MANAGEMENT'S DISCUSSION & ANALYSIS

For the three and six months ended June 30, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis ("MD&A") of financial conditions and results of operations should be read in conjunction with NuVista Energy Ltd.'s ("NuVista" or the "Company") interim financial statements for the three and six months ended June 30, 2021 and audited 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 August 3, 2021. Our December 31, 2020 audited financial statements, Annual Information Form and other disclosure documents are available through our filings on SEDAR at **www.sedar.com** or can be obtained from our website at **www.nuvistaenergy.com.**

Financial and Operating Highlights

	Three months ended June 30			Six months ended June 30		
(Cdn $000s, except otherwise indicated)	**2021**	2020	% Change	**2021**	2020	% Change
FINANCIAL						
Petroleum and natural gas revenues	**187,925**	67,399	179	**339,334**	194,552	74
Adjusted funds flow (1) (2)	**55,452**	15,115	267	**88,709**	65,983	34
Per share - basic	**0.25**	0.07	257	**0.39**	0.29	34
Per share - diluted	**0.25**	0.07	257	**0.38**	0.29	31
Net income (loss)	**(10,941)**	(80,422)	(86)	**4,447**	(869,169)	101
Per share - basic	**(0.05)**	(0.36)	(86)	**0.02**	(3.85)	101
Per share - diluted	**(0.05)**	(0.36)	(86)	**0.02**	(3.85)	101
Total assets				**2,140,473**	1,503,825	42
Capital expenditures (2)	**44,344**	20,765	114	**125,292**	149,497	(16)
Proceeds on property dispositions	**—**	—	—	**93,578**	—	—
Net debt (1) (2)				**547,314**	656,889	(17)
OPERATING						
Daily Production						
Natural gas (MMcf/d)	**178.3**	187.1	(5)	**173.4**	188.0	(8)
Condensate & oil (Bbls/d)	**16,296**	14,231	15	**14,472**	14,783	(2)
NGLs (Bbls/d)	**5,473**	5,504	(1)	**5,315**	5,391	(1)
Total (Boe/d)	**51,485**	50,922	1	**48,685**	51,501	(5)
Condensate, oil & NGLs weighting	**42%**	39%		**41%**	39%	
Condensate & oil weighting	**32%**	28%		**30%**	29%	
Average realized selling prices (4)						
Natural gas ($/Mcf)	**3.48**	1.98	76	**3.63**	2.21	64
Condensate & oil ($/Bbl)	**79.00**	22.46	252	**75.47**	40.67	86
NGLs ($/Bbl) (3)	**28.73**	9.31	209	**28.76**	9.68	197
Netbacks ($/Boe)						
Petroleum and natural gas revenues	**40.11**	14.54	176	**38.50**	20.76	85
Realized gain (loss) on financial derivatives	**(6.13)**	5.84	(205)	**(5.65)**	4.32	(231)
Royalties	**(2.24)**	(0.11)	1,936	**(2.41)**	(1.07)	125
Transportation expenses	**(5.44)**	(4.35)	25	**(5.27)**	(4.25)	24
Operating expenses	**(10.54)**	(9.66)	9	**(10.81)**	(9.92)	9
Operating netback (2)	**15.76**	6.26	152	**14.36**	9.84	46
Corporate netback (2)	**11.84**	3.27	262	**10.06**	7.04	43
SHARE TRADING STATISTICS						
High ($/share)	**4.01**	1.25	221	**4.01**	3.36	19
Low ($/share)	**2.00**	0.42	376	**0.89**	0.24	271
Close ($/share)	**3.98**	0.76	424	**3.98**	0.76	424
Average daily volume ('000s)	**1,350**	3,401	(60)	**1,413**	2,490	(43)
Common shares outstanding ('000s)				**226,256**	225,716	—

(1) Refer to Note 15 “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. Our primary focus is on the scalable and repeatable condensate rich Montney formation in the Wapiti and Pipestone areas of the Alberta Deep Basin (“Montney”). The common shares of NuVista trade on the Toronto Stock Exchange (“TSX”) under the symbol NVA.

Quarter highlights

NuVista is focused upon maximizing economic value and dividing adjusted funds flow between prudent reduction of debt and growth capital to fill existing facilities at an optimal rate, particularly in our new Pipestone blocks.

Second quarter production of 51,485 Boe/d was close to the top end of guidance of 50,000 - 52,000 Boe/d, and increased 12% from first quarter 2021 production of 45,854 Boe/d. Production increases came from the 16 wells that were brought online late in the first quarter, and an additional 6 wells brought online during the quarter. These increases were offset by approximately 2,000 Boe/d of planned midstream maintenance outages and approximately 1,000 Boe/d of unplanned midstream outages during the quarter. Capital expenditures for the first half of 2021 amounted to $125 million, approximately half of our planned capital spending for 2021. The vast majority of spending in 2021 is on drill, complete, equip and tie-in of wells.

During the second quarter, revenues continued to improve from the fourth quarter, driven by a significant improvement in commodity prices. The average realized condensate & oil price of $79/Bbl increased by 11% from $71/Bbl in the first quarter, and was 252% higher than $22/Bbl in the second quarter of 2020. NuVista also benefited from improved natural gas pricing, with an average realized price of $3.48/Mcf, 8% lower than the first quarter but 76% higher than the second quarter of 2020. NGL pricing also improved materially with the average price of $29/Bbl in the second quarter, on par with first quarter pricing but 209% higher than $9/Bbl in the second quarter of 2020.

While revenue improved significantly from improved commodity pricing, the rise in commodity prices compared to lower hedged prices that were entered into in 2020, resulted in a realized loss on financial derivative contracts of $29 million ($6.13/Boe) in the second quarter, compared to a gain of $27 million ($5.84/Boe) in the second quarter of 2020.

The corporate netback for the second quarter of 2021, including the $6.13/Boe realized loss on financial derivatives, was $11.84/Boe. This is 262% higher compared to the corporate netback of $3.27/Boe for the second quarter of 2020. Adjusted funds flow of $55 million for the second quarter was 267% higher than $15 million in the prior year comparative quarter. The 267% increase in adjusted funds flow compared to the second quarter of 2020 is due to a 262% improvement in corporate netback per Boe and a 1% increase in production.

The Company's net debt was reduced by $14 million in the second quarter and $77 million for the first half of 2021 resulting in a reduction in credit facility borrowings and increased liquidity. Credit facility drawings at the end of the second quarter were $286.0 million, as compared to NuVista’s combined available credit of $470 million, which is comprised of a credit facility of $440 million and a separate $30 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.

Subsequent to June 30, 2021, the Company completed the issuance of $230.0 million of senior unsecured notes (“2026 Notes”) and redemption of the existing $220.0 million 6.5% senior unsecured notes due March 23, 2023 (‘2023 Notes’). The issuance of the 2026 Notes with a maturity of 2026 provides NuVista further financial certainty and liquidity.

As commodity prices have now returned to levels that are strongly profitable for NuVista, we have re-engaged our rolling hedging program to ensure attenuation of future price volatility and to underpin our capital spending plans. We have primarily been using a combination of collars, swaps and three-way collars in order to provide downside protection while maintaining upside for price growth. We currently possess hedges which, in aggregate, cover 68% of third quarter projected liquids production and 50% of fourth quarter projected liquids production at an average WTI floor price of C$66.05//Bbl and an average ceiling of C$76.99/Bbl. Due to the nature of our rolling hedging program, hedged volumes in the second half of 2021 are lower than the first half of 2021, and hedged prices are significantly higher. We have hedged 38% of projected remaining 2021 gas production at an average floor and ceiling price of C$2.12/Mcf and C$2.44/Mcf, respectively (hedged and exported volumes converted to an AECO equivalent price) using a combination of swaps and collars.

For the first half of 2022, we have hedged approximately 38% of projected liquids production at an average floor price of C$67.32/Bbl using three-way collars, with hedged volumes declining thereafter. The average ceiling price is C$80.20/Bbl. We have hedged approximately 12% of projected natural gas production for 2022 with floor and ceiling prices of $2.60/Mcf and $2.93/Mcf. All of the preceding 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 August, 2021. During the first half of 2021, 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 CO_2e 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.

Proper progress requires proper planning. We have continued to refine our reporting processes on scope 1 and 2 emissions. We have sanctioned additional projects to further reduce our vented methane emissions which will continue to be executed throughout the third quarter of 2021. We have established a centralized inventory and evaluation process for GHG reduction projects, and we are continuing with the detailed evaluation of the GHG and economic benefits of a possible project to install co-generation facilities at our Wembley Gas Plant. Through our focused efforts, we continue to make good strides in the reduction of fresh water use for drilling and completion activities. We realized over 25% reduction in water usage intensity for our first half completion program as compared to the 2020 average, through the optimization of our completion processes.

We also continued our commitment to responsibly abandoning and reclaiming inactive wells and facilities in our legacy areas. In the first half of 2021, we spent $5.0 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. NuVista successfully brought additional inactive sites to closure with the receipt of 25 reclamation certificates in the first half of 2021.

