

**NUVISTA ENERGY LTD.**

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

(\$Cdn thousands)	September 30 2020	December 31 2019
<b>Assets</b>		
Current assets		
Accounts receivable and prepaid expenses	\$ 53,215	\$ 62,772
Financial derivative assets (note 16)	4,323	10,629
Other receivable (note 3)	9,938	10,301
	<b>67,476</b>	83,702
Exploration and evaluation assets (note 4)	38,044	27,947
Property, plant and equipment (note 5)	1,255,699	2,103,090
Right-of-use assets (note 6)	96,739	116,622
<b>Total assets</b>	<b>\$ 1,457,958</b>	<b>\$ 2,331,361</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 75,218	\$ 110,144
Current portion of lease liabilities (note 9)	2,948	3,416
Current portion of asset retirement obligations (note 10)	6,400	11,575
Financial derivative liabilities (note 16)	7,144	—
	<b>91,710</b>	125,135
Long-term debt (note 7)	393,270	306,274
Senior unsecured notes (note 8)	217,526	216,771
Other liabilities (note 15)	463	1,859
Lease liabilities (note 9)	123,308	115,891
Asset retirement obligations (note 10)	131,127	112,958
Financial derivative liabilities (note 16)	60,516	34,543
Deferred tax liability	—	69,174
	<b>1,017,920</b>	982,605
<b>Shareholders' equity</b>		
Share capital (note 11)	1,219,544	1,218,264
Contributed surplus	61,395	58,080
Retained earnings (deficit)	(840,901)	72,412
	<b>440,038</b>	1,348,756
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,457,958</b>	<b>\$ 2,331,361</b>
Subsequent events (notes 7,16)		
Commitments (note 19)		

See accompanying notes to the condensed consolidated interim financial statements.

**NUVISTA ENERGY LTD.**

**Condensed Consolidated Statements of Loss and Comprehensive Loss**  
(Unaudited)

(\$Cdn thousands, except per share amounts)	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
<b>Revenues</b>				
Petroleum and natural gas (note 13)	\$ 105,708	\$ 138,771	\$ 300,260	\$ 422,207
Royalties	(3,127)	(7,488)	(13,146)	(18,102)
<b>Net revenue from petroleum and natural gas sales</b>	<b>102,581</b>	<b>131,283</b>	<b>287,114</b>	<b>404,105</b>
<b>Financial derivative contracts</b>				
Realized gain on financial derivatives	17,582	9,060	58,093	13,425
Unrealized loss on financial derivatives	(46,561)	(15,299)	(39,423)	(80,719)
<b>Net revenue from petroleum and natural gas sales and gains (losses) on financial derivatives</b>	<b>73,602</b>	<b>125,044</b>	<b>305,784</b>	<b>336,811</b>
<b>Expenses</b>				
Operating	44,557	47,510	137,510	127,747
Transportation	19,921	20,432	59,742	59,060
General and administrative	2,978	4,135	10,296	12,372
Share-based compensation (note 15)	1,023	1,460	2,611	4,129
Financing costs (note 17)	11,686	8,987	32,667	24,280
Depletion, depreciation, amortization and impairment (notes 5,6)	39,581	49,648	1,044,686	170,069
Exploration and evaluation (note 4)	—	2,691	—	3,668
Loss (gain) on property dispositions	(2,000)	—	759	(1,934)
	<b>117,746</b>	<b>134,863</b>	<b>1,288,271</b>	<b>399,391</b>
<b>Loss before taxes</b>	<b>(44,144)</b>	<b>(9,819)</b>	<b>(982,487)</b>	<b>(62,580)</b>
Deferred income tax recovery	—	(2,169)	(69,174)	(28,304)
<b>Net loss and comprehensive loss</b>	<b>\$ (44,144)</b>	<b>\$ (7,650)</b>	<b>\$ (913,313)</b>	<b>\$ (34,276)</b>
<b>Net loss per share (note 12)</b>				
Basic	\$ (0.20)	\$ (0.03)	\$ (4.05)	\$ (0.15)
Diluted	\$ (0.20)	\$ (0.03)	\$ (4.05)	\$ (0.15)

See accompanying notes to the condensed consolidated interim financial statements.

