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, 2018, 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 5, 2019

(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, 2018 and December 31, 2017
- the statements of earnings and comprehensive income 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, 2018 and December 31, 2017, 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 5, 2019

NUVISTA ENERGY LTD.

Statement of Financial Position

($Cdn thousands)		
As at December 31,	**2018**	2017
Assets		
Current assets		
Cash and cash equivalents	**$ —**	$ —
Accounts receivable and prepaid expenses	**53,334**	47,941
Financial derivative assets (note 18)	**40,486**	—
	93,820	47,941
Financial derivative assets (note 18)	**76,763**	28,387
Exploration and evaluation assets (notes 6 & 7)	**30,165**	64,298
Property, plant and equipment (notes 6 & 8)	**1,980,126**	1,027,116
Deferred tax asset (note 12)	**—**	18,677
Total assets	**$ 2,180,874**	$ 1,186,419
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$ 90,074**	$ 50,725
Current portion of asset retirement obligations (note 11)	**12,500**	14,250
Financial derivative liability (note 18)	**—**	4,533
	102,574	69,508
Long-term debt (note 9)	**257,395**	125,725
Senior unsecured notes (note 10)	**215,892**	67,680
Other liabilities (note 17)	**1,381**	1,747
Asset retirement obligations (notes 6 &11)	**90,203**	58,180
Deferred tax liability (note 12)	**108,412**	—
	775,857	322,840
Shareholders' equity		
Share capital (note 13)	**1,216,067**	1,276,426
Contributed surplus	**52,705**	49,545
Retained earnings (deficit) (note 13)	**136,245**	(462,392)
	1,405,017	863,579
Total liabilities and shareholders' equity	**$ 2,180,874**	$ 1,186,419

Subsequent events (note 18)
Commitments (note 21)

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 and Comprehensive Income

($Cdn thousands, except per share amounts)		
Year ended December 31,	**2018**	2017
Revenues		
Petroleum and natural gas (note 15)	**$ 555,849**	$ 377,746
Royalties	**(16,273)**	(12,149)
Net revenue from petroleum and natural gas sales	**539,576**	365,597
Financial derivative contracts		
Realized gain (loss) on financial derivatives (note 18)	**(38,335)**	5,064
Unrealized gain on financial derivatives	**93,395**	31,624
Net revenue from petroleum and natural gas sales and gains (losses) on financial derivatives	**594,636**	402,285
Expenses		
Transportation	**45,099**	28,951
Operating	**143,603**	111,465
General and administrative	**17,540**	17,377
Share-based compensation (note 17)	**5,042**	5,969
Transaction costs (note 6)	**2,624**	—
Depletion, depreciation, amortization and impairment (note 8)	**156,080**	137,015
Exploration and evaluation (note 7)	**2,710**	6,932
Loss on property dispositions	**146**	6,808
Environmental remediation recovery (note 5)	**—**	(2,550)
Financing costs (note 19)	**30,069**	13,324
	402,913	325,291
Earnings before taxes	**191,723**	76,994
Deferred income tax expense (benefit) (note 12)	**55,478**	(17,374)
Net earnings and comprehensive income	**$ 136,245**	$ 94,368
Net earnings per share (note 14)		
Basic	**$ 0.71**	$ 0.54
Diluted	**$ 0.71**	$ 0.54

See accompanying notes to the financial statements.

NUVISTA ENERGY LTD.

Statement of Changes in Shareholders' Equity

($Cdn thousands)				
Year ended December 31,		**2018**		2017
Share capital (note 13)				
Balance, January 1	**$**	**1,276,426**	$	1,265,988
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		**5,201**		5,738
Contributed surplus transferred on exercise of stock options		**1,806**		1,976
Conversion of restricted share awards		**2,092**		1,422
Share issue costs, net of deferred tax benefit of $5.0 million		**(13,465)**		1,302
Elimination of deficit		**(462,392)**		—
Balance, end of period	**$**	**1,216,067**	$	1,276,426
Contributed surplus				
Balance, January 1	**$**	**49,545**	$	46,801
Share-based compensation		**7,058**		6,142
Transfer to share capital on exercise of stock options		**(1,806)**		(1,976)
Conversion of restricted share awards		**(2,092)**		(1,422)
Balance, end of period	**$**	**52,705**	$	49,545
Retained earnings (deficit)				
Balance, January 1	**$**	**(462,392)**	$	(556,760)
Net earnings		**136,245**		94,368
Elimination of deficit (note 13)		**462,392**		—
Balance, end of period	**$**	**136,245**	$	(462,392)
Total shareholders' equity	**$**	**1,405,017**	$	863,579

See accompanying notes to the financial statements.

