MANAGEMENT'S REPORT

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

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

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

Under the supervision of our Chief Executive Officer and our Chief Financial Officer, Management has conducted an evaluation of the effectiveness of our internal control over financial reporting. Management has concluded that as of December 31, 2019, our internal controls over financial reporting were effective. Because of the inherent limitations, internal controls over financial reporting may not prevent or detect misstatements and even those systems determined to be effective can provide only reasonable assurance with respect to the financial statement preparation and presentation.

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

KPMG LLP are independent auditors appointed by NuVista's shareholders. The auditors have audited the financial statements in accordance with generally accepted auditing standards to enable them to express an opinion on the fairness of the financial statements.

(signed) "Jonathan A. Wright"
President and Chief Executive Officer
March 3, 2020

(signed) "Ross L. Andreachuk"
Vice President, Finance and Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Shareholders of NuVista Energy Ltd.

Opinion

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

- the statements of financial position as at December 31, 2019 and December 31, 2018
- the statements of earnings (loss) and comprehensive income (loss) for the years then ended
- the statements of changes in shareholders' equity for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and December 31, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

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

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

Other Information

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

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

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

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

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

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this auditors' report is Brad William Robertson.

(signed) "KPMG LLP"

Chartered Professional Accountants

Calgary, Canada

March 3, 2020

NUVISTA ENERGY LTD.

Statement of Financial Position

($Cdn thousands)

As at December 31,		2019		2018
Assets				
Current assets				
Cash and cash equivalents	**$**	**—**	$	—
Accounts receivable and prepaid expenses		**62,772**		53,334
Financial derivative assets (note 20)		**10,629**		40,486
Other receivable (note 5)		**10,301**		—
		83,702		93,820
Financial derivative assets (note 20)		**—**		76,763
Exploration and evaluation assets (note 6)		**27,947**		30,165
Property, plant and equipment (note 7)		**2,103,090**		1,980,126
Right-of-use assets (note 8)		**116,622**		—
Total assets	**$**	**2,331,361**	$	2,180,874
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**110,144**	$	90,074
Current portion of lease liabilities (note 12)		**3,416**		—
Current portion of asset retirement obligations (note 13)		**11,575**		12,500
		125,135		102,574
Long-term debt (note 10)		**306,274**		257,395
Senior unsecured notes (note 11)		**216,771**		215,892
Other liabilities (note 19)		**1,859**		1,381
Lease liabilities (note 12)		**115,891**		—
Asset retirement obligations (note 13)		**112,958**		90,203
Financial derivative liabilities (note 20)		**34,543**		—
Deferred tax liability (note 14)		**69,174**		108,412
		982,605		775,857
Shareholders' equity				
Share capital (note 15)		**1,218,264**		1,216,067
Contributed surplus		**58,080**		52,705
Retained earnings		**72,412**		136,245
		1,348,756		1,405,017
Total liabilities and shareholders' equity	**$**	**2,331,361**	$	2,180,874

Subsequent events (note 20)
Commitments (note 23)

See accompanying notes to the financial statements.

Approved on behalf of the Board:

(signed) "Deborah S. Stein"
Director

(signed) "Pentti O. Karkkainen"
Director

NUVISTA ENERGY LTD.

Statement of Earnings (Loss) and Comprehensive Income (Loss)

($Cdn thousands, except per share amounts)		
Year ended December 31,	**2019**	2018
Revenues		
Petroleum and natural gas (note 17)	**$ 561,095**	$ 555,849
Royalties	**(27,669)**	(16,273)
Net revenue from petroleum and natural gas sales	**533,426**	539,576
Financial derivative contracts		
Realized gain (loss) on financial derivatives	**17,381**	(38,335)
Unrealized gain (loss) on financial derivatives	**(141,163)**	93,395
Net revenue from petroleum and natural gas sales and gains (losses) on financial derivatives	**409,644**	594,636
Expenses		
Operating	**178,275**	143,603
Transportation	**56,333**	45,099
General and administrative	**16,852**	17,540
Share-based compensation (note 19)	**6,200**	5,042
Transaction costs	**—**	2,624
Financing costs (note 21)	**35,088**	30,069
Depletion, depreciation and amortization	**219,474**	156,080
Exploration and evaluation (note 6)	**3,668**	2,710
Loss (gain) on property dispositions (note 9)	**(3,175)**	146
	512,715	**402,913**
Earnings (loss) before taxes	**(103,071)**	191,723
Deferred income tax expense (recovery)	**(39,238)**	55,478
Net earnings (loss) and comprehensive income (loss)	**$ (63,833)**	$ 136,245
Net earnings (loss) per share (note 16)		
Basic	**$ (0.28)**	$ 0.71
Diluted	**$ (0.28)**	$ 0.71

See accompanying notes to the financial statements.

