



MANAGEMENT'S DISCUSSION & ANALYSIS

For the three months and year ended December 31, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis ("MD&A") of financial conditions and results of operations should be read in conjunction with NuVista Energy Ltd.'s ("NuVista" or the "Company") audited financial statements for the year ended December 31, 2020. The following MD&A of financial condition and results of operations was prepared at and is dated March 2, 2021. Our December 31, 2020 audited financial statements and other disclosure documents are available through our filings on SEDAR at www.sedar.com or can be obtained from our website at www.nuvistaenergy.com. Our Annual Information Form will be filed on or before March 30, 2021.

Financial and Operating Highlights

<i>(Cdn \$000s, except otherwise indicated)</i>	Three months ended December 31			Year ended December 31		
	2020	2019	% Change	2020	2019	% Change
FINANCIAL						
Petroleum and natural gas revenues	124,378	163,278	(24)	424,637	585,484	(27)
Adjusted funds flow ^{(1) (2)}	49,399	70,080	(30)	156,866	265,851	(41)
Per share - basic	0.22	0.31	(29)	0.70	1.18	(41)
Per share - diluted	0.22	0.31	(29)	0.70	1.18	(41)
Net earnings (loss)	715,435	(29,557)	(2,521)	(197,879)	(63,833)	210
Per share - basic	3.17	(0.13)	(2,538)	(0.88)	(0.28)	214
Per share - diluted	3.17	(0.13)	(2,538)	(0.88)	(0.28)	214
Capital expenditures ⁽²⁾	23,864	52,814	(55)	180,442	301,822	(40)
Net debt ^{(1) (2)}				598,835	561,975	7
OPERATING						
<u>Daily Production</u>						
Natural gas (MMcf/d)	183.3	204.3	(10)	185.7	182.3	2
Condensate & oil (Bbls/d)	12,928	17,195	(25)	14,067	15,170	(7)
NGLs (Bbls/d)	5,863	5,769	2	5,420	5,246	3
Total (Boe/d)	49,348	57,010	(13)	50,443	50,803	(1)
Condensate, oil & NGLs weighting	38%	40%		39%	40%	
Condensate & oil weighting	26%	30%		28%	30%	
<u>Average realized selling prices ⁽⁴⁾</u>						
Natural gas (\$/Mcf)	3.14	2.74	15	2.43	2.78	(13)
Condensate & oil (\$/Bbl)	52.59	65.78	(20)	45.50	67.44	(33)
NGLs (\$/Bbl) ⁽³⁾	16.44	14.56	13	12.68	14.01	(9)
<u>Netbacks (\$/Boe)</u>						
Petroleum and natural gas revenues	27.40	31.13	(12)	23.00	31.57	(27)
Realized gain on financial derivatives	2.77	0.75	269	3.83	0.94	307
Royalties	(0.83)	(1.82)	(54)	(0.92)	(1.49)	(38)
Transportation expenses	(4.97)	(4.13)	20	(4.46)	(4.35)	3
Operating expenses	(9.68)	(9.63)	1	(9.83)	(9.61)	2
Operating netback ⁽²⁾	14.69	16.30	(10)	11.62	17.06	(32)
Corporate netback ⁽²⁾	10.88	13.37	(19)	8.49	14.34	(41)
SHARE TRADING STATISTICS						
High	1.08	3.24	(67)	3.36	5.19	(35)
Low	0.64	1.86	(66)	0.24	1.39	(83)
Close	0.94	3.19	(71)	0.94	3.19	(71)
Average daily volume ('000s)	1,479	770	92	2,030	1,212	67
Common shares outstanding ('000s)				225,837	225,592	—

(1) Refer to Note 17 "Capital management" in NuVista's financial statements and to the sections entitled "Adjusted funds flow" and "Liquidity and capital resources" contained in this MD&A.

(2) Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. Reference should be made to the "Non-GAAP measurements".

(3) Natural gas liquids ("NGLs") include butane, propane and ethane and an immaterial amount of sulphur revenue.

(4) Product prices exclude realized gains/losses on financial derivatives.

Description of business

NuVista is an exploration and production company actively engaged in the development, delineation and production of condensate, natural gas liquids (“NGL”), oil, and natural gas reserves in the Western Canadian Sedimentary Basin. NuVista’s focus is on the scalable and repeatable condensate rich Montney formation in the Alberta Deep Basin (“Wapiti Montney”). The common shares of NuVista trade on the Toronto Stock Exchange (“TSX”) under the symbol NVA.

Quarter highlights, current market conditions and outlook

In March 2020, the World Health Organization declared COVID-19 to be a pandemic. Responses to the spread of COVID-19 have resulted in a sudden decline in economic activity and a significant increase in economic uncertainty. In addition, oil prices declined dramatically due to the global oil price war and decline in demand due to COVID-19. NYMEX natural gas prices were also at decade lows for a good portion of the year, due to temporary oversupply after the mild winter of 2019-20. These events have resulted in a volatile and challenging economic environment which adversely affected NuVista’s operational results and financial position.

In these unprecedented times, NuVista is focused on two key factors. Firstly, in light of the COVID-19 pandemic, providing a safe environment for all our employees, contractors and for the residents of the communities in which we reside and operate. Secondly, maximizing economic value and maintaining an adequate level of liquidity to manage our business by using free adjusted funds flow to reduce net debt while growing at a prudent rate to stay ahead of future midstream minimum volume commitments (“MVCs”).

In 2020 we chose to limit overall production to approximately 50,000 Boe/d in order to minimize natural production declines and to minimize the capital investment required to maintain flat production. We were successful in maintaining flat production through the year, with full year 2020 production average of 50,443 Boe/d lower by 1% from the full year 2019 production average of 50,803 Boe/d. Natural declines resumed as expected in the fourth quarter, and will continue through the first quarter of 2021 until new wells from our winter drilling program begin to come online.

During the fourth quarter, revenues continued to improve from the extreme lows experienced in the second quarter, driven primarily by a significant improvement in condensate & oil pricing. The average realized condensate & oil price of \$53/Bbl was up from \$49/Bbl in the third quarter, and significantly higher than \$22/Bbl in the second quarter, representing a 141% improvement. This was still 20% lower than \$66/Bbl in the fourth quarter of 2019. The average petroleum and natural gas revenue of \$27.40/Boe improved from \$23.24/Boe in the third quarter, and is an increase of 88% from \$14.54/Boe in the second quarter, but was 12% lower than the prior year comparative quarter.

For the full year 2020, the average realized condensate & oil price of \$46/Bbl was a decrease of 33% from an average of \$67/Bbl in 2019. The average petroleum and natural gas revenue was \$23.00/Boe, a 27% reduction from \$31.57/Boe in 2019.

Consistent with the significant decrease in commodity pricing in 2020 compared to 2019, adjusted funds flow of \$49 million for the fourth quarter of 2020 was 30% lower than \$70 million in the fourth quarter of 2019. For the full year 2020, adjusted funds flow of \$157 million was 41% lower than \$266 million in 2019. Adjusted funds flow in 2020 was positively impacted by a strong hedge book, with \$71 million of realized gains on financial derivative contracts compared to realized gains of \$13 million in 2019. Additionally, the Company realized reduced G&A expense from cost reduction measures that included a reduction in staff, executive, and board compensation, along with subsidies received from the Canadian Emergency Wage Subsidy program.

Capital expenditures for the second half of 2020 were limited as the Company was focused on net debt reduction. Capital expenditures for the fourth quarter were limited at \$24 million, and full year capital expenditures was \$180 million, a 40% reduction from \$302 million in 2019.

Adjusted funds flow for the fourth quarter exceeded limited capital expenditures resulting in a net debt reduction of \$25 million. For the second half of 2020, net debt was reduced by \$58 million resulting in year end net debt of

\$599 million. Credit facility drawings at year end were \$363 million, as compared to NuVista's combined available credit of \$480 million, which is comprised of a credit facility of \$440 million and a separate \$40 million unsecured letter of credit facility under Export Development Canada's Account Performance Security Guarantee ("APSG") program. These combined facilities provide us with more than sufficient liquidity to continue to execute our capital plans to maximize value.

NuVista has \$220 million in senior unsecured notes that mature March 2, 2023, providing financial flexibility and certainty with a competitive fixed coupon and remaining two year term. NuVista's net debt to annualized current quarter adjusted funds flow ratio was 3.0x at the end of the fourth quarter.

Subsequent to year end the Company announced the divestiture of its non-core Charlie Lake and Cretaceous Unit assets in the Wembley area, as well as selected water infrastructure assets in the Wembley/Pipestone area, for total proceeds of approximately \$94 million prior to adjustments. There is no change to NuVista's ownership in our core Montney assets in Pipestone, Wapiti, and the surrounding area and no material change to our ownership in the Wembley gas plant. The sales proceeds will be applied to reduce borrowings on NuVista's \$440 million credit facility further improving the Company's liquidity and undrawn credit capacity.

We currently possess hedges which, in aggregate, cover 53% of projected 2021 liquids production (primarily front of year loaded) using a combination of swaps and three-way collars at an average WTI floor price of C\$60.76/Bbl. We have hedged 37% of projected 2021 gas production (primarily summer season loaded) at an average floor price of C\$2.05/Mcf (hedged and exported volumes converted to an AECO equivalent price) using a combination of swaps and collars. These percentage figures relate to production net of royalty volumes.

Environment, social & governance ("ESG") - progress continues

We continue to execute projects to enhance our ESG progress, and we look forward to issuing a fully updated 2020 ESG report in mid 2021. During 2020, NuVista made significant progress on a number of ESG fronts. NuVista's initiatives included the following:

Environment

Approximately 60% of our current production is comprised of natural gas which has the lowest carbon footprint of any hydrocarbon, leading to our GHG performance being well below the North American benchmark. But we will always strive to do more. At the new Pipestone compressor stations, NuVista has invested \$1.2 million with our midstream partners to increase our major waste heat recovery unit count from 7 to 10, continuing our multi year trend of adding waste heat recovery. These new units recover waste heat from compressor exhaust, significantly reducing fuel usage. This saves significant costs and avoids a total combined 4,500 T CO₂e per year of go forward GHG emissions for these three new units alone.

In our effort to reduce greenhouse gas emissions further, another focus has been on establishing ourselves as a front runner in eliminating methane emissions. Our efforts started in prior years with swapping "high bleed" pneumatic devices for "low bleed" devices at new and existing sites. This is now standard practice, and our attention has turned to complete elimination. Using compressed air, instead of pressurized natural gas, as a driver of pneumatic instruments and pumps eliminates all routine methane venting from a site. We've adopted the design philosophy of incorporating centralized compressed air into the ongoing build out of our Pipestone North and South fields. The new wells we are bringing on-stream in Pipestone are therefore zero routine vented methane emission sites. In our Wapiti field, where centralized compressed air is less viable, we are piloting our first solar powered compressed air solution at one of our well pads. More details on our emissions reduction efforts can be found within our 2020 submission to the Carbon Disclosure Project, and will also be available in our annual ESG report.

We also continued our commitment to responsibly abandoning and reclaiming inactive wells and facilities in our legacy areas. In 2020, we spent over \$11 million on abandonment and reclamation work. Many of these dollars result in local economic and employment benefits to remote parts of Alberta, and we are actively working with our First Nation partners in these areas to ensure they are participating in these benefits as well.

Proper progress requires proper planning. We have continued to refine our reporting processes on scope 1,2, and 3 emissions. We have established a centralized inventory and evaluation process for GHG reduction projects and through our focused efforts, we continue to make good strides in the reduction of fresh water use for drilling and completion activities.

Safety

NuVista is committed to conducting its activities in a manner that protects the health and safety of its workers and the public while minimizing the Company's impact on the environment. We always strive towards a goal of zero injuries for our employees and third-party contractors working on our sites. In 2020, our Lost Time Injury Frequency ("LTIF") and Total Recordable Injury Frequency ("TRIF") was 0.198 and 0.59 per 200,000 worker hours respectively, which is below our previous five year average in both categories. We take all injuries seriously, especially any Lost Time Injuries, and have conducted thorough investigations and engagement with the safety regulators, our contractor base, and our industry associations in an effort to ensure that any hazards are well communicated across industry and that reliable controls are implemented to prevent these incidents from happening again.

In 2020, we adopted an industry standard Common Safety Orientation ("CSO") which is an initiative spearheaded by Industry and Energy Safety Canada, and incorporates 10 life saving rules, which are based on addressing the most at-risk behaviour.

Social

Investment in our people and the communities where we live and operate continues to be a top priority. During 2020, this focus intensified as we worked through the variety of challenges COVID-19 presented. Internally we supported our employees as they transitioned from working in the office to working from home. We donated funds to our Indigenous partners specifically earmarked for COVID-19 relief. We wanted to make a difference for those struggling over the holidays. As one example, we implemented a program offering \$100 per staff member to "pay it forward". Staff had the option of choosing a local charity or a gift card in direct support of local restaurants. In 2020, NuVista and staff donated approximately \$350,000 to charities in Calgary, Grande Prairie, and the communities in which we operate.