Social

2021 continued to be a challenge as the impact of the COVID-19 pandemic began to be overtaken by positive progress on vaccinations in Canada. Earlier in the year we continued to look for creative ways to stay connected with our staff who were working from home and from our various field locations. We have had numerous virtual town halls and hosted trivia nights and other social events in an effort to keep staff connected and engaged. We have encouraged all staff to get fully vaccinated and like Canada in general, we have made excellent progress. We are pleased to be back to mostly normal working conditions now.

NuVista continues to focus on building relationships with the Indigenous communities with whom we work and consult. We have completed Indigenous Cultural Awareness Training for our leaders and have also made this available to all employees. This training helps raise awareness about the history, experiences and cultures of Indigenous Peoples in Canada and supports our ongoing economic advancement efforts with First Nations in our areas of operation.

Governance

We believe we have world class governance standards, like so many of our Canadian peers. Governance plays a key role in providing leadership to our organization. Our Governance & Compensation and ESG Committees provide Board oversight of our policies and programs and ensures Management's continued focus on these key principles. These principles provide 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, and a higher target is under consideration as a next step. Our executive and staff compensation targets have been changed to include ESG in addition to traditional financial and reserve metrics. NuVista is currently updating our internal Enterprise Risk Management process to ensure continued focus on risk assessment, prevention and mitigation.

Outlook - 2021 guidance re-affirmed

As discussed above, NuVista is pleased to note that both condensate and natural gas future strip prices have increased significantly, resulting in a material increase to projected adjusted funds flow and decreasing debt levels. Our continuing efforts will be to focus on a disciplined capital program to maximize economic returns from our existing facilities, and rapid debt repayment.

NuVista's capital spending guidance for 2021 remains at $230 – $250 million. Keeping the schedule smooth and full for existing rigs is increasingly fundamental to retaining high quality rigs and crews in this tightening and inflationary environment. This leads to the maximization of efficiency, cost, and safety performance. Full year 2021 production guidance is re-affirmed at 50,000 - 52,000 Boe/d, and third quarter production guidance is 50,000 – 52,000 Boe/d prior to the fourth quarter ramp-up in production as our post spring breakup wells begin to come online.

We continue to forecast significant ongoing reduction of net debt as well as dramatic reduction in net debt to adjusted funds flow ratio. At strip prices*, we anticipate exiting 2021 with a net debt to annualized fourth quarter adjusted funds flow ratio of less than 1.2x. Net debt at year end 2021 is anticipated to be below $520 million, a reduction of almost $140 million from the peak during the 2020 pandemic, with free adjusted funds flow driving a further reduction to approximately $400 million by the end of 2022.

* 2021 full year pricing projection incorporating actual year to date pricing and July 30th strip pricing: WTI US$67.00/Bbl, NYMEX US$3.65/MMBtu, AECO $3.20/GJ, CAD:USD FX 1.25

We intend to continue our track record of carefully directing additional available adjusted funds flow towards a prudent balance of net debt reduction and production growth until our existing facilities are filled to maximum efficiency, and net debt to adjusted funds 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 adjust capital spending should commodity prices increase or retreat significantly from the current positive trend.

NuVista has a solid business plan that maximizes free adjusted funds 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 adjusted funds flow and net debt reduction while growing through 2021-2023. With facilities filled, returns and netbacks are enhanced significantly due to efficiencies of scale, with overall cash costs which are expected to reduce by over 25%, or approximately $6/Boe by 2023 as compared to the first quarter of 2021.

NuVista has top quality assets and a management team focused on value and relentless improvement. We have the necessary foundation and liquidity to add significant value as commodity prices continue to recover. We have set the table for returns-focused profitable growth to between 80,000 – 90,000 Boe/d with only half-cycle spending, since the required facility infrastructure is now in place. We will continue to adjust to this environment in order to maximize the value of our asset base and ensure the long term sustainability of our business.

Asset transactions

There were no material asset acquisition or divestiture transactions during the second quarter of 2021.

During the first quarter of 2021, NuVista completed the divestiture of it's 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 $93.5 million, subject to closing adjustments. The sale included production of approximately 1,100 Boe/d and a reduction in our asset retirement obligations of $17.6 million. There was 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 proceeds were applied to reduce borrowings on NuVista's $440 million credit facility with no reduction in the credit facility capacity, further improving the Company's liquidity and undrawn credit capacity. 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.

Operations activity

	Three months ended June 30		Six months ended June 30	
Number of wells	**2021**	2020	**2021**	2020
Wells drilled - gross (net) [1]	**2 (2.0)**	4 (4.0)	**7 (7.0)**	22 (22.0)
Wells completed - gross (net) [2]	**6 (6.0)**	0 (0.0)	**22 (22.0)**	15 (15.0)
Wells brought on production - gross (net) [3]	**6 (6.0)**	6 (6.0)	**22 (22.0)**	15 (15.0)

[1] Based on rig release date.
[2] Based on frac end date.
[3] Based on first production date of in-line test or on production and tied-in to permanent facilities.

For the three months ended June 30, 2021, NuVista drilled 2 (2.0 net) wells compared to 4 (4.0 net) wells in the comparable period of 2020. In addition to the 16 wells brought online late in the first quarter, an additional 6 (6.0 net) wells were completed and brought online throughout the second quarter.

For the six months ended June 30 2021, NuVista drilled 7 (7.0 net) natural gas wells compared to 22 (22.0 net) natural gas wells in the comparable period of 2020.

All wells in 2021 and 2020 were drilled with a 100% success rate.

Production

	Three months ended June 30			Six months ended June 30		
	2021	2020	% Change	**2021**	2020	% Change
Natural gas (Mcf/d)	**178,293**	187,119	(5)	**173,390**	187,964	(8)
Condensate & oil (Bbls/d)	**16,296**	14,231	15	**14,472**	14,783	(2)
NGLs (Bbls/d)	**5,473**	5,504	(1)	**5,315**	5,391	(1)
Total (Boe/d)	**51,485**	50,922	1	**48,685**	51,501	(5)
Condensate, oil & NGLs weighting [(1)] [(2)]	**42%**	39%		**41%**	39%	
Condensate & oil weighting [(2)]	**32%**	28%		**30%**	29%	

[(1)] NGLs include butane, propane and ethane.
[(2)] Product weighting is based on total production.

Production for the three and six months ended June 30, 2021 increased 1% and decreased 5% over the comparative periods of 2020. Second quarter production of 51,485 Boe/d was near the top end of guidance of 50,000 to 52,000 Boe/d, and increased 12% from first quarter 2021 production of 45,854 Boe/d, primarily as a result of the wells brought online late in the first quarter and throughout the second quarter.

Condensate & oil volume weighting for the three and six months ended June 30, 2021 was 32% and 30%, compared to 28% and 29% in the prior year comparative periods.

Pricing

	Three months ended June 30			Six months ended June 30		
	2021	2020	% change	**2021**	2020	% change
Realized selling prices [(1),(2)]						
Natural gas ($/Mcf)	**3.48**	1.98	76	**3.63**	2.21	64
Condensate & oil ($/Bbl)	**79.00**	22.46	252	**75.47**	40.67	86
NGLs ($/Bbl)	**28.73**	9.31	209	**28.76**	9.68	197
Barrel of oil equivalent ($/Boe)	**40.11**	14.54	176	**38.50**	20.76	85
Benchmark pricing						
Natural gas - AECO 5A daily index (Cdn$/Mcf)	**3.09**	1.99	55	**3.12**	2.01	55
Natural gas - AECO 7A monthly index (Cdn$/Mcf)	**2.85**	1.91	49	**2.89**	2.03	42
Natural gas - NYMEX (monthly) (US$/MMbtu)	**2.83**	1.72	65	**2.76**	1.83	51
Natural gas - Chicago Citygate (monthly) (US$/MMbtu)	**2.74**	1.63	68	**2.68**	1.79	50
Natural gas - Dawn (daily) (US$/MMbtu)	**2.79**	1.63	71	**2.87**	1.69	70
Natural gas - Malin (monthly) (US$/MMbtu)	**2.75**	1.52	81	**2.89**	1.89	53
Oil - WTI (US$/Bbl)	**66.07**	27.84	137	**61.96**	37.01	67
Oil - Edmonton Par - (Cdn$/Bbl)	**77.07**	29.46	162	**71.77**	40.58	77
Condensate - @ Edmonton (Cdn$/Bbl)	**81.52**	30.70	166	**77.50**	46.27	67
Condensate - Average C5-WTI differential (US$/Bbl)	**0.35**	(5.55)	(106)	**0.28**	(2.69)	(110)
Exchange rate - (Cdn$/US$)	**1.23**	1.39	(12)	**1.25**	1.37	(9)

[(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)] Condensate and NGLs selling price is net of fractionation fees and excludes pipeline tariffs which is within transportation expense.