NUVISTA ENERGY LTD.

Statement of Changes in Shareholders' Equity

($Cdn thousands)				
Year ended December 31,		**2019**		2018
Share capital (note 15)				
Balance, January 1	**$**	**1,216,067**	$	1,276,426
Issued for cash on offering of common shares		**—**		384,068
Issued for cash on offering of flow-through common shares, net of implied premium of $2.6 million		**—**		22,331
Issued for cash on exercise of stock options		**45**		5,201
Contributed surplus transferred on exercise of stock options		**15**		1,806
Conversion of restricted share awards		**2,129**		2,092
Conversion of performance share awards		**8**		—
Share issue costs, net of deferred tax benefit of $5.0 million		**—**		(13,465)
Elimination of deficit		**—**		(462,392)
Balance, end of period	**$**	**1,218,264**	$	1,216,067
Contributed surplus				
Balance, January 1	**$**	**52,705**	$	49,545
Share-based compensation		**7,527**		7,058
Transfer to share capital on exercise of stock options		**(15)**		(1,806)
Conversion of restricted share awards		**(2,129)**		(2,092)
Conversion of performance share awards		**(8)**		—
Balance, end of period	**$**	**58,080**	$	52,705
Retained earnings (deficit)				
Balance, January 1	**$**	**136,245**	$	(462,392)
Net earnings (loss)		**(63,833)**		136,245
Elimination of deficit		**—**		462,392
Balance, end of period	**$**	**72,412**	$	136,245
Total shareholders' equity	**$**	**1,348,756**	$	1,405,017

See accompanying notes to the financial statements.

NUVISTA ENERGY LTD.

Statement of Cash Flows

($Cdn thousands)		
Year ended December 31,	**2019**	2018
Cash provided by (used in)		
Operating activities		
Net earnings (loss)	**$ (63,833)**	$ 136,245
Items not requiring cash from operations:		
Depletion, depreciation and amortization	**219,474**	156,080
Exploration and evaluation (note 6)	**3,668**	2,710
Loss (gain) on property dispositions (note 9)	**(3,175)**	146
Share-based compensation (note 19)	**5,722**	5,408
Unrealized loss (gain) on financial derivatives	**141,163**	(93,395)
Deferred income tax expense (recovery)	**(39,238)**	55,478
Accretion (note 13)	**2,070**	1,776
Asset retirement expenditures (note 13)	**(14,383)**	(13,458)
Change in non-cash working capital (note 22)	**12,388**	67
	263,856	251,057
Financing activities		
Issue of share capital, net of share issue costs	**45**	395,774
Payment on lease liabilities	**(624)**	—
Increase of long-term debt	**48,879**	131,670
Issuance of senior unsecured notes, net of financing costs	**—**	215,142
Repayment of senior unsecured notes	**—**	(67,680)
	48,300	674,906
Investing activities		
Property, plant and equipment expenditures	**(317,050)**	(335,920)
Exploration and evaluation expenditures	**(5,239)**	(4,872)
Other receivable expenditures	**3,942**	—
Property acquisitions	**—**	(619,444)
Proceeds on property dispositions	**6,556**	—
Change in non-cash working capital (note 22)	**(365)**	34,273
	(312,156)	(925,963)
Change in cash and cash equivalents	**—**	—
Cash and cash equivalents, beginning of period	**—**	—
Cash and cash equivalents, end of period	**$ —**	$ —
Cash interest paid	**$ 28,383**	$ 22,889

See accompanying notes to the financial statements.

Year ended December 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 a condensate and natural gas 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.

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

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These accounting policies have been applied consistently for all periods presented in these financial statements.

These financial statements were approved and authorized for issuance by the Board of Directors on March 3, 2020.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis, except for derivative financial instruments that have been measured at fair value with the changes in fair value recorded in net earnings.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

(d) Use of estimates and judgments

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

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

(i) Cash generating units

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

(ii) Impairment indicators

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

(iii) Exploration and evaluation assets

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

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

(iv) Reserve estimates

Oil and natural gas reserves are used in the calculation of depletion, impairment and impairment reversals. Reserve estimates are based on engineering data, estimated future prices and costs, expected future rates of production and the timing of future capital expenditures, all of which are subject to many uncertainties and interpretations. The Company expects that, over time, its reserve estimates will be revised upward or downward based on updated information such as the results of future drilling, testing and production levels and changes in commodity prices.