NuVista's approach to our stakeholders is multifaceted and meaningful, ranging from community support to Indigenous inclusion to staff engagement and diversity.

NuVista has continued and deepened our focus on building relationships with the Indigenous communities with whom we work and consult. NuVista has recently published an Indigenous Inclusion Guiding Principles Statement which describes the four pillars of NuVista's approach: cultural understanding, meaningful engagement, economic participation, and community involvement.

NuVista has continued to put these principles into action in 2020. Our efforts include the sponsorship of breakfast programs for Indigenous youth, educational initiatives, and cultural programs. In the area of economic participation, NuVista has broadened its base of Indigenous suppliers and has worked with key non-Indigenous suppliers on collaborative approaches to improving Indigenous inclusion in our operations. In 2020, NuVista also collaborated with a First Nation directly to develop our abandonment and decommissioning program for the winter season. This collaboration included site and supplier selection. These efforts resulted in a successful program with numerous Indigenous suppliers in many key capacities ranging from civil work to safety to environmental.

Despite the challenges facing our industry we continue to donate our time and money in support of the many charitable organizations that make a difference in our communities. We have evaluated our current donation budget process to ensure contributions are allocated in a way that represents the varied needs of our communities and the various under represented groups.

We are proud of our staff, and more importantly, our staff are proud to work for NuVista. We conduct numerous staff engagement and team building events each year and we didn't let COVID-19 stop us. We continue to survey our staff annually to understand how we are doing as an employer and where we can improve. We are proud and appreciative to regularly receive scores that indicate best in class levels of staff engagement.

Governance

We believe we have world class governance standards, like so many of our Canadian peers. ESG plays a key role in our organization. In the first quarter of 2020, we formed a Board ESG Committee to provide increased awareness and oversight to our ongoing initiatives. The Board's oversight of our policies and programs and Management's focus on these key principles provides a framework for our field and head office staff to operate in a safe and environmentally conscious manner. We continue to strive to improve these initiatives and are committed to achieving our plans in the future.

To ensure continuous improvement, here are a few of the governance items upon which we are focused: We have set and will meet a diversity target of 20% for female Board membership by the end of 2021. Our executive and staff compensation targets have been changed to include ESG in addition to traditional financial and reserve metrics. Staff hiring practices include a focus on diversity and particularly the advancement of First Nations contracting, training, and capacity building.

2021 Guidance

NuVista is pleased to note that both condensate and natural gas future strip prices have increased significantly in the past quarter, resulting in a significant increase to projected cash flows at the same time as tremendous progress has been made in reducing our net debt. Our continuing efforts are focused on balancing rapid debt repayment, increasing cash flow through prudent production growth, and creating a comfortable cushion above midstream minimum volume commitments. As such, the proceeds from the divestitures allow us room to use up to half in order to prudently increase our capital spending for 2021 and 2022 while maintaining spending below projected 2021 and 2022 cash flow levels. The remainder of the proceeds will continue to be applied towards permanent net debt reduction.

NuVista's capital spending for 2021 has been increased to a range of \$230 - \$250 million from the original range of \$180 - \$200 million. As the spending will be added in the third and fourth quarters of 2021, there is a minimal production impact on 2021 but offsets the reduction from the divested volumes. This is then followed by a significant positive impact to our outlook for 2022 production and corresponding cash flow. 2021 production guidance is re-affirmed at 50,000 - 52,000 Boe/d. The preceding spending level assumes that strip prices remain near current levels, and is expected to result in significant ongoing reduction of net debt as well as dramatic reduction in net debt to cash flow ratio. We intend to continue our track record of carefully directing additional available cash flow towards a prudent balance of debt reduction and production growth until our existing facilities are filled to maximum efficiency, and net debt to cash flow levels reach 1.0x or less. Capital spending will continue to be weighted heavily towards Pipestone, as our highest return area, with expected well payouts well below a year. NuVista retains the flexibility to revise capital spending from the second quarter onwards, should commodity prices increase or retreat significantly from the current positive trend.

NuVista has a solid business plan that maximizes free cash flow and the return of capital to shareholders when our existing facilities are filled to capacity and maximum efficiency at flattened production levels of approximately 80,000 – 90,000 Boe/d. We are confident that the actions described above accelerate the Company towards that goal by as early as 2023, while still providing free cash flow and net debt reduction while growing through 2021-2023. With facilities filled, returns are enhanced further with corporate netbacks which are expected to grow by approximately \$2-\$3/Boe due to the efficiencies of scale which will reduce our unit operating, transportation, and interest costs by this amount.

Operations activity

Number of wells	Three months ended December 31		Year ended December 31	
	2020	2019	2020	2019
Wells drilled - gross (net) ⁽¹⁾	3 (3.0)	7 (7.0)	25 (25.0)	34 (34.0)
Wells completed - gross (net) ⁽²⁾	0 (0.0)	2 (2.0)	15 (15.0)	35 (35.0)
Wells brought on production - gross (net) ⁽³⁾	0 (0.0)	7 (7.0)	15 (15.0)	39 (38.8)

⁽¹⁾ Based on rig release date.

⁽²⁾ Based on frac end date.

⁽³⁾ Based on first production date of in-line test or on production and tied-in to permanent facilities.

Consistent with our response to significantly weaker commodity prices and our focus on maximizing value and maintaining liquidity, capital expenditures have been limited since early in the second quarter of 2020. For the three months ended December 31, 2020, NuVista drilled 3 (3.0 net) wells compared to 7 (7.0 net) wells in the comparable period of 2019. For the year ended December 31, 2020, NuVista drilled 25 (25.0 net) Montney condensate rich natural gas wells compared to 31 (31.0 net) Montney condensate rich natural gas wells, 2 (2.0 net) oil wells and 1 (1.0) disposal well in the comparable period of 2019.

All wells in 2020 and 2019 were drilled with a 100% success rate.

Production

	Three months ended December 31			Year ended December 31		
	2020	2019	% Change	2020	2019	% Change
Natural gas (Mcf/d)	183,341	204,275	(10)	185,732	182,322	2
Condensate & oil (Bbls/d)	12,928	17,195	(25)	14,067	15,170	(7)
NGLs (Bbls/d)	5,863	5,769	2	5,420	5,246	3
Total (Boe/d)	49,348	57,010	(13)	50,443	50,803	(1)
Condensate, oil & NGLs weighting ⁽¹⁾⁽²⁾	38%	40%		39%	40%	
Condensate & oil weighting ⁽²⁾	26%	30%		28%	30%	

⁽¹⁾ NGLs include butane, propane and ethane.

⁽²⁾ Product weighting is based on total production.

Production for the three months and year ended December 31, 2020 decreased 13% and 1% respectively over the comparative periods of 2019. Despite no new wells being brought on stream in the fourth quarter, production averaged 49,348 Boe/d which remained consistent with our third quarter average of 49,443 Boe/d. Production in the fourth quarter and year to date in 2020 is slightly higher than our previously communicated guidance ranges, with a target to maintain annual production at approximately 50,000 Boe/d.

Condensate & oil volume weighting for the three months and year ended December 31, 2020 was 26% and 28% respectively. This was lower than 30% in the prior year comparative periods, primarily due to the deliberate restriction of high condensate wells and the absence of new well flush production.

Pricing

	Three months ended December 31			Year ended December 31		
	2020	2019	% change	2020	2019	% change
Realized selling prices ^{(1),(2)}						
Natural gas (\$/Mcf)	3.14	2.74	15	2.43	2.78	(13)
Condensate & oil (\$/Bbl)	52.59	65.78	(20)	45.50	67.44	(33)
NGLs (\$/Bbl)	16.44	14.56	13	12.68	14.01	(9)
Barrel of oil equivalent (\$/Boe)	27.40	31.13	(12)	23.00	31.57	(27)
Benchmark pricing						
Natural gas - AECO 5A daily index (Cdn\$/Mcf)	2.64	2.48	6	2.23	1.76	27
Natural gas - AECO 7A monthly index (Cdn\$/Mcf)	2.77	2.34	18	2.24	1.62	38
Natural gas - NYMEX (monthly) (US\$/MMbtu)	2.66	2.50	6	2.08	2.63	(21)
Natural gas - Chicago Citygate (monthly) (US\$/MMbtu)	2.49	2.44	2	1.98	2.56	(23)
Natural gas - Dawn (daily) (US\$/MMbtu)	2.25	2.24	—	1.87	2.40	(22)
Natural gas - Malin (monthly) (US\$/MMbtu)	2.93	2.65	11	2.15	2.67	(19)
Oil - WTI (US\$/Bbl)	42.66	56.96	(25)	39.40	57.03	(31)
Oil - Edmonton Par - (Cdn\$/Bbl)	50.17	68.10	(26)	45.24	69.09	(35)
Condensate - Condensate @ Edmonton (Cdn\$/Bbl)	55.33	70.03	(21)	49.47	70.11	(29)
Condensate - Average C5-WTI differential (US\$/Bbl)	(0.16)	(3.91)	(96)	(2.23)	(4.20)	(47)
Exchange rate - (Cdn\$/US\$)	1.30	1.32	(2)	1.34	1.33	1

⁽¹⁾ Prices exclude price risk management realized and unrealized gains and losses on financial derivative commodity contracts but includes gains and losses on physical sale contracts and natural gas price diversification.

⁽²⁾ Prospective January 1, 2020, the average condensate and NGLs selling price is net of fractionation fees and excludes pipeline tariffs that prior to January 1, 2020 were reported net of the selling price. These pipeline tariffs are now included within transportation expenses. Prior year comparatives have been corrected to conform with current year presentation. For the three months and year ended December 31, 2020, the amount of pipeline tariffs that would have previously been classified net of revenues and is now included in transportation expenses was \$7.4 million and \$29.3 million respectively (2019 - \$6.8 million and \$24.4 million).

The WTI benchmark averaged US\$42.66/Bbl in the fourth quarter of 2020, 25% below the fourth quarter of last year and 4% higher than the third quarter of this year which averaged US\$40.93/Bbl. The outbreak of COVID-19 created a sharp drop in oil demand globally and very weak prices starting in April. In April, OPEC and other nations agreed to production cuts to stabilize the global oil market. Adherence to the production cuts have been high for most of 2020 and inventories have been steadily declining which has played a role in improving global oil prices. Global oil demand has improved steadily throughout the year and the rollout of COVID-19 vaccines should continue this trend. In the second quarter, North American oil producers immediately began curtailing production with the fall in oil prices, including a significant amount of heavy oil in Canada. Much of this production was brought back online throughout the third and fourth quarters but total US production remains well below peak levels reached last year. Condensate differentials have subsequently improved with the return of heavy oil production in Canada, coupled with lower condensate production in Western Canada. Condensate prices continued to outperform other liquid prices with the Edmonton marker averaging C\$55.33/Bbl for the quarter.

NYMEX gas prices were up 34% compared to the third quarter of 2020 averaging US\$2.66/MMbtu. The US increased their LNG export capacity to over 10 Bcf/d but warm weather in the winter of 2019/2020 and the onset of COVID-19 reduced demand and exports for most of this past summer. Subsequently, Europe and Asia experienced very cold temperatures to start this winter and US LNG exports have been exceeding 10 Bcf/d. Despite a warm winter in North America again this year, the high levels of LNG exports, a strong power market and declining US supply have all played a role in balancing the market and leading to higher gas prices.

AECO gas prices averaged \$2.77/Mcf in the fourth quarter of 2020 representing an increase of 29% from \$2.15/Mcf in the third quarter of 2020 and an 18% increase from the fourth quarter of 2019. The continued buildout of the Nova system has allowed for stronger exports from Western Canada and AECO prices have improved relative to the other natural gas benchmark prices as a result.