**NUVISTA ENERGY LTD.**

**Condensed Consolidated Statements of Changes in Shareholders' Equity**  
(Unaudited)

(\$Cdn thousands)	Nine months ended September 30	
	2020	2019
<b>Share capital (note 11)</b>		
Balance, January 1	\$ 1,218,264	\$ 1,216,067
Issued for cash on exercise of stock options	—	45
Contributed surplus transferred on exercise of stock options	—	15
Conversion of restricted share awards	1,280	1,133
Conversion of performance share awards	—	5
<b>Balance, end of period</b>	<b>\$ 1,219,544</b>	<b>\$ 1,217,265</b>
<b>Contributed surplus</b>		
Balance, January 1	\$ 58,080	\$ 52,705
Share-based compensation	4,595	5,742
Transfer to share capital on exercise of stock options	—	(15)
Conversion of restricted share awards	(1,280)	(1,132)
Conversion of performance share awards	—	(5)
<b>Balance, end of period</b>	<b>\$ 61,395</b>	<b>\$ 57,295</b>
<b>Retained earnings (deficit)</b>		
Balance, January 1	\$ 72,412	\$ 136,245
Net loss	(913,313)	(34,276)
<b>Balance, end of period</b>	<b>\$ (840,901)</b>	<b>\$ 101,969</b>
<b>Total shareholders' equity</b>	<b>\$ 440,038</b>	<b>\$ 1,376,529</b>

See accompanying notes to the condensed consolidated interim financial statements.

**NUVISTA ENERGY LTD.**

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

(\$Cdn thousands)	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Net loss	\$ (44,144)	\$ (7,650)	\$ (913,313)	\$ (34,276)
Items not requiring cash from operations:				
Depletion, depreciation, amortization and impairment (notes 5,6)	39,581	49,648	1,044,686	170,069
Exploration and evaluation (note 4)	—	2,691	—	3,668
Loss (gain) on property dispositions (notes 4,5)	(2,000)	—	759	(1,934)
Share-based compensation (note 15)	1,117	1,461	4,007	4,372
Unrealized loss on financial derivatives	46,561	15,299	39,423	80,719
Deferred income tax recovery	—	(2,169)	(69,174)	(28,304)
Accretion (note 10)	369	519	1,079	1,458
Asset retirement expenditures (note 10)	(382)	(556)	(10,356)	(13,671)
Change in non-cash working capital (note 18)	(4,521)	(10,245)	5,370	1,434
	<b>36,581</b>	<b>48,998</b>	<b>102,481</b>	<b>183,535</b>
<b>Financing activities</b>				
Issue of share capital, net of share issue costs	—	—	—	45
Payment on lease liabilities	(456)	391	(1,877)	103
Increase (decrease) of long-term debt	(35,500)	24,352	86,996	99,376
	<b>(35,956)</b>	<b>24,743</b>	<b>85,119</b>	<b>99,524</b>
<b>Investing activities</b>				
Property, plant and equipment expenditures (note 5)	(7,076)	(61,331)	(156,292)	(258,809)
Exploration and evaluation expenditures (note 4)	(5)	(1,908)	(286)	(4,442)
Other receivable expenditures	12,641	2,019	363	(6,959)
Proceeds on property dispositions	—	—	—	14
Change in non-cash working capital (note 18)	(6,185)	(12,521)	(31,385)	(12,863)
	<b>(625)</b>	<b>(73,741)</b>	<b>(187,600)</b>	<b>(283,059)</b>
Change in cash and cash equivalents	—	—	—	—
Cash and cash equivalents, beginning of period	—	—	—	—
<b>Cash and cash equivalents, end of period</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
Cash interest paid	\$ 11,225	\$ 10,839	\$ 25,255	\$ 24,657

See accompanying notes to the condensed consolidated interim financial statements.

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

Three and nine months ended September 30, 2020 with comparative figures for 2019. All tabular amounts are in thousands of Canadian dollars, except share and per share amounts, unless otherwise stated.

**1. Corporate information**

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

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

**2. Basis of preparation**

These condensed consolidated interim financial statements (the “financial statements”) have been prepared in accordance with International Accounting Standards (“IAS”) 34, “Interim Financial Reporting”. These condensed consolidated interim financial statements have been prepared following the same accounting policies and methods of computation as the annual financial statements for the year ended December 31, 2019. These financial statements do not include all the information required for annual financial statements and should be read in conjunction with the audited financial statements for the year ended December 31, 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

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

In March 2020, the World Health Organization declared COVID-19 to be a pandemic. Responses to the spread of COVID-19 have resulted in a sudden decline in economic activity and resulted in a significant increase in economic uncertainty. In addition, oil prices have declined dramatically due to the global oil price war and decline in demand due to COVID-19. These events have resulted in a volatile and challenging economic environment which has adversely affected the Company’s operational results and financial position. The current challenging economic climate may have significant adverse impacts on NuVista including, but not exclusively:

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

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

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

During the second quarter, NuVista applied for eligibility under the Federal Government's Canadian Emergency Wage Subsidy Program (CEWS) and to date has received \$1.4 million in wage subsidies offsetting gross G&A expenses and approximately \$0.3 million offsetting operating expenses.