The WTI benchmark averaged US$66.07/Bbl in the second quarter of 2021, 137% above the second quarter of last year and 14% higher than the first quarter of 2021 which averaged US$57.84/Bbl. The outbreak of COVID-19 created a sharp drop in oil demand globally and very weak prices. In April of 2020, OPEC and other nations agreed to production cuts to stabilize the global oil market. Adherence to the production cuts has been high since that time and there have been a series of agreements to taper the cuts in a gradual way through to the end of next year. Demand has recovered sharply with the relaxation of restrictions and the reopening of many countries. Global oil and products inventories have been steadily declining with much of the excess already gone in North

America, which has played a role in improving oil prices. Total US production is down about 2 million Bbl/d from the peak reached in late 2019 and has been flat so far this year. Condensate differentials have been strong so far in 2021, with much lower condensate production growth in Western Canada coupled with robust demand from the oil sands. Condensate prices continued to outperform other liquid prices with the Edmonton marker averaging C$81.52/Bbl for the quarter.

NGL prices improved significantly this year which has continued throughout the second quarter of this year. Butane prices are stronger primarily due to the rise in WTI prices. Propane prices are much higher this year due to significantly higher US exports into the strong Asian petrochemical market. Canadian propane prices have kept pace with US prices as exports off of the West Coast continue to ramp up.

NYMEX gas prices averaged US$2.83/MMbtu similar to the first quarter but were 65% higher than the second quarter of last year. The US experienced another warmer than normal winter reducing their heating demand needs and taking the pressure off of spot prices in the first quarter. Since then inventories have been building at a much slower pace than normal and gas prices are strengthening. Europe and Asia experienced very cold temperatures at the start of the winter and exited the season with very low storage levels. In addition, the global petrochemical market has been strong, helping to improve LNG prices. US LNG exports picked up significantly since last fall and have been exceeding 10 Bcf/d for most of this year and at times have approached 12 Bcf/d. The high levels of LNG exports, a strong power market and flat US supply have all played a role in higher gas prices. Summer storage injections will likely be much lower than normal and prices are expected to be strong for the remainder of this year.

AECO gas prices averaged $2.85/Mcf in the second quarter of 2021 representing a decrease of 3% from $2.93/Mcf in the first quarter of 2021 and an 49% increase from the second quarter of 2020. 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

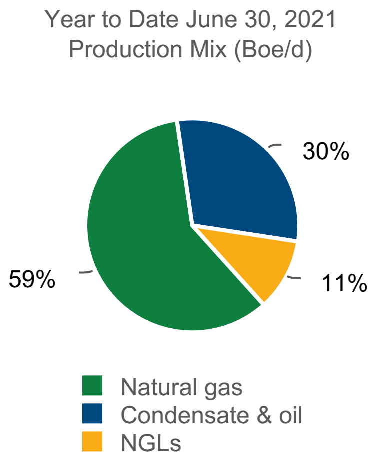
	Three months ended June 30				Six months ended June 30			
	2021		2020		**2021**		2020	
($ thousands, except % amounts)	**$**	**% of total**	$	% of total	**$**	**% of total**	$	% of total
Natural gas [1]	**56,456**	**30**	33,657	50	**113,974**	**34**	75,641	39
Condensate & oil	**117,160**	**62**	29,080	43	**197,690**	**58**	109,411	56
NGLs [2]	**14,309**	**8**	4,662	7	**27,670**	**8**	9,500	5
Total petroleum and natural gas revenues	**187,925**		67,399		**339,334**		194,552	

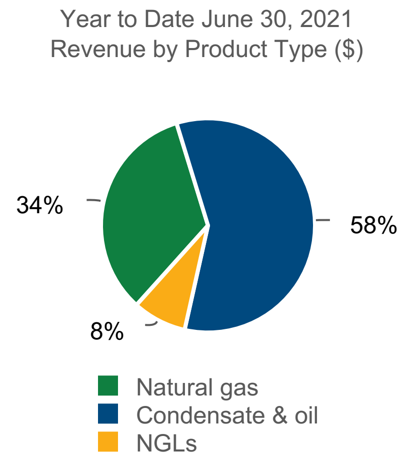
(1) Natural gas revenue includes price risk management gains and losses on physical delivery sale contracts. For the three and six months ended June 30, 2021, our physical delivery sales contracts resulted in loss of $0.2 million and a gain of $36.0 thousand (2020 – losses of $3.1 million and $3.2 million).
(2) Includes butane, propane, ethane and an immaterial amount of sulphur revenue.

For the three months ended June 30, 2021, petroleum and natural gas revenues increased 179% from the comparable period of 2020, due primarily to a 176% increase in average per Boe realized price and a 1% increase in production for the quarter.

For the six months ended June 30, 2021, petroleum and natural gas revenue increased 74% over the comparable period of 2020, due primarily to a 85% increase in average per Boe realized price, offset by a 5% decrease in production.

Condensate & oil volumes averaged 32% of total production in the second quarter of 2021, contributing 62% of total petroleum and natural gas revenues. For the six months ended June 30, 2021, condensate & oil volumes averaged 30% of total production, contributing 58% total petroleum and natural gas revenues.





A breakdown of natural gas revenue is as follows:

	Three months ended June 30				Six months ended June 30			
	2021		2020		**2021**		2020	
($ thousands, except per unit amounts)	**$**	**$/Mcf**	$	$/Mcf	**$**	**$/Mcf**	$	$/Mcf
Natural gas revenue - AECO reference price [1]	**47,218**	**2.85**	32,746	1.91	**91,136**	**2.89**	68,551	2.03
Heat/value adjustment [2]	**4,801**	**0.30**	2,706	0.16	**8,557**	**0.28**	5,351	0.16
Transportation revenue [3]	**8,705**	**0.54**	6,970	0.41	**17,302**	**0.56**	13,999	0.41
Natural gas market diversification loss	**(4,077)**	**(0.20)**	(5,618)	(0.32)	**(3,057)**	**(0.10)**	(9,080)	(0.30)
AECO physical delivery sales contract gains (losses) [4]	**(191)**	**(0.01)**	(3,147)	(0.18)	**36**	**—**	(3,180)	(0.09)
Total natural gas revenue	**56,456**	**3.48**	33,657	1.98	**113,974**	**3.63**	75,641	2.21

(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 June 30, 2021, natural gas revenue increased 68% from the comparable period of 2020, due to a 76% increase in realized selling prices offset by a 5% decrease in production. For the six months ended June 30, 2021, natural gas revenue increased 51% from the comparable period of 2020, due primarily to a 64% increase in realized selling prices offset by a 8% decrease in production.

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

	Three months ended June 30		Six months ended June 30	
	2021	2020	**2021**	2020
AECO physical deliveries	**17 %**	54 %	**15 %**	48 %
Dawn physical deliveries	**25 %**	14 %	**25 %**	19 %
Malin physical deliveries	**21 %**	20 %	**22 %**	21 %
Chicago physical deliveries	**37 %**	12 %	**38 %**	12 %

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 June 30, 2021, the Company delivered 17% of its gas to AECO, 25% of its natural gas production to Dawn, 21% to Malin, and 37% to Chicago.

NuVista's exposure to AECO floating prices was approximately 21% of volumes in the second quarter of 2021 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 and six months ended June 30, 2021 was $3.49/Mcf and $3.63/Mcf respectively, compared to $2.16/Mcf and $2.30/Mcf for the comparative periods of 2020, and $3.78/Mcf in the first quarter of 2021.

Condensate & oil revenue

For the three months ended June 30, 2021, condensate & oil revenue increased 303% over the comparable period of 2020 due to a 252% increase in the average realized selling price and a 15% increase in production. For the six months ended June 30, 2021, condensate & oil revenue increased 81% over the comparable period of 2020, due primarily to a 86% increase in realized selling prices partially offset by a 3% decrease in production as a result of the planned and unplanned outages and natural well declines.

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 increased to $79.00/Bbl and $75.47/Bbl in the three and six months ended June 30, 2021, an increase of 252% and 86% from $22.46/Bbl and $40.67/Bbl for the comparable periods of 2020, and 11% from $70.87/Bbl in the first quarter of 2021.

NGL revenue

For the three months ended June 30, 2021, NGL revenue increased 207% over the comparable period of 2020, due to a 209% increase in the average realized selling price partially offset by a 1% decrease in production. For the six months ended June 30, 2021, NGL revenue increased 191% over the comparable period of 2020, due primarily to a 197% increase in the average realized selling price, partially offset by a 2% decrease 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.