(v) Asset retirement obligations

Asset retirement obligations are recognized for the future decommissioning and restoration of property, plant and equipment. These obligations are based on estimated costs, which take into account the anticipated method and extent of restoration and technological advances. Actual costs are uncertain and estimates can vary as a result of changes to relevant laws and regulations, the emergence of new technology, operating experience and prices. The expected timing of future decommissioning and restoration may change due to certain factors, including reserve life. Changes to assumptions related to future expected costs, discount rates and timing may have a material impact on the amounts presented.

(vi) Income taxes

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

(vii) Business combinations

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

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 December 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)
Total	**$ —**	**$ —**	**$ —**

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 lease interest expense. The lease interest expense 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 lease 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. Significant accounting policies

(a) Cash and cash equivalents

Cash and cash equivalents are comprised of cash and short-term investments that are highly liquid in nature and have an original maturity date of three months or less.

(b) Joint arrangements

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

(c) Exploration and evaluation assets

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

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

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

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

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

(d) Development and production assets

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

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

(e) Impairment

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

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

(f) Depletion, depreciation, amortization

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

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

(g) Asset purchases and disposals

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

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

(h) Asset exchange transactions

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

(i) Business combinations

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

(j) Asset retirement obligations

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

(k) Revenue recognition

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

(l) Transportation

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

(m) Financial instruments

(i) Non-derivative financial instruments

Financial instruments have 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"). 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 is 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.

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

(ii) Derivative financial instruments

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

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

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

(n) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(o) Share-based compensation

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

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

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

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

(p) Income taxes

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

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

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

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

(q) Earnings (loss) per share

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

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

5. Other receivable

The Company has entered into contracts for the construction of two Pipestone compressor stations, which secured third party ownership and funding of the assets. The other receivable balance of $10.3 million represents expenses incurred that have not yet been reimbursed related to these assets.

6. Exploration and evaluation assets

		2019		2018
Balance, January 1	$	**30,165**	$	64,298
Additions		**7,173**		4,872
Acquisitions		**—**		28,122
Dispositions		**—**		—
Capitalized share-based compensation (note 19)		**333**		336
Transfers to property, plant and equipment (note 7)		**(6,056)**		(64,753)
Expiries (exploration and evaluation expense)		**(3,668)**		(2,710)
Balance, end of period	$	**27,947**	$	30,165

During the years ended December 31, 2019 and 2018, there were no indicators of impairment in NuVista's E&E assets, therefore an impairment test was not performed.

7. Property, plant and equipment

		2019		2018
Cost				
Balance, January 1	$	**2,779,988**	$	1,671,300
Additions		**302,808**		335,920
Acquisitions		**—**		676,436
Dispositions (note 9)		**(6,237)**		(562)
Capitalized share-based compensation (note 19)		**1,471**		1,313
Change in asset retirement obligations (note 13)		**35,031**		30,828
Transfers from exploration and evaluation assets (note 6)		**6,056**		64,753
Balance, end of period	$	**3,119,117**	$	2,779,988

		2019		2018
Accumulated depletion, depreciation and amortization				
Balance, January 1	$	**799,862**	$	644,184
Depletion, depreciation and amortization		**216,165**		156,080
Dispositions		**—**		(402)
Balance, end of period	$	**1,016,027**	$	799,862

		2019		2018
Carrying value				
Balance, January 1	$	**1,980,126**	$	1,027,116
Balance, end of period	$	**2,103,090**	$	1,980,126

At December 31, 2019 there were indicators of impairment identified in NuVista's Wapiti Montney CGU as a result of sustained declines in the forward commodity prices for condensate, oil and natural gas and a reduction in market capitalization. An impairment test was performed on property, plant and equipment assets. For the December 31, 2019 test, property, plant and equipment was assessed based on the recoverable amount estimated using a value in use calculation based on expected future cash flows generated from proved and probable reserves using pre-tax discount rates ranging from 10% to 17%, based on the independent external reserves report. No impairment was recognized at December 31, 2019, as the estimated recoverable amount of the Wapiti Montney CGU exceeded its respective carrying value.

During the year ended December 31, 2018, there were no indicators of impairment or reversal of impairment identified on any of the Company's CGU's within property, plant & equipment.

