



MANAGEMENT'S DISCUSSION & ANALYSIS

For the three months and year ended December 31, 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") audited statements for the year ended December 31, 2021. The following MD&A of financial condition and results of operations was prepared at and is dated March 8, 2022. Our December 31, 2021 audited financial statements and other disclosure documents are available through our filings on SEDAR at www.sedar.com or can be obtained from our website at www.nuvistaenergy.com. Our Annual Information Form will be filed on or before March 30, 2022.

Throughout this MD&A and in other materials disclosed by the Company, NuVista adheres to generally accepted accounting principles ("GAAP"), however the Company also uses various specified financial measures (as defined in National Instrument 51-112 - *Non-GAAP and Other Financial Measures* ("NI 51-112")) including "non-GAAP financial measures", "non-GAAP ratios", "capital management measures" and "supplementary financial measures" to analyze financial performance including, "adjusted funds flow", "capital expenditures", "free adjusted funds flow", "netbacks", "cash costs", "net debt", "netbacks per Boe" and "cash costs per Boe". These specified financial measures do not have any standardized meaning prescribed under International Financial Reporting Standards ("IFRS") and therefore may not be comparable to similar measures presented by other entities. The specified financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as net income (loss), cash provided by operating activities, and cash used in investing activities, as indicators of NuVista's performance.

Condensate is a natural gas liquid ("NGL") as defined by defined by National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"). Throughout this MD&A, NGLs comprise all NGLs as defined by NI 51-101 other than condensate, which is disclosed separately within condensate and oil ("Condensate and oil").

Readers are cautioned that the MD&A should be read in conjunction with disclosures in the sections entitled "Non-GAAP and other financial measures", and "Advisories and forward-looking information and statements".

Financial and Operating Highlights

	Three months ended December 31			Year ended December 31		
(\$ thousands, except otherwise stated)	2021	2020	% Change	2021	2020	% Change
FINANCIAL						
Petroleum and natural gas revenues	323,355	124,378	160	885,290	424,637	108
Cash provided by operating activities	110,063	44,719	146	338,578	147,200	130
Adjusted funds flow ^{(1) (4)}	151,665	49,399	207	320,974	156,866	105
Per share, basic	0.67	0.22	205	1.42	0.70	103
Per share, diluted	0.64	0.22	191	1.38	0.70	97
Net earnings (loss)	113,159	715,435	(84)	264,672	(197,879)	234
Per share, basic	0.50	3.17	(84)	1.17	(0.88)	233
Per share, diluted	0.48	3.17	(85)	1.14	(0.88)	230
Capital expenditures ⁽²⁾	86,402	23,864	262	288,846	180,442	60
Net proceeds on property dispositions	(1,034)	—	—	92,544	—	—
Net debt ^{(1) (4)}				480,275	598,835	(20)
OPERATING						
<u>Daily Production</u>						
Natural gas (MMcf/d)	202.7	183.3	11	183.5	185.7	(1)
Condensate & oil (Bbls/d)	21,072	12,928	63	16,465	14,067	17
NGLs (Bbls/d)	6,028	5,863	3	5,298	5,420	(2)
Total (Boe/d)	60,888	49,348	23	52,345	50,443	4
Condensate, oil & NGLs weighting	45%	38%		42%	39%	
Condensate & oil weighting	35%	26%		31%	28%	
<u>Average realized selling prices ⁽⁶⁾</u>						
Natural gas (\$/Mcf)	6.09	3.14	94	4.63	2.43	91
Condensate & oil (\$/Bbl)	96.15	52.59	83	84.35	45.50	85
NGLs (\$/Bbl) ⁽⁵⁾	42.38	16.44	158	35.38	12.68	179
<u>Netbacks (\$/Boe)</u>						
Petroleum and natural gas revenues	57.73	27.40	111	46.34	23.00	101
Realized gain (loss) on financial derivatives	(6.69)	2.77	(342)	(6.05)	3.83	(258)
Royalties	(4.89)	(0.83)	489	(3.41)	(0.92)	271
Transportation expenses	(5.20)	(4.97)	5	(5.27)	(4.46)	18
Operating expenses	(10.53)	(9.68)	9	(10.65)	(9.83)	8
Operating netback ⁽³⁾	30.42	14.69	107	20.96	11.62	80
Corporate netback ⁽³⁾	27.08	10.88	149	16.81	8.49	98
SHARE TRADING STATISTICS						
High (\$/share)	7.71	1.08	614	7.71	3.36	129
Low (\$/share)	5.06	0.64	691	0.89	0.24	271
Close (\$/share)	6.96	0.94	640	6.96	0.94	640
Average daily volume ('000s)	827	1,479	(44)	1,133	2,030	(44)
Common shares outstanding ('000s)				227,578	225,837	1

(1) Refer to Note 16 "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 financial 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 and Other Financial Measures".

(3) Non-GAAP ratio 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 and Other Financial Measures".

(4) Capital management measure. Reference should be made to the section entitled "Non-GAAP and Other Financial Measures".

(5) Natural gas liquids ("NGLs") include butane, propane, ethane and sulphur revenue.

(6) 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 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.

Financial highlights

NuVista is focused upon maximizing economic value and allocating 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.

Fourth quarter production of 60,888 Boe/d was well above our fourth quarter guidance range of 56,000 - 58,000 Boe/d, and 19% above third quarter 2021 production of 51,005 Boe/d and 23% above fourth quarter 2020 production of 49,348 Boe/d. Offsetting natural production declines were production additions from 10 wells that were brought online during the fourth quarter. Capital expenditures for the fourth quarter of 2021 were \$86 million, with year to date capital expenditures of \$289 million. Capital expenditures associated with drilling and completion activities of \$243 million accounted for 84% of total capital expenditures for 2021.

During the fourth quarter, revenues continued to improve driven by increased production and a significant improvement in commodity prices. The average realized condensate & oil price of \$96/Bbl increased by 14% from \$85/Bbl in the third quarter, and was 83% higher than \$53/Bbl in the fourth quarter of 2020. NuVista also benefited from improved natural gas pricing, with an average realized price of \$6.09/Mcf, 25% higher than the third quarter price of \$4.88/Mcf and 94% higher than \$3.14/Mcf in the fourth quarter of 2020. NGL pricing also improved materially with the average price of \$42/Bbl in the fourth quarter, 2% higher than \$41/Bbl in the third quarter and 158% higher than \$16/Bbl in the fourth quarter of 2020.

While revenue improved significantly from improved commodity pricing, the rise in commodity prices compared to lower hedged prices resulted in a realized loss on financial derivative contracts of \$37 million (\$6.69/Boe) in the fourth quarter, compared to a gain of \$13 million (\$2.77/Boe) in the fourth quarter of 2020.

The corporate netback for the fourth quarter of 2021, including the \$6.69/Boe realized loss on financial derivatives, was \$27.08/Boe. This is 58% higher than the third quarter netback of \$17.18/Boe and 149% higher than the corporate netback of \$10.88/Boe for the fourth quarter of 2020.

Adjusted funds flow of \$152 million for the fourth quarter was 88% higher than \$81 million in the third quarter and 207% higher than \$49 million in the prior year comparative quarter. Cash provided by operating activities for the fourth quarter of \$110 million increased 130% from the prior year comparative period and decreased 11% from \$124.0 million in the third quarter. The increases in adjusted funds flow and cash provided by operating activities is due to both the improvement of corporate netbacks and increases in production.

Fourth quarter net earnings of \$113.2 million was 23% lower than \$147.1 million in the third quarter, and 84% lower compared to \$715.4 million in the prior year comparative quarter.

The Company's net debt was reduced by \$65 million in the fourth quarter and \$119 million in the year, resulting in a reduction in credit facility borrowings and increased liquidity. Credit facility drawings at the end of the fourth quarter were \$196 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.

As a result of the economy recovering strongly and the reduced impacts of COVID-19, commodity prices for all products produced by NuVista have improved considerably. Demand for condensate, natural gas, and NGLs is strong and growing while producer capital spending discipline has resulted in slower supply growth. With prices in very favorable territory, we have re-engaged our rolling hedging program to ensure attenuation of future price

volatility and to underpin our prudently growing capital spending plans. We currently possess hedges which, in aggregate, cover 37% of projected 2022 liquids production (primarily front of year loaded) using primarily three-way collars at an average WTI floor price of C\$76.76/Bbl. We have hedged 46% of projected 2022 gas production (primarily summer season loaded) at an average floor price of C\$3.43/Mcf (hedged and exported volumes converted to an AECO equivalent price) using a combination of swaps and collars. These percentage figures relate to production net of royalty volumes.

Environment, social & governance (“ESG”) - progress continues

We continue to execute projects to enhance our ESG progress as highlighted in the issuance of our 2020 ESG report in August 2021. NuVista continues to make significant progress on a number of ESG fronts including 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 greenhouse gas (“GHG”) performance being better than the North American benchmark. But we will always strive to do more.

Our efforts to reduce GHG emissions, and to be a front runner in eliminating routine vented methane emissions, continued in the fourth quarter of 2021. In our Wapiti area we completed a project to capture routine vented methane from pneumatic instruments, and direct them to flare for a 95% reduction in GHG equivalent emissions. This project is another positive step towards NuVista’s commitment to reducing methane emissions. In our Pipestone area we have continued with the build out of our centralized instrument air system, to maintain a standard of zero routine vented methane emissions at our well pad sites. At Bilbo, we are installing a vapor recovery unit, with start up scheduled in the first quarter of 2022, to eliminate routine flaring of tank vapors. Details on NuVista’s emissions reduction targets can be found in our 2020 ESG report.

