2018, the decrease in net earnings compared to the prior year comparative period as primarily as a result of higher DD&A, deferred taxes, asset retirement expenditures, and an unrealized loss on financial derivatives as compared to an unrealized gain in the prior year comparative period.

Liquidity and capital resources

Long-term debt (credit facility)

At September 30, 2018, the Company had a \$450 million (December 31, 2017 - \$310 million) extendible revolving term credit facility available from a syndicate of Canadian chartered banks. The credit facility was increased from \$310 million upon closing of the Pipestone Acquisition on September 6, 2018. 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 September 30, 2018, NuVista was in compliance with all covenants.

During the third quarter, NuVista requested and received an extension of the renewal date of the credit facility from October 31, 2018 to on or before November 30, 2018 from the banking syndicate.

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 year to date interest expense, for a total incremental expense on payout of \$8.8 million.

Equity financings

In August 2018, as part of the financing of the Pipestone Acquisition, the Company issued 47.4 million common shares at a price of \$8.10 per share, for gross proceeds of \$384.1 million. Common shares totaling 21.0 million were issued pursuant to a public offering, and an additional 26.4 million were issued pursuant to a private placement. The Company also issued 2.8 million common shares on a flow-through basis in respect of Canadian Development expenses ("CDE") at a price of \$9.05 per share for gross proceeds of \$24.9 million, of which 0.4 million common shares were issued pursuant to a private placement. Under the terms of the flow-through share agreements, the Company is committed to spend approximately \$24.9 million on qualifying CDE prior to December 31, 2018. The balance of the purchase price was funded through the Company's increased credit facility.

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

(\$ thousands)	September 30, 2018	December 31, 2017
Basic common shares outstanding	225,142	174,004
Share price ⁽¹⁾	7.50	8.02
Total market capitalization	1,688,565	1,395,512
Cash and cash equivalents, accounts receivable and prepaid expenses	(66,543)	(47,941)
Accounts payable and accrued liabilities	63,752	49,990
Accrued environmental remediation liabilities	683	735
Long-term debt (credit facility)	277,662	125,725
Senior unsecured notes	215,684	67,680
Other liabilities	2,106	1,747
Net debt⁽²⁾	493,344	197,936
Annualized current quarter adjusted funds flow ⁽²⁾	290,440	303,728
Net debt to annualized current quarter adjusted funds flow⁽²⁾	1.7	0.7

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

⁽²⁾ Refer to the "Non-GAAP measurements".

Net debt

As at September 30, 2018, net debt was \$493.3 million, resulting in a net debt to annualized current quarter adjusted funds flow ratio of 1.7 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 September 30, 2018, NuVista had drawn \$277.7 million on its long-term debt (credit facility) and had outstanding letters of credit of \$5.7 million which reduce the credit available on the credit facility, leaving \$166.6 million of unused credit facility capacity based on the committed credit facility of \$450.0 million.

NuVista plans to monitor its 2018 and 2019 business plan and adjust its budgeted capital programs of \$325 - \$350 million for 2018 and \$450 - \$500 million for 2019 in the context of commodity prices and net debt levels. NuVista plans to finance its remaining 2018 capital program with adjusted funds flow and the credit facility.

As at September 30, 2018, there were 225.1 million common shares outstanding. In addition, there were 5.8 million stock options with an average exercise price of \$7.66 per option, 0.6 million RSAs, and 0.1 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 September 30, 2018:

(\$ thousands)	Total	2018	2019	2020	2021	2022	Thereafter
Transportation ⁽¹⁾	346,846	13,753	57,014	51,678	52,089	50,656	121,656
Processing ⁽¹⁾	620,175	9,105	43,761	51,149	57,679	59,185	399,296
Office lease	13,266	453	1,814	1,826	1,887	1,893	5,393
Flow-through common shares	16,480	16,480	—	—	—	—	—
Total commitments	996,767	39,791	102,589	104,653	111,655	111,734	526,345

⁽¹⁾ Certain of the transportation and processing commitments are secured by outstanding letters of credit of \$5.3 million at September 30, 2018 (December 31, 2017 - \$12.8 million).