Revenue

Petroleum and natural gas revenues

(\$ thousands, except % amounts)	Three months ended December 31				Year ended December 31			
	2020		2019		2020		2019	
	\$	% of total	\$	% of total	\$	% of total	\$	% of total
Natural gas ⁽¹⁾	52,963	43	51,486	31	165,239	39	185,200	32
Condensate & oil	62,550	50	104,064	64	234,247	55	373,451	64
NGLs ⁽²⁾	8,865	7	7,728	5	25,151	6	26,833	4
Total petroleum and natural gas revenues	124,378		163,278		424,637		585,484	

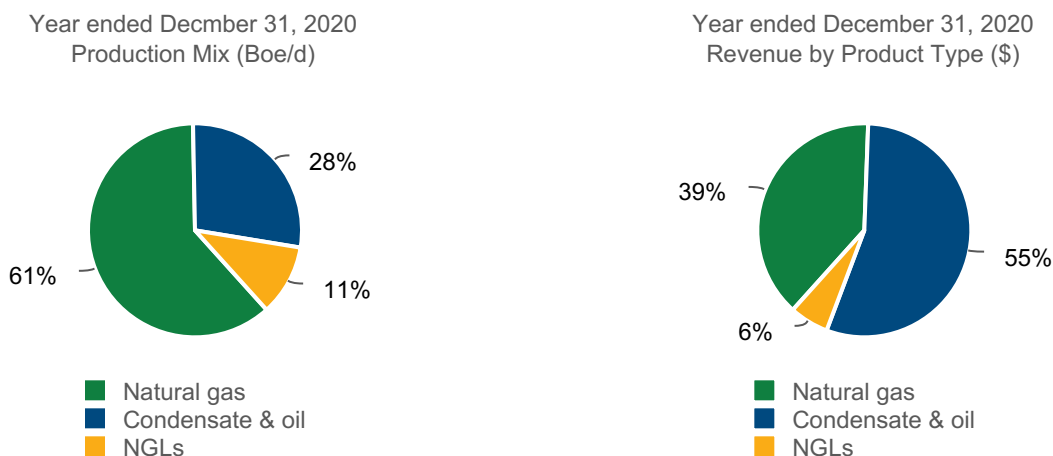
⁽¹⁾ Natural gas revenue includes price risk management gains and losses on physical delivery sale contracts. For the three months and year ended December 31, 2020, our physical delivery sales contracts resulted in losses of \$1.9 million and \$9.6 million respectively (2019 – \$2.7 million loss and \$2.6 million gain).

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

For the three months ended December 31, 2020, petroleum and natural gas revenues decreased 24% from the comparable period of 2019, due primarily to a 12% decrease in average per Boe realized price and a 13% decrease in production for the quarter.

For the year ended December 31, 2020, petroleum and natural gas revenue decreased 27% over the comparable period of 2019, due primarily to a 27% decrease in average per Boe realized price, and a 1% decrease in production.

Condensate & oil volumes averaged 26% of total production in the fourth quarter of 2020, contributing 50% of total petroleum and natural gas revenues. For the year ended December 31, 2020, condensate & oil volumes averaged 28% of total production, contributing 55% of total petroleum and natural gas revenues.



A breakdown of natural gas revenue is as follows:

(\$ thousands, except per unit amounts)	Three months ended December 31				Year ended December 31			
	2020		2019		2020		2019	
	\$	\$/Mcf	\$	\$/Mcf	\$	\$/Mcf	\$	\$/Mcf
Natural gas revenue - AECO reference price ⁽¹⁾	46,832	2.77	44,623	2.34	152,053	2.24	113,698	1.62
Heat/value adjustment ⁽²⁾	3,782	0.23	3,549	0.20	11,849	0.18	9,390	0.15
Transportation revenue ⁽³⁾	7,989	0.49	7,164	0.40	28,723	0.44	28,751	0.45
Natural gas market diversification revenue (loss)	(3,760)	(0.24)	(1,138)	(0.06)	(17,817)	(0.29)	30,807	0.52
AECO physical delivery sales contract gains (losses) ⁽⁴⁾	(1,880)	(0.11)	(2,712)	(0.14)	(9,569)	(0.14)	2,554	0.04
Total natural gas revenue	52,963	3.14	51,486	2.74	165,239	2.43	185,200	2.78

⁽¹⁾ Average AECO 7A monthly index.

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

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

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

For the three months ended December 31, 2020, natural gas revenue increased 3% from the comparable period of 2019, due to a 15% increase in realized selling prices and a 10% decrease in production. For the year ended December 31, 2020, natural gas revenue decreased 11% from the comparable period of 2019, due primarily to a 13% decrease in realized selling prices offset by a 2% increase in production.

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

	Three months ended December 31		Year ended December 31	
	2020	2019	2020	2019
AECO physical deliveries	27 %	48 %	42 %	42 %
Dawn physical deliveries	24 %	22 %	21 %	24 %
Malin physical deliveries	21 %	19 %	21 %	21 %
Chicago physical deliveries	28 %	11 %	16 %	13 %

NuVista receives a premium to the AECO spot gas price due to the higher heat content of its natural gas production. Price risk is also mitigated by the various gas marketing and transportation arrangements that the Company has in place to diversify and gain exposure to alternative natural gas markets in North America. For the three months ended December 31, 2020, the Company delivered 27% of its gas to AECO of which 9% was under AECO physical fixed price delivery sales contracts. NuVista delivered approximately 24% of its natural gas production to Dawn, 21% to Malin, and 28% to Chicago.

NuVista's exposure to AECO floating prices was approximately 18% of volumes in the fourth quarter of 2020 as a result of this market egress, and the inclusion of pre-existing physical and financial delivery sales contracts. NuVista's existing contracts for firm transportation on export pipelines coupled with the financial NYMEX basis natural gas sales price derivative contracts will result in long term price diversification.

Excluding the impact of realized gains (losses) on physical sales contracts, the average selling price for natural gas for the three months and year ended December 31, 2020 was \$3.25/Mcf and \$2.57/Mcf respectively, compared to \$2.88/Mcf and \$2.74/Mcf for the comparative periods of 2019, and \$2.43/Mcf in the third quarter of 2020.

Condensate & oil revenue

For the three months ended December 31, 2020, condensate & oil revenue decreased 40% over the comparable period of 2019 due to a 20% decrease in the average realized selling price and a 25% decrease in production. For the year ended December 31, 2020, condensate & oil revenue decreased 37% over the comparable period of 2019, due primarily to a 33% decrease in the average realized selling price.

Historically, strong demand for condensate in Alberta results in benchmark condensate prices at Edmonton trading at a premium to Canadian light oil prices. NuVista's realized condensate & oil prices include adjustments for fractionation fees and quality differentials. Condensate & oil realized selling prices averaged \$52.59/Bbl and \$45.5/Bbl in the three months and year ended December 31, 2020, a decrease of 20% and 33% from \$65.78/Bbl and \$67.44/Bbl for the comparable periods of 2019.

NGL revenue

For the three months ended December 31, 2020, NGL revenue increased 15% over the comparable period of 2019, due to a 13% increase in the average realized selling price and a 2% increase in production. For the year ended December 31, 2020, NGL revenue decreased 6% over the comparable period of 2019, due primarily to a 9% decrease in the average realized selling price, partially offset by a 4% increase in production.

Commodity price risk management

NuVista has a disciplined commodity price risk management program as part of its financial risk management strategy. The purpose of this program is to reduce volatility in financial results and help stabilize adjusted funds flow against the unpredictable commodity price environment. NuVista's Board of Directors has authorized the use of fixed price, put option and costless collar contracts ("Fixed Price Contracts"), and approved the terms of NuVista's commodity price risk management program to allow the securing of minimum prices of the following:

(% of net forecast after royalty production)	First 18 month forward period	Following 18 month forward period	Following 24 month forward period
Natural Gas Fixed Price Contracts	up to 70%	up to 60%	up to 50%
Crude Oil Fixed Price Contracts	up to 70%	up to 60%	up to 30%

The Board of Directors has set limits for entering into natural gas basis differential contracts that are the lesser of 50% of forecast natural gas production, net of royalties, or the volumes that would bring the combined natural gas basis differential contracts and natural gas fixed price contracts to 100% of forecast natural gas production, net of royalties. In addition, a maximum volume of up to 150,000 MMBtu/day has been approved, with a term of 7 years from the date any such swap is entered into.

Hedges on crude oil, natural gas liquids, natural gas, differentials and basis may be made in Canadian or U.S. dollars at the time the position is established and the U.S. dollar positions may be hedged to Canadian dollars during the term of the applicable hedge. Foreign currency exposure on interest payments and long-term debt, if there is that exposure, may also be hedged back to Canadian dollars.

Three months ended December 31

(\$ thousands)	2020			2019		
	Realized gain (loss)	Unrealized gain (loss)	Total gain (loss)	Realized gain (loss)	Unrealized gain (loss)	Total gain (loss)
Natural gas	(3,208)	23,077	19,869	(127)	(30,384)	(30,511)
Condensate & oil	15,773	(24,677)	(8,904)	4,083	(30,060)	(25,977)
Gain (loss) on financial derivatives	12,565	(1,600)	10,965	3,956	(60,444)	(56,488)

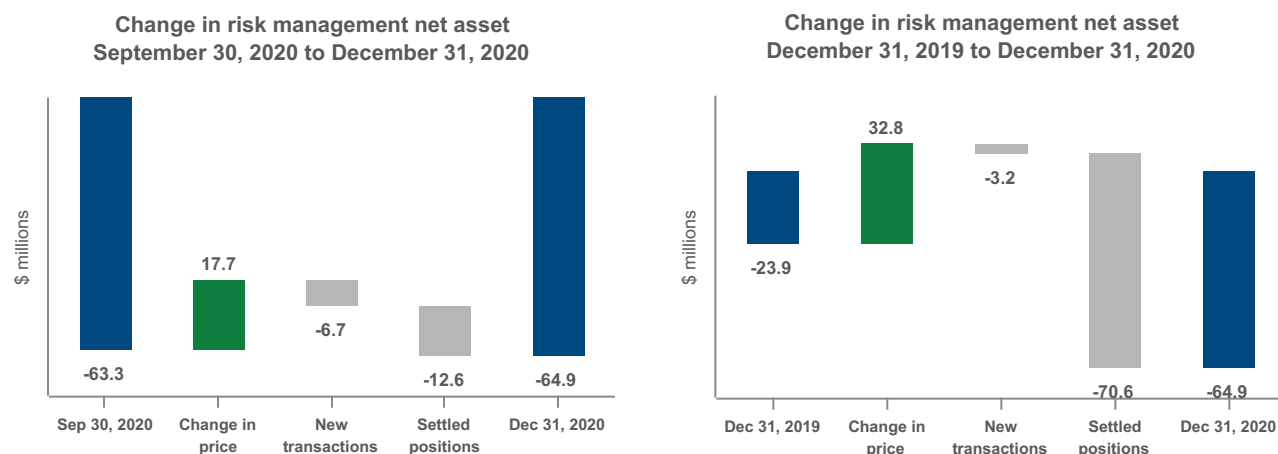
During the fourth quarter of 2020, the commodity price risk management program resulted in a total gain of \$11.0 million, compared to a total loss of \$56.5 million for the comparable period of 2019 and a total loss of \$29.0 million in the third quarter of 2020. The fair value of financial derivative contracts is recorded in the financial statements.

Unrealized gains and losses are the change in mark to market values or fair value of financial derivative contracts in place at the end of the quarter compared to the start of the quarter. The unrealized gain in the fourth quarter is primarily as a result of an unrealized gain on natural gas contracts due to the decrease in NYMEX forward strip pricing and the widening of AECO/NYMEX basis forward strip pricing at the end of the quarter compared to the beginning of the quarter, partially offset by an unrealized loss on oil contracts reflective of the increasing WTI forward strip pricing at the end of the quarter compared to the beginning of the quarter. Due to increased volatility in oil and gas prices and the related forward strips pricing, the impact of unrealized gains and/or losses on overall earnings in a particular reporting period can be substantial, as was the case throughout 2020 and the comparative period of 2019.

Year ended December 31

(\$ thousands)	2020			2019		
	Realized gain (loss)	Unrealized gain (loss)	Total gain (loss)	Realized gain (loss)	Unrealized gain (loss)	Total gain (loss)
Natural gas	2,848	(26,987)	(24,139)	3,086	(98,581)	(95,495)
Condensate & oil	67,810	(14,036)	53,774	14,295	(42,582)	(28,287)
Gain (loss) on financial derivatives	70,658	(41,023)	29,635	17,381	(141,163)	(123,782)

For the year ended December 31, 2020, the commodity price risk management program resulted in a gain of \$29.6 million compared to a loss of \$123.8 million for the comparable period of 2019.



For 2021, NuVista currently has hedges which, in aggregate, cover 53% of projected 2021 liquids production (primarily front of year loaded) using a combination of swaps and three-way collars at an average WTI floor price of C\$60.76/Bbl. NuVista has hedged 37% of projected 2021 gas production (primarily summer season loaded) at an average floor price of C\$2.05/Mcf (hedged and exported volumes converted to an AECO equivalent price) using a combination of swaps and collars. These percentage figures relate to production net of royalty volumes.

Price risk management on our physical delivery sale contracts resulted in losses of \$1.9 million and \$9.6 million respectively for the three months and year ended December 31, 2020 compared to a loss of \$2.7 million and a gain of \$2.6 million for the comparable periods of 2019.