8. Right-of-use assets

	Office Leases	Gas Transportation Lease	Gas Processing Lease	Total
Cost:				
Balance, January 1, 2019 (note 3)	$ 5,481	$ —	$ —	$ 5,481
Additions	—	36,921	77,529	114,450
Balance, December 31, 2019	$ 5,481	$ 36,921	$ 77,529	$ 119,931
Accumulated depreciation:				
Balance, January 1, 2019	$ —	$ —	$ —	$ —
Depreciation	793	803	1,713	3,309
Balance, December 31, 2019	$ 793	$ 803	$ 1,713	$ 3,309
Carrying amount:				
Balance, January 1, 2019	$ 5,481	$ —	$ —	$ 5,481
Balance, December 31, 2019	**$ 4,688**	**$ 36,118**	**$ 75,816**	**$ 116,622**

In accordance with the adoption of IFRS 16 - *Leases*, on January 1, 2019, the Company recognized right-of-use assets for our head office and field office leases.

During the year ended December 31, 2019, the Company entered into a contract for the construction of the Pipestone South compressor station, which secured third party ownership and funding of the asset. Under the terms of the contract, NuVista was compensated to complete the construction of the asset in exchange for entering into a long term commitment for NuVista operatorship and use of the compressor station. During the third quarter of 2019, the Company recognized right of use assets for a gas processing lease associated with the start up of the Pipestone South compressor, and a gas transportation lease associated with the pipeline that connects the Pipestone South compressor to the SemCAMS Wapiti plant.

9. Dispositions

	2019	2018
Proceeds from dispositions	**$ 6,556**	$ —
Property, plant and equipment after net accumulated DD&A disposed	**(6,237)**	(160)
Asset retirement obligations disposed	**888**	14
Working capital	**1,968**	—
Gain (loss) on dispositions	**$ 3,175**	$ (146)

For the year ended December 31, 2019, the Company disposed of certain non core area assets including a water pipeline for gross proceeds of $6.6 million. A gain on dispositions of $3.2 million was recorded in the period.

10. Long-term debt

At December 31, 2019, the Company had a $550 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 year ended December 31, 2019, borrowing costs averaged 3.8% (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 condensate and natural gas properties and equipment. The credit facility has a tenor of two years and is subject to an annual review by the lenders, at which time the lenders can extend the revolving period or can request conversion to a one year term loan. During the revolving period, a review of the maximum borrowing amount occurs 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. The semi annual review was completed in the fourth quarter, resulting in an increase to the credit facility of $50 million. The next review is scheduled for on or before April 30, 2020. Upon successful renewal, the tenor of the credit facility will extend to April 2022.

As at December 31, 2019, the Company had drawn $306.3 million on its credit facility (December 31, 2018 – $257.4 million) and had outstanding letters of credit of $8.0 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 December 31, 2019, the Company was in compliance with all covenants.

11. 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.

12. Lease Liabilities

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

		2019
Lease liabilities at January 1, 2019	$	**5,481**
Additions [(1)]		**114,450**
Lease interest expense		**3,631**
Principal repayment of leases		**(4,255)**
Lease liabilities at December 31, 2019	$	**119,307**
Current portion of lease liabilities	$	**3,416**
Non current portion of lease liabilities	$	**115,891**

[(1)] The incremental borrowing rate used to determine the lease liabilities for the gas transportation and processing commitments added in the year was 11% and 8%, respectively.

The following table details the undiscounted cash flows and contractual maturities of NuVista's lease liabilities, as at December 31, 2019:

		2019
Less than 1 year	$	**13,623**
1-3 years		**44,954**
4-5 years		**29,093**
After 5 years		**124,917**
Total undiscounted future lease payments	$	**212,587**
Amounts representing lease interest expense over the term of the lease		**(93,280)**
Present value of net lease payments	$	**119,307**

13. Asset retirement obligations

		2019		2018
Balance, January 1	$	**102,703**	$	72,430
Accretion expense		**2,070**		1,776
Liabilities acquired		**—**		11,141
Change in discount rate, Pipestone Acquisition		**—**		17,571
Liabilities incurred		**3,831**		3,291
Liabilities disposed		**(888)**		(14)
Change in estimates		**36,194**		5,791
Change in discount rate		**(4,994)**		4,175
Liabilities settled		**(14,383)**		(13,458)
Balance, end of period	$	**124,533**	$	102,703
Expected to be incurred within one year	$	**11,575**	$	12,500
Expected to be incurred beyond one year	$	**112,958**	$	90,203

The Company's asset retirement obligations are based on estimated costs to reclaim and abandon ownership interests in condensate and natural gas assets including well sites, gathering systems and processing facilities. At December 31, 2019, the estimated total undiscounted, uninflated amount of cash flows required to settle the asset retirement obligations is $133.8 million (December 31, 2018 – $106.0 million), of which 40% is estimated to be incurred within the next 10 years. The Bank of Canada's long-term risk-free bond rate of 1.8% (December 31, 2018 – 2.2%) and an inflation rate of 1.4% (December 31, 2018 – 2.0%) were used to calculate the net present value of the asset retirement obligations. The increase in the ARO liability is due primarily to increases in abandonment cost estimates for certain wells in our non core northwest Alberta area.