Subsequent to September 30, 2018, the Company entered into transportation and fractionation commitments commencing in 2019, and a 15 year firm processing commitment commencing in late 2020.

Off "balance sheet" arrangements

NuVista has certain lease arrangements, all of which are reflected in the contractual obligations and commitments table, which were entered into in the normal course of operations. All leases have been treated as operating leases whereby the lease payments are included in operating expenses or general and administrative expenses depending on the nature of the lease.

Quarterly financial information

The following table highlights NuVista's performance for the eight quarterly reporting periods from Dec 31, 2016 to September 30, 2018:

(\$ thousands, except per share amounts)	2018				2017			2016
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Production (Boe/d)	40,080	36,035	36,099	37,435	29,405	25,454	26,731	24,716
Petroleum and natural gas revenues	150,956	137,131	124,756	131,009	83,100	79,401	84,236	74,538
Net earnings (loss)	3,467	6,322	22,371	34,651	(4,366)	25,767	38,317	1,135
Net earnings (loss)								
Per basic and diluted share	0.02	0.04	0.13	0.20	(0.03)	0.15	0.22	0.01
Adjusted funds flow	72,610	69,472	58,732	75,932	41,526	39,318	43,254	40,697
Per basic and diluted share	0.39	0.40	0.34	0.44	0.24	0.23	0.25	0.24

NuVista's Montney production volumes have been increasing with substantially all of the Company's capital expenditures allocated to Wapiti Montney and successful drilling and production performance in that core area. Production from Wapiti Montney in 2018 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 \$74.5 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 \$4.4 million to net earnings of \$38.3 million with earnings primarily influenced by impairments, gains and losses from disposal of assets, production volumes, commodity prices, realized and unrealized gains and losses on financial derivatives and deferred income taxes.

Critical accounting estimates

Management is required to make judgments, assumptions and estimates in applying its accounting policies which have significant impact on the financial results of NuVista. The following outline the accounting policies involving the use of estimates that are critical to understanding the financial condition and results of operations of NuVista.

- (a) **Oil and natural gas reserves** – Oil and natural gas reserves, as defined by the Canadian Securities Administrators in National Instrument 51-101 with reference to the Canadian Oil and Natural Gas Evaluation Handbook, are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated reserves.

An independent reserve evaluator using all available geological and reservoir data as well as historical production data has prepared NuVista's oil and natural gas reserve estimates. Estimates are reviewed and revised as appropriate. Revisions occur as a result of changes in prices, costs, fiscal regimes, reservoir performance or a change in NuVista's development plans.

- (b) **Depletion, depreciation, amortization and impairment** – Property, plant and equipment is measured at cost less accumulated depletion, depreciation, amortization and impairment losses. The net carrying value of property, plant and equipment and estimated future development costs is depleted using the unit-of-production method based on estimated proved and probable reserves. Changes in estimated proved and probable reserves or future development costs have a direct impact in the calculation of depletion expense.

NuVista is required to use judgment when designating the nature of oil and gas activities as exploration and evaluation assets or development and production assets within property, plant and equipment. Exploration and evaluation assets and development and production assets are aggregated into CGUs based on their ability to generate largely independent cash flows. The allocation of NuVista's assets into CGUs requires significant judgment with respect to use of shared infrastructure, existence of active markets for NuVista's products and the way in which management monitors operations.

Exploration and evaluation expenditures relating to activities to explore and evaluate oil and natural gas properties are initially capitalized and include costs associated with the acquisition of licenses, technical services and studies, seismic acquisition, exploration drilling and testing, directly attributable overhead and administration expenses, and costs associated with retiring the assets. Exploration and evaluation assets are carried forward until technical feasibility and commercial viability of extracting a mineral resource is determined. Technical feasibility and commercial viability of extracting a mineral resource is considered to be determined when proved and/or probable reserves are determined to exist. E&E assets are tested for impairment when facts and circumstances suggest that the carrying amount of E&E assets may exceed their recoverable amount, by comparing the relevant costs to the fair value of CGUs, aggregated at the segment level. The determination of the fair value of CGUs requires the use of assumptions and estimates including quantities of recoverable reserves, production quantities, future commodity prices and development and operating costs. Changes in any of these assumptions, such as a downward revision in reserves, decrease in commodity prices or increase in costs, could impact the fair value.