These financial statements were approved and authorized for issuance by the Board of Directors on November 10, 2020.

### 3. Other receivable

The Company has entered into a contract for the construction of a Pipestone compressor station, which secured third party ownership and funding of the asset. The other receivable balance of \$9.9 million represents expenses incurred that have not yet been reimbursed related to this asset.

### 4. Exploration and evaluation assets

	<b>September 30, 2020</b>	December 31, 2019
Balance, January 1	\$ 27,947	\$ 30,165
Additions	286	7,173
Acquisitions <sup>(1)</sup>	10,625	—
Dispositions <sup>(1)</sup>	(534)	—
Capitalized share-based compensation (note 15)	—	333
Transfers to property, plant and equipment (note 5)	(280)	(6,056)
Expiries (exploration and evaluation expense)	—	(3,668)
<b>Balance, end of period</b>	<b>\$ 38,044</b>	<b>\$ 27,947</b>

<sup>(1)</sup> Non cash land swaps.

## 5. Property, plant and equipment

	September 30, 2020	December 31, 2019
<b>Cost</b>		
Balance, January 1	\$ 3,119,117	\$ 2,779,988
Additions	156,292	302,808
Acquisitions <sup>(1)</sup>	875	—
Dispositions <sup>(1)</sup>	(15,142)	(6,237)
Capitalized share-based compensation (note 15)	588	1,471
Change in asset retirement obligations (note 10)	22,855	35,031
Transfers from exploration and evaluation assets (note 4)	280	6,056
Balance, end of period	\$ 3,284,865	\$ 3,119,117

<sup>(1)</sup> Non cash land swaps.

	September 30, 2020	December 31, 2019
<b>Accumulated depletion, depreciation and amortization</b>		
Balance, January 1	\$ 1,016,027	\$ 799,862
Depletion, depreciation and amortization	129,896	216,165
Dispositions	(2,838)	—
Impairment	886,081	—
Balance, end of period	\$ 2,029,166	\$ 1,016,027

	September 30, 2020	December 31, 2019
<b>Carrying value</b>		
Balance, January 1	\$ 2,103,090	\$ 1,980,126
Balance, end of period	\$ 1,255,699	\$ 2,103,090

At September 30, 2020, there were no indicators of impairment or reversal of impairment identified on any of the Company's CGU's within property, plant & equipment and an impairment test was not performed.

At March 31, 2020, there were indicators of impairment identified in NuVista's Wapiti Montney CGU as a result of significant and sustained declines in forward commodity prices for condensate and oil and a reduction in market capitalization, as a result of the negative economic impacts of the COVID-19 pandemic and disputes between major oil producing countries. An impairment test was performed on property, plant and equipment ("PP&E") and right-of-use ("ROU") assets. For the March 31, 2020 test, PP&E and ROU assets were assessed based on the recoverable amount internally estimated using a value in use calculation based on expected future cash flows generated from proved and probable reserves using pre-tax discount rates ranging from 10% to 20%. For the three months ended March 31, 2020, total impairment expense of \$909.3 million was recognized in NuVista's Montney CGU, with \$886.1 million recognized on PP&E and \$23.2 million recognized on ROU assets, which has been included in the depletion, depreciation, amortization and impairment expense. Additional impairment or reversal of impairment taken during the period may occur over the balance of 2020 as commodity prices and foreign exchange rates continue to fluctuate.

## 6. Right-of-use assets

				September 30	December 31
	Office	Gas Transportation	Gas Processing	2020	2019
	Leases	Lease	Lease	Total	Total
<b>Cost:</b>					
Balance, January 1	\$ 5,481	\$ 36,921	\$ 77,529	\$ 119,931	\$ 5,481
Additions	—	—	8,827	8,827	114,450
Balance, end of period	\$ 5,481	\$ 36,921	\$ 86,356	\$ 128,758	\$ 119,931
<b>Accumulated depreciation:</b>					
Balance, January 1	\$ 793	\$ 803	\$ 1,713	\$ 3,309	—
Depreciation	594	1,552	3,366	5,512	3,309
Impairment (note 5)	—	7,487	15,711	23,198	—
Balance, end of period	\$ 1,387	\$ 9,842	\$ 20,790	\$ 32,019	\$ 3,309
<b>Carrying amount:</b>					
Balance, January 1	\$ 4,688	\$ 36,118	\$ 75,816	\$ 116,622	\$ 5,481
Balance, end of period	\$ 4,094	\$ 27,079	\$ 65,566	\$ 96,739	\$ 116,622

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

During the year ended December 31, 2019, the Company entered into a contract for the construction of the Pipestone South compressor station, which secured third party ownership and funding of the asset. Under the terms of the contract, NuVista was compensated to complete the construction of the asset in exchange for entering into a long term commitment for NuVista operatorship and use of the compressor station. During the third quarter of 2019, the Company recognized right of use assets for a gas processing lease associated with the start up of the Pipestone South compressor, and a gas transportation lease associated with the pipeline that connects the Pipestone South compressor to the SemCAMS Wapiti plant. In the third quarter of 2020, the Company increased the Pipestone South gas processing lease by \$8.8 million to recognize capital expansion costs.