Financial instruments

The following is a summary of financial derivatives contracts in place as at December 31, 2020:

Term ⁽¹⁾	WTI fixed price swap		C5 - WTI Differential Swap	
	Bbls/d	Cdn\$/Bbl	Bbls/d	US\$/Bbl
Q1 2021	8,750	54.57	3,000	0.25
Q2 2021	8,000	58.52	—	—

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

Term ⁽¹⁾	AECO-NYMEX basis swap		AECO-NYMEX basis buybacks		Chicago-NYMEX basis swap		Malin-NYMEX basis swap	
	MMBtu/d	US\$/MMBtu	MMBtu/d	US\$/MMBtu	MMBtu/d	US\$/MMBtu	MMBtu/d	US\$/MMBtu
2021	95,000	(0.98)	(60,000)	(0.82)	15,000	(0.24)	20,000	(0.66)
2022	95,000	(0.97)	(60,000)	(0.82)	12,493	(0.24)	16,658	(0.66)
2023	100,000	(1.01)	—	—	—	—	—	—
2024	100,000	(1.00)	—	—	—	—	—	—
2025	35,000	(1.00)	—	—	—	—	—	—

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

Term ⁽¹⁾	Dawn-NYMEX basis swap	
	MMBtu/d	US\$/MMBtu
2021	10,000	(0.26)
2022	8,329	(0.26)

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

Term ⁽¹⁾	NYMEX fixed price swap		NYMEX collars		
	MMBtu/d	US\$/MMBtu	MMBtu/d	US\$/MMBtu	US\$/MMBtu
Q1 2021	15,000	2.63	35,000	2.64	3.32
Q2 2021	30,000	2.56	10,000	2.50	2.79
Q3 2021	30,000	2.56	10,000	2.50	2.79
Q4 2021	16,739	2.59	3,370	2.50	2.79

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

Subsequent to December 31, 2020, the following is a summary of financial derivatives that have been entered into:

Term ⁽¹⁾	WTI fixed price swap		C\$ WTI 3 way collar			C5-WTI differential swap		
	Bbls/d	Cdn\$/Bbl	Bbls/d	Cdn\$/Bbl	Cdn\$/Bbl	Cdn\$/Bbl	Bbls/d	US\$/Bbl
Q2 2021	5,000	66.61	—	—	—	—	3,000	0.08
Q3 2021	4,000	66.87	4,500	50.00	61.56	78.71	—	—
Q4 2021	1,000	70.86	4,500	50.00	61.56	78.71	—	—
Q1 2022	—	—	3,500	50.00	62.00	76.78	—	—
Q2 2022	—	—	3,500	50.00	62.00	76.78	—	—
Q3 2022	—	—	500	50.00	62.00	77.25	—	—
Q4 2022	—	—	500	50.00	62.00	77.25	—	—

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

Term ⁽¹⁾	AECO-NYMEX basis swap		Chicago-NYMEX basis swap	
	MMBtu/d	US\$/MMBtu	MMBtu/d	US\$/MMBtu
2021 Apr - Oct	—	—	10,000	(0.21)
2022 Apr - Oct	10,000	(0.73)	—	—

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

Term ⁽¹⁾	NYMEX fixed price swap		NYMEX collars		
	MMBtu/d	US\$/MMBtu	MMBtu/d	US\$/MMBtu	US\$/MMBtu
Q2 2021	15,000	2.93	35,000	2.65	3.11
Q3 2021	15,000	2.93	35,000	2.65	3.11
Q4 2021	5,054	2.93	35,000	2.77	3.36
Q1 2022	—	—	35,000	2.83	3.49

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

Physical delivery sales contracts

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

The following is a summary of the physical delivery sales contracts in place as at December 31, 2020:

Term ⁽¹⁾	Dawn-NYMEX Basis	
	MMBtu/d	US\$/MMBtu
2021	10,000	(0.26)
2022	8,329	(0.26)

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

Royalties

(\$ thousands, except % and per Boe amounts)	Three months ended December 31		Year ended December 31	
	2020	2019	2020	2019
Gross royalties	10,755	13,336	39,961	42,767
Gas cost allowance ("GCA")	(6,970)	(3,768)	(23,031)	(15,098)
Net royalties	3,785	9,568	16,930	27,669
Gross royalty % excluding physical delivery sales contracts ⁽¹⁾	8.5	8.0	9.2	7.3
Gross royalty % including physical delivery sales contracts	8.6	8.2	9.4	7.3
Net royalties \$/Boe	0.83	1.82	0.92	1.49

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

For the three months and year ended December 31, 2020, gross royalties decreased 19% and 7% compared to the prior year comparative periods primarily as a result of the decrease in the average \$/Boe realized prices. Gross royalties as a percentage of petroleum and natural gas revenues increased as a result of a greater number of wells having fully utilized the royalty incentive programs which carried reduced initial royalty rates. The gross natural gas and liquids (condensate, oil and NGL) royalty rates for the three months and year ended December 31, 2020 were 5% and 11% compared to 5% and 10% respectively, in the comparative periods of 2019.

The Company receives GCA from the Crown, which reduces royalties to account for expenses incurred by NuVista to process and transport the Crown's portion of natural gas production. For the three months and year

ended December 31, 2020, the 85% and 53% increase in GCA credits received compared to the comparative periods of 2019 is primarily due to GCA received related to capital expenditures for gas processing and transportation infrastructure incurred in 2019, primarily related to the Pipestone South compressor station.

NuVista's physical price risk management and gas market diversification activities impact reported average royalty rates as royalties are based on government market reference prices for delivery of product in Alberta and not the Company's average realized prices that include price risk management and gas market diversification activities.

Transportation expenses

(\$ thousands, except per unit amounts)	Three months ended December 31		Year ended December 31	
	2020	2019	2020	2019
Natural gas transportation expense	15,318	12,517	53,108	48,969
Condensate, oil & NGL transportation expense	7,252	9,145	29,204	31,753
Total transportation expense	22,570	21,662	82,312	80,722
Natural gas transportation \$/Mcf ⁽¹⁾	0.91	0.67	0.78	0.74
Condensate, oil & NGL transportation \$/Bbl	4.19	4.33	4.09	4.26
Total transportation \$/Boe	4.97	4.13	4.46	4.35

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

For the three months and year ended December 31, 2020, natural gas transportation expenses on a total dollar and \$/Mcf basis increased from the comparative periods of 2019 and the third quarter of \$12.5 million (\$0.74/Mcf) due to additional Alliance capacity that came into effect in November 2020.

Condensate, oil & NGL transportation for the three months and year ended December 31, 2020 were lower than prior year comparative periods primarily as a result of a greater proportion of volumes trucked in the prior year comparative periods. Throughout 2020, the majority of volumes were pipeline connected, incurring lower rates than trucked volumes.

Operating expenses

(\$ thousands, except per unit amounts)	Three months ended December 31		Year ended December 31	
	2020	2019	2020	2019
Operating expenses	43,926	50,528	181,436	178,275
Per Boe	9.68	9.63	9.83	9.61

For the three months ended December 31, 2020, operating expenses decreased 13% compared to the prior year comparative period due to lower production, and continued cost cutting initiatives and vendor discounts received as a result of the slowdown in industry activity due to the COVID-19 pandemic and uncertain economic environment. For the year ended December 31, 2020, operating expenses remained consistent with the prior year comparative period. Fourth quarter operating expenses were consistent with third quarter operating expenses of \$44.6 million (\$9.80/Boe),

In accordance with the adoption of IFRS 16 - Leases on January 1, 2019 base rent for the Company's field office was recognized as a lease beginning January 1, 2019. This has resulted in base rent costs in the amount of \$33.0 thousand and \$128.0 thousand in the both the three months and year ended December 31, 2020 and prior year comparative periods being excluded from operating expenses, as the costs are now accounted for under the new lease standard.

The minimum take or pay commitments associated with the Pipestone South gas processing lease and gas transportation lease recognized in the third quarter of 2019 is excluded from operating expense and classified as a lease under IFRS 16. For the three months and year ended December 31, 2020, total payments under these two leases of \$3.4 million and \$12.6 million were excluded from operating expenses and accounted for under the new lease standard.

General and administrative expenses (“G&A”)

(\$ thousands, except per Boe amounts)	Three months ended December 31		Year ended December 31	
	2020	2019	2020	2019
Gross G&A expenses	5,522	5,749	19,950	23,976
Overhead recoveries	(796)	(372)	(2,148)	(1,794)
Capitalized G&A	(1,008)	(897)	(3,788)	(5,330)
Net G&A expenses	3,718	4,480	14,014	16,852
Gross G&A per Boe	1.22	1.10	1.08	1.29
Net G&A per Boe	0.82	0.85	0.76	0.91

For the three months and year ended December 31, 2020, gross G&A expenses have decreased as compared to the prior year comparative periods primarily as a result of cost reduction measures in response to the COVID-19 pandemic and the significant decrease in commodity prices that has resulted. Cost reduction measures include base salary reductions for staff, executive, and the board of directors that came in to effect on May 1, 2020, and other cost cutting initiatives in response to challenging economic conditions. Additionally, NuVista has benefited from the Federal Government’s Canadian Emergency Wage Subsidy Program (“CEWS”) and in 2020 has received \$1.5 million (\$0.1 million in the fourth quarter) in wage subsidies reducing gross G&A expenses and \$0.4 million (\$0.1 million in the fourth quarter) reducing operating expenses.

The Company’s policy of allocating and capitalizing G&A expenses associated with new capital projects remained unchanged in 2019 and 2020. G&A capitalized and operating recoveries are in accordance with industry practice.

In accordance with the adoption of IFRS 16 - *Leases* on January 1, 2019, base rent for the Company’s head office expense was recognized as a lease prospective January 1, 2019. This has resulted in base rent costs for both the three months and year ended December 31, 2020, and the prior year comparative periods in the amount of \$0.2 million and \$0.7 million being excluded from gross G&A expenses, as the costs are now accounted for under the lease standard.

Share-based compensation expense

(\$ thousands)	Three months ended December 31		Year ended December 31	
	2020	2019	2020	2019
Stock options	516	814	2,538	3,679
Restricted share awards	329	335	1,440	1,422
Performance share awards	385	202	1,259	621
Non cash share-based compensation expense	1,230	1,351	5,237	5,722
Director deferred share units	480	720	(916)	478
Performance share units	917	—	917	—
Cash share-based compensation expense	1,397	720	1	478
Total share-based compensation expense	2,627	2,071	5,238	6,200

Share-based compensation expense relates to the amortization of the fair value of stock option awards, performance share awards (“PSA”), restricted share awards (“RSA”) and accruals for future payments under the director deferred share unit (“DSU”) and the newly implemented performance share unit (“PSU”) plans.

In the fourth quarter of 2020, the Company granted units under a new PSU incentive plan. Each PSU entitles participants to receive cash equal to the trading price of the equivalent number of shares of the Company at the time of grant, multiplied by a payout multiplier ranging from 0 to a cap of 2.0x the issue value. 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. The performance scorecard which will be used is the same one as is used for the PSA plan.

The change in share-based compensation expense over the prior year comparative periods is due to the number and fair value of units granted or exercised for non cash share based awards, and the the change in the valuation of the liability of the cash share based awards as result of the change in share price from the beginning of the period to the end of the period. For the three months ended December 31, 2020, the increase in share-based compensation expense is primarily a result of the expense recognized for awards granted under the PSU plan.

For the year ended December 31, 2020, the decrease in share-based compensation over the prior year comparative period is a result of the decrease in the fair value of stock options granted in the period and the increase in the number of awards that expired during the period as a result of the decline in the Company's share price throughout the year. The increase in DSU recovery is a result of the decrease in share price from \$3.19/share at December 31, 2019 to \$0.94/share at December 31, 2020, which is offset by the increase in PSU expense recognized for new grants in the period.

Financing costs

(\$ thousands, except per Boe amounts)	Three months ended December 31		Year ended December 31	
	2020	2019	2020	2019
Interest on long-term debt (credit facility)	4,996	3,801	17,150	14,208
Interest on senior unsecured notes	3,803	3,813	15,292	15,179
Interest expense	8,799	7,614	32,442	29,387
Lease interest expense	3,349	2,582	11,294	3,631
Accretion expense	416	612	1,496	2,070
Total financing costs	12,564	10,808	45,232	35,088
Interest expense per Boe	1.94	1.45	1.76	1.58
Total financing costs per Boe	2.77	2.06	2.45	1.89

For the three months and year ended December 31, 2020, interest expense on long-term debt increased from the comparable periods in 2019 due to higher average bank indebtedness and slightly higher overall interest rates. Average interest rates on long-term debt for the three months and year ended December 31, 2020 were 4.7% and 3.8% compared to average interest rates of 3.9% and 3.8% for the comparative periods of 2019. Interest expense on long-term debt includes interest standby charges on the Company's syndicated credit facility.