NuVista assesses property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset or group of assets may not be recoverable. If any such indication of impairment exists, NuVista performs an impairment test related to the specific CGU. The determination of fair value of CGUs requires the use of assumptions and estimates including quantities of recoverable reserves, production quantities, future commodity prices and development and operating costs. Changes in any of these assumptions, such as a downward revision in reserves, decrease in commodity prices or increase in costs, could impact the fair value.

- (c) **Asset retirement obligations** – The asset retirement obligations are estimated based on existing laws, contracts or other policies. The fair value of the obligation is based on estimated future costs for

abandonments and reclamations discounted at a risk free rate. The costs are included in property, plant and equipment and amortized over its useful life. The liability is adjusted each reporting period to reflect the passage of time, with the accretion expense charged to net earnings, and for revisions to the estimated future cash flows. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements could be material.

- (d) **Income taxes** – The determination of income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax asset/liability may differ significantly from that estimated and recorded.
- (e) **Business combinations** – Business combinations are accounted for using the acquisition method of accounting. The determination of fair values requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of property, plant and equipment as well as exploration and evaluation assets acquired, generally require the most judgment and include estimates of reserves acquired, forecast benchmark commodity prices and discount rates.

Update on financial reporting matters

Adopted new accounting standards

Revenue recognition

NuVista adopted IFRS 15 - Revenue from Contracts with Customers with a date of initial application of January 1, 2018. IFRS 15 specifies how and when an IFRS reporter will recognize revenue as well as requiring enhanced disclosures about revenue. IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser.

NuVista's management reviewed its revenue streams and major contracts with customers and concluded that there were no material changes to its net income or in the timing of when revenue is recognized. As a result, no adjustments were required in the January 1, 2018 opening statement of financial position. The additional disclosures required by IFRS 15 are provided in Note 12 of the condensed interim financial statements.

NuVista's petroleum and natural gas revenue from the sale of natural gas, condensate, oil and 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. 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. 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. 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, oil 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.

Financial instruments

NuVista adopted IFRS 9 - Financial Instruments, on January 1, 2018 using the retrospective method. The adoption of this standard did not result in a change in the recognition or measurement of any of the Company's financial instruments on transition. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL"). Under IFRS 9, 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 other comprehensive income or loss rather than net income or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is subsequently measured at amortized cost if it meets both of the following conditions: a) the asset is held with a business model whose objective is to hold assets to collect contractual cash flows; and b) 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 that meet criteria (b) 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 are subsequently measured at FVTPL. There was no change to the measurement categories of financial liabilities. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. The new standard also introduces an expected credit loss model for evaluating impairment of financial assets, which results in credit losses being recognized earlier than under IAS 39. In addition, IFRS 9 provides a hedge accounting model that is more in line with risk management activities. The Company currently does not apply hedge accounting to its derivative contracts. Accounts receivable and prepaid expenses continue to be measured at amortized cost and are now classified as "amortized cost". There was no change to the Company's classification of accounts payable and accrued liabilities or long term debt and senior unsecured notes which are classified as "other financial liabilities" and are measured at amortized cost.

Future accounting changes

In January 2016, the IASB issued IFRS 16 "Leases" which replaces IAS 17 "Leases". For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying for IFRS 15 "Revenue from Contracts with Customers". IFRS 16 will be applied by NuVista on January 1, 2019 and the Company is currently in the process of reviewing and analyzing contracts that fall into the scope of the new standard. The Company expects an adjustment for its office lease, however, the extent of the impact of the adoption of the standard has not yet been determined.