In the fourth quarter we continued to make progress in the reduction of high quality fresh water use. We successfully completed a produced water recycling pilot at our Elmworth compressor station. We plan to build on this success with an expanded recycling pilot in 2022. Throughout the year we also made material progress in our water usage reduction efforts through continued tweaking in our completion design, a municipal waste water pilot and the integration of a non-potable water source into our operations. These initiatives reduced our annual high quality fresh water requirements by more than 20%.

We also continued our progress on responsibly abandoning and reclaiming inactive wells and facilities. In the fourth quarter, 18 inactive wells and 65 pipelines were abandoned in our legacy areas. Throughout 2021, we spent \$6.7 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 31 reclamation certificates in 2021.

Social

NuVista is committed to conducting its activities in a manner that protects the health and safety of its workers and the public while minimizing the Company’s impact on the environment. We always strive towards a goal of zero injuries for our employees and third-party contractors working on our sites. In 2021, our Lost Time Injury Frequency (“LTIF”) was 0 and Total Recordable Injury Frequency (“TRIF”) was 0.64 per 200,000 worker hours. TRIF has trended up slightly over the past year, fortunately with relatively low impact incidents, and we are working on measures towards seeing a reduction in 2022.

Of key importance to us at NuVista is maintaining focus on high-potential near-miss incidents which are uncontrolled hazards and near-miss events which did not result in serious harm to people or the environment, but could have if conditions were slightly different. These provide more impactful preventative learnings than low impact incidents. We were encouraged to see fewer of these incidents in 2021 compared to 2020. These cases receive heightened attention at all levels of the organization, and in 2021 we implemented an annual look back to ensure corrective actions put in place over the prior year have stayed in place and are functioning as intended.

We also continued to embed Energy Safety Canada's 10 Life Saving Rules through our operations. These rules are a key tool in preventing the most frequent causes of fatalities and serious injury within our industry.

Investment in our people and the communities where we live and operate continues to be a top priority. Throughout 2021, we continued to support our staff through the many challenges COVID-19 presented. We went above and beyond the standards set by the local governments and health authorities to ensure our employee's health and safety and the safety of those we work directly with.

In December of 2021, we launched our annual employee engagement survey. We had a 98% participation rate indicating how much employees trust and value the process. We are proud and grateful to repeatedly receive scores that indicate best in class levels of staff engagement across our business. Some highlights from our 2021 survey include a 97% favorable rating for questions including: NuVista is committed to safety as a top priority, I am proud to work for NuVista, and I would recommend NuVista as a great place to work. We asked staff to comment about what makes them most proud to work at NuVista and here's what they shared with us:

- "I'm valued and respected as an employee. I enjoy what I do, and am surrounded by a fantastic team of understanding and amazing people."
- "I am most proud of our ongoing commitment to safety and the environment".
- "I feel that NuVista genuinely cares about the company's employees and will do the right thing regardless of cost. NuVista is also taking strides in working with stakeholders in the areas we operate, specifically Indigenous communities."

Despite the challenges facing our industry and the impacts of the pandemic on our people, we continued to donate our time and money in support of the many charitable organizations that make a difference in our communities. Giving is at the heart of our organization and in 2021 we set a target to double our NuVista community investment contributions by 2025 to \$600,000 from our 2020 baseline. NuVista has always supported the United Way and in 2021, we dug deep and had our best campaign ever, raising a total of \$160,000 for the United Way. This couldn't have been done without the generosity of our staff, supported by NuVista's dollar for dollar matching program.

Throughout 2021 NuVista continued to emphasize building relationships with the Indigenous communities with whom we work and consult. NuVista's approach is informed by the four pillars of our Indigenous Inclusion Guiding Principles: cultural understanding, meaningful engagement, economic participation, and community involvement.

In 2021, NuVista conducted several cultural awareness training sessions and events, with all employees having participated in at least one event. Our engagement efforts included the second year of our Northwest Alberta abandonment and decommissioning program. This program involved partnering with a First Nation to design our program and select contractors. The First Nation then served as prime contractor. The program included numerous Indigenous suppliers in many key capacities ranging from civil work to safety to environmental.

In 2021, our efforts in Indigenous economic participation included the continued broadening of our utilization of Indigenous-owned suppliers, with NuVista spending over \$4.8 million on Indigenous-owned businesses and \$4.6 million on businesses that were affiliated or partnered with First Nations with whom we consult. NuVista also provided funding for the education and training of Indigenous workers.

With respect to community involvement, our efforts in 2021 include providing over \$100,000 in community investment funds. These were used for many purposes, including funding Indigenous leadership and cultural programs, facilities refurbishment, and a children's breakfast program. In addition, NuVista provided direct financial assistance and assistance in kind to assist a First Nation with their response to a local disaster.

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 met our diversity target of 20% for female Board membership by year end 2021 with the addition of Kate Holzhauser in November. We have also set a new target of 30% by 2025 to ensure continuous progress in diversity. Our executive and staff compensation targets have been previously changed to include ESG in addition to traditional financial and reserve metrics. NuVista has also updated our internal Enterprise Risk Management process to ensure appropriate Board oversight and continued focus on risk assessment, prevention and mitigation.

2022 Guidance update

NuVista is pleased to note that operations and performance have been strong while both condensate and natural gas prices have increased significantly. This results in a material increase to projected adjusted funds flows and tremendous progress in reducing our net debt.

NuVista's recent well performance has exceeded expectations, and in addition the on-stream dates for new wells have been ahead of schedule. As a result, first quarter production guidance is increased to 64,000 - 65,000 Boe/d as compared to the original guidance range of 60,000 - 62,000 Boe/d. Both of these ranges include condensate at approximately 32%, NGLs at 8%, and natural gas at 60%. Full year 2022 production guidance is unchanged at 65,000 – 68,000 Boe/d (condensate 30%, NGLs 8%, natural gas 62%), with a reminder that NuVista has some planned facility maintenance downtime in the second quarter. Capital expenditure guidance for 2022 is unchanged with a range of \$290-310 million.

We intend to continue our track record of carefully directing additional available adjusted funds flow towards a prudent balance of debt reduction and production growth until our existing facilities are filled to maximum efficiency. Capital expenditures will continue to be weighted towards Pipestone, as our highest return area, with expected well payouts well below a year. As previously communicated, 100% of free adjusted funds flow will continue to be directed towards the balance sheet until net debt reaches the interim milestone of \$400 million. This is expected to be achieved during the second quarter of 2022. Free adjusted funds flow below the milestone is anticipated to be allocated between further debt reduction, the return of capital to shareholders through the buyback of shares, and possibly towards a moderate capital expenditure increase to optimize the operational continuity of our three-rig drilling program even further, if strip commodity prices remain strong. The specific nature of these free adjusted funds flow splits will be determined and communicated during the second quarter of 2022. Our board has approved a long term sustainable net debt target of less than 1.0 times adjusted funds flow in the stress test price environment of US\$ 45/Bbl WTI and US\$ 2.00/MMBtu NYMEX natural gas. In the context of our 2022 plan, this represents a target net debt level of \$200 - \$250 million.

NuVista has an exceptional 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 production levels of approximately 85,000 – 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 concurrent with growing production through 2022-2023. With facilities optimized, returns are enhanced further with corporate netbacks which are expected to grow by approximately \$2-\$3/Boe due to the efficiencies of scale which will reduce our unit operating, transportation, and interest expenses by this amount.

NuVista has top quality assets and a management team focused on relentless improvement. We have the necessary foundation and liquidity to continue adding significant value for our shareholders. We have set the table for returns-focused profitable growth to between 85,000 – 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 fourth quarter of 2021.

During the first quarter of 2021, NuVista completed the divestiture of its non-core Charlie Lake and Cretaceous Unit assets in the Wembley area, as well as selected water infrastructure assets in the Wembley/Pipestone area, for total proceeds of \$93.5 million. Closing adjustments of \$1.0 million were recognized in the fourth quarter, resulting in a reduction to the original proceeds. 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

Number of wells	Three months ended December 31		Year ended December 31	
	2021	2020	2021	2020
Wells drilled - gross (net) ⁽¹⁾	17 (17.0)	3 (3.0)	38 (38.0)	25 (25.0)
Wells completed - gross (net) ⁽²⁾	10 (10.0)	0 (0.0)	44 (44.0)	15 (15.0)
Wells brought on production - gross (net) ⁽³⁾	10 (10.0)	0 (0.0)	38 (38.0)	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 December 31, 2021, NuVista drilled 17 (17.0 net) wells compared to 3 (3.0 net) wells in the comparable period of 2020. In addition, 10 (10.0 net) wells were completed with 10 (10.0 net) wells brought online throughout the fourth quarter.

For the year ended December 31, 2021, NuVista drilled 38 (38.0 net) wells compared to 25 (25.0 net) wells in the comparable period of 2020. In addition, 44 (44.0 net) wells were completed with 38 (38.0 net) net wells brought online throughout 2021.

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

Production

	Three months ended December 31			Year ended December 31		
	2021	2020	% Change	2021	2020	% Change
Natural gas (Mcf/d)	202,730	183,341	11	183,497	185,732	(1)
Condensate & oil (Bbls/d) ⁽¹⁾	21,072	12,928	63	16,465	14,067	17
NGLs (Bbls/d)	6,028	5,863	3	5,298	5,420	(2)
Total (Boe/d)	60,888	49,348	23	52,345	50,443	4
Condensate, oil & NGLs weighting ⁽²⁾⁽³⁾	45%	38%		42%	39%	
Condensate & oil weighting ⁽³⁾	35%	26%		31%	28%	

⁽¹⁾ For the three months and year ended December 31, 2021 oil production was 0.1% and 0.6% of total condensate & oil production (2020 - 2.4% and 2.5%)

⁽²⁾ NGLs include butane, propane and ethane.

⁽³⁾ Product weighting is based on total production.

