

**NUVISTA ENERGY LTD.**

**Condensed Statements of Financial Position**  
(Unaudited)

(\$Cdn thousands)	<b>March 31</b>	December 31
	<b>2019</b>	2018
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ —	\$ —
Accounts receivable and prepaid expenses	56,479	53,334
Financial derivative assets (note 17)	3,184	40,486
Asset under construction (note 4)	38,742	—
	<b>98,405</b>	93,820
Financial derivative assets (note 17)	49,590	76,763
Exploration and evaluation assets (note 5)	31,133	30,165
Property, plant and equipment (note 6)	2,042,437	1,980,126
Right-of-use assets (note 7)	5,283	—
<b>Total assets</b>	<b>\$ 2,226,848</b>	<b>\$ 2,180,874</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 99,916	\$ 90,074
Current portion of lease liabilities (note 10)	591	—
Current portion of asset retirement obligations (note 11)	8,335	12,500
Financial derivative liabilities (note 17)	853	—
	<b>109,695</b>	102,574
Long-term debt (note 8)	326,854	257,395
Senior unsecured notes (note 9)	216,056	215,892
Other liabilities (note 16)	1,508	1,381
Lease liabilities (note 10)	4,747	—
Asset retirement obligations (note 11)	99,056	90,203
Financial derivative liabilities (note 17)	1,576	—
Deferred tax liability	96,362	108,412
	<b>855,854</b>	775,857
<b>Shareholders' equity</b>		
Share capital (note 12)	1,216,246	1,216,067
Contributed surplus	54,430	52,705
Retained earnings	100,318	136,245
	<b>1,370,994</b>	1,405,017
<b>Total liabilities and shareholders' equity</b>	<b>\$ 2,226,848</b>	<b>\$ 2,180,874</b>
Subsequent events (notes 4,8,17)		
Commitments (note 20)		

See accompanying notes to the condensed interim financial statements.

**NUVISTA ENERGY LTD.**

**Condensed Statements of Earnings (Loss) and Comprehensive Income (Loss)**  
(Unaudited)

(\$Cdn thousands, except per share amounts)	Three months ended March 31	
	2019	2018
<b>Revenues</b>		
Petroleum and natural gas (note 14)	\$ 134,064	\$ 124,756
Royalties	(4,576)	(1,832)
<b>Net revenue from petroleum and natural gas sales</b>	<b>129,488</b>	<b>122,924</b>
<b>Financial derivative contracts</b>		
Realized gain (loss) on financial derivatives (note 17)	2,707	(5,289)
Unrealized gain (loss) on financial derivatives	(66,904)	11,135
<b>Net revenue from petroleum and natural gas sales and gains (losses) on financial derivatives</b>	<b>65,291</b>	<b>128,770</b>
<b>Expenses</b>		
Transportation	12,484	9,442
Operating	36,737	32,570
General and administrative	4,217	4,587
Share-based compensation (note 16)	1,547	1,290
Depletion, depreciation and amortization	51,777	36,879
Exploration and evaluation (note 5)	977	—
Gain on property dispositions	(1,934)	—
Financing costs (note 18)	7,464	12,825
	<b>113,269</b>	<b>97,593</b>
<b>Earnings (loss) before taxes</b>	<b>(47,978)</b>	<b>31,177</b>
Deferred income tax expense (recovery)	(12,051)	8,806
<b>Net earnings (loss) and comprehensive income (loss)</b>	<b>\$ (35,927)</b>	<b>\$ 22,371</b>
<b>Net earnings (loss) per share (note 13)</b>		
Basic	\$ (0.16)	\$ 0.13
Diluted	\$ (0.16)	\$ 0.13

See accompanying notes to the condensed interim financial statements.