## 7. Long-term debt

At September 30, 2020, the Company had a \$475 million (December 31, 2019 - \$550 million) extendible revolving term credit facility available from a syndicate of Canadian chartered banks. Borrowing under the credit facility may be made by prime loans, bankers' acceptances and/or US libor advances. These advances bear interest at the bank's prime rate and/or at money market rates plus a borrowing margin. For the nine months ended September 30, 2020, borrowing costs averaged 3.5% (December 31, 2019 – 3.8%). The credit facility is secured by a first floating charge debenture, general assignment of book debts and the Company's condensate and natural gas properties and equipment. The credit facility has a tenor of two years and is subject to an annual review by the lenders, at which time the lenders can extend the revolving period or can request conversion to a one year term loan. During the revolving period, a review of the maximum borrowing amount occurs annually on or before May 31 and semi-annually on or before November 30. During the term period, no principal payments would be required until a year after the revolving period matures on May 31, in the event of a reduction or the credit facility not being renewed.

As at September 30, 2020, the Company had drawn \$393.3 million on its credit facility (December 31, 2019 – \$306.3 million). The credit facility does not contain any financial covenants, but the Company is subject to



various non-financial covenants under its credit facility. These covenants are monitored on a regular basis and as at September 30, 2020, the Company was in compliance with all covenants.

In November 2020, NuVista completed the semi annual review of its borrowing base with its lenders. The credit facility was redetermined from \$475 million to \$440 million. The next annual review is scheduled for on or before May 31, 2021.

During the third quarter, the Company closed a \$40 million unsecured letter of credit facility under Export Development Canada's Account Performance Security Guarantee ("APSG") program. At September 30, 2020 the Company had outstanding letters of credit of \$19.2 million.

## 8. Senior unsecured notes

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

The 2023 Notes are non-callable by the Company prior to March 2, 2020. At any time on or after March 2, 2020, the Company may redeem all or part of the 2023 Notes at the redemption prices set forth in the table below plus any accrued and unpaid interest:

12 month period ended:	Percentage
March 2, 2021	103.250%
March 2, 2022	101.625%
March 2, 2023	100.000%

If a change of control occurs, each holder of the 2023 Notes will have the right to require the Company to purchase all or any part of that holder's 2023 Notes for an amount in cash equal to 101% of the aggregate principal repurchased plus accrued and unpaid interest.

## 9. Lease Liabilities

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

	September 30, 2020	December 31, 2019
Balance, January 1	\$ 119,307	\$ 5,481
Additions <sup>(1)</sup>	8,827	114,450
Lease interest expense	7,945	3,631
Payment of leases	(9,823)	(4,255)
Balance, end of period	\$ 126,256	\$ 119,307
Current portion of lease liabilities	\$ 2,948	\$ 3,416
Non current portion of lease liabilities	\$ 123,308	\$ 115,891

<sup>(1)</sup> The incremental borrowing rate used to determine the lease liabilities for the gas transportation and processing commitments added in the third quarter of 2019 was 11% and 8%, respectively. The addition of \$8.8M in the third quarter of 2020 increased the incremental borrowing rate on the gas processing lease from 8% to 11%.

The following table details the undiscounted cash flows and contractual maturities of NuVista's lease liabilities:

	<b>September 30, 2020</b>	December 31, 2019
Less than 1 year	\$ 16,275	\$ 13,623
1-3 years	54,320	44,954
4-5 years	34,602	29,093
After 5 years	139,203	124,917
Total undiscounted future lease payments	\$ 244,400	\$ 212,587
Amounts representing lease interest expense over the term of the lease	(118,144)	(93,280)
Present value of net lease payments	\$ 126,256	\$ 119,307

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

#### 10. Asset retirement obligations

	<b>September 30, 2020</b>	December 31, 2019
Balance, January 1	\$ 124,533	\$ 102,703
Accretion expense	1,079	2,070
Liabilities incurred	3,063	3,831
Liabilities disposed	(584)	(888)
Change in estimates	6,848	36,194
Change in discount rate	12,944	(4,994)
Liabilities settled	(10,356)	(14,383)
Balance, end of period	\$ 137,527	\$ 124,533
Expected to be incurred within one year	\$ 6,400	\$ 11,575
Expected to be incurred beyond one year	\$ 131,127	\$ 112,958