14. Deferred income taxes

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

		2019		2018
Income before tax	**$**	**(103,071)**	$	191,723
Expected tax rate [1]		**26.50%**		27.00%
Expected income tax expense		**(27,314)**		51,765
Effect of change in corporate tax rates		**(13,827)**		—
Non-deductible expenses		**1,897**		(204)
Flow-through share renunciations		**—**		4,117
Change in unrecognized deferred income tax assets		**—**		—
Other		**6**		(200)
Deferred income tax expense (benefit)	**$**	**(39,238)**	$	55,478

[1] The statutory rate consists of the combined statutory rates for the Company for the years ended December 31, 2019 and 2018.

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

		2019		2018
Deferred tax liability				
Oil and natural gas properties	**$**	**228,166**	$	184,764
Financial derivative contracts		**—**		31,657
Senior unsecured notes		**773**		1,109
		228,939		217,530
Deferred tax assets				
Asset retirement obligations		**(56,503)**		(27,730)
Share issue costs		**(4,421)**		(6,940)
Financial derivative contracts		**(6,337)**		—
Non-capital losses		**(91,530)**		(73,787)
Other		**(974)**		(661)
		(159,765)		(109,118)
Net deferred tax liability	**$**	**69,174**	$	108,412

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

Assets (liability)	Balance, January 1, 2019	Recognized in profit or loss	Recognized in equity	Other	**Balance, December 31, 2019**
Oil and natural gas properties	$ (184,764)	$ (43,402)	$ —	$ —	**$ (228,166)**
Asset retirement obligations	27,730	28,773	—	—	**56,503**
Share issue costs	6,940	(2,519)	—	—	**4,421**
Senior unsecured notes	(1,109)	336	—	—	**(773)**
Financial derivative contracts	(31,657)	37,994	—	—	**6,337**
Non-capital losses	73,787	17,743	—	—	**91,530**
Other	661	313	—	—	**974**
Total	$ (108,412)	$ 39,238	$ —	$ —	**$ (69,174)**

Asset (liability)	Balance January 1, 2018	Recognized in profit or loss	Recognized in equity	Other	Balance, December 31, 2018
Oil and natural gas properties	$ (59,317)	$ (51,474)	$ —	$ (73,973)	$ (184,764)
Asset retirement obligations	19,556	8,174	—	—	27,730
Share issue costs	1,324	636	4,980	—	6,940
Senior unsecured notes	—	(1,109)	—	—	(1,109)
Financial derivative contracts	(6,441)	(25,216)	—	—	(31,657)
Non-capital losses	62,961	10,826	—	—	73,787
Other	594	2,685	(2,618)	—	661
Total	$ 18,677	$ (55,478)	$ 2,362	$ (73,973)	$ (108,412)

The Company has $398 million of non capital losses available which expire between 2026 and 2039.

During the year ended December 31, 2019, the Company recognized a deferred income tax recovery of $13.8 million related to the Alberta corporate income tax rate reduction introduced in the second quarter of 2019, being reduced 1% per year from 2019 to 2022. The rate decrease will be phased in as follows: 11% effective July 1, 2019, 10% effective January 1, 2020, 9% effective January 1, 2021, and 8% effective January 1, 2022.

15. Share capital

Common shares

	2019		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[1]	**—**	**—**	2,756,880	22,331
Issued for cash on exercise of stock options	**10,600**	**45**	808,604	5,201
Contributed surplus transferred on exercise of stock options	**—**	**15**	—	1,806
Conversion of restricted share awards	**274,009**	**2,129**	321,182	2,092
Conversion of performance share awards	**1,061**	**8**	—	—
Share issue costs [2]	**—**	**—**	—	(13,465)
Elimination of deficit	**—**	**—**	—	(462,392)
Balance, end of period	**225,591,725**	**$ 1,218,264**	225,306,055	$ 1,216,067

[1] Net of implied premium of nil (2018 - $2.6 million) on flow-through share price compared to common share issue price.
[2] Net of deferred tax benefit of nil (2018 - $5.0 million).