**NUVISTA ENERGY LTD.****Condensed Statements of Changes in Shareholders' Equity**  
(Unaudited)

(\$Cdn thousands)	Three months ended March 31	
	2019	2018
<b>Share capital</b> (note 12)		
Balance, January 1	\$ 1,216,067	\$ 1,276,426
Issued for cash on exercise of stock options	24	1,034
Contributed surplus transferred on exercise of stock options	8	355
Conversion of restricted share awards	147	41
Balance, end of period	\$ 1,216,246	\$ 1,277,856
<b>Contributed surplus</b>		
Balance, January 1	\$ 52,705	\$ 49,545
Share-based compensation	1,880	1,790
Transfer to share capital on exercise of stock options	(8)	(355)
Conversion of restricted share awards	(147)	(41)
Balance, end of period	\$ 54,430	\$ 50,939
<b>Retained earnings (deficit)</b>		
Balance, January 1 (note 12)	\$ 136,245	\$ (462,392)
Net earnings (loss)	(35,927)	22,371
Balance, end of period	\$ 100,318	\$ (440,021)
<b>Total shareholders' equity</b>	\$ 1,370,994	\$ 888,774

See accompanying notes to the condensed interim financial statements.

**NUVISTA ENERGY LTD.**

**Condensed Statements of Cash Flows**  
(Unaudited)

(\$Cdn thousands)	Three months ended March 31	
	2019	2018
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net earnings (loss)	\$ (35,927)	\$ 22,371
Items not requiring cash from operations:		
Depletion, depreciation, amortization and impairment	51,777	36,879
Exploration and evaluation (note 5)	977	—
Gain on property dispositions	(1,934)	—
Share-based compensation (note 16)	1,420	1,407
Unrealized loss (gain) on financial derivatives	66,904	(11,135)
Deferred income tax expense (recovery)	(12,051)	8,806
Accretion (note 11)	488	404
Asset retirement expenditures (note 11)	(12,678)	(6,856)
Change in non-cash working capital (note 19)	(5,674)	13,418
	<b>53,302</b>	<b>65,294</b>
<b>Financing activities</b>		
Issue of share capital, net of share issue costs	24	1,033
Payment on lease liabilities (note 10)	(143)	—
Increase (decrease) of long-term debt	69,459	(125,725)
Issuance of senior unsecured notes, net of financing costs	—	215,142
Repayment of senior unsecured notes	—	(67,680)
	<b>69,340</b>	<b>22,770</b>
<b>Investing activities</b>		
Property, plant and equipment expenditures	(109,026)	(114,540)
Exploration and evaluation expenditures	(1,794)	(680)
Asset under construction expenditures (note 4)	(24,499)	—
Proceeds on property dispositions	14	—
Change in non-cash working capital (note 19)	12,663	32,610
	<b>(122,642)</b>	<b>(82,610)</b>
Change in cash and cash equivalents	—	5,454
Cash and cash equivalents, beginning of period	—	—
<b>Cash and cash equivalents, end of period</b>	<b>\$ —</b>	<b>\$ 5,454</b>
Cash interest paid	\$ 10,313	\$ 11,249

See accompanying notes to the condensed interim financial statements.

**NUVISTA ENERGY LTD.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

Three months ended March 31, 2019 with comparative figures for 2018. All tabular amounts are in thousands of Canadian dollars, except share and per share amounts, unless otherwise stated.

**1. Corporate information**

NuVista Energy Ltd. ("NuVista" or the "Company") is a Canadian publicly traded company incorporated in the province of Alberta. The Company is an oil and natural gas company actively engaged in the exploration, development and production of 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.

The address of the Company's head office is 2500, 525 – 8th Avenue S.W., Calgary, Alberta, Canada, T2P 1G1.

**2. Basis of preparation**

These condensed interim financial statements (the "financial statements") have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting". These financial statements have been prepared following the same accounting policies, except for the adoption of IFRS 16 - *Leases*, and methods of computation as the annual financial statements for the year ended December 31, 2018. These financial statements do not include all the information required for annual financial statements and should be read in conjunction with the audited financial statements for the year ended December 31, 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These financial statements were approved and authorized for issuance by the Board of Directors on May 7, 2019.