NUVISTA ENERGY LTD.

Statement of Cash Flow

($Cdn thousands)		
Year ended December 31,	**2018**	2017
Cash provided by (used in)		
Operating activities		
Net income	**$ 136,245**	$ 94,368
Items not requiring cash from operations:		
Depletion, depreciation, amortization and impairment	**156,080**	137,015
Exploration and evaluation (note 7)	**2,710**	6,932
Loss on property dispositions	**146**	6,808
Share-based compensation (note 17)	**5,408**	4,931
Unrealized gain on financial derivatives	**(93,395)**	(31,624)
Deferred income tax expense (benefit)	**55,478**	(17,374)
Accretion (note 11)	**1,776**	1,524
Asset retirement expenditures (note 11)	**(13,458)**	(9,813)
Change in non-cash working capital (note 20)	**67**	31,913
	251,057	224,680
Financing activities		
Issue of share capital, net of share issue costs	**395,774**	5,737
Increase (decrease) of long-term debt	**131,670**	125,725
Issuance of senior unsecured notes, net of financing costs	**215,142**	—
Repayment of senior unsecured notes	**(67,680)**	—
	674,906	131,462
Investing activities		
Property, plant and equipment expenditures	**(335,920)**	(314,535)
Exploration and evaluation expenditures	**(4,872)**	(767)
Property acquisitions (note 6)	**(619,444)**	—
Proceeds on property dispositions	**—**	2,241
Change in non-cash working capital (note 20)	**34,273**	(48,422)
	(925,963)	(361,483)
Change in cash and cash equivalents	**—**	(5,341)
Cash and cash equivalents, beginning of year	**—**	5,341
Cash and cash equivalents, end of year	**$ —**	$ —
Cash interest paid	**$ 22,889**	$ 10,829

See accompanying notes to the financial statements.

Year ended December 31, 2018 with comparative figures for 2017. All tabular amounts are in thousands of Canadian dollars, except share and per share amounts, unless otherwise stated.

1. Corporate information

NuVista Energy Ltd. ("NuVista" or the "Company") is a Canadian publicly traded company incorporated in the province of Alberta. The Company is an oil and natural gas company actively engaged in the exploration, development and production of oil and natural gas reserves in the Western Canadian Sedimentary Basin. NuVista's focus is on the scalable and repeatable condensate-rich Montney formation in the Alberta Deep Basin.

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

2. Basis of preparation

(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 5, 2019.

(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

Revenue recognition

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

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

Financial instruments

NuVista adopted IFRS 9 - Financial Instruments, on January 1, 2018, using the retrospective method. The adoption of this standard did not result in a change in the recognition or measurement of any of the Company's financial instruments on transition. There was no change to the measurement categories of financial liabilities. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. The new standard also introduces an expected credit loss model for evaluating impairment of financial assets, which results in credit losses being recognized earlier than under IAS 39. In addition, IFRS 9 provides a hedge accounting model that is more in line with risk management activities. The Company currently does not apply hedge accounting to its derivative contracts. Accounts receivable and prepaid expenses continue to be measured at amortized cost and are now classified as "amortized cost". There was no change to the Company's classification of accounts payable and accrued liabilities or long term debt and senior unsecured notes which are classified as “ other financial liabilities” and are measured at amortized cost.

Future accounting pronouncements

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

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. 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) Assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is met when the sale is highly probable and the asset is available for immediate sale in its present condition. Non-current assets classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell, with impairments recognized in net earnings in the period measured. Non-current assets held for sale are presented in current assets within the statement of financial position. Assets held for sale are not depleted or depreciated. When the criteria for classification as assets held for sale are no longer met, amounts are reclassified from current assets to property, plant and equipment and the current liabilities are reclassified to asset retirement obligations.

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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"). Under IFRS 9, where the fair value option is applied to financial liabilities, any change in fair value resulting from an entity's own credit risk is recorded through other comprehensive income or loss rather than net income or loss. The classification of financial assets 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.