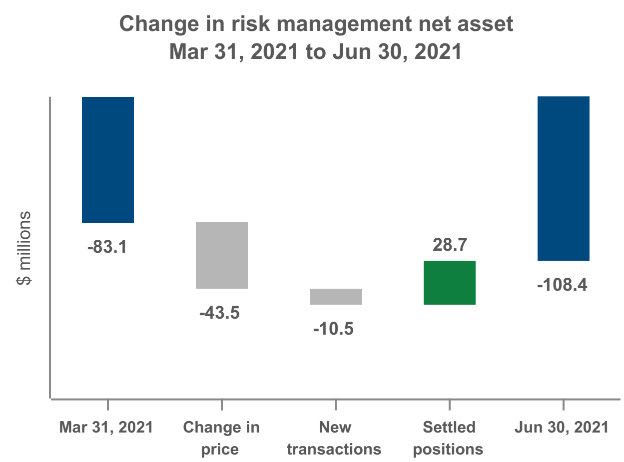
Hedges on crude oil, natural gas liquids, natural gas, differentials and basis may be made in Canadian or U.S. dollars at the time the position is established and the U.S. dollar positions may be hedged to Canadian dollars during the term of the applicable hedge. Foreign currency exposure on interest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

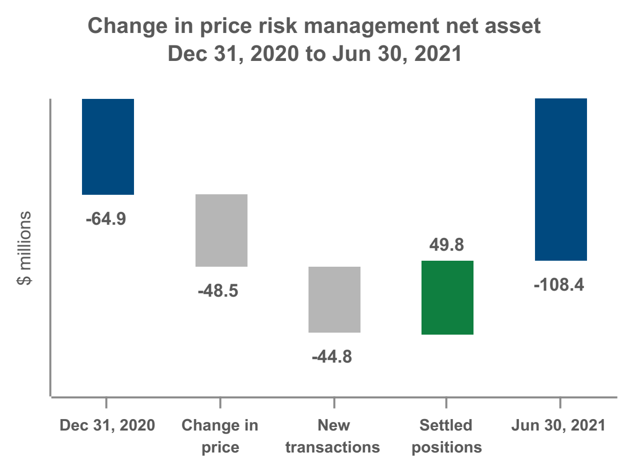
	Three months ended June 30					
	2021			2020		
($ thousands)	**Realized gain (loss)**	**Unrealized gain (loss)**	**Total gain (loss)**	Realized gain (loss)	Unrealized gain (loss)	Total gain (loss)
Natural gas	**(5,530)**	**(10,828)**	**(16,358)**	3,317	(13,330)	(10,013)
Condensate & oil	**(23,167)**	**(14,456)**	**(37,623)**	23,726	(36,032)	(12,306)
Gain (loss) on financial derivatives	**(28,697)**	**(25,284)**	**(53,981)**	27,043	(49,362)	(22,319)

During the second quarter of 2021, the commodity price risk management program resulted in a loss of $54.0 million, compared to a loss of $22.3 million for the comparable period of 2020 and a loss of $39.2 million in the first quarter of 2021. 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 loss in the second quarter is primarily as a result of an unrealized loss on natural gas contracts due to the increase in NYMEX forward strip pricing and the narrowing of AECO/NYMEX basis forward strip pricing at the end of the quarter compared to the beginning of the quarter, in addition to an increase in the 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.

	Six months ended June 30					
	2021			2020		
($ thousands)	**Realized gain (loss)**	**Unrealized gain (loss)**	**Total gain (loss)**	Realized gain (loss)	Unrealized gain (loss)	Total gain (loss)
Natural gas	**(11,876)**	**(16,551)**	**(28,427)**	4,810	(19,767)	(14,957)
Condensate & oil	**(37,897)**	**(26,866)**	**(64,763)**	35,701	26,905	62,606
Gain (loss) on financial derivatives	**(49,773)**	**(43,417)**	**(93,190)**	40,511	7,138	47,649

For the six months ended June 30, 2021, the commodity price risk management program resulted in a loss of $93.2 million compared to a gain of $47.6 million for the comparable period of 2020.





NuVista has been primarily using a combination of swaps and three way collars to provide downside protection while maintaining upside for price growth. The Company currently has hedges in place which, in aggregate, cover 58% of projected remaining 2021 liquids production at an average WTI floor price and ceiling price of C$66.05/Bbl and C$76.99/Bbl, respectively. NuVista has hedged 38% of projected remaining 2021 gas production (primarily summer season loaded) at an average floor and ceiling price of C$2.12/Mcf and C$2.44/Mcf, respectively, (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 a loss of $0.2 million and a gain of $36.0 thousand for the three and six months ended June 30, 2021 compared to losses of $3.1 million and $3.2 million for the comparable periods of 2020.

Financial instruments

The following is a summary of financial derivatives contracts in place as at June 30, 2021:

	WTI fixed price swap		C$ WTI 3 way collar			
Term [1]	Bbls/d	Cdn$/Bbl	Bbls/d	Cdn$/Bbl	Cdn$/Bbl	Cdn$/Bbl
Q3 2021	4,500	67.90	6,000	50.00	63.33	79.55
Q4 2021	1,500	72.63	7,750	52.58	65.81	81.14
Q1 2022	500	76.18	6,750	52.96	66.67	80.50
Q2 2022	500	76.18	6,750	52.96	66.67	80.50
Q3 2022	—	—	2,750	57.27	71.27	83.69
Q4 2022	—	—	1,000	50.00	66.00	78.63

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

	AECO-NYMEX basis swap		AECO-NYMEX basis buybacks		Chicago-NYMEX basis swap		Malin-NYMEX basis swap	
Term [1]	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)	21,685	(0.23)	20,000	(0.66)
2022	100,863	(0.96)	(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.

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

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

	NYMEX fixed price swap		NYMEX collars		
Term [1]	MMBtu/d	US$/MMBtu	MMBtu/d	US$/MMBtu	US$/MMBtu
Q3 2021	45,000	2.68	45,000	2.62	3.04
Q4 2021	28,424	2.72	41,685	2.75	3.32
Q1 2022	10,000	2.89	40,000	2.83	3.48
Q2 2022	10,000	2.89	5,000	2.80	3.45
Q3 2022	10,000	2.89	5,000	2.80	3.45
Q4 2022	3,370	2.89	1,685	2.80	3.45

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

Subsequent to June 30, 2021, the following is a summary of financial derivatives that have been entered into:

	C5-WTI differential swap	
Term [1]	Bbls/d	US$/Bbl
Q1 2022	3,000	0.17
Q2 2022	3,000	0.17

[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 June 30, 2021:

	AECO fixed price swap		Dawn-NYMEX Basis	
	GJ/d	Cdn$/GJ	MMBtu/d	US$/MMBtu
2021	3,315	2.62	10,000	(0.26)
2022	8,329	2.62	8,329	(0.26)

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

Subsequent to June 30, 2021, the following is a summary of physical delivery sales contracts that have been entered into:

	AECO fixed price swap	
Term [1]	GJ/d	Cdn$/GJ
Nov21 - Oct22	5,000	3.01

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

Royalties

	Three months ended June 30		Six months ended June 30	
($ thousands, except % and per Boe amounts)	**2021**	2020	**2021**	2020
Gross royalties	**18,183**	6,349	**33,975**	19,295
Gas cost allowance ("GCA")	**(7,710)**	(5,842)	**(12,721)**	(9,276)
Net royalties	**10,473**	507	**21,254**	10,019
Gross royalty % excluding physical delivery sales contracts[1]	**9.7**	9.0	**10.0**	9.8
Gross royalty % including physical delivery sales contracts	**9.7**	9.4	**10.0**	9.9
Net royalties $/Boe	**2.24**	0.11	**2.41**	1.07

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

For the three and six months ended June 30, 2021, gross royalties increased 186% and 76% compared to the prior year comparative periods primarily as a result of the increase in the average $/Boe realized price. Gross royalties as a percentage of petroleum and natural gas revenues remained consistent with the prior year comparative periods. The gross natural gas and liquids (condensate, oil and NGL) royalty rates for the three and six months ended June 30, 2021 were 5% and 12% compared to 7% and 12% respectively, in the comparative periods of 2020.

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 and six months ended June 30, 2021, the 32% and 37% increase in GCA credits received compared to the comparative periods of 2020 is primarily due to GCA received related to capital expenditures for gas processing and transportation infrastructure incurred.

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

	Three months ended June 30		Six months ended June 30	
($ thousands, except per unit amounts)	**2021**	2020	**2021**	2020
Natural gas transportation expense	**16,943**	12,537	**35,156**	25,245
Condensate, oil & NGL transportation expense	**8,551**	7,630	**11,259**	14,576
Total transportation expense	**25,494**	20,167	**46,415**	39,821
Natural gas transportation $/Mcf (1)	**1.04**	0.74	**1.12**	0.74
Condensate, oil & NGL transportation $/Bbl	**4.32**	4.25	**3.14**	3.97
Total transportation $/Boe	**5.44**	4.35	**5.27**	4.25

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

For the three and six months ended June 30, 2021, natural gas transportation expenses on both a total dollar and $/Mcf basis increased from the comparative periods of 2020 due to additional capacity on the Alliance natural gas pipeline that came into effect in November 2020. Compared to the first quarter, natural gas transportation expense decreased 7% from $18.2 million ($1.20/Mcf).

Condensate, oil & NGL transportation for the three and six months ended June 30, 2021 remained consistent on a quarter basis, and decreased on a year to date basis as a result of a prior period 13th month credit adjustment received in first quarter of 2021.