16. Earnings (loss) per share

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

	Year ended December 31	
(thousands of shares)	**2019**	2018
Weighted average common shares outstanding		
Basic	**225,429**	190,568
Diluted	**225,429**	191,240

17. 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:

	Year ended December 31	
	2019	2018
Natural gas revenue [1]	**$ 185,200**	$ 185,170
Condensate & oil revenue	**354,709**	328,083
NGL revenue [2]	**21,186**	42,596
Total petroleum and natural gas revenue	**$ 561,095**	$ 555,849

[1] Natural gas revenue includes price risk management gains and losses on physical delivery sale contracts. For the year ended December 31, 2019, our physical delivery sales contracts resulted in a gain of $2.6 million (2018 – $18.3 million gain).
[2] Includes butane, propane, ethane and an immaterial amount of sulphur revenue.

A breakdown of natural gas revenue is as follows:

	Year ended December 31	
	2019	2018
Natural gas revenue - AECO reference price [1]	**$ 113,698**	$ 79,439
Heat/value adjustment [2]	**9,390**	7,618
Transportation revenue [3]	**28,751**	26,467
Natural gas market diversification revenue	**30,807**	53,342
AECO physical delivery price risk management gains [4]	**2,554**	18,304
Total natural gas revenue	**$ 185,200**	$ 185,170

[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.

Included in the accounts receivable at December 31, 2019 is $55.0 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.

18. Capital management

The Company manages its capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. NuVista is able to change its capital structure by issuing new shares, new debt, 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 December 31, 2019, the Company's net debt was 2.0 times its annualized current quarter 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:

	Year ended December 31	
	2019	2018
Cash provided by operating activities	**$ 263,856**	$ 251,057
Asset retirement expenditures	**14,383**	13,458
Change in non-cash working capital	**(12,388)**	(67)
Adjusted funds flow [1]	**$ 265,851**	$ 264,448

[1] Adjusted funds flow as presented does not have any standardized meaning prescribed by IFRS and therefore it may not be comparable with the calculation of similar measures of other entities.

Net debt and total capitalization

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

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

	2019	2018
Basic common shares outstanding	**225,592**	225,306
Share price[1]	**3.19**	4.08
Total market capitalization	**719,638**	919,248
Cash and cash equivalents, accounts receivable and prepaid expenses	**(62,772)**	(53,334)
Other receivable	**(10,301)**	—
Accounts payable and accrued liabilities	**110,144**	90,074
Long-term debt (credit facility)	**306,274**	257,395
Senior unsecured notes	**216,771**	215,892
Other liabilities	**1,859**	1,381
Net debt [2]	**561,975**	511,408
Annualized current quarter adjusted funds flow	**280,320**	254,540
Net debt to annualized current quarter adjusted funds flow	**2.0**	2.0
Adjusted funds flow	**265,851**	264,448
Net debt to adjusted funds flow	**2.1**	1.9

(1) Represents the closing share price on the Toronto Stock Exchange on the last trading day of the period.
(2) 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.

19. Share-based compensation

Stock options

The Company has established a stock option plan whereby officers, directors and employees may be granted options to purchase common shares. Options granted vest at the rate of 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 December 31, 2019 is 8.4 million. The following continuity table summarizes the stock option activity:

	2019		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	**1,796,148**	**3.01**	2,368,461	5.82
Exercised	**(10,600)**	**4.25**	(808,604)	6.43
Forfeited	**(151,884)**	**6.81**	(589,332)	7.95
Expired	**(766,855)**	**8.28**	(589,342)	9.37
Balance, end of period	**7,726,300**	**$ 5.76**	6,859,491	$ 6.78
Weighted average share price on date of exercise	**10,600**	**$ 4.95**	808,604	$ 8.74

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

	Options outstanding			Options exercisable	
Range of exercise price	Number of options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
$2.36 to $4.99	3,800,594	3.5	$ 3.74	903,709	$ 4.36
$5.00 to $9.74	3,925,706	1.8	7.71	3,029,316	7.46
$2.36 to $9.74	**7,726,300**	**2.6**	**$ 5.76**	**3,933,025**	**$ 6.76**

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:

	2019	2018
Risk-free interest rate (%)	**1.51**	2.23
Expected volatility (%)	**51**	50
Expected life (years)	**4.5**	4.5
Forfeiture rate (%)	**11**	11
Fair value at grant date ($ per option)	**1.29**	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 1,978,379 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:

	2019	2018
Balance, January 1	**538,520**	645,992
Settled	**(274,009)**	(321,182)
Granted	**722,709**	275,921
Forfeited	**(22,145)**	(62,211)
Balance, end of period	**965,075**	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:

	2019	2018
Balance, January 1	**279,429**	—
Settled	**(1,061)**	—
Granted	**773,842**	295,078
Forfeited	**(8,287)**	(15,649)
Balance, end of period	**1,043,923**	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:

	2019	2018
Balance, January 1	**338,427**	217,847
Granted	**244,167**	120,580
Balance, end of period	**582,594**	338,427

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

	2019	2018
Balance, January 1	**$ 1,381**	$ 1,747
Change in accrued compensation liabilities	**478**	(366)
Balance, end of period	**$ 1,859**	$ 1,381

Compensation liability resulting from DSUs granted in the year ended December 31, 2019, increased due to an increase in the number of DSUs granted offset by a decrease in the closing share price used to value the liability at the end of the period, from $4.08 at December 31, 2018 to $3.19 at December 31, 2019.

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

	Year ended December 31									
					2019					2018
	Stock options	**DSU**	**RSA**	**PSA**	**Total**	Stock options	DSU	RSA	PSA	Total
Non cash share-based compensation	**$ 3,679**	**$ —**	**$1,422**	**$ 621**	**$ 5,722**	$ 3,515	$ —	$ 1,668	$ 225	$ 5,408
Cash share-based compensation	**—**	**478**	**—**	**—**	**478**	—	(366)	—	—	(366)
Total share-based compensation	**$ 3,679**	**$ 478**	**$1,422**	**$ 621**	**$ 6,200**	$ 3,515	$ (366)	$ 1,668	$ 225	$ 5,042
Capitalized share-based compensation	**$ 1,191**	**$ —**	**$ 427**	**$ 186**	**$ 1,804**	$ 1,031	$ —	$ 532	$ 86	$ 1,649

During both the year ended December 31, 2019 and December 31, 2018, there were no cash settled DSUs.

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

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

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

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

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

The Company's cash and cash equivalents are classified as Level 1 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:

	2019			2018		
	Gross financial assets	**Gross financial liabilities**	**Net financial assets**	Gross financial assets	Gross financial liabilities	Net financial assets
Current assets (liabilities)	**$ 10,627**	**$ —**	**$ 10,627**	$ 40,486	$ —	$ 40,486
Long-term assets (liabilities)	**2**	**(34,543)**	**(34,541)**	76,763	—	76,763
Net position	**$ 10,629**	**$ (34,543)**	**$ (23,914)**	$ 117,249	$ —	$ 117,249

(c) Risk management contracts

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

	WTI fixed price swap	
Term [1]	**Bbls/d**	**Cdn$/Bbl**
2020	6,099	76.28

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

	AECO-NYMEX basis swap		**Chicago-NYMEX basis swap**		**Malin-NYMEX basis swap**		**AECO-Malin basis swap**		**Dawn-NYMEX basis swap**	
Term [1]	**MMbtu/d**	**US$/ MMbtu**	**MMbtu/d**	**US$/ MMbtu**	**MMbtu/d**	**US$/ MMbtu**	**MMbtu/d**	**US$/ MMbtu**	**MMbtu/d**	**US$/ MMbtu**
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)	—	—	—	—	—	—	—	—
2025	35,000	(1.00)	—	—	—	—	—	—	—	—

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

	NYMEX fixed price swap		**Dawn fixed price swap**	
Term [1]	**MMbtu/d**	**US$/MMbtu**	**MMbtu/d**	**US$/MMbtu**
2020	51,243	2.68	1,243	2.63

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

		C$ WTI 3 Way Collar		
Term [1]	**Bbls/d**	**Cdn$/Bbl**	**Cdn$/Bbl**	**Cdn$/Bbl**
2020	4,049	65.62	78.67	85.81

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

Subsequent to December 31, 2019 the Company restructured contracts on 1,600 Bbl/d of the C$WTI 3 Way collars by removing the ceiling in exchange for increasing the sold floor from C$70/Bbl to C$71/Bbl for the February 2020 to December 2020 term.

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

		2019		2018
Fair value of contracts, beginning of year	**$**	**117,249**	$	23,854
Change in the fair value of contracts in the period		**(123,782)**		55,060
Fair value of contracts realized in the period		**(17,381)**		38,335
Fair value of contracts, end of year	**$**	**(23,914)**	$	117,249
Financial derivative assets (liabilities) – current	**$**	**10,627**	$	40,486
Financial derivative assets (liabilities) – long term	**$**	**(34,541)**	$	76,763