The Company's asset retirement obligations are based on estimated costs to reclaim and abandon ownership interests in condensate and natural gas assets including well sites, gathering systems and processing facilities. At September 30, 2020, the estimated total undiscounted, uninflated amount of cash flows required to settle the asset retirement obligations is \$133.0 million (December 31, 2019 – \$133.8 million), of which 40% is estimated to be incurred within the next 10 years. The Bank of Canada's long-term risk-free bond rate of 1.1% (December 31, 2019 – 1.8%) and an inflation rate of 1.3% (December 31, 2019 – 1.4%) were used to calculate the net present value of the asset retirement obligations. The increase in the ARO liability is due primarily to changes in the discount rate and increases in abandonment cost estimates for certain wells in our non core northwest Alberta area, offset by liabilities settled through the yearly abandonment program, with the majority of liabilities in 2020 settled in the first quarter.

## 11. Share capital

### Common shares

	September 30, 2020		December 31, 2019	
	Number	Amount	Number	Amount
Balance, January 1	225,591,725	\$ 1,218,264	225,306,055	\$ 1,216,067
Issued for cash on exercise of stock options	—	—	10,600	45
Contributed surplus transferred on exercise of stock options	—	—	—	15
Conversion of restricted share awards	134,823	1,280	274,009	2,129
Conversion of performance share awards	—	—	1,061	8
Balance, end of period	225,726,548	\$ 1,219,544	225,591,725	\$ 1,218,264

## 12. Loss per share

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

(thousands of shares)	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Weighted average common shares outstanding				
Basic	225,719	225,474	225,655	225,400
Diluted	225,719	225,474	225,655	225,400

For the nine months ended September 30, 2020, share awards are determined to be anti-dilutive.

## 13. Petroleum and natural gas revenues

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

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

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

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

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

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

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Natural gas revenue <sup>(1)</sup>	\$ 36,634	\$ 38,150	\$ 112,275	\$ 133,715
Condensate & oil revenue <sup>(2)</sup>	62,287	96,372	171,698	269,386
NGL revenue <sup>(3)</sup>	6,787	4,249	16,287	19,106
<b>Total petroleum and natural gas revenue</b>	<b>\$ 105,708</b>	<b>\$ 138,771</b>	<b>\$ 300,260</b>	<b>\$ 422,207</b>

<sup>(1)</sup> Natural gas revenue includes price risk management gains and losses on physical delivery sale contracts. For the three and nine months ended September 30, 2020, our physical delivery sales contracts resulted in losses of \$4.5 million and \$7.7 million (2019 – \$3.5 million gain and \$5.3 million gain).

<sup>(2)</sup> Effective January 1, 2020, pipeline tariffs of \$7.3 million and \$21.9 million for the three and nine months ended September 30, 2020 previously reported net of the selling price have been included within condensate, oil and NGL revenue. Prior year comparatives for the three and nine months ended September 30, 2019 have been corrected in the amount of \$6.0 million and \$17.6 million.

<sup>(3)</sup> Includes butane, propane, ethane and an immaterial amount of sulphur revenue.

A breakdown of natural gas revenue is as follows:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Natural gas revenue - AECO reference price <sup>(1)</sup>	\$ 36,670	\$ 16,857	\$ 105,221	\$ 63,192
Heat/value adjustment <sup>(2)</sup>	2,716	1,748	8,067	5,841
Transportation revenue <sup>(3)</sup>	6,735	7,065	20,734	21,587
Natural gas market diversification revenue	(4,977)	9,009	(14,057)	37,828
AECO physical delivery price risk management gains <sup>(4)</sup>	(4,510)	3,471	(7,690)	5,267
<b>Total natural gas revenue</b>	<b>\$ 36,634</b>	<b>\$ 38,150</b>	<b>\$ 112,275</b>	<b>\$ 133,715</b>

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

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

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

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

Included in the accounts receivable at September 30, 2020 is \$33.2 million (December 31, 2019 - \$55.0 million) of accrued petroleum and natural gas revenue related to deliveries for periods prior to the reporting date. There were no significant adjustments for prior period accrued petroleum and natural gas revenue reflected in the Company's current period.

#### 14. Capital management

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

NuVista's long term strategy is to maintain a net debt to annualized current quarter adjusted funds flow ratio of approximately 1.5 times. The actual ratio may fluctuate on a quarterly basis above or below targeted levels due to a number of factors including facility outages, commodity prices and the timing of acquisitions and dispositions. At September 30, 2020, the Company's net debt was 3.8 times its annualized current quarter adjusted funds flow.