Operating expenses

	Three months ended June 30		Six months ended June 30	
($ thousands, except per unit amounts)	**2021**	2020	**2021**	2020
Operating expenses	**49,397**	44,762	**95,264**	92,953
Per Boe	**10.54**	9.66	**10.81**	9.92

For the three and six months ended June 30, 2021, operating expenses on a total dollar and $/Boe basis have increased compared to the prior year comparative periods due to the one-time start up and commissioning costs of the new Pipestone north compressor station in the early part of 2021 and the initially low volume throughput which is increasing rapidly now through 2021. Second quarter operating expenses were higher than first quarter operating expenses of $45.9 million ($11.11/Boe) due to increase in number of producing wells and activity returning to pre-COVID levels.

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 $32.0 thousand and $64.0 thousand in the both the three and six months ended June 30, 2021 and prior year comparative periods being excluded from operating expenses, as the costs are now accounted for under the new lease standard.

The capital fees associated with the Pipestone South gas processing lease and gas transportation lease recognized in 2019 is excluded from operating expense and classified as a lease under IFRS 16. For the three and six months ended June 30, 2021, total payments under these two leases of $4.3 million and $7.6 million were excluded from operating expenses and accounted for under the new lease standard.

General and administrative expenses ("G&A")

	Three months ended June 30		Six months ended June 30	
($ thousands, except per Boe amounts)	**2021**	2020	**2021**	2020
Gross G&A expenses	**6,824**	4,184	**13,505**	9,980
Overhead recoveries	**(529)**	(264)	**(974)**	(771)
Capitalized G&A	**(1,072)**	(747)	**(2,304)**	(1,891)
Net G&A expenses	**5,223**	3,173	**10,227**	7,318
Gross G&A per Boe	**1.46**	0.90	**1.53**	1.06
Net G&A per Boe	**1.11**	0.68	**1.16**	0.78

For the three and six months ended June 30, 2021, gross G&A expenses have increased as compared to the prior year comparative period primarily as a result of the severance from Calgary staff reductions and the removal in the first quarter of 2021 of cost reduction measures including salary reductions for staff, executive, and the board of directors that were implemented in 2020 in response to challenging economic conditions. Also contributing to the increase are certain one-time costs associated with the Company's senior note financing which occurred through the second quarter and into the third quarter of 2021.

The Company's policy of allocating and capitalizing G&A expenses associated with new capital projects remained unchanged in 2020 and 2021. 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 the three and six months ended June 30, 2021 in the amount of $0.2 million and $0.4 million being excluded from gross G&A expenses, as the costs are now accounted for under the lease standard.

Share-based compensation expense

	Three months ended June 30		Six months ended June 30	
($ thousands)	**2021**	2020	**2021**	2020
Stock options	**423**	710	**837**	1,503
Restricted share awards	**360**	414	**715**	813
Performance share awards	**363**	304	**812**	574
Non cash share-based compensation expense	**1,146**	1,428	**2,364**	2,890
Director deferred share units	**2,039**	274	**3,473**	(1,302)
Performance share units	**(5)**	—	**690**	—
Restricted share awards (1)	**—**	—	**26**	—
Performance share awards (1)	**—**	—	**33**	—
Cash share-based compensation expense	**2,034**	274	**4,222**	(1,302)
Total share-based compensation expense	**3,180**	1,702	**6,586**	1,588

(1) Awards under share based plans elected by the Company to be settled with cash and not the issuance of shares from treasury.

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") plan.

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 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 six months ended June 30, 2021, the increase in share-based compensation over the prior year comparative period is primarily a result of the increase in DSU expense as a result of the increase in share price from $0.94/share at December 31, 2020 to $3.98/share at June 30, 2021.

Financing costs

	Three months ended June 30		Six months ended June 30	
($ thousands, except per Boe amounts)	**2021**	2020	**2021**	2020
Interest on long-term debt (credit facility)	**4,051**	4,124	**9,257**	7,599
Interest on senior unsecured notes	**3,772**	3,761	**7,537**	7,543
Interest expense	**7,823**	7,885	**16,794**	15,142
Lease interest expense	**3,332**	2,559	**6,676**	5,129
Accretion expense	**486**	299	**1,175**	710
Total financing costs	**11,641**	10,743	**24,645**	20,981
Interest expense per Boe	**1.67**	1.70	**1.91**	1.62
Total financing costs per Boe	**2.48**	2.32	**2.80**	2.24

For the three and six months ended June 30, 2021, interest expense on long-term debt increased from the comparable periods in 2020 due to higher average bank indebtedness and slightly higher overall interest rates. The average interest rate on long-term debt for the three and six months ended June 30, 2021 was 3.7% compared to the average interest rate of 3.1% for the comparative period of 2020. Interest expense on long-term debt includes interest standby charges on the Company's syndicated credit facility. The increase in the lease interest expense is as a result of the increase in the gas processing lease in the third quarter of 2020.

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 and six months ended June 30, 2021, is for interest paid or accrued at the effective interest rate of 7.0%. The carrying value of the 2023 Notes at June 30, 2021 is $218.2 million.

Operating netback and corporate netback

The table below summarizes operating netback and corporate netback on a total dollar and per Boe basis for the three and six months ended June 30, 2021 and 2020:

	Three months ended June 30			
	2021		2020	
($ thousands, except per Boe amounts)	**$**	**$/Boe**	$	$/Boe
Petroleum and natural gas revenues [(1)]	**187,925**	**40.11**	67,399	14.54
Realized gain (loss) on financial derivatives	**(28,697)**	**(6.13)**	27,043	5.84
	159,228	**33.98**	94,442	20.38
Royalties	**(10,473)**	**(2.24)**	(507)	(0.11)
Transportation expense	**(25,494)**	**(5.44)**	(20,167)	(4.35)
Operating expense	**(49,397)**	**(10.54)**	(44,762)	(9.66)
Operating netback [(2)]	**73,864**	**15.76**	29,006	6.26
General and administrative expense	**(5,223)**	**(1.11)**	(3,173)	(0.68)
Share-based compensation expense	**(2,034)**	**(0.43)**	(274)	(0.06)
Interest and lease finance expense	**(11,155)**	**(2.38)**	(10,444)	(2.25)
Corporate netback [(2)]	**55,452**	**11.84**	15,115	3.27

[(1)] Includes price risk management losses of $0.2 million (2020 - $3.1 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".

	Six months ended June 30			
	2021		2020	
($ thousands, except per Boe amounts)	$	$/Boe	$	$/Boe
Petroleum and natural gas revenues (1)	**339,334**	**38.50**	194,552	20.76
Realized gain on financial derivatives	**(49,773)**	**(5.65)**	40,511	4.32
	289,561	**32.85**	235,063	25.08
Royalties	**(21,254)**	**(2.41)**	(10,019)	(1.07)
Transportation expense	**(46,415)**	**(5.27)**	(39,821)	(4.25)
Operating expense	**(95,264)**	**(10.81)**	(92,953)	(9.92)
Operating netback (2)	**126,628**	**14.36**	92,270	9.84
General and administrative	**(10,227)**	**(1.16)**	(7,318)	(0.78)
Share-based compensation expense	**(4,222)**	**(0.48)**	1,302	0.14
Interest and lease finance expense	**(23,470)**	**(2.66)**	(20,271)	(2.16)
Corporate netback (2)	**88,709**	**10.06**	65,983	7.04

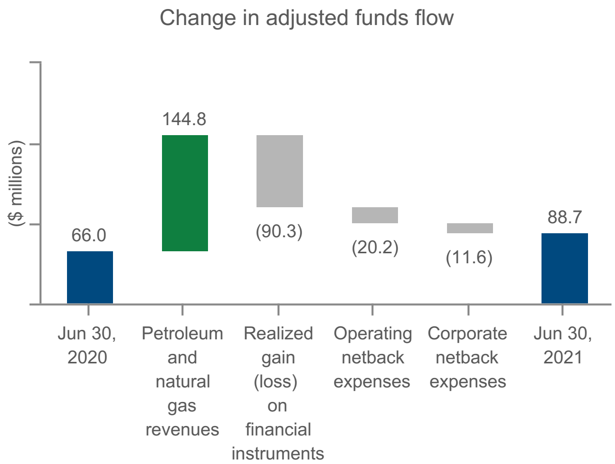
(1) Includes price risk management gains of $36.0 thousand (2020 - $3.2 million loss) on physical delivery sales contracts.
(2) Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. Reference should be made to the section entitled "Non-GAAP measurements".