Production for the three months and year ended December 31, 2021 was 23% and 4% higher than the comparative periods of 2020. Fourth quarter production of 60,888 Boe/d was well above our fourth quarter guidance range of 56,000 - 58,000 Boe/d, and increased 19% from third quarter 2021 production of 51,005 Boe/d, primarily as a result of the 10 wells brought online throughout the fourth quarter partially offsetting natural declines of producing wells.

Condensate & oil volume weighting for the three months and year ended December 31, 2021 was 35% and 31%, compared to 26% and 28% in the prior year comparative periods. Condensate weightings for the fourth quarter of 2021 were positively impacted by high condensate rates realized primarily in our Pipestone North area. Overall, the condensate and oil weighting is expected to normalize back to approximately 30% over the coming quarters.

Pricing

	Three months ended December 31			Year ended December 31		
	2021	2020	% change	2021	2020	% change
Realized selling prices ^{(1),(2)}						
Natural gas (\$/Mcf)	6.09	3.14	94	4.63	2.43	91
Condensate & oil (\$/Bbl)	96.15	52.59	83	84.35	45.50	85
NGLs (\$/Bbl)	42.38	16.44	158	35.38	12.68	179
Barrel of oil equivalent (\$/Boe)	57.73	27.40	111	46.34	23.00	101
Benchmark pricing						
Natural gas - AECO 5A daily index (Cdn\$/Mcf)	4.66	2.64	77	3.62	2.23	62
Natural gas - AECO 7A monthly index (Cdn\$/Mcf)	4.94	2.77	78	3.56	2.24	59
Natural gas - NYMEX (monthly) (US\$/MMBtu)	5.83	2.66	119	3.84	2.08	85
Natural gas - Chicago Citygate (monthly) (US\$/MMBtu)	5.87	2.49	136	3.77	1.98	90
Natural gas - Dawn (daily) (US\$/MMBtu)	4.65	2.25	107	3.62	1.87	94
Natural gas - Malin (monthly) (US\$/MMBtu)	5.99	2.93	104	3.97	2.15	85
Oil - WTI (US\$/Bbl)	77.13	42.66	81	67.90	39.40	72
Oil - Edmonton Par - (Cdn\$/Bbl)	93.01	50.17	85	80.07	45.24	77
Condensate - @ Edmonton (Cdn\$/Bbl)	99.60	55.33	80	85.47	49.47	73
Condensate - Average C5-WTI differential (US\$/Bbl)	1.95	(0.16)	1,319	0.30	(2.23)	113
Exchange rate - (Cdn\$/US\$)	1.26	1.30	(3)	1.25	1.34	(7)

⁽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\$77.13/Bbl in the fourth quarter of 2021, 81% above the fourth quarter of last year and 9% higher than the third quarter of 2021 which averaged US\$70.56/Bbl. OPEC and Russia have been adhering to the production cuts that had been agreed to in 2020. There have been a series of agreements to taper the cuts in a gradual way with the cuts ending by September 2022. However, a number of countries are not producing up to their quota suggesting they are already at their production capability. Demand has recovered sharply with the relaxation of restrictions and the reopening of many countries. Total demand is already back to pre-pandemic levels with significant demand yet to come from the airline industry once travel begins to normalize. Global oil and product inventories have been steadily declining and are now below normal levels for this time of year in most regions. Total US production has only recently shown some growth as shale producers continue to show discipline in their capital programs. Non-OPEC production has been flat to declining in most regions of the world. With the growth in heavy oil production in Canada, demand for condensate has been strong and condensate differentials have been trading at a premium to WTI. With much lower condensate production growth in Western Canada coupled with robust demand from the oil sands, especially with Enbridge Line 3 now in service, the condensate market should remain strong. Condensate prices continued to outperform other liquid prices with the Edmonton marker averaging C\$99.60/Bbl for the quarter.

NGL prices improved significantly this year which has continued throughout the fourth 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 of Canada continue to ramp up and storage inventories continue to decline.

NYMEX gas prices averaged US\$5.83/MMBtu in the fourth quarter, up 45% from the third quarter and 119% higher than the fourth quarter of last year. Europe and Asia continue to have very low storage levels compared to normal and global gas prices have reached crisis levels in many regions of the world. In addition, the global petrochemical market has also been strong, helping to improve gas prices. US LNG exports have been exceeding 12 Bcf/d for most of this winter and at times have approached 13 Bcf/d. US gas production has been growing, but at a measured pace and has yet to reach pre-pandemic levels. The high levels of LNG exports, strong power markets, strong industrial demand and measured US supply growth have all played a role in higher gas prices. Gas storage levels are likely to end the winter at lower than normal levels and keep gas prices strong for the foreseeable future.

AECO gas prices averaged \$4.94/Mcf in the fourth quarter of 2021 representing an increase of 40% from \$3.54/Mcf in the third quarter of 2021 and an 78% increase from the fourth quarter of 2020. The continued build out 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 December 31				Year ended December 31			
	2021	% of total	2020	% of total	2021	% of total	2020	% of total
(\$ thousands, except % amounts)	\$		\$		\$		\$	
Natural gas ⁽¹⁾	113,450	35	52,963	43	309,979	35	165,239	39
Condensate & oil	186,405	58	62,550	50	506,890	57	234,247	55
NGLs ⁽²⁾	23,500	7	8,865	7	68,421	8	25,151	6
Total petroleum and natural gas revenues	323,355		124,378		885,290		424,637	

⁽¹⁾ Natural gas revenue includes price risk management gains and losses on physical delivery sale contracts. For the three months and year ended December 31, 2021, our physical delivery sales contracts resulted in loss of \$2.3 million and a loss of \$2.3 million (2020 – losses of \$1.9 million and \$9.6 million).

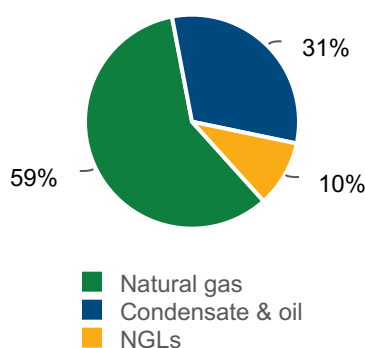
⁽²⁾ Includes butane, propane, ethane and sulphur.

For the three months ended December 31, 2021, petroleum and natural gas revenues increased 160% from the comparable period of 2020, due to a 111% increase in average per Boe realized price and a 23% increase in production for the quarter.

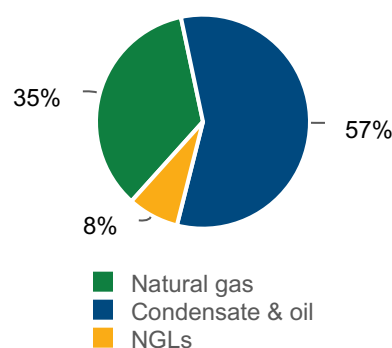
For the year ended December 31, 2021, petroleum and natural gas revenues increased 108% over the comparable period of 2020, due to a 101% increase in average per Boe realized price and a 4% increase in production.

Condensate & oil volumes averaged 35% of total production in the fourth quarter of 2021, contributing 58% of total petroleum and natural gas revenues. For the year ended December 31, 2021, condensate & oil volumes averaged 31% of total production, contributing 57% of total petroleum and natural gas revenues.

Year to Date December 31, 2021
Production Mix (Boe/d)



Year to Date December 31, 2021
Revenue by Product Type (\$)



A breakdown of natural gas revenue is as follows:

(\$ thousands, except per unit amounts)	Three months ended December 31				Year ended December 31			
	2021		2020		2021		2020	
	\$	\$/Mcf	\$	\$/Mcf	\$	\$/Mcf	\$	\$/Mcf
Natural gas revenue - AECO reference price ⁽¹⁾	91,118	4.94	46,832	2.77	242,235	3.56	152,053	2.25
Heat/value adjustment ⁽²⁾	9,762	0.54	3,782	0.23	24,409	0.37	11,849	0.18
Transportation revenue ⁽³⁾	8,272	0.45	7,989	0.49	33,848	0.51	28,723	0.44
Natural gas market diversification gain (loss)	6,612	0.28	(3,760)	(0.24)	11,816	0.22	(17,817)	(0.30)
AECO physical delivery sales contract losses ⁽⁴⁾	(2,314)	(0.12)	(1,880)	(0.11)	(2,329)	(0.03)	(9,569)	(0.14)
Total natural gas revenue	113,450	6.09	52,963	3.14	309,979	4.63	165,239	2.43

⁽¹⁾ Average AECO 7A monthly index.

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

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

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

For the three months ended December 31, 2021, natural gas revenue increased 114% from the comparable period of 2020, due to a 94% increase in realized selling prices and a 11% increase in production. For the year ended December 31, 2021, natural gas revenue increased 88% from the comparable period of 2020, due primarily to a 91% increase in realized selling prices offset by a 1% decrease in production.

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

	Three months ended December 31		Year ended December 31	
	2021	2020	2021	2020
AECO physical deliveries	26 %	27 %	20 %	42 %
Dawn physical deliveries	22 %	24 %	24 %	21 %
Malin physical deliveries	19 %	21 %	20 %	21 %
Chicago physical deliveries	33 %	28 %	36 %	16 %

NuVista receives a premium to the AECO spot gas price due to the higher heat content of its natural gas production. Price risk is also mitigated by the various gas marketing and transportation arrangements that the Company has in place to diversify and gain exposure to alternative natural gas markets in North America. For the three months ended December 31, 2021, the Company delivered 26% of its gas to AECO, 22% of its natural gas production to Dawn, 19% to Malin, and 33% to Chicago.

NuVista's exposure to AECO floating prices was approximately 8% of volumes in the fourth 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 months and year ended December 31, 2021 was \$6.21/Mcf and \$4.66/Mcf respectively, compared to \$3.25/Mcf and \$2.57/Mcf for the comparative periods of 2020, and \$4.88/Mcf in the third quarter of 2021.