**3. Changes in significant accounting policies**

*IFRS 16 - Leases*

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

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

On adoption of IFRS 16, the Company has recognized lease liabilities in relation to all lease arrangements measured at the present value of the remaining lease payments from commitments disclosed as at December 31, 2018, adjusted by commitments in relation to arrangements not containing leases, short-term and low-value leases, and discounted using the Company's incremental borrowing rate as of January 1, 2019. The associated right-of-use assets were measured at the amount equal to the lease liability on January 1, 2019, with no impact on retained earnings. The weighted average incremental borrowing rate used to determine the lease liability at adoption was 5.5%. The right-of-use assets and lease liabilities recognized relate to the Company's head office lease in Calgary, and the field office lease in Grande Prairie.

The Company has elected to apply the practical expedient of not recognizing right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as expenses on a straight-line basis over the lease term and are not considered material at March 31, 2019.

Adjustments to the condensed statements of financial position at January 1, 2019 is as follows:

	As reported as at December 31, 2018	Adjustment	Restated balance as at January 1, 2019
Right-of-use assets	\$ —	\$ 5,481	\$ 5,481
Lease liabilities		(5,481)	(5,481)
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

As a result of this new standard, NuVista has adopted the following significant accounting policy for leases effective January 1, 2019:

#### *Leases*

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as "operating" leases under the principles of IAS 17 - *Leases* ("IAS 17"). A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Leases are recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Company.

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

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

(a) Incremental borrowing rate

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

(b) Lease term

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

#### **4. Asset under construction**

The Company has incurred \$38.7 million in expenditures for the construction of a compressor station at Pipestone South. These costs have been classified as a current asset. The Company has secured third party ownership and funding of the asset. Subsequent to March 31, 2019, ownership of the asset has been purchased by an

external party. Under the terms of the contract, NuVista will be compensated to complete the construction of the asset in exchange for entering into a long term commitment for operatorship and use of the compressor station.

## 5. Exploration and evaluation assets

	March 31, 2019	December 31, 2018
Balance, January 1	\$ 30,165	\$ 64,298
Additions	3,728	4,872
Acquisitions	—	28,122
Capitalized share-based compensation (note 16)	86	336
Transfers to property, plant and equipment (note 6)	(1,869)	(64,753)
Expiries (exploration and evaluation expense)	(977)	(2,710)
Balance, end of period	\$ 31,133	\$ 30,165

At March 31, 2019, there were no indicators of impairment in NuVista's E&E assets, therefore an impairment test was not performed.

## 6. Property, plant and equipment

	March 31, 2019	December 31, 2018
<b>Cost</b>		
Balance, January 1	\$ 2,779,988	\$ 1,671,300
Additions	94,783	335,920
Acquisitions	—	676,436
Dispositions	(14)	(562)
Capitalized share-based compensation (note 16)	374	1,313
Change in asset retirement obligations (note 11)	16,878	30,828
Transfers from exploration and evaluation assets (note 5)	1,869	64,753
Balance, end of period	\$ 2,893,878	\$ 2,779,988

	March 31, 2019	December 31, 2018
<b>Accumulated depletion, depreciation and amortization</b>		
Balance, January 1	\$ 799,862	\$ 644,184
Depletion, depreciation, amortization and impairment expense	51,579	156,080
Dispositions	—	(402)
Balance, end of period	\$ 851,441	\$ 799,862

	March 31, 2019	December 31, 2018
<b>Carrying value</b>		
Balance, January 1	\$ 1,980,126	\$ 1,027,116
Balance, end of period	\$ 2,042,437	\$ 1,980,126

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

## 7. Right-of-use assets

	<b>Office Leases</b>	
<b>Cost:</b>		
Balance, January 1, 2019 (note 3)	\$	5,481
Additions and adjustments		—
Balance, March 31, 2019	\$	5,481
<b>Accumulated depreciation:</b>		
Balance, January 1, 2019	\$	—
Depreciation		198
Balance, March 31, 2019	\$	198
<b>Carrying amount:</b>		
Balance, January 1, 2019	\$	5,481
Balance, March 31, 2019	\$	5,283

## 8. Long-term debt

At March 31, 2019, the Company had a \$450 million (December 31, 2018 - \$450 million) extendible revolving term credit facility available from a syndicate of Canadian chartered banks. Borrowing under the credit facility may be made by prime loans, bankers' acceptances and/or US libor advances. These advances bear interest at the bank's prime rate and/or at money market rates plus a borrowing margin. For the three months ended March 31, 2019, borrowing costs averaged 3.7% (December 31, 2018 – 3.3%). The credit facility is secured by a first floating charge debenture, general assignment of book debts and the Company'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 annually on or before April 30 and semi-annually on or before October 31. During the term period, no principal payments would be required until a year after the revolving period matures on April 30, in the event of a reduction or the credit facility not being renewed.