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 expense on senior unsecured notes for the three months and year ended December 31, 2020, is for interest paid or accrued at the effective interest rate of 7.0%. The carrying value of the 2023 Notes at December 31, 2020 is \$217.7 million.

Lease interest expense for the three months and year ended December 31, 2020 is from the adoption of IFRS 16 - *Leases* on January 1, 2019. The weighted average incremental borrowing rate on the office lease liabilities is 5.5%. Two additional leases were identified in the third quarter of 2019 for gas processing and transportation associated with the start up of the Pipestone compressor and pipeline connecting the compressor to the SemCAMS Wapiti plant. The weighted average incremental borrowing rates on these lease liabilities are 8% and 11% respectively. The addition of \$8.8 million in the third quarter of 2020 to the gas processing lease liability to recognize capital expansion costs, increased the weighted average incremental borrowing rate from 8% to 11%.

Operating netback and corporate netback

The tables below summarize operating netback and corporate netback on a total dollar and per Boe basis for the three months and year ended December 31, 2020 and 2019:

Three months ended December 31

(\$ thousands, except per Boe amounts)	2020		2019	
	\$	\$/Boe	\$	\$/Boe
Petroleum and natural gas revenues ⁽¹⁾	124,378	27.40	163,278	31.13
Realized gain on financial derivatives	12,565	2.77	3,956	0.75
	136,943	30.17	167,234	31.88
Royalties	(3,785)	(0.83)	(9,568)	(1.82)
Transportation expense	(22,570)	(4.97)	(21,662)	(4.13)
Operating expense	(43,926)	(9.68)	(50,528)	(9.63)
Operating netback ⁽²⁾	66,662	14.69	85,476	16.30
General and administrative expense	(3,718)	(0.82)	(4,480)	(0.85)
Share-based compensation expense	(1,397)	(0.31)	(720)	(0.14)
Interest and lease finance expense	(12,148)	(2.68)	(10,196)	(1.94)
Corporate netback ⁽²⁾	49,399	10.88	70,080	13.37

⁽¹⁾ Includes price risk management losses of \$1.9 million (2019 - \$2.7 million loss) on physical delivery sales contracts.

⁽²⁾ Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. Reference should be made to the section entitled "Non-GAAP measurements".

Year ended December 31

(\$ thousands, except per Boe amounts)	2020		2019	
	\$	\$/Boe	\$	\$/Boe
Petroleum and natural gas revenues ⁽¹⁾	424,637	23.00	585,484	31.57
Realized gain on financial derivatives	70,658	3.83	17,381	0.94
	495,295	26.83	602,865	32.51
Royalties	(16,930)	(0.92)	(27,669)	(1.49)
Transportation expense	(82,312)	(4.46)	(80,722)	(4.35)
Operating expense	(181,436)	(9.83)	(178,275)	(9.61)
Operating netback ⁽²⁾	214,617	11.62	316,199	17.06
General and administrative	(14,014)	(0.76)	(16,852)	(0.91)
Share-based compensation expense	(1)	—	(478)	(0.03)
Interest and lease finance expense	(43,736)	(2.37)	(33,018)	(1.78)
Corporate netback ⁽²⁾	156,866	8.49	265,851	14.34

⁽¹⁾ Includes price risk management losses of \$9.6 million (2019 - \$2.6 million gain) on physical delivery sales contracts.

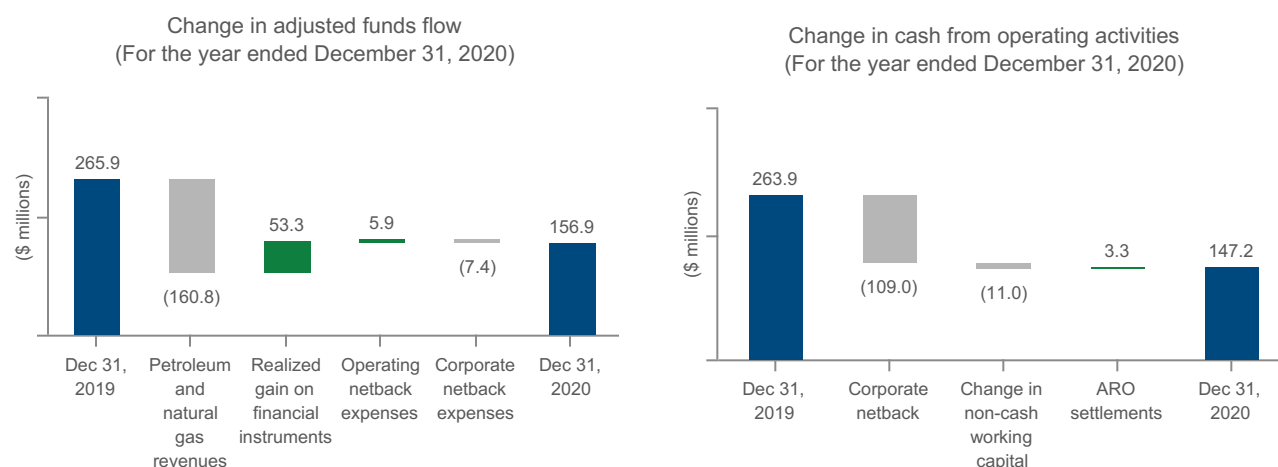
⁽²⁾ Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. Reference should be made to the section entitled "Non-GAAP measurements".

Cash flow from operating activities and adjusted funds flow

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

(\$ thousands, except per share amounts)	Three months ended December 31		Year ended December 31	
	2020	2019	2020	2019
Cash flow from operating activities	44,719	80,321	147,200	263,856
Per share, basic	0.20	0.36	0.65	1.17
Per share, diluted	0.20	0.36	0.65	1.17
Adjusted funds flow ⁽¹⁾	49,399	70,080	156,866	265,851
Adjusted funds flow \$/Boe	10.88	13.37	8.49	14.34
Per share, basic	0.22	0.31	0.70	1.18
Per share, diluted	0.22	0.31	0.70	1.18

⁽¹⁾ Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. Reference should be made to the section entitled "Non-GAAP measurements".



For the three months and year ended December 31, 2020, cash flow from operating activities of \$44.7 million and \$147.2 million respectively, decreased 44% from the prior year comparative periods.

Adjusted funds flow for the three months ended December 31, 2020 and the comparable period of 2019 was \$49.4 million (\$0.22/share, basic) and \$70.1 million (\$0.31/share, basic) respectively, \$4.7 million and \$10.2 million lower than cash flow from operating activities in the comparable period.

Adjusted funds flow for the year ended December 31, 2020 and 2019 was \$156.9 million (\$0.70/share, basic) and \$265.9 million (\$1.18/share, basic) respectively, \$9.7 million and \$2.0 million higher than cash flow from operating activities in the comparable period.

Depletion, depreciation, amortization (“DD&A”) and impairment

(\$ thousands, except per Boe amounts)	Three months ended December 31		Year ended December 31	
	2020	2019	2020	2019
Depletion of condensate, oil and natural gas assets	29,556	43,067	147,197	199,638
Depreciation of fixed assets	3,503	4,253	15,757	16,527
Depreciation of right-of-use assets	1,844	2,085	7,356	3,309
DD&A expense	34,903	49,405	170,310	219,474
Property, plant and equipment (“PP&E”) impairment expense (recovery)	(698,225)	—	187,856	—
Right-of-use asset (“ROU”) impairment expense (recovery)	(22,005)	—	1,193	—
Total impairment expense (recovery)	(720,230)	—	189,049	—
Total DD&A and impairment expense (recovery)	(685,327)	49,405	359,359	219,474
DD&A rate per Boe	7.69	9.42	9.22	11.84

DD&A expense for three months and year ended December 31, 2020 was \$34.9 million (\$7.69/Boe) and \$170.3 million (\$9.22/Boe) compared to \$49.4 million (\$9.42/Boe) and \$219.5 million (\$11.84/Boe) for the comparable periods of 2019, and \$39.6 million (\$8.70/Boe) in the third quarter of 2020. DD&A expense for the three months and year ended December 31, 2020 includes a charge to current quarter depletion in the amount of \$1.6 million (\$0.34/Boe) and a year to date charge of \$13.5 million (\$0.73/Boe) respectively, related to changes in estimates and the impact of the change in discount rate on asset retirement obligations for wells with no remaining reserves that were previously fully depleted. The full amount of this asset retirement obligation liability change is included in depletion expense.

The Wapiti Montney cash generating unit (“CGU”) DD&A rate per Boe for the three months and year ended December 31, 2020 decreased to \$6.80/Boe and \$7.78/Boe compared to \$9.23/Boe and \$9.73/Boe for the comparable periods of 2019. These improved DD&A rates are primarily a result of the \$187.9 million net impairment expense recorded in 2020 relating to Wapiti Montney which reduced the net book value of the CGU. The current quarter rate of \$6.80/Boe decreased from the third quarter rate of \$7.76/Boe due primarily to reduced future development costs associated with the reserves at December 31, 2020.

Depreciation of right-of-use (“ROU”) assets is the depreciation of assets recognized for the Company's head office lease in Calgary and the field office lease in Grande Prairie starting on January 1, 2019, with the adoption of IFRS 16 - *Leases* as disclosed in Note 3 of the financial statements, and the addition of the gas processing and transportation leases added in the third quarter of 2019. Depreciation of ROU assets is recorded on a straight line basis over the term of the lease.

At December 31, 2020, there were indicators of reversal of impairment identified in NuVista's Wapiti Montney CGU as a result of improved forward commodity prices for natural gas and condensate and oil, and reduction of future development costs associated with the reserves at December 31, 2020. An impairment test was performed PP&E and right-of-use ROU assets. For the December 31, 2020 test, PP&E and ROU assets were assessed based on the recoverable amount estimated using a value in use calculation based on expected future cash flows generated from proved and proved plus probable reserves using pre-tax discount rates ranging from 10% to 20% based on the independent third party external reserves report. A total impairment recovery of \$720.2 million was recognized at December 31, 2020 in NuVista's Wapiti Montney CGU, with \$698.2 million recognized on PP&E and \$22.0 million recognized on ROU assets, which has been included in the depletion, depreciation, amortization and impairment expense.

The following benchmark price forecasts ⁽¹⁾ were used to calculate the recoverable amounts:

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030 ⁽²⁾
WTI (US\$/Bbl)	48.00	50.99	52.90	55.00	55.00	55.00	55.00	55.00	55.00	55.00
NYMEX (US\$MMBtu)	2.75	2.80	2.85	2.90	2.95	3.01	3.07	3.13	3.19	3.25
Exchange rate (US\$/Cdn\$)	0.78	0.77	0.76	0.76	0.76	0.76	0.76	0.76	0.76	0.76

⁽¹⁾ GLJ Petroleum Consultants price forecast, effective January 1, 2021.

⁽²⁾ 2031 and beyond commodity price forecasts are inflated at 2.0% per annum. In 2031 and beyond there is no escalation of exchange rates.

At March 31, 2020, there were indicators of impairment identified in NuVista's Wapiti Montney CGU as a result of significant and sustained declines in forward commodity prices for condensate and oil and a reduction in market capitalization, as a result of the negative economic impacts of the COVID-19 pandemic and disputes between major oil producing countries. An impairment test was performed on PP&E and ROU assets. For the March 31, 2020 test, PP&E and ROU assets were assessed based on the recoverable amount internally estimated using a value in use calculation based on expected future operating netback generated from proved and proved plus probable reserves using pre-tax discount rates ranging from 10% to 20%. For the three months ended March 31, 2020, a total impairment charge of \$909.3 million was recognized in NuVista's Montney CGU for PP&E and ROU assets and has been included in the depletion, depreciation, amortization and impairment expense.

Exploration and evaluation ("E&E") expense

(\$ thousands, except per Boe amounts)	Three months ended December 31		Year ended December 31	
	2020	2019	2020	2019
Exploration and evaluation expense	3,370	—	3,370	3,668
Per Boe	0.74	—	0.18	0.20

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

Asset retirement obligations

(\$ thousands)	December 31, 2020	December 31, 2019
Balance, January 1	124,533	102,703
Accretion expense	1,496	2,070
Liabilities incurred	3,191	3,831
Liabilities disposed	(584)	(888)
Change in estimates	7,129	36,194
Change in discount rate	15,306	(4,994)
Liabilities settled	(11,106)	(14,383)
Balance, end of period	139,965	124,533
Expected to be incurred within one year	6,275	11,575
Expected to be incurred beyond one year	133,690	112,958

Asset retirement obligations ("ARO") are based on estimated costs to reclaim and abandon ownership interests in condensate, oil and natural gas assets including well sites, gathering systems and processing facilities. At December 31, 2020, NuVista had an ARO balance of \$140.0 million as compared to \$124.5 million as at December 31, 2019. The Government of Canada long-term risk-free bond rate of 1.2% (December 31, 2019 – 1.8%) and an inflation rate of 1.5% (December 31, 2019 – 1.4%) were used to calculate the net present value of the asset retirement obligations. At December 31, 2020, the estimated total undiscounted and uninflated amount of cash required to settle NuVista's ARO was \$132.8 million (December 31, 2019 – \$133.8 million) with an estimated 20% to be incurred within the next 10 years. Actual ARO expenditures for the year ended December 31, 2020 were \$11.1 million compared to \$14.4 million for the year ended December 31, 2019.