#### *Adjusted funds flow*

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

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

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Cash provided by operating activities	\$ 36,581	\$ 48,998	\$ 102,481	\$ 183,535
Asset retirement expenditures	382	556	10,356	13,671
Change in non-cash working capital	4,521	10,245	(5,370)	(1,434)
Adjusted funds flow <sup>(1)</sup>	\$ 41,484	\$ 59,799	\$ 107,467	\$ 195,772

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

#### *Net debt and total capitalization*

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

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

	September 30, 2020	December 31, 2019
Basic common shares outstanding	225,727	225,592
Share price <sup>(1)</sup>	0.63	3.19
Total market capitalization	142,208	719,638
Cash and cash equivalents, accounts receivable and prepaid expenses	(53,215)	(62,772)
Other receivable	(9,938)	(10,301)
Accounts payable and accrued liabilities	75,218	110,144
Long-term debt (credit facility)	393,270	306,274
Senior unsecured notes	217,526	216,771
Other liabilities	463	1,859
Net debt <sup>(2)</sup>	623,324	561,975
Annualized current quarter adjusted funds flow	165,936	280,320
Net debt to annualized current quarter adjusted funds flow	3.8	2.0

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

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

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

## 15. Share-based compensation

### Stock options

The Company has established a stock option plan whereby officers, directors and employees may be granted options to purchase common shares. Options granted vest at the rate of 1/3 per year and expire 2.5 years after the vesting date. The maximum number of stock options currently outstanding and available to be issued as at September 30, 2020 is 9.3 million. The following continuity table summarizes the stock option activity:

	September 30, 2020		December 31, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, January 1	7,726,300	\$ 5.76	6,859,491	\$ 6.78
Granted	681,425	0.79	1,796,148	3.01
Exercised	—	—	(10,600)	4.25
Forfeited	(132,959)	4.41	(151,884)	6.81
Expired	(797,556)	6.81	(766,855)	8.28
Balance, end of period	7,477,210	\$ 5.22	7,726,300	\$ 5.76
Weighted average share price on date of exercise	—	\$ —	10,600	\$ 4.95

The following table summarizes stock options outstanding and exercisable under the plan at September 30, 2020:

Range of exercise price	Options outstanding			Options exercisable	
	Number of options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
\$0.79 to \$4.99	4,213,087	3.1	\$ 3.26	1,049,272	\$ 4.15
\$5.00 to \$9.43	3,264,123	1.3	7.75	2,841,057	7.58
<b>\$0.79 to \$9.43</b>	<b>7,477,210</b>	<b>2.3</b>	<b>\$ 5.22</b>	<b>3,890,329</b>	<b>\$ 6.66</b>

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

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

	September 30, 2020	December 31, 2019
Risk-free interest rate (%)	0.32	1.51
Expected volatility (%)	75	51
Expected life (years)	4.5	4.5
Forfeiture rate (%)	10	11
Fair value at grant date (\$ per option)	0.45	1.29

#### Share award incentive plan

The Company has a Share Award Incentive Plan (“the Plan”) for employees and officers consisting of Restricted Share Awards (“RSA”) and Performance Share Awards (“PSA”). The maximum number of common shares reserved for issuance under the Plan is 3,750,000 of which 2,407,729 remain to be issued.

#### *Restricted share awards*

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

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

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

	<b>September 30, 2020</b>	December 31, 2019
Balance, January 1	<b>965,075</b>	538,520
Settled	<b>(134,823)</b>	(274,009)
Granted	<b>596,726</b>	722,709
Forfeited	<b>(40,631)</b>	(22,145)
Balance, end of period	<b>1,386,347</b>	965,075

#### *Performance share awards*

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

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

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

	<b>September 30, 2020</b>	December 31, 2019
Balance, January 1	<b>1,043,923</b>	279,429
Settled	—	(1,061)
Granted	<b>999,158</b>	773,842
Forfeited	<b>(53,223)</b>	(8,287)
Balance, end of period	<b>1,989,858</b>	1,043,923

#### *Director deferred share units*

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

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

	<b>September 30, 2020</b>	December 31, 2019
Balance, January 1	<b>582,594</b>	338,427
Granted	<b>140,000</b>	244,167
Balance, end of period	<b>722,594</b>	582,594



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

	<b>September 30, 2020</b>	December 31, 2019
Balance, January 1	\$ 1,859	\$ 1,381
Change in accrued compensation liabilities	<b>(1,396)</b>	478
Balance, end of period	<b>\$ 463</b>	\$ 1,859

Compensation liability resulting from DSUs granted in the nine months ended September 30, 2020, decreased primarily due to a decrease in the closing share price used to value the liability at the end of the period, from \$3.19 at December 31, 2019 to \$0.63 at September 30, 2020.