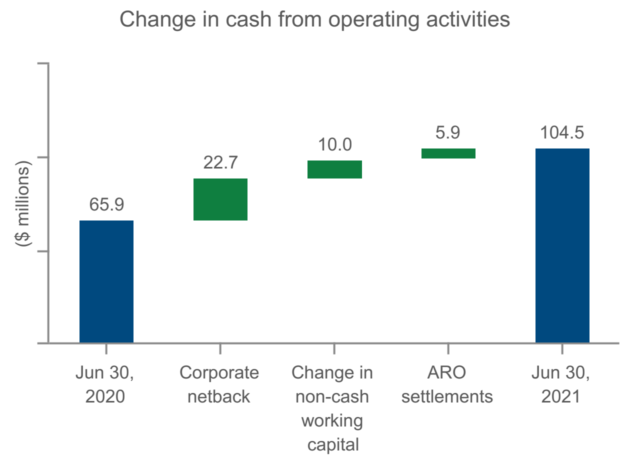
Cash flow from operating activities and adjusted funds flow

The following table is NuVista's cash flow from operating activities and adjusted funds flow (1) for the three and six months ended June 30:

	Three months ended June 30		Six months ended June 30	
($ thousands, except per share amounts)	2021	2020	2021	2020
Cash flow from operating activities	**58,357**	8,555	**104,508**	65,900
Add back:				
Asset retirement expenditures	**265**	240	**4,098**	9,974
Change in non-cash working capital	**(3,170)**	6,320	**(19,897)**	(9,891)
Per share, basic	**0.26**	0.04	**0.46**	0.29
Per share, diluted	**0.26**	0.04	**0.45**	0.29
Adjusted funds flow (1)	**55,452**	15,115	**88,709**	65,983
Adjusted funds flow $/Boe	**11.84**	3.27	**10.06**	7.04
Per share, basic	**0.25**	0.07	**0.39**	0.29
Per share, diluted	**0.25**	0.07	**0.38**	0.29

(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 and six months ended June 30, 2021, cash flow from operating activities of $58.4 million and $104.5 million respectively, increased 582% and 59% from the prior year comparative periods primarily due to an increase in petroleum and natural gas revenues as a result of higher pricing.

Adjusted funds flow for the three months ended June 30, 2021 and the comparable period of 2020 was $55.5 million ($0.25/share, basic) and $15.1 million ($0.07/share, basic) respectively, $2.9 million and $6.6 million higher than cash flow from operating activities in the comparable periods.

Adjusted funds flow for the six months ended June 30, 2021 and 2020 was $88.7 million ($0.39/share, basic) and $66.0 million ($0.29/share, basic) respectively, $15.8 million and $0.1 million higher than adjusted funds flow from operating activities in the comparable period.

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

	Three months ended June 30		Six months ended June 30	
($ thousands, except per Boe amounts)	**2021**	2020	**2021**	2020
Depletion of condensate, oil and natural gas assets	**38,316**	38,902	**61,691**	83,188
Depreciation of fixed assets	**3,856**	4,039	**7,410**	8,468
Depreciation of right-of-use assets	**2,242**	2,085	**4,484**	4,170
DD&A expense	**44,414**	45,026	**73,585**	95,826
Property, plant and equipment ("PP&E") impairment expense	**—**	—	**—**	886,081
Right-of-use asset ("ROU") impairment expense	**—**	—	**—**	23,198
Total impairment expense	**—**	—	**—**	909,279
Total DD&A and impairment expense	**44,414**	45,026	**73,585**	1,005,105
DD&A rate per Boe	**9.48**	9.72	**8.35**	10.22

DD&A expense for three and six months ended June 30, 2021 was $44.4 million ($9.48/Boe) and $73.6 million ($8.35/Boe) compared to $45.0 million ($9.72/Boe) and $95.8 million ($10.22/Boe) for the comparable periods of 2020, and $29.2 million ($7.07/Boe) in the first quarter of 2021. DD&A expense for the three and six months ended June 30, 2021 includes a charge to current quarter depletion in the amount of $4.0 million ($0.84/Boe) and a year to date net credit of $2.8 million ($0.32/Boe) respectively, relating to changes in estimates and the impact of the change in discount rate on asset retirement obligations for wells with no remaining reserve that were previously fully depleted. The full amount of this asset retirement obligation liability reduction is included in depletion expense.

The Montney cash generating unit ("CGU") DD&A rate per Boe for the three and six months ended June 30, 2021 increased to $8.20/Boe and $8.12/Boe compared to $7.74/Boe and $8.27/Boe for the comparable periods of 2020. The current quarter rate of $8.20/Boe increased slightly from the first quarter rate of $8.04/Boe.

At June 30, 2021, there were no indicators of impairment reversal identified on any of the Company's CGU's within property, plant & equipment and an impairment test was not performed.

At December 31, 2020, there were indicators of reversal of impairment identified in NuVista's 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 on PP&E and 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 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 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. 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 was included in the depletion, depreciation, amortization and impairment expense.

Asset retirement obligations

($ thousands)	June 30, 2021	December 31, 2020
Balance, January 1	**139,965**	124,533
Accretion expense	**1,175**	1,496
Liabilities incurred	**915**	3,191
Liabilities disposed	**(17,551)**	(584)
Change in estimates	**3,830**	7,129
Change in discount rate	**(10,248)**	15,306
Liabilities settled (cash)	**(4,098)**	(11,106)
Liabilities settled (non cash) (1)	**(886)**	—
Balance, end of period	**113,102**	139,965
Expected to be incurred within one year	**6,000**	6,275
Expected to be incurred beyond one year	**107,102**	133,690

(1) Liabilities settled (non-cash) of $0.9 million (2020 - nil) were funded by payments made directly to NuVista's service providers from the Alberta Site Rehabilitation Program with respect to approved abandonment and reclamation expenditures. These amounts have been recorded as "Other Income".

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 June 30, 2021, NuVista had an ARO balance of $113.1 million as compared to $140.0 million as at December 31, 2020. The Government of Canada long-term risk-free bond rate of 1.8% (December 31, 2020 – 1.2%) and an inflation rate of 1.7% (December 31, 2020 – 1.5%) were used to calculate the net present value of the asset retirement obligations. At June 30, 2021, the estimated total undiscounted and uninflated amount of cash required to settle NuVista's ARO was $114.5 million (December 31, 2020 – $132.8 million) with an estimated 30%

to be incurred within the next 10 years. Actual ARO expenditures for the six months ended June 30, 2021 were $5.0 million including funding by payments made under the Alberta Site Rehabilitation Program of $0.9 million, compared to $11.1 million for the year ended December 31, 2020.

The ARO liability was decreased by $26.9 million due primarily to $17.6 million of liabilities sold as result of the property dispositions during the first quarter, a $10.2 million decrease as a result of a change in the discount and inflation rates used to value the liability from December 31, 2020 and $5.0 million of liabilities settled in the quarter, offset by a change in estimate increase of $3.8 million.

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 $2.4 million represents expenses incurred that have not yet been reimbursed related to this asset.

Capital expenditures

	Three months ended June 30				Six months ended June 30			
($ thousands, except % amounts)	**2021**	**% of total**	2020	% of total	**2021**	**% of total**	2020	% of total
Land and retention costs	**—**	**—**	57	—	**—**	**—**	87	—
Geological and geophysical	**51**	**—**	1,007	5	**43**	**—**	2,832	2
Drilling and completion	**33,195**	**75**	9,928	48	**103,027**	**83**	115,825	77
Facilities and equipment	**9,925**	**22**	9,721	47	**19,363**	**15**	30,547	21
Corporate and other	**1,173**	**3**	52	—	**2,859**	**2**	206	—
Capital expenditures (1)	**44,344**		20,765		**125,292**		149,497	

(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 and six months ended June 30, 2021 were $44.3 million and $125.3 million, compared to $20.8 million and $149.5 million in the comparative periods of 2020. The Company focused the majority of its second quarter capital expenditures on drilling and completions. Looking forward, the Company expects to spend between 80-85% of planned capital expenditures on drilling and completion related activities.

Of the $125.3 million capital spent to date in 2021, $125.3 million was classified as property, plant and equipment additions, and $7.0 thousand was classified as exploration and evaluation asset additions.

Dispositions

For the six months ended June 30, 2021, proceeds from non core property dispositions were $93.6 million relating to the sale of non core properties in the first quarter, resulting in a gain on dispositions in the amount of $35.4 million. There were no dispositions in the second quarter.

Right-of-use assets and lease liabilities

The Company has right-of-use assets and lease liabilities for our head and field office leases, a gas processing lease associated with the Pipestone South compressor, and a gas transportation lease associated with the pipeline that connects the Pipestone South compressor to the Energy Transfer Partners/SemCAMS Wapiti plant.

At June 30, 2021, the total right-of-use asset is $112.4 million. The total lease liability is $124.6 million, of which $5.0 million is classified as a current liability.

Deferred income taxes

For the three and six months ended June 30, 2021, the Company recorded deferred tax recoveries of $4.9 million and $18.0 thousand, compared to recoveries of $nil and $69.2 million recorded in the prior year comparative periods. As a result of the second quarter recovery offsetting the expense recorded in the first quarter, the deferred tax liability of $12.7 million at June 30, 2021 remains unchanged from the December 31, 2020 balance of $12.7 million. The combined federal and provincial corporate tax rate for 2021 is 23%.