The ARO liability was increased by \$15.4 million due primarily to a \$15.3 million change in the discount rate from December 31, 2019 and a \$7.1 million change in estimates, offset by \$11.1 million of liabilities settled in the period. The Company was very active in the first quarter of 2020 in abandonment and reclamation activities, with \$9.7 million of the \$11.1 million year to date expenditures incurred during the first quarter. The Company has recognized a change in estimate resulting in an increase to the ARO liability in the amount of \$7.1 million, primarily as a result of higher costs incurred on some of the abandonment projects in the first quarter and increases in abandonment cost estimates for certain wells in our non core northwest Alberta area. This change in estimate was included in DD&A expense as there are no reserves booked in these areas where the ARO change in estimate took place.

There are uncertainties related to asset retirement obligations and the impact on the financial statements could be material, as the eventual timing and expected costs to settle these obligations could differ from our estimates. The main factors that could cause expected costs to differ are changes to laws, regulations, reserve estimates, costs and technology. Any reclamation or abandonment expenditures will generally be funded from cash flow from operating activities.

Other receivable

The Company has entered into contracts for the construction of a Pipestone compressor station, which secured third party ownership and funding of the asset. The other receivable balance of \$5.5 million represents expenses incurred that have not yet been reimbursed related to this asset.

Capital expenditures

(\$ thousands, except % amounts)	Three months ended December 31				Year ended December 31			
	2020	% of total	2019	% of total	2020	% of total	2019	% of total
Land and retention costs	59	—	151	—	202	—	1,133	—
Geological and geophysical	911	5	1,224	3	4,678	3	7,961	3
Drilling and completion	15,514	65	44,204	84	130,165	72	239,441	79
Facilities and equipment	7,266	30	7,054	13	44,975	25	52,801	18
Corporate and other	114	—	181	—	422	—	486	—
Capital expenditures ⁽¹⁾	23,864		52,814		180,442		301,822	

⁽¹⁾ Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. Reference should be made to the section entitled "Non-GAAP measurements".

Capital expenditures for the three months and year ended December 31, 2020 were \$23.9 million and \$180.4 million, compared to \$52.8 million and \$301.8 million in the comparative periods of 2019. Included in the 2020 drilling and completion expenditures are proceeds received from a dispute settled in the third quarter. The proceeds relate to a partial reimbursement of expenditures previously included in drilling and completions. The Company focused the majority of its fourth quarter capital expenditures on drilling and completions and facilities and tie-ins that started late in the fourth quarter.

Of the \$180.4 million capital spent to date in 2020, \$180.1 million was classified as property, plant and equipment additions, and \$0.3 million was classified as exploration and evaluation asset additions.

In the year ended December 31, 2020, the Company entered into two separate non cash land swaps valued at \$11.5 million and the disposition of ARO liabilities, resulting in an accounting loss on property dispositions of \$0.8 million.

Right-of-use assets and lease liabilities

In accordance with the adoption of IFRS 16 - *Leases*, on January 1, 2019, the Company recognized right-of-use assets and lease liabilities for our head and field office leases. In the third quarter of 2019, the Company recognized a gas processing lease associated with the start up of the Pipestone South compressor, and a gas transportation lease associated with the pipeline that connects the Pipestone South compressor to the SemCAMS

Wapiti plant. In the third quarter of 2020, the Company increased the lease liability for the Pipestone South compressor by \$8.8 million to recognize capital expansion costs resulting in an increase to the lease liability.

At December 31, 2020, the total right-of-use asset, net of impairment expenses recorded in the year of \$1.2 million is \$116.9 million. The total lease liability is \$126.0 million, of which \$3.9 million is classified as a current liability.

Deferred income taxes

Primarily as a result of the impairment expense recognized in the first quarter of 2020 the Company recorded a deferred tax recovery of \$69.2 million in the first quarter that eliminated the deferred tax liability balance at December 31, 2019. At December 31, 2020, the Company recognized a recovery of the majority of the impairment expense taken in the first quarter, and as a result recorded a deferred tax expense and liability of \$12.7 million. In the prior year comparative periods the Company recorded deferred tax liabilities of \$10.9 million and \$39.2 million respectively. The combined federal and provincial corporate tax rate for 2020 is 24%

Tax pools

At December 31, 2020, NuVista had approximately \$1.7 billion (2019 – \$1.7 billion) of estimated tax pools available for deduction against future years' taxable income. The Company does not forecast to be cash taxable in the current 5 year plan.

(\$ millions)	Available tax pools		Maximum annual deduction	
	2020			%
Canadian exploration expense	267			100 %
Canadian development expense	414	30-45% declining balance		
Canadian oil and natural gas property expense	292	10-15% declining balance		
Undepreciated capital cost	224	25-37.5% declining balance		
Non-capital losses	489			100 %
Other	13			various rates
Total federal tax pools	1,699			
Additional Alberta tax pools	11			100 %

Net earnings (loss)

(\$ thousands, except per share amounts)	Three months ended December 31		Year ended December 31	
	2020	2019	2020	2019
Net earnings (loss)	715,435	(29,557)	(197,879)	(63,833)
Per share - basic	3.17	(0.13)	(0.88)	(0.28)
Per share - diluted	3.17	(0.13)	(0.88)	(0.28)

For the three months ended December 31, 2020 the increase in net earnings compared to the prior year comparative period is primarily a result of the impairment recovery recorded in the fourth quarter of 2020 and the \$58.8 million decrease in the unrealized hedging loss, offset by decreased adjusted funds flow and an increase in the deferred income tax expense.

For the year ended December 31, 2020, the increase in net loss compared to the prior year comparative period is primarily as a result of decreased adjusted funds flow, increased DD&A and impairment expense, offset by an increase in the deferred tax recovery and \$100.1 million increase in the unrealized gain.

The net earnings (loss) reported is significantly impacted by impairment expense and unrealized gains (losses) on financial derivatives recognized at each period end as a result of the market to market values or fair value of financial derivative contracts in place at each period end. Before taxes and excluding impairment expense and unrealized gains (losses) on financial derivatives there were net earnings of \$9.5 million and net loss of \$24.3 million for the three months and year ended December 31, 2020 and net earnings of \$20.0 million and net

earnings of \$38.1 million for the prior year comparative periods. Impairment expense is a result of market conditions at a given point in time, causing downward pressures on market capitalization, forward pricing and the valuation of reserves, which could change at some point in the future. The unrealized market to market values are a function of highly volatile commodity prices, resulting in significant variances in the values from quarter to quarter. The financial derivatives contracts are in place to provide greater adjusted funds flow stability and certainty. Over the past five years, NuVista has a cumulative realized gain on financial derivatives in the amount of \$81.1 million.

Liquidity and capital resources

Long-term debt (credit facility)

At December 31, 2020, the Company had a \$440 million (December 31, 2019 - \$550 million) extendible revolving term credit facility available from a syndicate of Canadian chartered banks. Borrowing under the credit facility may be made by prime loans, bankers' acceptances and/or US libor advances. These advances bear interest at the bank's prime rate and/or at money market rates plus a borrowing margin. The credit facility is secured by a first floating charge debenture, general assignment of book debts and NuVista's properties and equipment. The credit facility has a tenor of two years and is subject to an annual review by the lenders, at which time the lenders can extend the revolving period or can request conversion to a one year term loan. During the revolving period, a review of the maximum borrowing amount occurs semi-annually on November 30 and May 31. During the term period, no principal payments would be required until a year after the revolving period matures on the annual renewal date of May 31, in the event the credit facility is reduced or not renewed. The credit facility does not contain any financial covenants but NuVista is subject to various industry standard non-financial covenants. Compliance with these covenants is monitored on a regular basis and as at December 31, 2020, NuVista was in compliance with all covenants. The next annual review is scheduled for on or before May 31, 2021.

As at December 31, 2020, the Company had drawn \$362.7 million on its term credit facility (December 31, 2019 – \$306.3 million) and had outstanding letters of credit of \$7.0 million which reduce the credit available on this credit facility.

During the third quarter of 2020, the Company established a \$40 million unsecured letter of credit facility under Export Development Canada's ("EDC") Account Performance Security Guarantee ("APSG") program. At December 31, 2020, the Company had outstanding letters of credit associated with the APSG of \$17.0 million, leaving \$23.0 million of credit available on this facility.

Senior unsecured notes

On March 2, 2018, the Company issued \$220.0 million aggregate principal amount of 6.50% senior unsecured notes due March 2, 2023 ("2023 Notes"). Proceeds net of costs amounted to \$215.1 million. Interest is payable semi-annually in arrears. The 2023 Notes are fully and unconditionally guaranteed as to the payment of principal and interest, on a senior unsecured basis by the Company. There are no maintenance or financial covenants.

The 2023 Notes were 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. The 2023 Notes are callable by the Company and NuVista has begun to explore potential options to refinance the 2023 Notes.

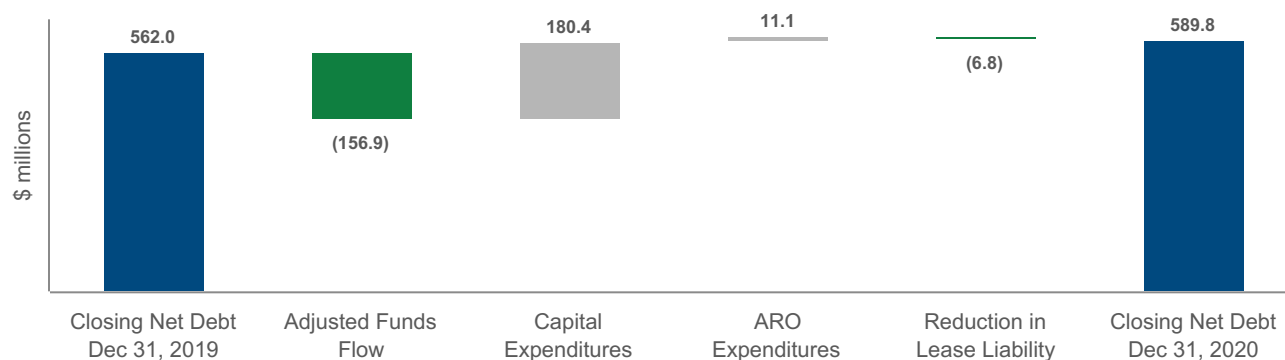
The following is a summary of total market capitalization, net debt, and net debt to annualized current quarter adjusted funds flow:

(\$ thousands)	December 31, 2020	December 31, 2019
Basic common shares outstanding	225,837	225,592
Share price ⁽¹⁾	0.94	3.19
Total market capitalization	212,287	719,638
Cash and cash equivalents, accounts receivable and prepaid expenses	(53,093)	(62,772)
Other receivable	(5,471)	(10,301)
Accounts payable and accrued liabilities	75,142	110,144
Long-term debt (credit facility)	362,673	306,274
Senior unsecured notes	217,724	216,771
Other liabilities	1,860	1,859
Net debt⁽²⁾	598,835	561,975
Annualized current quarter adjusted funds flow	197,596	280,320
Net debt to annualized current quarter adjusted funds flow	3.0	2.0
Adjusted funds flow	156,866	265,851
Net debt to adjusted funds flow	3.8	2.1

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

⁽²⁾ Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. Reference should be made to the section entitled "Non-GAAP measurements".

Net debt reconciliation



Available funding

	December 31, 2020	December 31, 2019
Credit facility capacity	440,000	550,000
EDC letter of credit facility capacity	40,000	—
Total facility capacity	480,000	550,000
<i>Deduct:</i>		
Credit facility borrowings	(362,673)	(306,274)
Letters of credit issued on credit facility	(7,040)	(7,958)
Letters of credit issued on EDC letter of credit facility	(17,031)	—
Undrawn credit facility capacity	93,256	235,768

In light of historically low oil and condensate prices, NuVista is currently focused on maintaining sufficient liquidity to support both our on-going operations and a minimal capital program. At December 31, 2020, NuVista had drawn \$362.7 million on its credit facility.