(o) 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.

(p) 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.

(q) 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.

(r) Flow-through shares

The Company finances a portion of its exploration and development activities through the issuance of flow-through shares. The resource expenditure deductions for income tax purposes related to exploratory and development activities are renounced to investors in accordance with tax legislation. Flow-through shares issued are recorded in share capital at the fair value of common shares on the date of issue. The premium received on issuing flow-through shares is initially recorded as other liabilities termed deferred premium on flow-through shares. As qualifying expenditures are incurred, the premium is reversed and a deferred income tax liability is recorded. The net amount is then recognized as deferred income tax expense.

(s) 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. Environmental remediation

During the third quarter of 2015, the Company identified a leak in a remote pipeline carrying oil emulsion in the non core area of Northwest Alberta. The pipeline was immediately shut down and the Company's emergency response plan was activated. The Company recorded $9.3 million in environmental remediation expense in 2015. To date, $8.7 million has been spent. In the second quarter of 2017, the Company received insurance proceeds related to this event in the amount of $2.6 million. These proceeds have been recognized as environmental remediation recovery.

6. Acquisitions

On September 6, 2018, the Company acquired Cenovus Pipestone ULC and Cenovus Pipestone Partnership (the "Pipestone Acquisition"), which held assets in the Pipestone area of Northwest Alberta (the "Acquired Assets") for an estimated total cash consideration of $619.4 million including customary adjustments. Subsequently, all of the Acquired Assets were assumed by NuVista and the ULC and partnership were dissolved. The Company has classified the assets into the existing Wapiti Montney CGU.

Transaction costs incurred by the Company totaling $2.6 million related to the Pipestone Acquisition were expensed.

The Pipestone Acquisition has been accounted for as a business combination in accordance with IFRS 3, with the operating results included in the Company's financial and operating results commencing on the closing date of the acquisition.

The total consideration paid and estimates of the fair value of the assets acquired and liabilities assumed as of the date of the acquisition are set forth in the table below. All amounts are final.

Net proceeds from equity issuance	$	366,594
Borrowings on credit facility		252,850
Cash consideration paid	**$**	**619,444**

Property, plant and equipment	$	676,436
Exploration and evaluation		28,122
Asset retirement obligations		(11,141)
Deferred tax liabilities		(73,973)
Fair value of net assets acquired	**$**	**619,444**

The fair value of the property, plant and equipment has been determined using estimates of proved and probable reserves evaluated at December 31, 2018 by an independent reserves evaluator and adjusted for operations and the capital program between September 6, 2018 and the effective date of the reserves valuation. The fair value of exploration and evaluation assets was estimated with reference to recent land sales in similar areas. The fair value of asset retirement obligations was initially estimated using internal estimates of timing and estimated costs associated with the abandonment and reclamation of the wells and facilities acquired, using a credit adjusted rate of 7.5%.

Included in the statement of earnings and comprehensive income are the following amounts relating to the Pipestone Acquisition, from the respective closing date to December 31, 2018.

Petroleum and natural gas revenues	$	28,363
Royalties, operating and transportation expenses	$	11,739

Had the Pipestone Acquisition closed on January 1, 2018, the Company's pro forma results of petroleum and natural gas revenues, royalties, operating and transportation expenses for the year ended December 31, 2018 would have been as follows:

		NuVista, as stated in the statement of earnings and comprehensive net income		Pipestone Acquisition (from Jan 1 to closing date)		Pro forma (unaudited)
Petroleum and natural gas revenues	$	555,849	$	61,843	$	617,692
Royalties, transportation and operating expenses	$	204,975	$	29,685	$	234,660

7. Exploration and evaluation assets

		2018		2017
Balance, January 1	**$**	**64,298**	$	73,667
Additions		**4,872**		5,817
Acquisitions (note 6)		**28,122**		—
Dispositions		**—**		(2,921)
Capitalized share-based compensation (note 17)		**336**		1,211
Transfers to property, plant and equipment (note 8)		**(64,753)**		(5,117)
Expiries (exploration and evaluation expense)		**(2,710)**		(6,932)
Impairment		**—**		(1,427)
Balance, end of period	**$**	**30,165**	$	64,298

At December 31, 2018, there were no indicators of impairment in NuVista's E&E assets, therefore an impairment test was not performed.