Condensate & oil revenue

For the three months ended December 31, 2021, condensate & oil revenue increased 198% over the comparable period of 2020 due to a 83% increase in the average realized selling price and a 63% increase in production. For the year ended December 31, 2021, condensate & oil revenue increased 116% over the comparable period of 2020, due primarily to a 85% increase in realized selling prices and a 17% increase in production.

Strong demand for condensate in Alberta results in benchmark condensate prices at Edmonton trade 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 \$96.15/Bbl and \$84.35/Bbl in the three months and year ended December 31, 2021, an increase of 83% and 85% from \$52.59/Bbl and \$45.50/Bbl for the comparable periods of 2020, and 14% from \$84.59/Bbl in the third quarter of 2021.

NGL revenue

For the three months ended December 31, 2021, NGL revenue increased 165% over the comparable period of 2020, due to a 158% increase in the average realized selling price and a 3% increase in production. For the year ended December 31, 2021, NGL revenue increased 172% over the comparable period of 2020, due primarily to a 179% 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 December 31

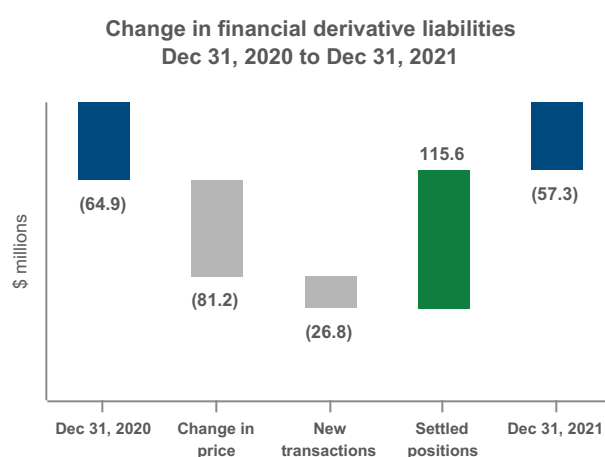
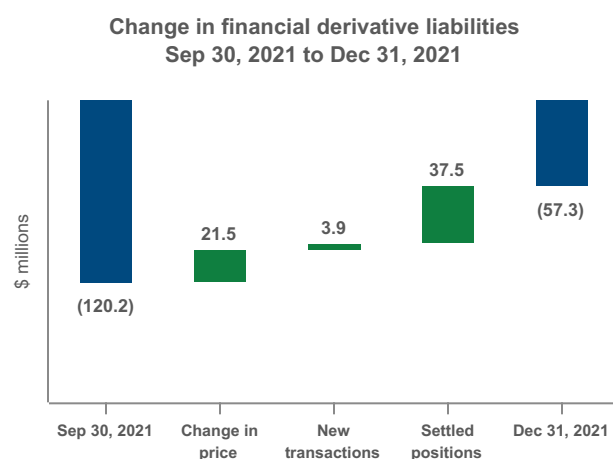
(\$ thousands)	2021			2020		
	Realized gain (loss)	Unrealized gain (loss)	Total gain (loss)	Realized gain (loss)	Unrealized gain (loss)	Total gain (loss)
Natural gas	(22,139)	52,187	30,048	(3,208)	23,077	19,869
Condensate & oil	(15,357)	10,730	(4,627)	15,773	(24,677)	(8,904)
Gain (loss) on financial derivatives	(37,496)	62,917	25,421	12,565	(1,600)	10,965

During the fourth quarter of 2021, the commodity price risk management program resulted in a gain of \$25.4 million, compared to a gain of \$11.0 million for the comparable period of 2020 and a loss of \$40.2 million in the third 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 gain in the fourth quarter is primarily as a result of an unrealized gain on natural gas contracts due to the decrease in NYMEX forward strip pricing and a narrowing of the 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 gain on oil contracts reflective of the decreasing 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 strip pricing, the impact of unrealized gains and/or losses on overall earnings in a particular reporting period can be substantial.

Year ended December 31

(\$ thousands)	2021			2020		
	Realized gain (loss)	Unrealized gain (loss)	Total gain (loss)	Realized gain (loss)	Unrealized gain (loss)	Total gain (loss)
Natural gas	(48,515)	26,405	(22,110)	2,848	(26,987)	(24,139)
Condensate & oil	(67,101)	(18,722)	(85,823)	67,810	(14,036)	53,774
Gain (loss) on financial derivatives	(115,616)	7,683	(107,933)	70,658	(41,023)	29,635

For the year ended December 31, 2021, the commodity price risk management program resulted in a loss of \$107.9 million compared to a gain of \$29.6 million for the comparable period of 2020.



NuVista has been primarily using three way collars to provide downside protection while maintaining upside for price growth. We currently possess hedges which, in aggregate, cover 37% of projected 2022 liquids production (primarily front of year loaded) at an average WTI floor price of C\$76.76/Bbl. We have hedged 46% of projected 2022 gas production (primarily summer season loaded) at an average floor price of C\$3.43/Mcf (hedged and

exported volumes converted to an AECO equivalent price) using a combination of swaps and collars. These percentage figures relate to production net of royalty volumes.

Price risk management on our physical delivery sale contracts resulted in a loss of \$2.3 million for both the three months and year ended December 31, 2021 compared to losses of \$1.9 million and \$9.6 million for the comparable periods of 2020.

Financial instruments

The following is a summary of financial derivatives contracts in place as at December 31, 2021:

Term ⁽¹⁾	WTI fixed price swap		C5 - WTI differential swap		C\$ WTI 3 way collar			
	Bbls/d	Cdn\$/Bbl	Bbls/d	US\$/Bbl	Bbls/d	Cdn\$/Bbl	Cdn\$/Bbl	Cdn\$/Bbl
Q1 2022	500	76.18	4,000	0.38	10,000	58.75	71.25	87.88
Q2 2022	500	76.18	4,000	0.38	10,000	58.75	71.25	87.88
Q3 2022	—	—	—	—	6,000	64.58	76.42	94.26
Q4 2022	—	—	—	—	2,000	61.25	74.25	93.89

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

Term ⁽¹⁾	AECO-NYMEX basis swap		AECO-NYMEX basis buybacks		Chicago-NYMEX basis swap		Malin-NYMEX basis swap	
	MMBtu/d	US\$/MMBtu	MMBtu/d	US\$/MMBtu	MMBtu/d	US\$/MMBtu	MMBtu/d	US\$/MMBtu
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.

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

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

Term ⁽¹⁾	AECO fixed price swap		NYMEX fixed price swap	
	GJ/d	Cdn\$/GJ	MMBtu/d	US\$/MMBtu
Q1 2022	—	—	10,000	2.89
Q2 2022	10,000	3.02	10,000	2.89
Q3 2022	10,000	3.02	10,000	2.89
Q4 2022	3,370	3.02	3,370	2.89

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

Term ⁽¹⁾	NYMEX collars			AECO collars		
	MMBtu/d	US\$/MMBtu	US\$/MMBtu	GJ/d	Cdn\$/GJ	Cdn\$/GJ
Q1 2022	95,000	3.57	8.14	5,000 \$	3.00	3.70
Q2 2022	25,000	3.11	4.32	20,000 \$	2.91	3.70
Q3 2022	25,000	3.11	4.32	20,000 \$	2.91	3.70
Q4 2022	8,424	3.11	4.32	6,739 \$	2.91	3.70

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

Subsequent to December 31, 2021, the following is a summary of financial derivatives that have been entered into:

Term ⁽¹⁾	C\$ WTI 3 way collar			
	Bbls/d	Cdn\$/Bbl	Cdn\$/Bbl	Cdn\$/Bbl
Q2 2022	1,000	85.00	100.00	118.99
Q3 2022	2,000	85.00	100.00	125.54
Q4 2022	2,000	85.00	100.00	125.54
Q1 2023	2,000	85.00	100.00	125.54
Q2 2023	1,000	85.00	100.00	132.10

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

Term ⁽¹⁾	AECO fixed price swap		NYMEX collar		
	GJ/d	Cdn\$/GJ	MMBtu/d	US\$/MMBtu	US\$/MMBtu
Q2 2022	5,000	3.65	40,000	5.55	3.89
Q3 2022	5,000	3.65	40,000	5.55	3.89
Q4 2022	11,630	4.21	26,739	6.39	4.07
Q1 2023	15,000	4.30	20,000	7.25	4.25

⁽¹⁾ Table presented as weighted average volumes and prices

Physical delivery sales contracts

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

The following is a summary of the physical delivery sales contracts in place as at December 31, 2021:

Term ⁽¹⁾	AECO fixed price swap		Dawn-NYMEX Basis	
	GJ/d	Cdn\$/GJ	MMBtu/d	US\$/MMBtu
2022	21,288	2.86	8,329	(0.26)

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

Subsequent to December 31, 2021, the following is a summary of physical delivery sales contracts that have been entered into:

Term ⁽¹⁾	AECO fixed price swap	
	GJ/d	Cdn\$/GJ
Q4 2022	3,315	4.82
Q1 2023	5,000	4.82

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

Royalties

	Three months ended December 31		Year ended December 31	
(\$ thousands, except % and per Boe amounts)	2021	2020	2021	2020
Gross royalties	34,415	10,755	91,874	39,961
Gas cost allowance ("GCA")	(7,034)	(6,970)	(26,775)	(23,031)
Net royalties	27,381	3,785	65,099	16,930
Gross royalty % excluding physical delivery sales contracts ⁽¹⁾	10.6	8.5	10.4	9.2
Gross royalty % including physical delivery sales contracts	10.6	8.6	10.4	9.4
Net royalties \$/Boe	4.89	0.83	3.41	0.92

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

For the three months and year ended December 31, 2021, gross royalties increased 220% and 130% compared to the prior year comparative periods primarily as a result of the increase in the average \$/Boe realized sales price, increased production and an increase in the gross royalty percentage of petroleum and natural gas revenues. Gross royalties as a percentage of petroleum and natural gas revenues increased as a result of higher pricing and a greater number of wells having finished utilization of Alberta royalty incentive programs which carry reduced initial royalty rates. The gross natural gas and liquids (condensate, oil and NGL) royalty rates for the three months and year ended December 31, 2021 were 5% and 14% compared to 5% and 11% 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 months and year ended December 31, 2021, the 1% and 16% 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.