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

	<b>Three months ended September 30</b>									
	<b>2020</b>					<b>2019</b>				
	Stock options	DSU	RSA	PSA	Total	Stock options	DSU	RSA	PSA	Total
Non cash share-based compensation	\$ 519	\$ —	\$ 298	\$ 300	\$ 1,117	\$ 916	\$ —	\$ 373	\$ 172	\$ 1,461
Cash share-based compensation	—	(94)	—	—	(94)	—	(1)	—	—	(1)
Total share-based compensation	<b>\$ 519</b>	<b>\$ (94)</b>	<b>\$ 298</b>	<b>\$ 300</b>	<b>\$ 1,023</b>	<b>\$ 916</b>	<b>\$ (1)</b>	<b>\$ 373</b>	<b>\$ 172</b>	<b>\$ 1,460</b>
Net capitalized share-based compensation	<b>\$ 54</b>	<b>\$ —</b>	<b>\$ 39</b>	<b>\$ 35</b>	<b>\$ 128</b>	<b>\$ 288</b>	<b>\$ —</b>	<b>\$ 107</b>	<b>\$ 51</b>	<b>\$ 446</b>

	<b>Nine months ended September 30</b>									
	<b>2020</b>					<b>2019</b>				
	Stock options	DSU	RSA	PSA	Total	Stock options	DSU	RSA	PSA	Total
Non cash share-based compensation	\$ 2,022	\$ —	\$ 1,111	\$ 874	\$ 4,007	\$ 2,865	\$ —	\$ 1,087	\$ 420	\$ 4,372
Cash share-based compensation	—	(1,396)	—	—	(1,396)	—	(243)	—	—	(243)
Total share-based compensation	<b>\$ 2,022</b>	<b>\$ (1,396)</b>	<b>\$ 1,111</b>	<b>\$ 874</b>	<b>\$ 2,611</b>	<b>\$ 2,865</b>	<b>\$ (243)</b>	<b>\$ 1,087</b>	<b>\$ 420</b>	<b>\$ 4,129</b>
Capitalized share-based compensation	<b>\$ 324</b>	<b>\$ —</b>	<b>\$ 128</b>	<b>\$ 136</b>	<b>\$ 588</b>	<b>\$ 925</b>	<b>\$ —</b>	<b>\$ 322</b>	<b>\$ 124</b>	<b>\$ 1,371</b>

During both the nine months ended September 30, 2020 and September 30, 2019, there were no cash settled DSUs.

## 16. Risk management activities

### (a) Financial instruments

The Company's financial instruments recognized on the statement of financial position consists of cash and cash equivalents, accounts receivable and prepaid expenses, financial derivative contracts, accounts payable and accrued liabilities, accrued environmental remediation liabilities, compensation liabilities,

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

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

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

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

(b) Financial assets and financial liabilities subject to offsetting

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

	September 30, 2020			December 31, 2019		
	Gross financial assets	Gross financial liabilities	Net financial assets	Gross financial assets	Gross financial liabilities	Net financial assets
Current assets (liabilities)	\$ 4,323	\$ (7,144)	\$ (2,821)	\$ 10,627	\$ —	\$ 10,627
Long-term assets (liabilities)	—	(60,516)	(60,516)	2	(34,543)	(34,541)
Net position	\$ 4,323	\$ (67,660)	\$ (63,337)	\$ 10,629	\$ (34,543)	\$ (23,914)

(c) Risk management contracts

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

	September 30, 2020	December 31, 2019
Fair value of contracts, beginning of year	\$ (23,914)	\$ 117,249
Change in the fair value of contracts in the period	18,670	(123,782)
Fair value of contracts realized in the period	(58,093)	(17,381)
Fair value of contracts, end of period	\$ (63,337)	\$ (23,914)

The following is a summary of the financial derivatives as at September 30, 2020:

Term <sup>(1)</sup>	WTI fixed price swap		C\$ WTI Put Spreads		
	Bbls/d	Cdn\$/Bbl	Bbls/d	Cdn\$/Bbl	Cdn\$/Bbl
Q4 2020	5,700	76.12	1,900	69.26	84.49
Q1 2021	2,000	55.46	—	—	—

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

Term <sup>(1)</sup>	C\$ WTI 3 Way Collar			
	Bbls/d	Cdn\$/Bbl	Cdn\$/Bbl	Cdn\$/Bbl
Q4 2020	2,350	62.45	73.34	80.91