8. Property, plant and equipment

		2018		2017
Cost				
Balance, January 1	**$**	**1,671,300**	$	1,406,357
Additions		**335,920**		314,535
Acquisitions (note 6)		**676,436**		—
Dispositions		**(562)**		(63,237)
Capitalized share-based compensation (note 17)		**1,313**		—
Change in asset retirement obligations (note 11)		**30,828**		8,528
Transfers from exploration and evaluation assets (note 7)		**64,753**		5,117
Balance, end of period	**$**	**2,779,988**	$	1,671,300

		2018		2017
Accumulated depletion, depreciation and amortization				
Balance, January 1	**$**	**644,184**	$	557,361
Depletion, depreciation, amortization and impairment expense		**156,080**		135,588
Dispositions		**(402)**		(48,765)
Balance, end of period	**$**	**799,862**	$	644,184

		2018		2017
Carrying value				
Balance, January 1	**$**	**1,027,116**	$	848,996
Balance, end of period	**$**	**1,980,126**	$	1,027,116

During the year ended December 31, 2018 and 2017, there were no indicators of impairment or reversal of impairment identified on any of the Company's CGU's within property, plant & equipment, therefore an impairment test was not performed.

9. Long-term debt

At December 31, 2018, the Company had a $450 million (December 31, 2017 - $310 million) extendible revolving term credit facility available from a syndicate of Canadian chartered banks. The credit facility was increased from $310 million upon closing of the Pipestone Acquisition on September 6, 2018. Borrowing under the credit facility may be made by prime loans, bankers' acceptances and/or US libor advances. These advances bear interest at the bank's prime rate and/or at money market rates plus a borrowing margin. For the year ended December 31, 2018, borrowing costs averaged 3.3% (December 31, 2017 – 3.0%). The credit facility is secured by a first floating charge debenture, general assignment of book debts and the Company's oil and natural gas properties and equipment. The credit facility has a 364-day revolving period and is subject to an annual review by the lenders, at which time the lenders can extend the revolving period or can request conversion to a one year term loan. During the revolving period, a review of the maximum borrowing amount occurs annually on or before April 30 and semi-annually on or before October 31. During the term period, no principal payments would be required until a year after the revolving period matures on April 30, in the event of a reduction or the credit facility not being renewed. The semi annual review was completed in the fourth quarter, with no change to the credit facility. The next review is scheduled for on or before April 30, 2019.

As at December 31, 2018, the Company had drawn $257.4 million on its credit facility (December 31, 2017 – $125.7 million) and had outstanding letters of credit of $7.8 million, which reduce the credit available on the credit facility. The credit facility does not contain any financial covenants, but the Company is subject to various non-financial covenants under its credit facility. These covenants are monitored on a regular basis and as at December 31, 2018, the Company was in compliance with all covenants.

10. 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.

11. Asset retirement obligations

		2018		2017
Balance, January 1	**$**	**72,430**	$	75,463
Accretion expense		**1,776**		1,524
Liabilities acquired		**11,141**		—
Change in discount rate, Pipestone Acquisition		**17,571**		—
Liabilities incurred		**3,291**		3,698
Liabilities disposed		**(14)**		(3,272)
Change in estimates and discount rate		**9,966**		4,830
Liabilities settled		**(13,458)**		(9,813)
Balance, end of period	**$**	**102,703**	$	72,430
Expected to be incurred within one year	**$**	**12,500**	$	14,250
Expected to be incurred beyond one year	**$**	**90,203**	$	58,180

The Company's asset retirement obligations are based on estimated costs to reclaim and abandon ownership interests in oil and natural gas assets including well sites, gathering systems and processing facilities. At December 31, 2018, the estimated total undiscounted, uninflated amount of cash flows required to settle the asset retirement obligations is $106.0 million (December 31, 2017 – $75.9 million), which is estimated to be incurred within the next 50 years. The Bank of Canada's long-term risk-free bond rate of 2.2% (December 31, 2017 – 2.4%) and an inflation rate of 2.0% (December 31, 2017 – 2.0%) were used to calculate the net present value of the asset retirement obligations.