Subsequent to year end the Company announced the divestiture of its non-core Charlie Lake and Cretaceous Unit assets in the Wembley area, as well as selected water infrastructure assets in the Wembley/Pipestone area, for total proceeds of \$94 million before any standard adjustments. There is no change to NuVista's ownership in our core Montney assets in Pipestone, Wapiti, and the surrounding lands. The entire \$94 million in proceeds will initially be applied to reduce borrowings on NuVista's \$440 million credit facility further improving the Company's liquidity and undrawn credit capacity.

NuVista plans to monitor its business plan and continue to adjust its capital program in the context of commodity prices and net debt levels.

Share Capital

As at December 31, 2020, there were 225.8 million common shares outstanding. In addition, there were 8.1 million stock options with an average exercise price of \$4.30 per option and 2.4 million RSAs and 3.9 million PSAs outstanding.

Commitments

NuVista enters into contract obligations as part of conducting business. Such commitments include operating costs for our office leases, processing costs associated with natural gas at third party facilities, and transportation costs for delivery of our natural gas, condensate, and NGLs to sales points. NuVista manages our commitments in conjunction with future development plans and to ensure we are diversified into multiple markets.

The following is a summary of NuVista's contractual obligations and commitments as at December 31, 2020:

(\$ thousands)	Total	2021	2022	2023	2024	2025	Thereafter
Transportation ⁽¹⁾	947,906	101,530	114,383	94,484	90,901	91,567	455,041
Processing ⁽¹⁾	1,066,044	60,774	72,770	82,205	84,894	68,524	696,877
Office lease ⁽²⁾	5,170	938	948	999	857	151	1,277
Total commitments ⁽³⁾	2,019,120	163,242	188,101	177,688	176,652	160,242	1,153,195

⁽¹⁾ Certain of the transportation and processing commitments are secured by outstanding letters of credit of \$23.4 million at December 31, 2020 (December 31, 2019 - \$7.3 million).

⁽²⁾ Represents the undiscounted future commitments of variable operating expenses related to the Company's office leases.

⁽³⁾ Excludes commitments recognized within lease liabilities.

Off “balance sheet” arrangements

NuVista has certain commitments which are reflected in the contractual obligations and commitments table, which were entered into in the normal course of operations. Most transportation and processing commitments are treated as executory contracts whereby the payments are included in operating or transportation expenses.

Subsequent events

Subsequent to year end the Company announced the divestiture of its non-core Charlie Lake and Cretaceous Unit assets in the Wembley area, as well as selected water infrastructure assets in the Wembley/Pipestone area, for total proceeds of \$94 million. There is no change to NuVista’s ownership in our core Montney assets in Pipestone, Wapiti, and the surrounding area and no material change to our ownership in the Wembley gas plant. The entire \$94 million in proceeds will be applied to reduce borrowings on NuVista’s \$440 million credit facility further improving the Company’s liquidity and undrawn credit capacity.

NuVista is disposing of approximately \$23 million of asset retirement obligations related to the non-core Charlie Lake and Cretaceous Unit assets. In exchange for the divestiture of the selected water infrastructure assets, NuVista has entered into a long term water infrastructure service and supply contract for the provision of water for the completion of future wells.

Annual financial information

The following table highlights selected annual financial information for the years ended December 31, 2020, 2019 and 2018:

(\$ thousands, except per share amounts)	2020	2019	2018
Petroleum and natural gas revenues	424,637	585,484	555,849
Net earnings (loss)	(197,879)	(63,833)	136,245
Per basic and diluted share	(0.88)	(0.28)	0.71
Balance sheet information			
Total assets	2,157,830	2,331,361	2,180,874
Long-term debt	362,673	306,274	257,395
Senior unsecured notes	217,724	216,771	215,892
Shareholders’ equity	1,156,894	1,348,756	1,405,017

Quarterly financial information

\$ thousands, except otherwise stated

	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
FINANCIAL								
Revenue	124,378	105,708	67,399	127,152	163,278	138,771	143,948	139,488
Net earnings (loss)	715,435	(44,144)	(80,422)	(788,747)	(29,557)	(7,650)	9,301	(35,927)
Per basic share	3.17	(0.20)	(0.36)	(3.50)	(0.13)	(0.03)	0.04	(0.16)
Per diluted share	3.17	(0.20)	(0.36)	(3.50)	(0.13)	(0.03)	0.04	(0.16)
Cash from operating activities	44,719	36,581	8,555	57,345	80,321	48,998	81,235	53,302
Per basic share	0.20	0.16	0.04	0.25	0.36	0.22	0.36	0.24
Per diluted share	0.20	0.16	0.04	0.25	0.36	0.22	0.36	0.24
Adjusted funds flow ⁽¹⁾	49,399	41,484	15,115	50,868	70,080	59,799	64,318	71,654
Per basic share	0.22	0.18	0.07	0.23	0.31	0.27	0.29	0.32
Per Diluted share	0.22	0.18	0.07	0.23	0.31	0.27	0.29	0.32
Capital Expenditures ⁽¹⁾	23,864	7,081	20,765	128,732	52,814	63,239	89,192	96,577
Total assets (\$ millions)	2,158	1,458	1,504	1,576	2,331	2,374	2,251	2,227
Weighted average basic shares outstanding (thousands of shares)	225,769	225,719	225,652	225,592	225,518	225,474	225,327	225,327
Weighted average diluted shares outstanding (thousands of shares)	225,769	225,719	225,652	225,592	225,518	225,474	225,327	225,327
OPERATING								
Production								
Natural gas (Mcf/d)	183,341	183,708	187,119	188,809	204,275	184,681	180,589	159,224
Condensate & oil (Bbls/d)	12,928	13,790	14,231	15,335	17,195	15,728	14,951	12,752
NGLs (Bbls/d) ⁽²⁾	5,863	5,034	5,504	5,278	5,769	5,310	5,342	4,549
Total (Boe/d)	49,348	49,443	50,922	52,080	57,010	51,819	50,391	43,839
Liquids %	38%	38%	39%	40%	40%	41%	40%	39%
Average realized selling prices ⁽³⁾								
Natural gas (\$/Mcf)	3.14	2.16	1.98	2.45	2.74	2.24	2.39	3.92
Condensate & oil (\$/Bbl)	52.59	49.09	22.46	57.57	65.78	66.60	73.29	63.86
NGLs (\$/Bbl)	16.44	14.65	9.31	10.07	11.51	5.82	7.21	21.32
Netbacks (\$/Boe)								
Petroleum and natural gas revenues	27.40	23.24	14.54	26.83	31.13	29.11	31.39	35.36
Realized gain on financial derivatives	2.77	3.87	5.84	2.84	0.75	1.90	0.36	0.69
Royalties	(0.83)	(0.69)	(0.11)	(2.01)	(1.82)	(1.57)	(1.32)	(1.16)
Transportation expense	(4.97)	(4.38)	(4.35)	(4.15)	(4.13)	(4.28)	(4.52)	(4.54)
Operating expenses	(9.68)	(9.80)	(9.66)	(10.17)	(9.63)	(9.97)	(9.49)	(9.31)
Operating netback ⁽¹⁾	14.69	12.24	6.26	13.34	16.30	15.19	16.42	21.04
Corporate netback ⁽¹⁾	10.88	9.12	3.27	10.73	13.37	12.54	14.01	18.17

⁽¹⁾ Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. Reference should be made to the section entitled "Non-GAAP measurements".

⁽²⁾ Natural gas liquids ("NGLs") include butane, propane and ethane and an immaterial amount of sulphur revenue.

⁽³⁾ Product prices exclude realized gains/losses on financial derivatives.

Prior to the COVID-19 pandemic in 2020, NuVista's Montney production volumes had been increasing with substantially all of the Company's capital expenditures allocated to the Wapiti Montney area, as well as related successful drilling and production performance, asset acquisitions and the construction of a compressor station in that core area. Production from Wapiti Montney in 2020 is 96% of total production. Over the prior eight quarters, quarterly revenue has been in a range of \$67.4 million to \$163.3 million with revenue primarily influenced by production volumes and commodity prices. Net earnings (loss) have been in a range of a net loss of \$788.7 million to net earnings of \$715.4 million with earnings (loss) primarily influenced by commodity prices and production volumes, realized and unrealized gains and losses on financial derivatives, impairment expense recognized in the first quarter of 2020, and deferred income taxes.

Non-GAAP measurements

The Company uses terms that are commonly used in the oil and natural gas industry, but do not have any standardized meaning as prescribed by IFRS and therefore may not be comparable with the calculations of similar measures for other entities. Management believes that the presentation of these non-GAAP measures provide useful information to investors and shareholders as the measures provide increased transparency and the ability to better analyze performance against prior periods on a comparable basis.

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

Adjusted funds flow

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

Adjusted funds flow as presented is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, per the statement of cash flows, net earnings (loss) or other measures of financial performance calculated in accordance with GAAP. Adjusted funds flow per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of net earnings (loss) per share. Refer to Note 17 "Capital Management" in the financial statements.

NuVista considers adjusted funds flow to be a key measure that provides a more complete understanding of the Company's ability to generate cash flow necessary to finance capital expenditures, expenditures on asset retirement obligations, and meet its financial obligations.

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

(\$ thousands)	Three months ended December 31		Year ended December 31	
	2020	2019	2020	2019
Cash provided by operating activities	44,719	80,321	147,200	263,856
Add back:				
Asset retirement expenditures	750	712	11,106	14,383
Change in non-cash working capital ⁽¹⁾	3,930	(10,953)	(1,440)	(12,388)
Adjusted funds flow	49,399	70,080	156,866	265,851
Adjusted funds flow, \$/Boe	10.88	13.37	8.49	14.34
Adjusted funds flow per share, basic	0.22	0.31	0.70	1.18
Adjusted funds flow per share, diluted	0.22	0.31	0.70	1.18

⁽¹⁾ Refer to Note 19 "Supplemental cash flow information" in the financial statements.

Operating netback and corporate netback (“netbacks”)

NuVista reports netbacks on a total dollar and per Boe basis. Operating netback is calculated as petroleum and natural gas revenues including realized financial derivative gains/losses, less royalties, transportation and operating expenses. Corporate netback is operating netback less general and administrative, deferred share units, interest and lease finance expense. Netbacks per Boe are calculated by dividing the netbacks by total production volumes sold in the period.

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

Management feels both operating and corporate netbacks are key industry benchmarks and measures of operating performance for NuVista that assists management and investors in assessing NuVista's profitability, and are commonly used by other petroleum and natural gas producers. The measurement on a Boe basis assists management and investors with evaluating NuVista's operating performance on a comparable basis.

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

(\$ thousands)	Three months ended December 31		Year ended December 31	
	2020	2019	2020	2019
Net earnings (loss) and comprehensive loss	715,435	(29,557)	(197,879)	(63,833)
<i>Add back:</i>				
Depletion, depreciation, amortization and impairment	(685,327)	49,405	359,359	219,474
Exploration and evaluation	3,370	—	3,370	3,668
Loss (gain) on property dispositions	—	(1,241)	759	(3,175)
Share-based compensation	2,627	2,071	5,238	6,200
Unrealized loss on financial derivatives	1,600	60,444	41,023	141,163
Deferred income tax recovery	12,675	(10,934)	(56,499)	(39,238)
General and administrative expenses	3,718	4,480	14,014	16,852
Financing costs	12,564	10,808	45,232	35,088
Operating netback	66,662	85,476	214,617	316,199
<i>Deduct:</i>				
General and administrative expenses	(3,718)	(4,480)	(14,014)	(16,852)
Share-based compensation expense	(1,397)	(720)	(1)	(478)
Interest and lease finance expense	(12,148)	(10,196)	(43,736)	(33,018)
Corporate netback	49,399	70,080	156,866	265,851

Capital expenditures

Capital expenditures are equal to cash flow used in investing activities, excluding changes in non-cash working capital and other receivable. Any expenditures on the other receivable are being refunded to NuVista and are therefore included under current assets. NuVista considers capital expenditures to be a useful measure of cash flow used for capital reinvestment.

The following table provides a reconciliation between the non-GAAP measure of capital expenditures to the most directly comparable GAAP measure of cash flow used in investing activities for the period:

(\$ thousands)	Three months ended December 31		Year ended December 31	
	2020	2019	2020	2019
Cash flow used in investing activities	(13,825)	(29,097)	(201,425)	(312,156)
Changes in non-cash working capital	(5,572)	(12,498)	25,813	365
Other receivable	(4,467)	(10,901)	(4,830)	10,301
Property dispositions	—	(318)	—	(332)
Capital expenditures	(23,864)	(52,814)	(180,442)	(301,822)

Net debt

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

Net debt is used by management to provide a more complete understanding of the Company's capital structure and provides a key measure to assess the Company's liquidity. Management has excluded the current and long term financial instrument commodity contracts as they are subject to a high degree of volatility prior to ultimate settlement. Similarly, management has excluded the current and long term portion of asset retirement obligations as these are estimates based on management's assumptions and subject to volatility based on changes in cost and timing estimates, the risk-free rate and inflation rate.