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

Term <sup>(1)</sup>	AECO-NYMEX basis swap		AECO-NYMEX basis buybacks		Chicago-NYMEX basis swap		Malin-NYMEX basis swap	
	MMbtu/d	US\$/MMbtu	MMbtu/d	US\$/MMbtu	MMbtu/d	US\$/MMbtu	MMbtu/d	US\$/MMbtu
Q4 2020	47,500	(0.96)	—	—	15,000	(0.25)	16,630	(0.62)
2021	95,000	(0.98)	(60,000)	(0.82)	15,000	(0.24)	20,000	(0.66)
2022	95,000	(0.97)	(60,000)	(0.82)	12,493	(0.24)	16,658	(0.66)
2023	100,000	(1.01)	—	—	—	—	—	—
2024	100,000	(1.00)	—	—	—	—	—	—
2025	35,000	(1.00)	—	—	—	—	—	—

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

Term <sup>(1)</sup>	AECO-Malin basis swap		Dawn-NYMEX basis swap	
	MMbtu/d	US\$/MMbtu	MMbtu/d	US\$/MMbtu
Q4 2020	3,370	0.68	10,000	(0.26)
2021	—	—	10,000	(0.26)
2022	—	—	8,329	(0.26)

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

Term <sup>(1)</sup>	NYMEX fixed price swap		NYMEX collars		
	MMbtu/d	US\$/MMbtu	MMbtu/d	US\$/MMbtu	US\$/MMbtu
Q4 2020	48,207	2.73	19,891	2.58	3.21
2021	22,959	2.58	13,260	2.55	2.92

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

Subsequent to September 30, 2020, the following is a summary of financial derivatives that have been entered into:

Term <sup>(1)</sup>	WTI fixed price swap		C5-WTI differential Swap	
	Bbls/d	Cdn\$/Bbl	Bbls/d	US\$/Bbl
Q4 2020	—	—	337	0.00
Q1 2021	6,750	54.31	3,000	0.25
Q2 2021	1,000	54.75	—	—

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

Term <sup>(1)</sup>	NYMEX fixed price swap		NYMEX collars		
	MMbtu/d	US\$/MMbtu	MMbtu/d	US\$/MMbtu	US\$/MMbtu
Q4 2020	11,685	2.97	—	—	—
Q1 2021	—	—	5,000	3.00	4.00

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

(b) 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 September 30, 2020:

Term <sup>(1)</sup>	AECO fixed price swap		Dawn-NYMEX Basis	
	GJ/d	Cdn\$/GJ	MMbtu/d	US\$/MMbtu
October 2020	75,000	1.40	—	—
Q4 2020	—	—	10,000	(0.26)
2021	—	—	10,000	(0.26)
2022	—	—	8,329	(0.26)

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

## 17. Financing costs

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Interest expense	\$ 8,501	\$ 7,563	\$ 23,643	\$ 21,773
Lease interest expense	2,816	905	7,945	1,049
Accretion of asset retirement obligations	369	519	1,079	1,458
Total financing costs	\$ 11,686	\$ 8,987	\$ 32,667	\$ 24,280

## 18. Supplemental cash flow information

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

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Cash provided by (used for):				
Accounts receivable and prepaid expenses	\$ (10,078)	\$ (8,639)	\$ 9,659	\$ (2,309)
Other assets	(219)	211	(108)	(392)
Accounts payable and accrued liabilities	(409)	(14,338)	(35,566)	(8,728)
<b>Total</b>	<b>\$ (10,706)</b>	<b>\$ (22,766)</b>	<b>\$ (26,015)</b>	<b>\$ (11,429)</b>
Related to:				
Operating activities	\$ (4,521)	\$ (10,245)	\$ 5,370	\$ 1,434
Investing activities	(6,185)	(12,521)	(31,385)	(12,863)
	<b>\$ (10,706)</b>	<b>\$ (22,766)</b>	<b>\$ (26,015)</b>	<b>\$ (11,429)</b>

## 19. Commitments

The following is a summary of the Company's commitments as at September 30, 2020:

	Total	2020	2021	2022	2023	2024	Thereafter
Transportation <sup>(1)</sup>	\$ 954,065	\$ 22,578	\$ 98,548	\$ 103,838	\$ 92,868	\$ 89,985	\$ 546,248
Processing <sup>(1)</sup>	1,079,342	13,413	60,747	72,744	82,178	84,867	765,393
Office lease <sup>(2)</sup>	5,399	229	938	948	999	857	1,428
<b>Total commitments <sup>(3)</sup></b>	<b>\$ 2,038,806</b>	<b>\$ 36,220</b>	<b>\$ 160,233</b>	<b>\$ 177,530</b>	<b>\$ 176,045</b>	<b>\$ 175,709</b>	<b>\$ 1,313,069</b>

<sup>(1)</sup> Certain of the transportation and processing commitments are secured by outstanding letters of credit totaling \$18.5 million at September 30, 2020 (December 31, 2019 - \$7.3 million).

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

<sup>(3)</sup> Excludes commitments recognized within lease liabilities.