Asset retirement obligations acquired pursuant to the Pipestone Acquisition were initially recognized in accordance with IFRS at fair value using a credit adjusted interest rate of 7.5%. They were subsequently revalued using the respective Bank of Canada long term risk-free bond rate of 2.4% resulting in a combined change $17.6 million.

12. 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:

		2018		2017
Income before tax	**$**	**191,723**	$	76,994
Expected tax rate [1]		**27.00%**		27.00%
Expected income tax expense		**51,765**		20,788
Non-deductible expenses		**(204)**		1,353
Flow-through share renunciations		**4,117**		—
Change in unrecognized deferred income tax assets		**—**		(39,469)
Other		**(200)**		(46)
Deferred income tax expense (benefit)	**$**	**55,478**	$	(17,374)

(1) The statutory rate consists of the combined statutory rates for the Company for the years ended December 31, 2018 and 2017.

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

		2018		2017
Deferred tax liability				
Oil and natural gas properties	**$**	**184,764**	$	59,317
Financial derivative contracts		**31,657**		6,441
Senior unsecured notes		**1,109**		—
		217,530		65,758
Deferred tax assets				
Asset retirement obligations		**(27,730)**		(19,556)
Share issue costs		**(6,940)**		(1,324)
Non-capital losses		**(73,787)**		(62,961)
Other		**(661)**		(594)
		(109,118)		(84,435)
Net deferred tax liability (asset)	**$**	**108,412**	$	(18,677)

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

Assets (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)**

Asset (liability)	Balance January 1, 2017	Recognized in profit or loss	Recognized in equity	Other	Balance, December 31, 2017
Oil and natural gas properties	$ (40,226)	$ (19,091)	$ —	$ —	$ (59,317)
Asset retirement obligations	20,375	(819)	—	—	19,556
Share issue costs	1,129	(1,108)	—	1,303	1,324
Financial derivative contracts	2,098	(8,539)	—	—	(6,441)
Non-capital losses	16,360	46,601	—	—	62,961
Other	264	330	—	—	594
Total	$ —	$ 17,374	$ —	$ 1,303	$ 18,677

The Company has $273 million of non capital losses available which expire between 2026 and 2038.

13. Share capital

Common shares

	2018		2017	
	Number	**Amount**	Number	Amount
Balance, January 1	**174,003,588**	**$ 1,276,426**	172,745,647	$ 1,265,988
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	**808,604**	**5,201**	1,022,022	5,738
Contributed surplus transferred on exercise of stock options	**—**	**1,806**	—	1,976
Conversion of restricted share awards	**321,182**	**2,092**	235,919	1,422
Share issue costs [2]	**—**	**(13,465)**	—	1,302
Elimination of deficit	**—**	**(462,392)**	—	—
Balance, end of period	**225,306,055**	**$ 1,216,067**	174,003,588	$ 1,276,426

[1] Net of implied premium of $2.6 million (2017 - nil) on flow-through share price compared to common share issue price.
[2] Net of deferred tax benefit of $5.0 million (2017 - nil).

In August, 2018, the Company issued 47.4 million common shares at a price of $8.10 per share for gross proceeds of $384.1 million. Common shares totaling 21.0 million were issued pursuant to a bought deal equity financing, and an additional 26.4 million were issued pursuant to a private placement. The Company also issued 2.8 million shares pursuant to a private placement, on a flow-through basis in respect of Canadian Development Expenses

("CDE") at a price of $9.05 per share for gross proceeds of $24.9 million. The implied premium on the flow-through common shares was determined to be $2.6 million on the date of issue. Under the terms of the flow-through share agreements, the Company is committed to spend $24.9 million on qualifying CDE prior to December 31, 2018. At December 31, 2018, the Company has fulfilled its commitment.