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 December 31		Year ended December 31	
(\$ thousands, except per unit and per Boe amounts)	2021	2020	2021	2020
Natural gas transportation expense	17,940	15,318	70,709	53,108
Condensate, oil & NGL transportation expense	11,181	7,252	30,073	29,204
Total transportation expense	29,121	22,570	100,782	82,312
Natural gas transportation \$/Mcf ⁽¹⁾	0.96	0.91	1.06	0.78
Condensate, oil & NGL transportation \$/Bbl	4.48	4.19	3.79	4.09
Total transportation \$/Boe	5.20	4.97	5.27	4.46

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

For the three months and year ended December 31, 2021, natural gas transportation expenses on both a total dollar and \$/Mcf basis increased from the comparative periods of 2020 due to tolls for additional capacity on the Alliance natural gas pipeline which came into effect November 2020. Compared to the third quarter, natural gas transportation expense increased slightly from \$17.6 million (\$1.04/Mcf) due to the increase in gas production.

Condensate, oil & NGL transportation for the three months ended December 31, 2021 increased on both a dollar and rate basis from the prior year comparative period due to the increased production, primarily in Pipestone. For the year ended December 31, 2021, condensate, oil & NGL transportation expense was consistent with the prior year comparative period on a total dollar basis, with higher expense relating to the increased production in the

year offset by a prior period 13th month credit adjustment received in the first quarter of 2021. The lower \$/Boe is a result of the higher production in 2021 vs 2020.

Operating expenses

	Three months ended December 31		Year ended December 31	
(\$ thousands, except per Boe amounts)	2021	2020	2021	2020
Operating expenses	58,987	43,926	203,457	181,436
Per Boe	10.53	9.68	10.65	9.83

For the three months and year ended December 31, 2021, operating expenses on a total dollar and \$/Boe basis have increased compared to the prior year comparative periods due to the incremental costs associated with the new Pipestone North production and infrastructure which came online in the early part of 2021 and the initially low volume throughput which increased throughout 2021. Fourth quarter operating expenses of \$59.0 million (\$10.53/Boe) were consistent on a per Boe basis with third quarter operating expenses of \$49.2 million (\$10.49/Boe).

The capital fees associated with the Pipestone South gas processing lease and gas transportation lease is excluded from operating expense and classified as a lease under IFRS 16. For the three months and year ended December 31, 2021, total payments under these two leases of \$4.3 million and \$16.2 million were excluded from operating expenses and accounted for under the lease standard, compared to \$3.4 million and \$12.6 million in the prior year comparative periods.

General and administrative expenses (“G&A”)

	Three months ended December 31		Year ended December 31	
(\$ thousands, except per Boe amounts)	2021	2020	2021	2020
Gross G&A expenses	6,435	5,522	25,979	19,950
Overhead recoveries	(444)	(796)	(1,731)	(2,148)
Capitalized G&A	(943)	(1,008)	(4,339)	(3,788)
Net G&A expenses	5,048	3,718	19,909	14,014
Gross G&A per Boe	1.15	1.22	1.36	1.08
Net G&A per Boe	0.90	0.82	1.04	0.76

For the three months and year ended December 31, 2021, gross G&A expenses have increased compared to the prior year comparative periods primarily as a result of 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.

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 both the three months and year ended December 31, 2021 and December 31, 2020 in the amount of \$0.2 million and \$0.8 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 December 31		Year ended December 31	
(\$ thousands)	2021	2020	2021	2020
Stock options	417	516	1,678	2,538
Restricted share awards	398	329	1,498	1,440
Performance share awards	558	385	1,878	1,259
Non cash share-based compensation expense	1,373	1,230	5,054	5,237
Director deferred share units	2,287	480	7,047	(916)
Performance share units	(4)	917	687	917
Restricted share awards ⁽¹⁾	—	—	26	—
Performance share awards ⁽¹⁾	—	—	32	—
Cash share-based compensation expense	2,283	1,397	7,792	1
Total share-based compensation expense	3,656	2,627	12,846	5,238

(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 cash settled liabilities 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 increase in share-based compensation expense over the prior year comparative periods is primarily 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 DSU awards as result of the change in share price from the beginning of the period to the end of the period.

For the year ended December 31, 2021, the increase in share-based compensation over the prior year comparative period is primarily a result of the increase in DSU expense and liability due to an increase in the share price from \$0.94/share at December 31, 2020 to \$6.96/share at December 31, 2021.

Financing costs

	Three months ended December 31		Year ended December 31	
(\$ thousands, except per Boe amounts)	2021	2020	2021	2020
Interest on long-term debt (credit facility)	3,233	4,996	15,931	17,150
Interest on senior unsecured notes	4,870	3,803	18,907	15,292
Call premium on redemption of 2023 Notes	—	—	3,575	—
Interest expense	8,103	8,799	38,413	32,442
Lease interest expense	3,271	3,349	13,248	11,294
Accretion expense	474	416	2,213	1,496
Total financing costs	11,848	12,564	53,874	45,232
Interest expense per Boe	1.45	1.94	2.01	1.76
Total financing costs per Boe	2.12	2.77	2.82	2.45

For the three months and year ended December 31, 2021, the variance in interest expense on long-term debt from the comparable periods in 2020 is due to the change in average bank indebtedness and change in overall interest rates. The average interest rate on long-term debt for the three months and year ended December 31, 2021 was 3.7% and 4.3% compared to the average interest rate of 4.7% and 3.8% for the comparative periods

of 2020. Interest expense on long-term debt includes interest standby charges on the Company's syndicated credit facility.

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"). Part of the proceeds from the 2026 Notes were used to redeem the full aggregate principal amount of \$220 million of the Company's existing 2023 Notes, resulting in an agreed redemption call premium of \$3.6 million and \$1.8 million of remaining accretion of the carrying value which is included in interest on senior unsecured notes, for a total incremental expense on redemption of \$5.4 million. See also the *Liquidity and Capital Resources* section in this MD&A.

Interest expense on senior unsecured notes for the three months and year ended December 31, 2021, is for interest paid or accrued at the effective interest rate of 7.0% on the 2023 Notes up to July 23, 2021, and 8.7% on the 2026 Notes thereafter.

The carrying value of the 2026 Notes at December 31, 2021 is \$223.2 million.

Operating netback, corporate netback and cash costs

The tables below summarize operating netback and corporate netback on a per Boe basis for the three months and year ended December 31, 2021 and 2020:

\$/Boe	Three months ended December 31		Year ended December 31	
	2021	2020	2021	2020
Petroleum and natural gas revenues ⁽¹⁾	57.73	27.40	46.34	23.00
Realized gain (loss) on financial derivatives	(6.69)	2.77	(6.05)	3.83
	51.04	30.17	40.29	26.83
Royalties	(4.89)	(0.83)	(3.41)	(0.92)
Transportation expense	(5.20)	(4.97)	(5.27)	(4.46)
Operating expense	(10.53)	(9.68)	(10.65)	(9.83)
Operating netback ⁽²⁾	30.42	14.69	20.96	11.62
General and administrative expense	(0.90)	(0.82)	(1.04)	(0.76)
Share-based compensation expense	(0.41)	(0.31)	(0.41)	—
Financing costs ⁽³⁾	(2.03)	(2.68)	(2.70)	(2.37)
Corporate netback ⁽²⁾	27.08	10.88	16.81	8.49

⁽¹⁾ Includes price risk management losses of \$2.3 million and \$2.3 million (2020 - losses of \$1.9 million and \$9.6 million) on physical delivery sales contracts.

⁽²⁾ Non-GAAP ratio 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 and Other Financial Measures".

⁽³⁾ Excludes accretion expense.

The table below summarizes cash costs on a per Boe basis for the three months and year ended December 31, 2021 and 2020:

\$/Boe	Three months ended December 31		Year ended December 31	
	2021	2020	2021	2020
Operating expense	10.53	9.68	10.65	9.83
Transportation expense	5.20	4.97	5.27	4.46
General and administrative expense	0.90	0.82	1.04	0.76
Financing costs ⁽¹⁾	2.03	2.68	2.70	2.37
Total cash costs ⁽²⁾	18.66	18.15	19.66	17.42

⁽¹⁾ Excludes accretion expense.

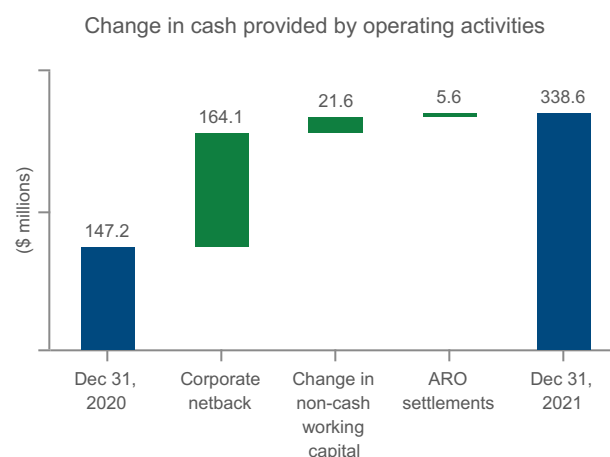
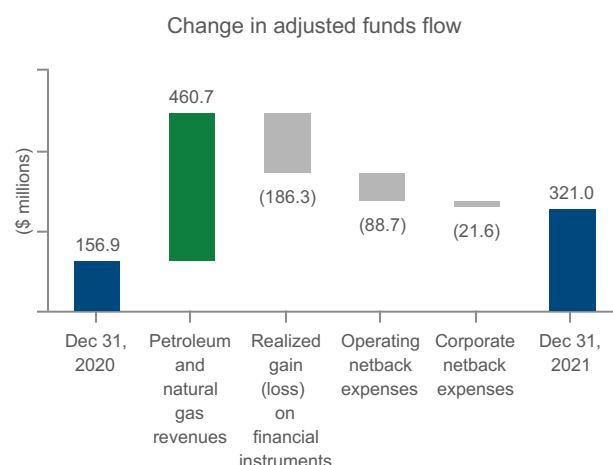
⁽²⁾ Non-GAAP ratio that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. Reference should be made to the section entitled "Non-GAAP and other financial measures".