As at March 31, 2019, the Company had drawn \$326.9 million on its credit facility (December 31, 2018 – \$257.4 million) and had outstanding letters of credit of \$7.8 million, which reduce the credit available on the credit facility. The credit facility does not contain any financial covenants, but the Company is subject to various non-financial covenants under its credit facility. These covenants are monitored on a regular basis and as at March 31, 2019, the Company was in compliance with all covenants.

In April 2019, NuVista completed the annual review of its borrowing base with its lenders and the lenders approved an increase to the revolving term credit facility to \$500 million as a result of increased value in producing reserves. The next semi-annual review is scheduled for on or before October 31, 2019.

## 9. 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"). 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 the full aggregate principal amount of \$70.0 million the Company's existing 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 financing costs, for a total incremental expense on redemption of \$8.8 million.

## 10. Lease Liabilities

The Company has the following future commitments associated with its office lease obligations:

	As at:	
	March 31, 2019	
Less than 1 year	\$	865
1-3 years		2,797
4-5 years		1,645
After 5 years		1,390
Total undiscounted future lease payments		6,697
Amounts representing interest over the term of the lease		(1,359)
Present value of net lease payments		5,338
Current portion of lease liabilities		(591)
Non current portion of lease liabilities	\$	4,747

## 11. Asset retirement obligations

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

The Company's asset retirement obligations are based on estimated costs to reclaim and abandon ownership interests in oil and natural gas assets including well sites, gathering systems and processing facilities. At March 31, 2019, the estimated total undiscounted, uninflated amount of cash flows required to settle the asset retirement obligations is \$104.7 million (December 31, 2018 – \$106.0 million), which is estimated to be incurred within the next 50 years. The Bank of Canada's long-term risk-free bond rate of 1.9% (December 31, 2018 – 2.2%) and an inflation rate of 2.0% (December 31, 2018 – 2.0%) were used to calculate the net present value of the asset retirement obligations.

## 12. Share capital

### Common shares

	March 31, 2019		December 31, 2018	
	Number	Amount	Number	Amount
Balance, January 1	225,306,055	\$ 1,216,067	174,003,588	\$ 1,276,426
Issued for cash on offering of common shares	—	—	47,415,801	384,068
Issued for cash on offering of flow-through common shares <sup>(1)</sup>	—	—	2,756,880	22,331
Issued for cash on exercise of stock options	5,500	24	808,604	5,201
Contributed surplus transferred on exercise of stock options	—	8	—	1,806
Conversion of restricted share awards	21,840	147	321,182	2,092
Share issue costs <sup>(2)</sup>	—	—	—	(13,465)
Elimination of deficit	—	—	—	(462,392)
Balance, end of period	225,333,395	\$ 1,216,246	225,306,055	\$ 1,216,067

<sup>(1)</sup> Net of implied premium of nil (2018 - \$2.6 million) on flow-through share price compared to common share issue price.

<sup>(2)</sup> Net of deferred tax benefit of nil (2018 - \$5.0 million).

### 13. Earnings (loss) per share

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

(thousands of shares)	Three months ended March 31	
	2019	2018
Weighted average common shares outstanding		
Basic	<b>225,327</b>	174,099
Diluted	<b>225,327</b>	174,938

For the three months ended March 31, 2019, share awards are determined to be anti-dilutive.