Update on regulatory matters

Environmental

In the fourth quarter of 2015, the provincial government of Alberta released its Climate Leadership Plan which will impact all consumers and businesses that contribute to carbon emissions in Alberta. This plan includes imposing carbon pricing that is applied across all sectors, starting at \$20 per tonne on January 1, 2017 and moving to \$30 per tonne on January 1, 2018, the phase-out of coal-fired power generation by 2030, a cap on oil sands emissions production of 100 megatonnes, and a 45 per cent reduction in methane emissions by the oil and gas sector by 2025. NuVista does not expect the Climate Leadership Plan to have a material impact on the cost of operating its properties.

The oil and natural gas industry is currently subject to environmental regulations pursuant to a variety of federal, provincial, and local laws and regulation. Environmental legislation provides for, among other things, restrictions and prohibitions on emissions, releases or spills of various substances produced in association with oil and natural gas operations. Compliance with such legislation can require significant expenditures and a breach may result in

the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, as well as larger fines and environmental liability. No assurance can be given that the application of environmental laws to the business and operations of NuVista will not result in a limitation of production or a material increase in the costs of operating, development, or exploration activities or otherwise adversely affect NuVista's financial condition, results of operations, or prospects.

NuVista utilizes monitoring and reporting programs, as well as inspections and audits for environmental, health, and safety performance that are designed to provide assurance that environmental and regulatory standards are met. In the event of unknown or unforeseeable environmental impacts arising from its operations, NuVista may be subject to remedial and litigation costs. Contingency plans are in place for a timely response to environmental events and for the utilization of remediation/reclamation strategies to restore the environment in the event of such impacts.

Given the evolving nature of climate change discussion, the regulation of emissions of greenhouse gases ("GHGs") and potential federal and provincial GHG commitments, NuVista is unable to predict the impact on its operations and financial condition at this time. It is possible that NuVista could face increases in operating and capital costs in order to comply with augmented greenhouse gas emissions legislation.

Further information regarding environmental and climate change regulations and current provincial royalty and incentive programs are contained in our Annual Information Form under the Industry Conditions section for the year ended December 31, 2017.

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 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 September 30, 2018, 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, 2017.

2019 Guidance provided and 2018 guidance reaffirmed

We are pleased to reaffirm our 2018 production guidance in the range of 38,750 to 40,000 Boe/d. This includes fourth quarter guidance unchanged at 46,000 to 48,500 Boe/d. 2018 adjusted funds flow is also reaffirmed in the range of \$260 to \$270 million based on current strip pricing¹. Our 2018 capital plan remains unchanged in the range of \$325 - \$350 million.

Given the recent widening of commodity price differentials and a sentiment of capital market uncertainty, we have elected to maintain maximum flexibility in spending commitments for 2019 and beyond. While we have made commitments which allow us to pursue a pace of growth to over 90,000 boe/d in the next few years, we will continue to monitor the economic environment prior to pursuing that rapid pace. As such, we are moderating our 2019 production and capital guidance ranges and we will also maintain them within a broad band for the time being. 2019 capital expenditure expectations are reduced to the range of \$300 to \$400 million depending on commodity prices and the pace of growth ultimately selected for 2020. This level of reduced spending enables us to maintain maximum financial flexibility heading into 2019. As we move through the year, should commodity prices improve over what we are currently forecasting, we will consider reinstating our original growth plans.

The corresponding 2019 production is expected to be in the range of 52,000 to 56,000 Boe/d, approximately 37% higher than 2018. This forecast includes the impact of a planned outage at SemCAMS K3 plant in the first quarter of 2019. The resulting first quarter production guidance is approximately 43,500 to 46,000 Boe/d, including 4,000 Boe/d of planned downtime. Compared to our prior outlook for 2019, the foregoing represents a midpoint capital guidance reduction of 27% accompanied by a midpoint production guidance reduction of 3.5%.

¹ Strip pricing assumptions for 4Q 2018: WTI \$US68.00/Bbl, NYMEX Gas \$US3.14/MMBTU, AECO gas \$2.05/GJ, CAD:USD 1.3083 FX