(d) Physical delivery sales contracts

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

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

	AECO fixed price swap		**Dawn fixed price swap**		**Dawn-NYMEX Basis**	
Term [1]	**GJ/d**	**Cdn$/GJ**	**MMbtu/d**	**US$/MMbtu**	**MMbtu/d**	**US$/MMbtu**
2020	46,339	1.41	1,243	2.62	10,000	(0.26)
2021	—	—	—	—	10,000	(0.26)
2022	—	—	—	—	8,329	(0.26)

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

(e) Financial risk management

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

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

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

(i) Credit risk

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

The accounts receivable balance was $62.8 million of which $0.6 million of accounts receivable were past due. The Company considers all amounts greater than 90 days past due. These past due accounts receivable are considered to be collectible. When determining whether past due accounts are uncollectible, the Company factors in the past credit history of the counterparties. The Company did not have accounts receivable balances owing from counterparties that constituted more than 10% of the total revenue during the year ended December 31, 2019.

(ii) Liquidity risk

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

The timing of cash flows relating to financial liabilities as at December 31, 2019 is as follows:

	Total	1 year	2 to 3 years	4 to 5 years	Beyond 5 years
Accounts payable and accrued liabilities	**$ 110,144**	110,144	—	—	—
Senior unsecured notes	**216,771**	—	216,771	—	—
Long-term debt	**306,274**	—	306,274	—	—
Lease liabilities	**$ 119,307**	3,416	16,670	12,715	86,506
Total financial liabilities	**$ 752,496**	113,560	539,715	12,715	86,506

(iii) Market risk

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

(a) Commodity price risk

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

(b) Currency risk

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

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows will fluctuate because of changes in market interest rates. The Company is exposed to interest rate fluctuations on its bank loan which bears a floating rate of interest. The Company had no interest rate swap or financial contracts in place as at or during the year ended December 31, 2019.

If interest rates increase or decreased by 1% it is estimated that net earnings would increase and or decrease by $0.8 million. This is based on the assumption that the interest rate increase or decrease was in effect at the beginning of the year.

(d) Financial instrument sensitivities

The following table summarizes the effects of movement in commodity prices on net earnings due to changes in the fair value of financial derivative contracts in place at December 31, 2019. Changes in the fair value generally cannot be extrapolated because the relationship of a change in an assumption to the change in fair value may not be linear.

		2019		2018
Increase in $ WTI – oil $10/Bbl	**$**	**(32,436)**	$	(28,179)
Decrease in $ WTI – oil $10/Bbl	**$**	**33,670**	$	27,858
Increase in $ AECO – gas $0.50/GJ	**$**	**(11,887)**	$	(11,376)
Decrease in $ AECO – gas $0.50/GJ	**$**	**10,794**	$	11,316

21. Financing costs

		2019		2018
Interest expense	$	**29,387**	$	28,293
Lease interest expense		**3,631**		—
Accretion of asset retirement obligations		**2,070**		1,776
Total financing costs	$	**35,088**	$	30,069

22. Supplemental cash flow information

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

		2019		2018
Cash provided by (used for):				
Accounts receivable and prepaid expenses	$	**(8,720)**	$	(6,676)
Other assets		**(684)**		1,283
Accounts payable and accrued liabilities		**21,427**		39,733
Total	$	**12,023**	$	34,340
Related to:				
Operating activities	$	**12,388**	$	67
Investing activities		**(365)**		34,273
	$	**12,023**	$	34,340

23. Commitments

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

	Total	2020	2021	2022	2023	2024	Thereafter
Transportation [1]	**$ 948,246**	$ 81,628	$ 109,371	$ 106,565	$ 88,083	$ 81,303	$ 481,296
Processing [1]	**1,065,201**	55,674	77,057	91,175	91,759	89,686	659,850
Office lease [2]	**6,046**	876	938	948	999	857	1,428
Total commitments [3]	**$ 2,019,493**	$ 138,178	$ 187,366	$ 198,688	$ 180,841	$ 171,846	$ 1,142,574

[1] Certain of the transportation and processing commitments are secured by outstanding letters of credit totaling $7.3 million at December 31, 2019 (December 31, 2018 - $7.3 million).
[2] Represents the undiscounted future commitments of variable operating expenses related to the Company's office leases.
[3] Excludes commitments recognized within lease liabilities.

24. Personnel expenses

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

		2019		2018
Salaries, wages and short-term benefits	$	**4,069**	$	3,951
Share-based payments [1]		**1,525**		1,712
Total	$	**5,594**	$	5,663

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

25. Presentation of expenses

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

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

		2019		2018
Operating	**$**	**2,962**	$	1,510
General and administrative		**15,850**		15,344
Share-based compensation		**6,200**		5,042
Total employee compensation costs	**$**	**25,012**	$	21,896