Cash provided by operating activities and adjusted funds flow

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

	Three months ended December 31		Year ended December 31	
(\$ thousands, except per share and per Boe amounts)	2021	2020	2021	2020
Cash provided by operating activities	110,063	44,719	338,578	147,200
Per share, basic	0.48	0.20	1.50	0.65
Per share, diluted	0.47	0.20	1.45	0.65
Adjusted funds flow ⁽¹⁾	151,665	49,399	320,974	156,866
Adjusted funds flow \$/Boe	27.08	10.88	16.81	8.49
Per share, basic	0.67	0.22	1.42	0.70
Per share, diluted	0.64	0.22	1.38	0.70

⁽¹⁾ Capital management measure. Reference should be made to the section entitled "Non-GAAP and Other Financial Measures".



For the three months and year ended December 31, 2021, cash provided by operating activities of \$110.1 million and \$338.6 million respectively, increased 146% and increased 130% from the prior year comparative periods primarily due to an increase in petroleum and natural gas revenues as a result of higher pricing and higher production.

Adjusted funds flow for the three months ended December 31, 2021 and the comparable period of 2020 was \$151.7 million (\$0.67/share, basic) and \$49.4 million (\$0.22/share, basic) respectively, \$41.6 million and \$4.7 million higher than cash provided by operating activities in the comparable periods.

Adjusted funds flow for the year ended December 31, 2021 and 2020 was \$321.0 million (\$1.42/share, basic) and \$156.9 million (\$0.70/share, basic) respectively, \$17.6 million and \$9.7 million higher than cash provided by operating activities in the comparable period.

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

	Three months ended December 31		Year ended December 31	
(\$ thousands, except per Boe amounts)	2021	2020	2021	2020
Depletion of condensate, oil and natural gas assets	45,981	29,556	139,768	147,197
Depreciation of fixed assets	4,081	3,503	15,305	15,757
Depreciation of right-of-use assets	2,242	1,844	8,967	7,356
DD&A expense	52,304	34,903	164,040	170,310
Property, plant and equipment (“PP&E”) impairment expense (reversal)	—	(698,225)	(163,178)	187,856
Right-of-use asset (“ROU”) impairment expense	—	(22,005)	—	1,193
Total impairment expense (reversal)	—	(720,230)	(163,178)	189,049
Total DD&A and impairment expense	52,304	(685,327)	862	359,359
DD&A rate per Boe	9.34	7.69	8.59	9.22

DD&A expense for three months and year ended December 31, 2021 was \$52.3 million (\$9.34/Boe) and \$164.0 million (\$8.59/Boe), compared to \$34.9 million (\$7.69/Boe) and \$170.3 million (\$9.22/Boe) for the comparable periods of 2020, and \$38.2 million (\$8.13/Boe) in the third quarter of 2021.

Included in DD&A expense is the accelerated depletion relating to a change in asset retirement obligation as a result of the change in estimate and change in discount rate, for wells with no remaining reserves that were previously fully depleted. For the three months and year ended December 31, 2021 the impact of the accelerated depletion is a charge to current quarter depletion in the amount of \$3.3 million (\$0.59/Boe) and a year to date net credit of \$1.1 million (\$0.06/Boe) compared to a charge of \$1.6 million (\$0.34/Boe) and a year to date charge of \$13.5 million (\$0.73/Boe) for the 2020 periods, respectively.

The Montney cash generating unit (“CGU”) DD&A rate per Boe for the three months and year ended December 31, 2021 increased to \$8.34/Boe and \$8.16/Boe compared to \$6.80/Boe and \$7.78/Boe for the comparable periods of 2020. The increase in the 2021 DD&A rate is primarily a result of the increase in the depletable base as a result of the impairment reversals recognized in the third quarter of 2021. The current quarter rate of \$8.34/Boe increased from the third quarter rate of \$8.01/Boe.

At September 30, 2021, there were indicators of reversal of impairment identified in NuVista’s Montney CGU primarily as a result of improved forward commodity prices for natural gas and condensate and oil, improving well economics and improvements to economic cutoff limits on reserve evolution, continued strong well performance, and a significantly improved share price. An impairment test was performed on PP&E assets. PP&E 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 an internally prepared reserves report. A total impairment recovery of \$163.2 million was recognized at September 30, 2021 in NuVista’s Montney CGU, 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)	75.00	72.00	69.01	67.24	68.58	69.96	71.35	72.78	74.24	75.72
NYMEX (US\$/MMBtu)	5.70	4.50	3.50	3.15	3.21	3.28	3.34	3.41	3.48	3.55
Exchange rate (US\$/Cdn\$)	0.79	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80

⁽¹⁾ GLJ Ltd. price forecast, effective October 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 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 Ltd. 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.

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

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029 ⁽²⁾
WTI (US\$/Bbl)	34.20	41.00	47.50	52.50	57.50	58.95	60.13	61.33	62.56	63.81
NYMEX (US\$/MMBtu)	2.01	2.55	2.65	2.75	2.85	2.95	3.01	3.07	3.13	3.19
Exchange rate (US\$/Cdn\$)	0.73	0.73	0.74	0.74	0.75	0.75	0.75	0.75	0.75	0.75

⁽¹⁾ GLJ Ltd. price forecast, effective April 1, 2020.

⁽²⁾ 2030 and beyond commodity price forecasts are inflated at 2.0% per annum. In 2030 and beyond there is no escalation of exchange rates.

Exploration and evaluation ("E&E") expense

	Three months ended December 31		Year ended December 31	
(\$ thousands, except per Boe amounts)	2021	2020	2021	2020
Exploration and evaluation expense	10,225	3,370	10,225	3,370
Per Boe	1.83	0.74	0.54	0.18

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

Asset retirement obligations

(\$ thousands)	December 31, 2021	December 31, 2020
Balance, January 1	139,965	124,533
Accretion expense	2,213	1,496
Liabilities incurred	4,842	3,191
Liabilities disposed	(17,551)	(584)
Change in estimates	3,148	7,129
Change in discount rate	(5,654)	15,306
Liabilities settled (cash)	(5,478)	(11,106)
Liabilities settled (non cash) ⁽¹⁾	(1,248)	—
Balance, end of period	120,237	139,965
Expected to be incurred within one year	7,075	6,275
Expected to be incurred beyond one year	113,162	133,690

⁽¹⁾ Liabilities settled (non-cash) of \$1.2 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 December 31, 2021, NuVista had an ARO balance of \$120.2 million as compared to \$140.0 million as at December 31, 2020. The Government of Canada long-term risk-free bond rate of 1.7% (December 31, 2020 – 1.2%) and an inflation rate of 1.8% (December 31, 2020 – 1.5%) were used to calculate the net present value of the asset retirement obligations. At December 31, 2021, the estimated total undiscounted and uninflated amount of cash required to settle NuVista's ARO was \$117.1 million (December 31, 2020 – \$132.8 million) with an estimated 29% to be incurred within the next 10 years. Actual ARO expenditures for the year ended December 31, 2021 were \$6.7 million including funding by payments made under the Alberta Site Rehabilitation Program of \$1.2 million, compared to \$11.1 million for the year ended December 31, 2020.

The ARO liability decreased by \$19.7 million in 2021 due primarily to \$17.6 million of liabilities sold as part of property dispositions in the first quarter, a \$5.7 million decrease as a result of a change in the discount and inflation rates used to value the liability from December 31, 2020 and \$6.7 million of liabilities settled, offset by a change in estimate increase of \$3.1 million and \$4.8 million of liabilities incurred as a result of new drills.

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 provided by operating activities.

Cash used in investing activities and capital expenditures

Capital expenditures for the three months and year ended December 31, 2021 were \$86.4 million and \$288.8 million, compared to \$23.9 million and \$180.4 million in the comparative periods of 2020. For the three months and year ended December 31, 2021, cash used in investing activities was \$42.6 million and \$176.3 million, compared to \$13.8 million and \$201.4 million in the comparative periods of 2020.

The increase in capital expenditures for the three months and year ended December 31, 2021 is reflective of the increased activity and increase to the capital budget in 2021 in response to the improved economic environment.

The table below summarizes the breakdown of capital expenditures in each category of capital expenditures for the three months and year ended December 31, 2021 and 2020:

(\$ thousands, except % amounts)	Three months ended December 31				Year ended December 31			
	2021	% of total	2020	% of total	2021	% of total	2020	% of total
Land and retention costs	1,000	1	59	—	1,000	—	202	—
Geological and geophysical	98	—	911	5	421	—	4,678	3
Drilling and completion	75,221	88	15,514	65	242,875	84	130,165	72
Facilities and equipment	8,941	10	7,266	30	39,391	14	44,975	25
Corporate and other	1,142	1	114	—	5,159	2	422	—
Capital expenditures ⁽¹⁾	86,402		23,864		288,846		180,442	

⁽¹⁾ Non-GAAP financial 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 and Other Financial Measures".