### 14. Petroleum and natural gas revenues

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

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

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

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

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

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

	<b>Three months ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Natural gas revenue <sup>(1)</sup>	<b>\$ 56,257</b>	\$ 41,737
Condensate & oil revenue	<b>69,077</b>	75,025
NGL revenue <sup>(2)</sup>	<b>8,730</b>	7,994
<b>Total petroleum and natural gas revenue</b>	<b>\$ 134,064</b>	<b>\$ 124,756</b>

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

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

A breakdown of natural gas revenue is as follows:

	<b>Three months ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Natural gas revenue - AECO reference price <sup>(1)</sup>	<b>\$ 27,294</b>	\$ 22,094
Heat/value adjustment <sup>(2)</sup>	<b>2,347</b>	1,983
Transportation revenue <sup>(3)</sup>	<b>7,289</b>	5,105
Natural gas market diversification revenue	<b>19,975</b>	8,404
AECO physical delivery price risk management gains (losses) <sup>(4)</sup>	<b>(648)</b>	4,151
<b>Total natural gas revenue</b>	<b>\$ 56,257</b>	<b>\$ 41,737</b>

<sup>(1)</sup> Annual average AECO 7A monthly index.

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

<sup>(3)</sup> Cost of gas transportation from the transfer of custody sales point to the final sales point.

<sup>(4)</sup> Excludes price risk management realized and unrealized gains and losses on financial derivative commodity contracts but includes gains and losses on physical sale contracts.

Included in the accounts receivable at March 31, 2019 is \$48.6 million (December 31, 2018 - \$39.7 million) of accrued petroleum and natural gas revenue related to deliveries for periods prior to the reporting date. There were no significant adjustments for prior period accrued petroleum and natural gas revenue reflected in the Company's current period.

## 15. Capital management

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

NuVista's long term strategy is to maintain a net debt to annualized current quarter adjusted funds flow ratio of approximately 1.5 times. The actual ratio may fluctuate on a quarterly basis above or below targeted levels due to a number of factors including facility outages, commodity prices and the timing of acquisitions and dispositions. At March 31, 2019, the Company's net debt was 1.9 times its annualized adjusted funds flow.

### *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 performance measure of NuVista's operations on a continuing basis. More specifically, expenditures on asset retirement obligations may vary from period to period depending on the Company's capital

programs and the maturity of its operating areas, while environmental remediation recovery relates to an incident that management doesn't expect to occur on a regular basis. The settlement of asset retirement obligations is managed through NuVista's capital budgeting process which considers its available adjusted funds flow.

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

	<b>Three months ended March 31</b>	
	<b>2019</b>	<b>2018</b>
Cash provided by operating activities	<b>\$ 53,302</b>	\$ 65,294
Asset retirement expenditures	<b>12,678</b>	6,856
Change in non-cash working capital	<b>5,674</b>	(13,418)
<b>Adjusted funds flow <sup>(1)</sup></b>	<b>\$ 71,654</b>	\$ 58,732

<sup>(1)</sup> Adjusted funds flow as presented does not have any standardized meaning prescribed by IFRS and therefore it may not be comparable with the calculation of similar measures of other entities.

#### *Net debt and total capitalization*

Net debt is used by management to provide a more complete understanding of the Company's capital structure and provides a key measure to assess the Company's liquidity. NuVista has calculated net debt based on cash and cash equivalents, accounts receivable and prepaid expenses, asset under construction, accounts payable and accrued liabilities, long term debt (credit facility) and senior unsecured notes. Total market capitalization and net debt to annualized current quarter adjusted funds flow are used by management and the Company's investors in analyzing the Company's balance sheet strength and liquidity.

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

	<b>March 31, 2019</b>	December 31, 2018
Basic common shares outstanding	<b>225,333</b>	225,306
Share price <sup>(1)</sup>	<b>4.30</b>	4.08
<b>Total market capitalization</b>	<b>968,932</b>	919,248
Cash and cash equivalents, accounts receivable and prepaid expenses	<b>(56,479)</b>	(53,334)
Asset under construction	<b>(38,742)</b>	—
Accounts payable and accrued liabilities	<b>99,916</b>	90,074
Long-term debt (credit facility)	<b>326,854</b>	257,395
Senior unsecured notes	<b>216,056</b>	215,892
Other liabilities	<b>1,508</b>	1,381
<b>Net debt <sup>(2)</sup></b>	<b>549,113</b>	511,408
Annualized current quarter adjusted funds flow	<b>286,616</b>	264,448
<b>Net debt to annualized current quarter adjusted funds flow</b>	<b>1.9</b>	1.9

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

<sup>(2)</sup> Net debt as presented does not have any standardized meaning prescribed by IFRS and therefore it may not be comparable with the calculation of similar measures of other entities.