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

14. Earnings per share

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

	Year ended December 31	
(thousands of shares)	**2018**	2017
Weighted average common shares outstanding		
Basic	**190,568**	173,221
Diluted	**191,240**	173,882

15. 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	
	2018	2017
Natural gas revenue [1]	**$ 185,170**	$ 140,350
Condensate & oil revenue	**328,083**	219,561
NGL revenue [2]	**42,596**	17,835
Total petroleum and natural gas revenue	**$ 555,849**	$ 377,746

(1) Natural gas revenue includes price risk management gains and losses on physical delivery sale contracts. For the year ended December 31, 2018, our physical delivery sales contracts resulted in a gain of $18.3 million (2017 – $21.4 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	
	2018	2017
Natural gas revenue - AECO reference price [1]	**$ 79,439**	$ 93,659
Heat/value adjustment [2]	**7,618**	8,861
Transportation revenue [3]	**26,467**	8,035
Natural gas market diversification revenue	**53,342**	8,418
AECO physical delivery price risk management gains [4]	**18,304**	21,377
Total natural gas revenue	**$ 185,170**	$ 140,350

(1) Annual 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, 2018 is $39.7 million (December 31, 2017 - $41.5 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.

16. 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, 2018, the Company's net debt was 2.0 times its annualized adjusted funds flow.

Adjusted funds flow

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

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

	Year ended December 31	
	2018	2017
Cash provided by operating activities	**$ 251,057**	$ 224,680
Environmental remediation recovery	**—**	2,550
Asset retirement expenditures	**(13,458)**	(9,813)
Change in non-cash working capital	**67**	31,913
Adjusted funds flow [1]	**$ 264,448**	$ 200,030

[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, accounts payable and accrued liabilities, long term debt (credit facility) and senior unsecured notes. Total market capitalization and net debt to annualized current quarter adjusted funds flow are used by management and the Company's investors in analyzing the Company's balance sheet strength and liquidity.

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

	2018	2017
Basic common shares outstanding	**225,306**	174,004
Share price[1]	**4.08**	8.02
Total market capitalization	**919,248**	1,395,512
Cash and cash equivalents, accounts receivable and prepaid expenses	**(53,334)**	(47,941)
Accounts payable and accrued liabilities	**90,074**	50,725
Long-term debt (credit facility)	**257,395**	125,725
Senior unsecured notes	**215,892**	67,680
Other liabilities	**1,381**	1,747
Net debt [2]	**511,408**	197,936
Annualized current quarter adjusted funds flow	**254,540**	303,728
Net debt to annualized current quarter adjusted funds flow	**2.0**	0.7
Adjusted funds flow [2]	**264,448**	200,030
Net debt to adjusted funds flow	**1.9**	1.0

[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.

17. 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, 2018 is 8.4 million. The following continuity table summarizes the stock option activity:

		2018		2017
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance, January 1	**6,478,308**	**$ 7.43**	6,368,178	$ 7.09
Granted	**2,368,461**	**5.82**	1,773,080	7.92
Exercised	**(808,604)**	**6.43**	(1,022,022)	5.61
Forfeited	**(589,332)**	**7.95**	(303,371)	7.55
Expired	**(589,342)**	**9.37**	(337,557)	8.96
Balance, end of period	**6,859,491**	**$ 6.78**	6,478,308	$ 7.43
Weighted average share price on date of exercise	**808,604**	**$ 8.74**	1,022,022	$ 7.51

The following table summarizes stock options outstanding and exercisable under the plan at December 31, 2018:

	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
$3.92 to $4.99	2,120,608	3.8	$ 4.39	440,710	$ 4.25
$5.00 to $9.99	4,595,856	2.5	7.76	2,421,516	7.58
$10.00 to $11.45	143,027	0.9	10.78	143,027	10.78
$3.92 to $11.45	**6,859,491**	**2.9**	**$ 6.78**	**3,005,253**	**$ 7.25**

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:

	2018	2017
Risk-free interest rate (%)	**2.23**	1.24
Expected volatility (%)	**50**	52
Expected life (years)	**4.5**	4.5
Forfeiture rate (%)	**11**	12
Fair value at grant date ($ per option)	**2.61**	3.41

Share award incentive plan

The Company has a Share Award Incentive Plan ("the Plan") for employees and officers consisting of Restricted Share Awards ("RSA") and Performance Share Awards ("PSA"). The maximum number of common shares reserved for issuance under the Plan is 3,750,000 of which 2,682,799 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:

	2018	2017
Balance, January 1	**645,992**	594,026
Settled	**(321,182)**	(235,919)
Granted	**275,921**	322,750
Forfeited	**(62,211)**	(34,865)
Balance, end of year	**538,520**	645,992

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:

	2018	2017
Balance, January 1	**—**	—
Granted	**295,078**	—
Forfeited	**(15,649)**	—
Balance, end of year	**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:

	2018	2017
Balance, January 1	**217,847**	102,195
Granted	**120,580**	115,652
Balance, end of year	**338,427**	217,847

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

		2018	2017
Balance, January 1	**$**	**1,747**	$ 709
Change in accrued compensation liabilities		**(366)**	1,038
Balance, end of year	**$**	**1,381**	$ 1,747

Compensation liability resulting from DSUs granted in the year ended December 31, 2018, decreased due to an increase in the number of DSUs granted and an decrease in the closing share price used to value the liability at the end of the period, from $8.02 at December 31, 2017 to $4.08 at December 31, 2018.

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

	Year ended December 31									
	2018					2017				
	Stock option	**DSU**	**RSA**	**PSA**	**Total**	Stock options	DSU	RSA	PSA	Total
Non cash share-based compensation	**$ 3,515**	**$ —**	**$ 1,668**	**$ 225**	**$ 5,408**	$ 3,387	$ —	$ 1,544	$ —	$ 4,931
Cash share-based compensation	**—**	**(366)**	**—**	**—**	**(366)**	—	1,038	—	—	1,038
Total share-based compensation	**$ 3,515**	**$ (366)**	**$ 1,668**	**$ 225**	**$ 5,042**	$ 3,387	$ 1,038	$ 1,544	$ —	$ 5,969
Capitalized share-based compensation	**$ 1,031**	**$ —**	**$ 532**	**$ 86**	**$ 1,649**	$ 815	$ —	$ 396	$ —	$ 1,211

During both the year ended December 31, 2018 and December 31, 2017, there were no cash settled DSUs.

18. 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 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:

	December 31, 2018			December 31, 2017		
	Gross financial assets	**Gross financial liabilities**	**Net financial assets**	Gross financial assets	Gross financial liabilities	Net financial assets
Current assets (liabilities)	**$ 40,486**	**$ —**	**$ 40,486**	$ 7,611	$ (12,144)	$ (4,533)
Long-term assets (liabilities)	**76,763**	**—**	**76,763**	29,732	(1,345)	28,387
Net position	**$ 117,249**	**$ —**	**$ 117,249**	$ 37,343	$ (13,489)	$ 23,854

(c) Risk management contracts

The following is a summary of financial derivative contracts in place as at December 31, 2018:

	WTI fixed price swap	
Term [(1)]	**Bbls/d**	**Cdn$/Bbl**
2019	4,468	77.06
2020	699	88.69

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

	C$ WTI 3 Way Collar			
Term [(1)]	**Bbls/d**	**Cdn$/Bbl**	**Cdn$/Bbl**	**Cdn$/Bbl**
2019	4,427	68.67	83.26	90.28
2020	2,299	67.83	83.61	90.54

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

Term (1)	AECO-NYMEX basis swap		Chicago-NYMEX basis swap		Malin-NYMEX basis swap		AECO-Malin basis swap		Dawn-NYMEX basis swap	
	MMbtu/d	**US$/ MMbtu**	**MMbtu/d**	**US$/ MMbtu**	**MMbtu/d**	**US$/ MMbtu**	**MMbtu/d**	**US$/ MMbtu**	**MMbtu/d**	**US$/ MMbtu**
2018 remainder										
2019	21,322	(0.87)	10,836	(0.25)	18,329	(0.40)	10,000	0.68	1,671	(0.26)
2020	47,500	(0.96)	15,000	(0.25)	11,667	(0.51)	8,333	0.68	10,000	(0.26)
2021	95,000	(0.98)	15,000	(0.24)	20,000	(0.66)	—	—	10,000	(0.26)
2022	95,000	(0.97)	12,493	(0.24)	16,658	(0.66)	—	—	8,329	(0.26)
2023	100,000	(1.01)	—	—	—	—	—	—	—	—
2024	100,000	(1.00)	—	—	—	—	—	—	—	—

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

Term (1)	NYMEX fixed price swap		Dawn fixed price swap	
	MMbtu/d	**US$/MMbtu**	**MMbtu/d**	**US$/MMbtu**
2019	38,712	2.88	8,329	2.50

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

Subsequent to December 31, 2018 the following financial derivatives have been entered into:

Term (1)	WTI fixed price swap	
	Bbls/d	**Cdn$/Bbl**
2019	821	73.58
2020	1,200	73.68

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

Term (1)	AECO fixed price swap		NYMEX fixed price swap	
	GJ/d	**Cdn$/GJ**	**MMbtu/d**	**US$/MMbtu**
2019	2,932	1.30	2,507	2.78
2020	—	—	12,500	2.78

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

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

	December 31, 2018	December 31, 2017
Fair value of contracts, beginning of year	**$ 23,854**	$ (7,770)
Change in the fair value of contracts in the period	**55,060**	36,688
Fair value of contracts realized in the period	**38,335**	(5,064)
Fair value of contracts, end of year	**$ 117,249**	$ 23,854
Financial derivative assets (liabilities) – current	**$ 40,486**	$ (4,533)
Financial derivative assets (liabilities) – long term	**$ 76,763**	$ 28,387

(d) Physical delivery sales contracts

The following is a summary of the physical delivery sales contracts in place as at December 31, 2018:

	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
2019	28,849	1.59	8,329	2.50	1,671	(0.26)
2020	—	—	—	—	10,000	(0.26)
2021	—	—	—	—	10,000	(0.26)
2022	—	—	—	—	8,329	(0.26)

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

Subsequent to December 31, 2018 the following physical delivery sales contracts have been entered into:

	AECO fixed price swap	
Term (1)	GJ/d	Cdn$/GJ
2019	13,397	1.33
2020	8,333	1.60

(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 $53.3 million of which $0.9 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, 2018.

(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, 2018 is as follows:

	Total	1 year	2 to 3 years	4 to 5 years	Beyond 5 years
Accounts payable and accrued liabilities	**90,074**	90,074	—	—	—
Senior unsecured notes	**215,892**	—	—	215,892	—
Long-term debt	**257,395**	—	257,395	—	—
Total financial liabilities	**563,361**	90,074	257,395	215,892	—

(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, 2018.

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, 2018. 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.

		2018		2017
Increase in $ WTI – oil $10/Bbl	**$**	**(28,179)**	$	(30,713)
Decrease in $ WTI – oil $10/Bbl		**27,858**		31,069
Increase in $ AECO – gas $0.50/GJ		**(11,376)**		(35,651)
Decrease in $ AECO – gas $0.50/GJ		**11,316**		35,234

19. Financing costs

		2018		2017
Interest expense	**$**	**28,293**	$	11,800
Accretion of asset retirement obligations		**1,776**		1,524
Total financing costs	**$**	**30,069**	$	13,324

20. Supplemental cash flow information

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

		2018		2017
Cash provided by (used for):				
Accounts receivable and prepaid expenses	**$**	**(6,676)**	$	(15,105)
Other assets		**1,283**		(540)
Accounts payable and accrued liabilities		**39,733**		(864)
Total	**$**	**34,340**	$	(16,509)
Related to:				
Operating activities	**$**	**67**	$	31,913
Investing activities		**34,273**		(48,422)
	$	**34,340**	$	(16,509)

21. Commitments

The following is a summary of the Company's commitments as at December 31, 2018:

	Total	2019	2020	2021	2022	2023	Thereafter
Transportation [1]	**$ 863,031**	$ 63,263	$ 77,635	$ 97,993	$ 103,668	$ 86,650	$ 433,822
Processing [1]	**1,182,786**	45,034	58,745	81,337	95,455	96,039	806,176
Office lease	**12,813**	1,814	1,826	1,887	1,893	1,946	3,447
Total commitments	**$ 2,058,630**	$ 110,111	$ 138,206	$ 181,217	$ 201,016	$ 184,635	$ 1,243,445

[1] Certain of the transportation and processing commitments are secured by outstanding letters of credit totaling $7.3 million at December 31, 2018 (December 31, 2017 - $12.8 million).

22. 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:

	2018	2017
Salaries, wages and short-term benefits	**$ 3,951**	$ 4,087
Share-based payments [1]	**1,712**	1,638
Total	**$ 5,663**	$ 5,725

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

23. 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:

	2018	2017
Operating	**$ 1,510**	$ 1,264
General and administrative	**15,344**	14,872
Share-based compensation	**5,042**	5,969
Total employee compensation costs	**$ 21,896**	$ 22,105