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

(\$ thousands)	Year ended	Year ended
	December 31, 2020	December 31, 2019
Cash and cash equivalents, accounts receivable and prepaid expenses	(53,093)	(62,772)
Other receivable	(5,471)	(10,301)
Accounts payable and accrued liabilities	75,142	110,144
Long-term debt (credit facility)	362,673	306,274
Senior unsecured notes	217,724	216,771
Other liabilities	1,860	1,859
Net debt	598,835	561,975

Critical accounting estimates

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.

In March 2020, the World Health Organization declared COVID-19 to be a pandemic. Responses to the spread of COVID-19 resulted in a sudden decline in economic activity and resulted in a significant increase in economic uncertainty. In addition, oil prices declined dramatically due to the global oil price war and decline in demand due to COVID-19. Global oil demand has improved steadily in the latter half of 2020 as economies have begun to reopen and the government has approved the rollout of COVID-19 vaccines. Although the government authorities are easing restrictions, there is no certainty when demand levels will return to pre-COVID levels and therefore the situation remains dynamic and the ultimate duration and magnitude of the impact on the economy and financial effect on NuVista is not known at this time. These events have resulted in a volatile and challenging economic

environment which has adversely affected the Company's operational results and financial position. The current challenging economic climate may have significant adverse impacts on NuVista including, but not exclusively:

- material declines in revenue and cash flows;
- declines in revenue and operating activities could result in increased impairment charges, and restrictions in lending agreements and reduced capital programs;
- increased risk of non-performance by NuVista's purchasers which could materially increase the risk of non-payment of accounts receivable and customer defaults; and
- if the situation continues for prolonged periods it could have a material impact on profitability, liquidity, and in the longer term could risk the ability to continue as a going concern for exploration and production companies, including NuVista.

Estimates and judgments made by management in the preparation of the financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period.

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:

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.

Impairment indicators

Judgments are required to assess when internal or external indicators of impairment or impairment reversal 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 which are dependent upon variables including forecasted oil and natural gas prices, operating costs, royalties, production volumes, future development costs, discount rates and other relevant assumptions.

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:

Reserve estimates

Oil and natural gas reserves are used in the calculation of depletion, impairment and impairment reversals. Reserve estimates and their related cash flows are based on a number of significant assumptions, which include forecasted oil and natural gas prices, operating costs, royalties, production volumes and future development costs, 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.

Independent third-party reserve evaluators are engaged annually to estimate proved and proved plus probable oil and gas reserves and the related cash flows from the Company's interest in oil and gas properties. This evaluation of proved and proved plus probable gas reserves is prepared in accordance with the reserves definitions as set up by the Canadian Securities Administrators in National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* and the Canadian Oil and Gas Evaluation ("COGE") Handbook.

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.

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.

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.

Disclosure controls and internal controls over financial reporting

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

The CEO and CFO have also designed internal controls over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of NuVista's financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of NuVista;
- are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with GAAP, and that receipts and expenditures of NuVista are being made only in accordance with authorizations of management and directors of NuVista; and
- are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of NuVista's assets that could have a material effect on the annual financial statements.

NuVista has designed its internal controls over financial reporting based on the Committee of Sponsoring Organizations of the Treadway Commission (2013). During the three months and year ended December 31, 2020, there have been no changes to NuVista's internal controls over financial reporting that have materially or are reasonably likely to materially affect the internal controls over financial reporting; the CEO and CFO have concluded that the internal controls over financial reporting are effective.

Because of their inherent limitations, disclosure controls and procedures and internal control over financial reporting may not prevent or detect misstatements, error or fraud. Control systems, no matter how well conceived or operated, can provide only reasonable, not absolute assurance, that the objectives of the control system are met.

Assessment of business risks

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. In addition, global commodity prices have declined significantly due to a dispute between major oil producing countries combined with the impact of the COVID-19 pandemic. Governments worldwide, including those in Canada have enacted emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may have significant adverse impacts on NuVista including, but not exclusively:

- material declines in revenue and adjusted funds flow;
- declines in revenue and operating activities could result in increased impairment charges, and restrictions in lending agreements and reduced capital programs;
- increased risk of non-performance by NuVista's purchasers which could materially increase the risk of non-payment of accounts receivable and customer defaults; and
- if the situation continues for prolonged periods it could have a material impact on profitability, liquidity, and in the longer term could risk the ability to continue as a going concern for exploration and production companies, including NuVista.

Although the economy has recently begun to reopen and government authorities are easing restrictions, the situation remains dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on NuVista is not known at this time.

Estimates and judgments made by management in the preparation of the financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period.

The following are the primary risks associated with the business of NuVista. Most of these risks are similar to those affecting others in the conventional oil and natural gas sector. NuVista's financial position and results of operations are directly impacted by these factors:

- Operational risk associated with the production of oil and natural gas;
- Operational risk associated with third party facility outages and downtime;
- Reserves risk with respect to the quantity and quality of recoverable reserves;
- Commodity risk as crude oil, condensate and natural gas prices and differentials fluctuate due to market forces;
- Financial risk such as volatility of the Cdn/US dollar exchange rate, interest rates and debt service obligations;
- Risk associated with the re-negotiation of NuVista's credit facility and the continued participation of NuVista's lenders;
- Market risk relating to the availability of transportation systems to move the product to market;
- Our ability to satisfy our obligations under our firm commitment transportation and processing arrangements;
- Environmental and safety risk associated with well operations and production facilities;

- Changing government regulations relating to royalty legislation, income tax laws, incentive programs, operating practices, fracturing regulations and environmental protection relating to the oil and natural gas industry;
- Labour risk related to availability, productivity and retention of qualified personnel;
- Widening concerns over climate change, fossil fuel consumption, green house gas emissions, and water and land use could lead governments to enact additional laws, regulations and costs or taxes that may be applicable to NuVista; and
- Changes to environmental regulations related to climate change could impact the demand for, development of or quality of NuVista's petroleum products, or could require increased capital expenditures, operating expenses, asset retirement obligations and costs, which could result in increased costs which would reduce the profitability and competitiveness of NuVista if commodity prices do not rise commensurate with the increased costs. In addition, such regulatory changes could necessitate NuVista to develop or adapt new technologies, possibly requiring significant investments of capital.

NuVista seeks to mitigate these risks by:

- Acquiring properties with established production trends to reduce technical uncertainty as well as undeveloped land with development potential;
- Maintaining a low cost structure to maximize product netbacks and reduce impact of commodity price cycles;
- Diversifying properties to mitigate individual property and well risk;
- Maintaining product mix to balance exposure to commodity prices;
- Conducting rigorous reviews of all property acquisitions;
- Monitoring pricing trends and developing a mix of contractual arrangements for the marketing of products with creditworthy counterparties;
- Maintaining a price risk management program to manage commodity prices and foreign exchange currency rates risk and transacting with creditworthy counterparties;
- Ensuring strong third-party operators for non-operated properties;
- Adhering to NuVista's safety program and keeping abreast of current operating best practices;
- Keeping informed of proposed changes in regulations and laws to properly respond to and plan for the effects that these changes may have on our operations;
- Carrying industry standard insurance to cover losses;
- Establishing and maintaining adequate cash resources to fund future abandonment and site restoration costs;
- Closely monitoring commodity prices and capital programs to manage financial leverage; and
- Monitoring the debt and equity markets to understand how changes in the capital market may impact NuVista's business plan.

Information regarding risk factors associated with the business of NuVista and how NuVista seeks to mitigate these risks are contained in our Annual Information Form under the Risk Factors section for the year ended December 31, 2019.

Basis of presentation

Unless otherwise noted, the financial data presented herein has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") also known as International Financial Reporting Standards ("IFRS"). The reporting and measurement currency is the Canadian dollar. Natural gas is converted to a barrel of oil equivalent ("Boe") using six thousand cubic feet of gas to one barrel of oil. In certain circumstances natural gas liquid volumes have been converted to a thousand cubic feet equivalent ("Mcf") on the basis of one barrel of natural gas liquids to six thousand cubic feet of gas. Boes and Mcfes may be misleading, particularly if used in isolation. A conversion ratio of one barrel to six thousand cubic feet of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion ratio on a 6:1 basis may be misleading as an indication of value. National Instrument 51-101 - "Standards of Disclosure for Oil and Gas Activities" includes condensate within the product type of natural gas liquids. NuVista has disclosed condensate values separate from natural gas liquids herein as NuVista believes it provides a more accurate description of NuVista's operations and results therefrom.

Advisory regarding forward-looking information and statements

This MD&A contains forward-looking statements and forward-looking information (collectively, “forward-looking statements”) within the meaning of applicable securities laws. The use of any of the words “will”, “expects”, “believe”, “plans”, “potential” and similar expressions are intended to identify forward-looking statements. More particularly and without limitation, this MD&A contains forward looking statements, including management’s assessment of: NuVista’s future focus, strategy, plans, opportunities and operations; NuVista’s COVID-19 response plans and goals; plans to maximize economic value and maintain an adequate level of liquidity to manage its business; NuVista’s future growth plans and ability to meet its minimum volume commitments; plans to use free adjusted funds flow to reduce net debt; that NuVista’s credit facility and APSG program will provide it with more than sufficient liquidity to continue to execute its capital plans to maximize value; the anticipated proceeds from the divestitures in the Wembley area and the use of such proceeds; the closing date; the effect of NuVista’s financial, commodity, and natural gas risk management strategy and market diversification; ESG plans, targets and results from ESG initiatives; projected adjusted funds flow; plans to increase capital spending for 2021 and 2022 while maintaining spending below projected 2021 and 2022 adjusted funds flow levels; guidance with respect to 2021 capital spending amounts, spending timing and allocation; 2021 and 2022 production guidance at current strip prices; expectations with respect to future net debt to adjusted funds flow ratio; plans to direct additional available adjusted funds flow towards a prudent balance of debt reduction and production growth until NuVista’s existing facilities are filled to maximum efficiency, and debt to adjusted funds flow levels reach 1.0x or less; expectations that Pipestone will continue to be NuVista’s highest return area; expected well payouts at Pipestone; that NuVista will have the flexibility to revise capital spending from the second quarter onwards; future commodity prices; plans to maximize free cash flow and the return of capital to shareholders; future capacity of NuVista’s facilities, that maximum efficiency will be achieved at flattened production levels of approximately 80,000 – 90,000 Boe/d and that this will be achieved as early as 2023; that NuVista will generate free cash flow and debt reduction while growing through 2021-2023; that once existing facilities are filled; returns will be enhanced, corporate netbacks will grow by approximately \$2-\$3/Boe and unit operating, transportation, and interest costs will be reduced by this amount; the quality of NuVista’s assets; expectations that NuVista will add significant value if commodity prices continue to recover and will experience returns-focused profitable growth to between 80,000 – 90,000 Boe/d with only half-cycle spending; and plans to maximize the value of NuVista’s asset base and ensure the long term sustainability of its business; processing and transportation capacity; production growth targets; expectations with respect to future liquidity; future impairments or impairment reversals; the timing of NuVista’s next borrowing base review; asset retirement obligations and the amount and timing of such expenditures and the source of funding thereof; plans to maintain sufficient liquidity to support both our on-going operations and a minimal capital program; tax pools and future taxability; plans to monitor NuVista’s 2020 business plan and to adjust its 2020 budgeted capital program in the context of commodity prices and net debt levels; industry conditions and commodity prices. By their nature, forward-looking statements are based upon certain assumptions and are subject to numerous risks and uncertainties, some of which are beyond NuVista’s control, including the impact of general economic conditions, industry conditions, current and future commodity prices, currency and interest rates, anticipated production rates, expected natural decline rates, borrowing, operating and other costs and adjusted funds flow, the timing, allocation and amount of capital expenditures and the results therefrom, anticipated reserves and the imprecision of reserve estimates, the performance of existing wells, the success obtained in drilling new wells, the sufficiency of budgeted capital expenditures in carrying out planned activities, access to infrastructure and markets, competition from other industry participants, availability of qualified personnel or services and drilling and related equipment, stock market volatility, effects of regulation by governmental agencies including changes in environmental regulations, tax laws and royalties; the ability to access sufficient capital from internal sources and bank and equity markets; that the sale of the Wembley assets will occur at the price and on the timing contemplated, and including, without limitation, those risks considered under “Risk Factors” in our Annual Information Form. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. NuVista’s actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements, or if any of them do so, what benefits NuVista will derive therefrom. NuVista has included the forward-looking statements in this MD&A in order to provide readers with a more complete perspective on NuVista’s future operations and such information may not be appropriate for other purposes. NuVista disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Non-GAAP measurements

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