Net earnings (loss)

	Three months ended June 30		Six months ended June 30	
($ thousands, except per share amounts)	**2021**	2020	**2021**	2020
Net earnings (loss)	**(10,941)**	(80,422)	**4,447**	(869,169)
Per share - basic	**(0.05)**	(0.36)	**0.02**	(3.85)
Per share - diluted	**(0.05)**	(0.36)	**0.02**	(3.85)

For the three months ended June 30, 2021 the decrease in net loss compared to the prior year comparative period is primarily a result of increased adjusted funds flow, an increase in the deferred income tax recovery, and a $24.1 million decrease in the unrealized hedging loss.

For the six months ended June 30, 2021, the decrease in net loss compared to the prior year comparative period is primarily as a result of the impairment expense recorded in the first quarter of 2020, increased adjusted funds flow and decreased DD&A and impairment expense, offset by an decrease in the deferred tax recovery and $50.6 million increase in the unrealized loss.

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 mark 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 $9.4 million and net earnings of $47.8 million for the three and six months ended June 30, 2021 and net earnings of $31.1 million and net loss of $36.2 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 $12.6 million.

Liquidity and capital resources

Long-term debt (credit facility)

At June 30, 2021, the Company had a $440 million (December 31, 2020 - $440 million) extendible revolving term credit facility available from a syndicate of Canadian financial institutions. 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 May 31, 2023 in the event of a reduction or the credit facility not being 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 June 30, 2021, NuVista was in compliance with all covenants.

As at June 30, 2021, the Company had drawn $286.0 million on its term credit facility (December 31, 2020 – $362.7 million) and had outstanding letters of credit of $7.0 million which reduce the credit available on this credit facility.

Export development Canada (“EDC”) 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. In the second quarter of 2021 the letter of credit facility was reduced to $30 million. At June 30, 2021, the Company had outstanding letters of credit associated with the APSG of $17.6 million, leaving $12.4 million of credit available on this facility.

Senior unsecured notes

In March, 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 is exploring options to refinance the 2023 Notes.

On July 23, 2021, the Company issued $230.0 million aggregate principal amount of 7.875% senior unsecured notes due July 23, 2026 (“2026 Notes”). The 2026 Notes were issued at $989.89 expressed as a price per $1,000.00 principal amount. Interest is payable semi-annually in arrears. The 2026 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.

On July 27, 2021, the Company redeemed all of the Company’s $220.0 million 2023 Notes at a redemption price of 101.625%, plus accrued and unpaid interest.

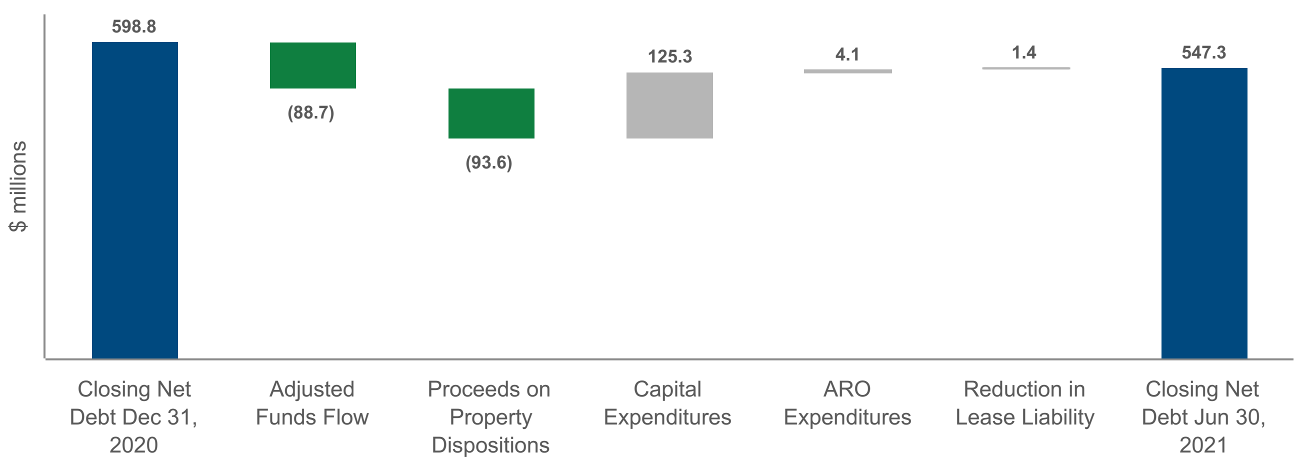
The following is a summary of total market capitalization, net debt, and net debt to annualized current quarter adjusted funds flow:

($ thousands)	June 30, 2021	December 31, 2020
Basic common shares outstanding	226,256	225,837
Share price[1]	3.98	0.94
Total market capitalization	900,499	212,287
Cash and cash equivalents, accounts receivable and prepaid expenses	(67,985)	(53,093)
Other receivable	(2,395)	(5,471)
Accounts payable and accrued liabilities	107,493	75,142
Long-term debt (credit facility)	286,024	362,673
Senior unsecured notes	218,170	217,724
Other liabilities	6,007	1,860
Net debt [2]	547,314	598,835
Annualized current quarter adjusted funds flow	221,808	197,596
Net debt to annualized current quarter adjusted funds flow	2.5	3.0

(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

	June 30, 2021	December 31, 2020
Credit facility capacity	**440,000**	440,000
EDC letter of credit facility capacity	**30,000**	40,000
Total facility capacity	**470,000**	480,000
Deduct:		
Credit facility borrowings	**(286,024)**	(362,673)
Letters of credit issued on credit facility	**(6,997)**	(7,040)
Letters of credit issued on EDC letter of credit facility	**(17,645)**	(17,031)
Undrawn total facility capacity	**159,334**	93,256

NuVista has sufficient liquidity to execute it's business plan. At current strip pricing, the Company is forecasting yearly net debt reduction from adjusted funds flow in excess of capital expenditures, while achieving prudent production growth. At June 30, 2021, NuVista had drawn $286.0 million on its credit facility.

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 June 30, 2021, there were 226.3 million common shares outstanding. In addition, there were 7.9 million stock options with an average exercise price of $3.96 per option and 2.6 million RSAs and 4.5 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 June 30, 2021:

($ thousands)	Total	2021	2022	2023	2024	2025	Thereafter
Transportation [1]	**877,478**	49,354	109,403	91,351	89,181	90,029	448,160
Processing [1]	**1,037,150**	31,879	72,770	82,205	84,894	68,524	696,878
Office lease [2]	**4,701**	469	948	999	857	151	1,277
Total commitments [3]	**1,919,329**	81,702	183,121	174,555	174,932	158,704	1,146,315

(1) Certain of the transportation and processing commitments are secured by outstanding letters of credit of $23.7 million at June 30, 2021 (December 31, 2020 - $23.4 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.

Quarterly financial information

$ thousands, except otherwise stated

	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
FINANCIAL								
Revenue	**187,925**	151,409	124,378	105,708	67,399	127,152	163,278	138,771
Net earnings (loss)	**(10,941)**	15,389	715,435	(44,144)	(80,422)	(788,747)	(29,557)	(7,650)
Per basic share	**(0.05)**	0.07	3.17	(0.20)	(0.36)	(3.50)	(0.13)	(0.03)
Per diluted share	**(0.05)**	0.07	3.17	(0.20)	(0.36)	(3.50)	(0.13)	(0.03)
Cash from operating activities	**58,357**	46,151	44,719	36,581	8,555	57,345	80,321	48,998
Per basic share	**0.26**	0.20	0.20	0.16	0.04	0.25	0.36	0.22
Per diluted share	**0.26**	0.20	0.20	0.16	0.04	0.25	0.36	0.22
Adjusted funds flow (1)	**55,452**	33,257	49,399	41,484	15,115	50,868	70,080	59,799
Per basic share	**0.25**	0.15	0.22	0.18	0.07	0.23	0.31	0.27
Per diluted share	**0.25**	0.14	0.22	0.18	0.07	0.23	0.31	0.27
Capital expenditures (1)	**44,344**	80,948	23,864	7,081	20,765	128,732	52,814	63,239
Total assets ($ millions)	**2,140**	2,137	2,158	1,458	1,504	1,576	2,331	2,374
Weighted average basic shares outstanding (thousands of shares)	**226,045**	225,842	225,769	225,719	225,652	225,592	225,518	225,474
Weighted average diluted shares outstanding (thousands of shares)	**226,045**	229,813	225,769	225,719	225,652	225,592	225,518	225,474
OPERATING								
Production								
Natural gas (Mcf/d)	**178,293**	168,433	183,341	183,708	187,119	188,809	204,275	184,681
Condensate & oil (Bbls/d)	**16,296**	12,627	12,928	13,790	14,231	15,335	17,195	15,728
NGLs (Bbls/d) (2)	**5,473**	5,155	5,863	5,034	5,504	5,278	5,769	5,310
Total (Boe/d)	**51,485**	45,854	49,348	49,443	50,922	52,080	57,010	51,819
Liquids %	**42%**	39%	38%	38%	39%	40%	40%	41%
Average realized selling prices (3)								
Natural gas ($/Mcf)	**3.48**	3.79	3.14	2.16	1.98	2.45	2.74	2.24
Condensate & oil ($/Bbl)	**79.00**	70.87	52.59	49.09	22.46	57.57	65.78	66.60
NGLs ($/Bbl)	**28.73**	28.80	16.44	14.65	9.31	10.07	11.51	5.82
Netbacks ($/Boe)								
Petroleum and natural gas revenues	**40.11**	36.68	27.40	23.24	14.54	26.83	31.13	29.11
Realized gain (loss) on financial derivatives	**(6.13)**	(5.11)	2.77	3.87	5.84	2.84	0.75	1.90
Royalties	**(2.24)**	(2.61)	(0.83)	(0.69)	(0.11)	(2.01)	(1.82)	(1.57)
Transportation expense	**(5.44)**	(5.07)	(4.97)	(4.38)	(4.35)	(4.15)	(4.13)	(4.28)
Operating expenses	**(10.54)**	(11.11)	(9.68)	(9.80)	(9.66)	(10.17)	(9.63)	(9.97)
Operating netback (1)	**15.76**	12.78	14.69	12.24	6.26	13.34	16.30	15.19
Corporate netback (1)	**11.84**	8.06	10.88	9.12	3.27	10.73	13.37	12.54