The net debt to annualized current quarter adjusted funds flow ratio represents the time period in years it would take to pay off the net debt if no further capital expenditures were incurred and if adjusted funds flow remained consistent.

## 16. Share-based compensation

### Stock options

The Company has established a stock option plan whereby officers, directors and employees may be granted options to purchase common shares. Options granted vest at the rate of 1/3 per year and expire 2.5 years after the vesting date. The maximum number of stock options currently outstanding and available to be issued as at March 31, 2019 is 8.4 million. The following continuity table summarizes the stock option activity:

	March 31, 2019		December 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, January 1	6,859,491	\$ 6.78	6,478,308	\$ 7.43
Granted	21,800	4.25	2,368,461	5.82
Exercised	(5,500)	4.25	(808,604)	6.43
Forfeited	(32,655)	6.78	(589,332)	7.95
Expired	(3,334)	8.01	(589,342)	9.37
Balance, end of period	6,839,802	\$ 6.77	6,859,491	\$ 6.78
Weighted average share price on date of exercise	5,500	\$ 4.82	808,604	\$ 8.74

The following table summarizes stock options outstanding and exercisable under the plan at March 31, 2019:

Range of exercise price	Options outstanding			Options exercisable	
	Number of options outstanding	Weighted average contractual life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
\$3.92 to \$4.99	2,127,291	3.6	\$ 4.39	434,493	\$ 4.25
\$5.00 to \$9.99	4,570,820	2.3	7.76	2,427,453	7.58
\$10.00 to \$11.45	141,691	0.6	10.78	141,691	10.78
<b>\$3.92 to \$11.45</b>	<b>6,839,802</b>	<b>2.7</b>	<b>\$ 6.77</b>	<b>3,003,637</b>	<b>\$ 7.26</b>

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

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

	March 31, 2019	December 31, 2018
Risk-free interest rate (%)	1.77	2.23
Expected volatility (%)	51	50
Expected life (years)	4.5	4.5
Forfeiture rate (%)	11	11
Fair value at grant date (\$ per option)	1.84	2.61

### Share award incentive plan

The Company has a Share Award Incentive Plan ("the Plan") for employees and officers consisting of Restricted Share Awards ("RSA") and Performance Share Awards ("PSA"). The maximum number of common shares reserved for issuance under the Plan is 3,750,000 of which 2,660,959 remain to be issued.

### *Restricted share awards*

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

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

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

	<b>March 31, 2019</b>	December 31, 2018
Balance, January 1	<b>538,520</b>	645,992
Settled	<b>(21,840)</b>	(321,182)
Granted	<b>10,425</b>	275,921
Forfeited	<b>(7,822)</b>	(62,211)
Balance, end of period	<b>519,283</b>	538,520

### *Performance share awards*

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

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

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

	<b>March 31, 2019</b>	December 31, 2018
Balance, January 1	<b>279,429</b>	—
Granted	<b>7,145</b>	295,078
Forfeited	<b>(1,670)</b>	(15,649)
Balance, end of period	<b>284,904</b>	279,429

### *Director deferred share units*

The Company has a director deferred share unit ("DSU") incentive plan. Each DSU entitles participants to receive cash equal to the trading price of the equivalent number of shares of the Company. All DSUs granted vest and become payable upon retirement of the director.

The compensation expense was calculated using the fair value method based on the trading price of the Company's shares at the end of each reporting period. The following table summarizes the change in the number of DSUs:

	March 31, 2019	December 31, 2018
Balance, January 1	338,427	217,847
Granted	12,245	120,580
Balance, end of period	350,672	338,427

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

	March 31, 2019	December 31, 2018
Balance, January 1	\$ 1,381	\$ 1,747
Change in accrued compensation liabilities	127	(366)
Balance, end of period	\$ 1,508	\$ 1,381

Compensation liability resulting from DSUs granted in the three months ended March 31, 2019, increased due to an increase in the number of DSUs granted and an increase in the closing share price used to value the liability at the end of the period, from \$4.08 at December 31, 2018 to \$4.30 at March 31, 2019.