The majority of 2021 capital expenditures was on drilling and completion activities. Looking forward, the Company expects to spend between 80-85% of planned capital expenditures on drilling and completion related activities.

Dispositions

For the year ended December 31, 2021, proceeds from non core property dispositions were \$92.5 million relating to the sale of non core properties in the first quarter, resulting in a gain on dispositions in the amount of \$33.3 million, compared to non cash land swaps valued at \$11.5 million and the disposition of ARO liabilities, resulting in an accounting loss of \$0.8 million in the prior year comparative period.

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 Wapiti plant. At December 31, 2021, the total right-of-use asset is \$107.9 million. The total lease liability is \$122.0 million, of which \$5.3 million is classified as a current liability.

Deferred income taxes

For the three months and year ended December 31, 2021, the Company recorded deferred tax expense of \$35.2 million and \$80.2 million, compared to an expense of \$12.7 million and a recovery of \$56.5 million recorded in the prior year comparative periods. As a result of the impairment recovery in the third quarter and the increase in net income, the deferred tax liability of \$87.8 million at December 31, 2021 increased from the December 31, 2020 balance of \$12.7 million. The combined federal and provincial corporate tax rate for 2021 is 23%.

Tax pools

At December 31, 2021, NuVista had \$1.6 billion (2020 – \$1.7 billion) of tax pools available for deduction against future years' taxable income. The Company does not forecast to be cash taxable until 2024, based on current strip pricing.

	Available tax pools	Maximum annual deduction
(\$ millions)	2021	%
Canadian exploration expenses	272	100 %
Canadian development expenses	390	30-45% declining balance
Canadian oil and natural gas property expenses	171	10-15% declining balance
Undepreciated capital cost	184	25-37.5% declining balance
Non-capital losses	535	100 %
Other	13	various rates
Total federal tax pools	1,565	
Additional Alberta tax pools	11	100 %

Net earnings (loss)

	Three months ended December 31		Year ended December 31	
(\$ thousands, except per share amounts)	2021	2020	2021	2020
Net earnings (loss)	113,159	715,435	264,672	(197,879)
Per share, basic	0.50	3.17	1.17	(0.88)
Per share, diluted	0.48	3.17	1.14	(0.88)

For the three months ended December 31, 2021 the decrease in net earnings compared to the prior year comparative period is primarily a result of the \$720 million impairment recovery booked in the fourth quarter of 2020, offset by increased adjusted funds flow of \$102.3 million and a \$64.5 million increase in the unrealized hedging gain in fourth quarter of 2021.

For the year ended December 31, 2021, the increase in net earnings compared to the prior year comparative period is primarily as a result of the net impairment expense of \$189.0 million recorded in 2020 vs an impairment recovery booked in the third quarter of 2021 of \$163.2 million, a \$164.1 million increase in adjusted funds flow, a \$48.7 million increase in the unrealized gain, offset by an increase in the deferred tax expense of \$136.7 million.

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 \$85.5 million and net earnings of \$174.0 million for the three months and year ended December 31, 2021 and net earnings of \$9.5 million and net loss of \$24.3 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 loss on financial derivatives in the amount of \$60.8 million.

Liquidity and capital resources

Long-term debt (credit facility)

At December 31, 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 and bankers' acceptances. 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 December 31, 2021, NuVista was in compliance with all covenants. The next annual review is scheduled for on or before May 31, 2022.

As at December 31, 2021, the Company had drawn \$196.1 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 fourth quarter of 2021 the letter of credit facility was reduced to \$30 million. At December 31, 2021, the Company had outstanding letters of credit associated with the APSG of \$18.1 million, leaving \$11.9 million of credit available on this facility.

Senior unsecured notes

On July 23, 2021, the Company issued \$230.0 million aggregate principal amount of 7.875% senior unsecured notes due July 23, 2026. 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.

The 2026 Notes are non-callable by the Company prior to July 23, 2023. At any time on or after July 2, 2023, the Company may redeem all or part of the 2026 Notes at the redemption prices set forth in the table below plus any accrued and unpaid interest:

12 month period beginning on:	Percentage
July 23, 2023	103.938%
July 23, 2024	101.969%
July 23, 2025 and thereafter	100.000%

If a change of control occurs, each holder of the 2026 Notes will have the right to require the Company to purchase all or any part of that holder's 2026 Notes for an amount in cash equal to 101% of the aggregate principal repurchased plus accrued and unpaid interest.

On March 2, 2018, the Company issued \$220.0 million aggregate principal amount of 6.50% senior unsecured notes due March 2, 2023. Interest is payable semi-annually in arrears. The 2023 Notes were fully and unconditionally guaranteed as to the payment of principal and interest, on a senior unsecured basis by the Company. There were no maintenance or financial covenants. On July 23, 2021, part of the proceeds from the 2026 Notes were used to redeem the full aggregate principal amount of \$220 million of the Company's existing 2023 Notes, resulting in an agreed redemption call premium of \$3.6 million and \$1.8 million of remaining accretion of the carrying value which is included in interest on senior unsecured notes, for a total incremental expense on redemption of \$5.4 million.

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

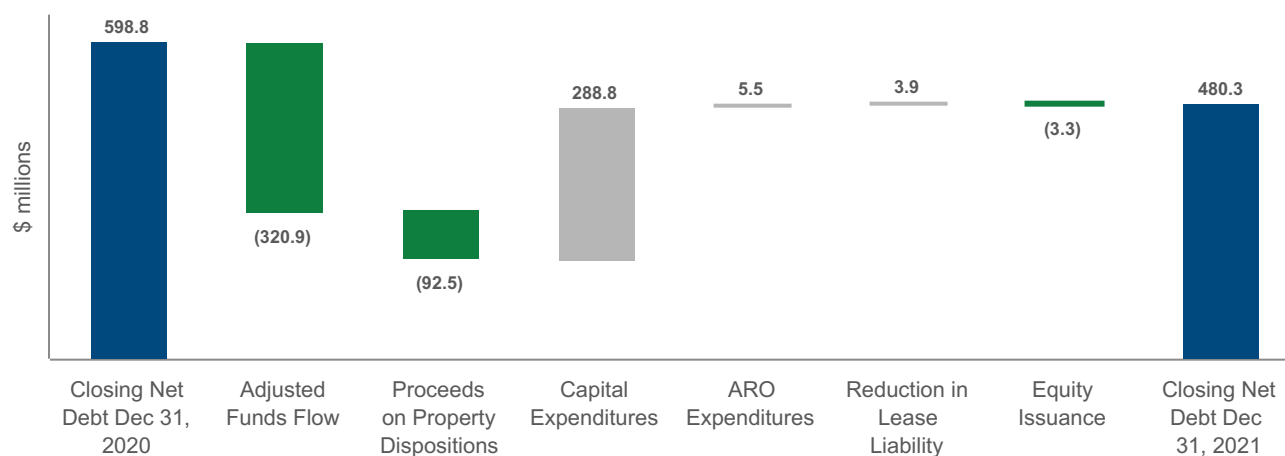
(\$ thousands)	December 31, 2021	December 31, 2020
Basic common shares outstanding	227,578	225,837
Share price ⁽¹⁾	6.96	0.94
Total market capitalization	1,583,943	212,287
Cash and cash equivalents, accounts receivable and prepaid expenses	(88,537)	(53,093)
Other receivable	—	(5,471)
Accounts payable and accrued liabilities	140,002	75,142
Long-term debt (credit facility)	196,055	362,673
Senior unsecured notes	223,178	217,724
Other liabilities	9,577	1,860
Net debt ^(2,3)	480,275	598,835
Annualized current quarter adjusted funds flow ^(2,3)	606,660	197,596
Net debt to annualized current quarter adjusted funds flow	0.8	3.0
Adjusted funds flow ^(2,3)	320,974	156,866
Net debt to adjusted funds flow	1.5	3.8

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

⁽²⁾ Capital management measure. Reference should be made to the section entitled "Non-GAAP and Other Financial Measures".

⁽³⁾ Refer to Note 16, "Capital Management" in NuVista's financial statements.

Net debt reconciliation



Available funding

(\$ thousands)	December 31, 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
<i>Deduct:</i>		
Credit facility borrowings	(196,055)	(362,673)
Letters of credit issued on credit facility	(7,017)	(7,040)
Letters of credit issued on EDC letter of credit facility	(18,114)	(17,031)
Undrawn total facility capacity	248,814	93,256

NuVista has sufficient liquidity to execute its 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 December 31, 2021, NuVista had drawn \$196.1 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.

Free adjusted funds flow

NuVista uses free adjusted funds flow, defined as adjusted funds flow less capital and asset retirement expenditures, as an indicator of the funds available for additional capital allocation. For the three months and year ended December 31, 2021, free adjusted funds flow was \$64.5 million and \$26.7 million compared to \$24.8 million and \$(34.7) million in the prior year comparative periods. For the calculation of free adjusted funds flow, refer to the section entitled "Non-GAAP and other financial measures".

Share Capital

As at December 31, 2021, there were 227.6 million common shares outstanding. In addition, there were 7.0 million stock options with an average exercise price of \$3.78 per option and 2.3 million RSAs and 4.6 million PSAs outstanding.

Commitments

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

The following is a summary of NuVista's contractual obligations and commitments as at December 31, 2021:

(\$ thousands)	Total	2022	2023	2024	2025	2026	Thereafter
Transportation ⁽¹⁾	963,686	115,361	122,228	112,942	113,562	110,430	389,163
Processing ⁽¹⁾	1,133,612	73,040	82,205	91,089	76,863	70,886	739,529
Office lease ⁽²⁾	4,232	948	999	857	151	151	1,126
Total commitments ⁽³⁾	2,101,530	189,349	205,432	204,888	190,576	181,467	1,129,818

⁽¹⁾ Certain of the transportation and processing commitments are secured by outstanding letters of credit of \$24.2 million at December 31, 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.