(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 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 Montney in 2021 is 98% of total production. Over the prior eight quarters, quarterly revenue has been in a range of $67.4 million to $187.9 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 impairment recovery in the fourth 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. 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 15 “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:

	Three months ended June 30		Six months ended June 30	
($ thousands)	**2021**	2020	**2021**	2020
Cash provided by operating activities	**58,357**	8,555	**104,508**	65,900
Add back:				
Asset retirement expenditures	**265**	240	**4,098**	9,974
Change in non-cash working capital [1]	**(3,170)**	6,320	**(19,897)**	(9,891)
Adjusted funds flow	**55,452**	15,115	**88,709**	65,983
Adjusted funds flow, $/Boe	**11.84**	3.27	**10.06**	7.04
Adjusted funds flow per share, basic	**0.25**	0.07	**0.39**	0.29
Adjusted funds flow per share, diluted	**0.25**	0.07	**0.38**	0.29

[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.

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:

	Three months ended June 30		Six months ended June 30	
($ thousands)	**2021**	2020	**2021**	2020
Net earnings (loss) and comprehensive income (loss)	**(10,941)**	(80,422)	**4,447**	(869,169)
Add back:				
Other Income	**(27)**	—	**(886)**	—
Depletion, depreciation, amortization and impairment	**44,414**	45,026	**73,585**	1,005,105
Loss (gain) on property dispositions	**—**	(578)	**(35,375)**	2,759
Share-based compensation	**3,180**	1,702	**6,586**	1,588
Unrealized loss (gain) on financial derivatives	**25,284**	49,362	**43,417**	(7,138)
Deferred income tax expense (recovery)	**(4,910)**	—	**(18)**	(69,174)
General and administrative expenses	**5,223**	3,173	**10,227**	7,318
Financing costs	**11,641**	10,743	**24,645**	20,981
Operating netback	**73,864**	29,006	**126,628**	92,270
Deduct:				
General and administrative expenses	**(5,223)**	(3,173)	**(10,227)**	(7,318)
Share-based compensation expense (recovery)	**(2,034)**	(274)	**(4,222)**	1,302
Interest and lease finance expense	**(11,155)**	(10,444)	**(23,470)**	(20,271)
Corporate netback	**55,452**	15,115	**88,709**	65,983

Capital expenditures

Capital expenditures are equal to cash flow used in investing activities, excluding changes in non-cash working capital, other receivable and property dispositions. 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:

	Three months ended June 30		Six months ended June 30	
($ thousands)	**2021**	2020	**2021**	2020
Cash flow used in investing activities	**(43,504)**	(41,126)	**(26,483)**	(186,975)
Changes in non-cash working capital	**276**	22,961	**(2,155)**	25,200
Other receivable	**(1,116)**	(2,600)	**(3,076)**	12,278
Property dispositions	**—**	—	**(93,578)**	—
Capital expenditures	**(44,344)**	(20,765)	**(125,292)**	(149,497)

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)	**June 30, 2021**	December 31, 2020
Cash and cash equivalents, accounts receivable and prepaid expenses	**(67,985)**	(53,093)
Other receivable	**(2,395)**	(5,471)
Accounts payable and accrued liabilities	**107,493**	75,142
Long-term debt (credit facility)	**286,024**	362,673
Senior unsecured notes	**218,170**	217,724
Other liabilities	**6,007**	1,860
Net debt	**547,314**	598,835

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. During the first quarter of 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. These events resulted in a volatile and challenging economic environment throughout 2020 which adversely affected the Company's operational results and financial position. In the first quarter of 2021, both oil and gas prices improved significantly, largely due to a combination of improved global economic activity combined with reduced oil and natural gas supply, and the roll out of COVID-19 vaccinations. Estimates and judgments made by management in the preparation of the interim financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period.

Further information on our critical accounting policies and estimates can be found in the notes to the audited annual financial statements and MD&A for the year ended December 31, 2020.

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 and six months ended June 30, 2021, 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 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 and the first quarter of 2021 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 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 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.

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, 2020.

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 ("Mcfe") 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; plans to maximize economic value and divide free adjusted funds flow between prudent reduction of debt and growth capital to fill existing facilities at an optimal rate, particularly in NuVista's new Pipestone blocks; 2021 capital expenditure plans and expected allocation; 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; that the issuance of the 2026 Notes will provide NuVista further financial certainty and liquidity; that our rolling hedging program will ensure attenuation of future price volatility and underpin our capital spending plans; ESG plans, targets and results from ESG initiatives; future commodity prices; that 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; expectations with respect to future liquidity; future impairments or impairment reversals: asset retirement obligations and the amount and timing of such expenditures and the source of funding thereof; plans to focus on continued debt reduction from free adjusted funds flow while also allocating a portion of free adjusted funds flow towards prudent growth; plans to monitor its business plan and continue to adjust its capital program in the context of commodity prices and net debt levels; that NuVista will experience a material increase to projected adjusted funds flow and decreased debt levels at current commodity prices; NuVista's plans to focus on a disciplined capital program to maximize economic returns from existing facilities and rapid debt repayment; guidance with respect to 2021 capital spending amounts and spending plans; that NuVista's capital spending plans will maximize efficiency costs and safety performance; 2021 full year and third quarter production guidance; expected 2021 exit net debt to annualized fourth quarter adjusted funds flow ratio; 2021 and 2022 year end net debt; plans to carefully direct available adjusted funds flow towards a prudent balance of net debt reduction and production growth until existing facilities are filled to maximum efficiency and net debt to adjusted funds flow levels reach 1.0x or less; that capital spending will continue to be weighted heavily towards Pipestone; expectations that

Pipestone will continue to be NuVista's highest return area; expected well payouts at Pipestone; that NuVista has the flexibility to adjust capital spending if commodity prices change; that NuVista's business plan will maximize free adjusted funds flow and will enable NuVista to return capital to shareholders by as early as 2023; that existing facilities will be filled to capacity by 2023; that NuVista will experience maximum efficiency at production levels of approximately 80,000 – 90,000 Boe/d; that NuVista could achieve its production goal of 80,000 to 90,000 Boe/d by as early as 2023; that NuVista will generate free adjusted funds flow and will reduce net debt while growing through 2021-2023; that once existing facilities are filled returns will be enhanced, that returns and netbacks will be enhanced significantly due to efficiencies of scale; that overall cash costs will be reduced by over 25% or approximately $6/Boe by 2023; the quality of NuVista's asset base; NuVista's focus on value and relentless improvement; that NuVista has the necessary foundation and liquidity to add significant value if commodity prices continue to recover; that NuVista will experience returns-focused profitable growth to between 80,000 – 90,000 Boe/d with only half-cycle spending; that NuVista has the required facility infrastructure in place to support its growth plans and that NuVista will continue to adjust to industry conditions in order to maximize the value of its asset base and ensure the long term sustainability of its business.

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; 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.

This MD&A also contains future-oriented financial information and financial outlook information (collectively, "FOFI") about our prospective results of operations, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in above. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on FOFI and forward-looking statements. Our actual results, performance or achievement could differ materially from those expressed in, or implied by, these FOFI and forward-looking statements, or if any of them do so, what benefits we will derive therefrom. We have included the FOFI and forward-looking statements in this MD&A in order to provide readers with a more complete perspective on our prospective results of operations and such information may not be appropriate for other purposes. The FOFI and foward-looking statements and information contained in this MD&A are made as of the date hereof and we undertake no obligation to update publicly or revise any FOFI or forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

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", "cash costs", "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. Cash costs are defined as the total of operating expenses, transportation expenses, general and administrative expenses and financing costs. Free adjusted funds flow is forecast adjusted funds flow less capital expenditures required to maintain production.