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

	2019					2018				
	Stock option	DSU	RSA	PSA	Total	Stock options	DSU	RSA	PSA	Total
Non cash share-based compensation	\$ 961	\$ —	\$ 351	\$ 108	\$ 1,420	\$ 957	\$ —	\$ 450	\$ —	\$ 1,407
Cash share-based compensation	—	127	—	—	127	—	(117)	—	—	(117)
Total share-based compensation	\$ 961	\$ 127	\$ 351	\$ 108	\$ 1,547	\$ 957	\$ (117)	\$ 450	\$ —	\$ 1,290
Capitalized share-based compensation	\$ 322	\$ —	\$ 106	\$ 32	\$ 460	\$ 261	\$ —	\$ 123	\$ —	\$ 384

During both the three months ended March 31, 2019 and March 31, 2018, there were no cash settled DSUs.

## 17. Risk management activities

### (a) Financial instruments

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

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



- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Company's cash and cash equivalents are classified as Level 1 and financial derivative contracts as Level 2. The Company uses third party models and valuation methodologies to determine the fair value of financial derivative contracts. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level.

(b) Financial assets and financial liabilities subject to offsetting

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

	March 31, 2019			December 31, 2018		
	Gross financial assets	Gross financial liabilities	Net financial assets	Gross financial assets	Gross financial liabilities	Net financial assets
Current assets (liabilities)	\$ 3,184	\$ (853)	\$ 2,331	\$ 40,486	\$ —	\$ 40,486
Long-term assets (liabilities)	49,590	(1,576)	48,014	76,763	—	76,763
Net position	\$ 52,774	\$ (2,429)	\$ 50,345	\$ 117,249	\$ —	\$ 117,249

(c) Risk management contracts

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

	March 31, 2019	December 31, 2018
Fair value of contracts, beginning of year	\$ 117,249	\$ 23,854
Change in the fair value of contracts in the period	(64,197)	55,060
Fair value of contracts realized in the period	(2,707)	38,335
Fair value of contracts, end of period	\$ 50,345	\$ 117,249

The following is a summary of the financial derivatives as at March 31, 2019:

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

<sup>(1)</sup> Table presented as weighted average volumes and prices.

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

<sup>(1)</sup> Table presented as weighted average volumes and prices.

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

<sup>(1)</sup> Table presented as weighted average volumes and prices.

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

<sup>(1)</sup> Table presented as weighted average volumes and prices.

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

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

<sup>(1)</sup> Table presented as weighted average volumes and prices.

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

<sup>(1)</sup> Table presented as weighted average volumes and prices.

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

<sup>(1)</sup> Table presented as weighted average volumes and prices.

(d) Physical delivery sales contracts

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

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

<sup>(1)</sup> Table presented as weighted average volumes and prices.

## 18. Financing costs

	Three months ended March 31	
	2019	2018
Interest expense	\$ 6,903	\$ 12,421
Finance lease expense	73	—
Accretion of asset retirement obligations	488	404
Total financing costs	\$ 7,464	\$ 12,825

## 19. Supplemental cash flow information

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

	Three months ended March 31	
	2019	2018
Cash provided by (used for):		
Accounts receivable and prepaid expenses	\$ (2,299)	\$ 3,818
Other assets	(846)	183
Accounts payable and accrued liabilities	10,134	42,027
Total	\$ 6,989	\$ 46,028
Related to:		
Operating activities	\$ (5,674)	\$ 13,418
Investing activities	12,663	32,610
	\$ 6,989	\$ 46,028

## 20. Commitments

The following is a summary of the Company's commitments as at March 31, 2019:

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

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

<sup>(2)</sup> Represents the undiscounted future commitments of office lease obligations, as presented in Note 10.