Annual financial information

The following table highlights selected annual financial information for the years ended December 31, 2021, 2020 and 2019:

(\$ thousands, except per share amounts)	2021	2020	2019
Petroleum and natural gas revenues	885,290	424,637	585,484
Net earnings (loss)	264,672	(197,879)	(63,833)
Per share, basic	1.17	(0.88)	(0.28)
Per share, diluted	1.14	(0.88)	(0.28)
Balance sheet information			
Total assets	2,391,984	2,157,830	2,331,361
Long-term debt	196,055	362,673	306,274
Senior unsecured notes	223,178	217,724	216,771
Shareholders' equity	1,435,817	1,156,894	1,348,756

Quarterly financial information

(\$ thousands, except otherwise stated)	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
FINANCIAL								
Petroleum and natural gas revenues	323,355	222,601	187,925	151,409	124,378	105,708	67,399	127,152
Net earnings (loss)	113,159	147,065	(10,941)	15,389	715,435	(44,144)	(80,422)	(788,747)
Per share, basic	0.50	0.65	(0.05)	0.07	3.17	(0.20)	(0.36)	(3.50)
Per share, diluted	0.48	0.63	(0.05)	0.07	3.17	(0.20)	(0.36)	(3.50)
Cash provided by operating activities	110,063	124,007	58,357	46,151	44,719	36,581	8,555	57,345
Per share, basic	0.48	0.55	0.26	0.20	0.20	0.16	0.04	0.25
Per share, diluted	0.47	0.53	0.26	0.20	0.20	0.16	0.04	0.25
Adjusted funds flow ⁽¹⁾	151,665	80,602	55,452	33,257	49,399	41,484	15,115	50,868
Per share, basic	0.67	0.36	0.25	0.15	0.22	0.18	0.07	0.23
Per share, diluted	0.64	0.35	0.25	0.14	0.22	0.18	0.07	0.23
Capital expenditures ⁽²⁾	86,402	77,152	44,344	80,948	23,864	7,081	20,765	128,732
Total assets (\$ millions)	2,392	2,353	2,140	2,137	2,158	1,458	1,504	1,576
Weighted average basic shares outstanding (thousands of shares)	226,951	226,301	226,045	225,842	225,769	225,719	225,652	225,592
Weighted average diluted shares outstanding (thousands of shares)	235,691	233,400	226,045	229,813	225,769	225,719	225,652	225,592
OPERATING								
Daily Production								
Natural gas (Mcf/d)	202,730	184,149	178,293	168,433	183,341	183,708	187,119	188,809
Condensate & oil (Bbls/d)	21,072	15,779	16,296	12,627	12,928	13,790	14,231	15,335
NGLs (Bbls/d) ⁽⁴⁾	6,028	4,534	5,473	5,155	5,863	5,034	5,504	5,278
Total (Boe/d)	60,888	51,005	51,485	45,854	49,348	49,443	50,922	52,080
Condensate, oil & NGLs weighting	45%	40%	42%	39%	38%	38%	39%	40%
Average realized selling prices ⁽⁵⁾								
Natural gas (\$/Mcf)	6.09	4.88	3.48	3.79	3.14	2.16	1.98	2.45
Condensate & oil (\$/Bbl)	96.15	84.59	79.00	70.87	52.59	49.09	22.46	57.57
NGLs (\$/Bbl)	42.38	41.36	28.73	28.80	16.44	14.65	9.31	10.07
Netbacks (\$/Boe)								
Petroleum and natural gas revenues	57.73	47.44	40.11	36.68	27.40	23.24	14.54	26.83
Realized gain (loss) on financial derivatives	(6.69)	(6.04)	(6.13)	(5.11)	2.77	3.87	5.84	2.84
Royalties	(4.89)	(3.51)	(2.24)	(2.61)	(0.83)	(0.69)	(0.11)	(2.01)
Transportation expenses	(5.20)	(5.38)	(5.44)	(5.07)	(4.97)	(4.38)	(4.35)	(4.15)
Operating expenses	(10.53)	(10.49)	(10.54)	(11.11)	(9.68)	(9.80)	(9.66)	(10.17)
Operating netback ⁽³⁾	30.42	22.02	15.76	12.78	14.69	12.24	6.26	13.34
Corporate netback ⁽³⁾	27.08	17.18	11.84	8.06	10.88	9.12	3.27	10.73

⁽¹⁾ Capital management measure. Reference should be made to the section entitled "Non-GAAP and Other Financial Measures".

⁽²⁾ Non-GAAP financial 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 and Other Financial Measures".

⁽³⁾ Non-GAAP ratio 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 and Other Financial Measures".

⁽⁴⁾ Natural gas liquids ("NGLs") include butane, propane, ethane and sulphur revenue.

⁽⁵⁾ 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 the Montney in 2021 is 99% of total production. Over the prior eight quarters, quarterly revenue has been in a range of \$67.4 million to \$323.4 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 which was fully recovered by the end of 2021, and deferred income taxes.

Non-GAAP and other financial measures

The Company's MD&A uses various specified financial measures including "non-GAAP financial measures", "non-GAAP ratios", "capital management measures", and "supplementary financial measures" (as such terms are defined in NI 51-112), which are described in further detail below. 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.

Non-GAAP financial measures

NI 52-112 defines a non-GAAP financial measure as a financial measure that: (i) depicts the historical or expected future financial performance, financial position or cash flow of an entity; (ii) with respect to its composition, excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in the primary financial statements of the entity; (iii) is not disclosed in the financial statements of the entity; and (iv) is not a ratio, fraction, percentage or similar representation.

These non-GAAP financial measures are not standardized financial measures under IFRS and might not be comparable to similar measures presented by other companies where similar terminology is used. Investors are cautioned that these measures should not be construed as alternatives to or more meaningful than the most directly comparable IFRS measures as indicators of NuVista's performance.

Set forth below are descriptions of the non-GAAP financial measures used in this MD&A.

Capital expenditures

Capital expenditures are equal to cash 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 used in investing activities for the period:

	Three months ended December 31		Year ended December 31	
(\$ thousands)	2021	2020	2021	2020
Cash used in investing activities	(42,620)	(13,825)	(176,258)	(201,425)
Changes in non-cash working capital	(44,254)	(5,572)	(15,249)	25,813
Other receivable	(562)	(4,467)	(4,795)	(4,830)
Property dispositions	1,034	—	(92,544)	—
Capital expenditures	(86,402)	(23,864)	(288,846)	(180,442)

Free adjusted funds flow

Free adjusted funds flow is adjusted funds flow less capital and asset retirement expenditures. Each of the components of free adjusted funds flow are non-GAAP financial measures. Please refer to disclosures 9 under the headings "Adjusted funds flow" and "Capital expenditures" for a description of each component of free adjusted funds flow. Management uses free adjusted funds flow as a measure of the efficiency and liquidity of its business, measuring its funds available for additional capital allocation to manage debt levels, pay dividends, and return capital to shareholders. By removing the impact of current period capital and asset retirement expenditures, management believes this measure provides an indication of the funds the Company has available for future capital allocation decisions.

The following table sets out our free adjusted funds flow compared to the most directly comparable GAAP measure of cash provided by operating activities less cash used in investing activities for the period:

	Three months ended December 31		Year ended December 31	
(\$ thousands)	2021	2020	2021	2020
Cash provided by operating activities	110,063	44,719	338,578	147,200
Cash used in investing activities	(42,620)	(13,825)	(176,258)	(201,425)
Excess (deficiency) of cash provided by operating activities over cash used in investing activities	67,443	30,894	162,320	(54,225)
Adjusted funds flow	151,665	49,399	320,974	156,866
Capital expenditures	(86,402)	(23,864)	(288,846)	(180,442)
Asset retirement expenditures	(809)	(750)	(5,478)	(11,106)
Free adjusted funds flow	64,454	24,785	26,650	(34,682)

Non-GAAP ratios

NI 52-112 defines a non-GAAP ratio as a financial measure that: (i) is in the form of a ratio, fraction, percentage or similar representation; (ii) has a non-GAAP financial measure as one or more of its components; and (iii) is not disclosed in the financial statements of the entity. Set forth below is a description of the non-GAAP ratios used in this MD&A.

These non-GAAP ratios are not standardized financial measures under IFRS and might not be comparable to similar measures presented by other companies where similar terminology is used. Investors are cautioned that these ratios should not be construed as alternatives to or more meaningful than the most directly comparable IFRS measures as indicators of NuVista's performance.

Operating netback and corporate netback ("netbacks"), per Boe

NuVista calculated netbacks per Boe by dividing the netbacks by total production volumes sold in the period. Each of operating netback and corporate netback are non-GAAP financial measures. 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.

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.

Cash costs ("cash costs"), per Boe

NuVista calculated cash costs per Boe by dividing the cash costs by total production volumes sold in the period. Cash costs are a non-GAAP financial measure, calculated as the sum of operating expenses, transportation expenses, general and administrative expenses and financing costs.

Management feels that cash costs are a key industry benchmark 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.

Capital management measures

NI 52-112 defines a capital management measure as a financial measure that: (i) is intended to enable an individual to evaluate an entity's objectives, policies and processes for managing the entity's capital; (ii) is not a component of a line item disclosed in the primary financial statements of the entity; (iii) is disclosed in the notes to the financial statements of the entity; and (iv) is not disclosed in the primary financial statements of the entity.

Please refer to Note 16 "Capital Management" in NuVista's financial statements for additional disclosure on net debt and adjusted funds flow, each of which are capital management measures used by the Company in this MD&A.

Supplementary financial measures

This MD&A may contain certain supplementary financial measures. NI 52-112 defines a supplementary financial measure as a financial measure that: (i) is intended to be disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of an entity; (ii) is not disclosed in the financial statements of the entity; (iii) is not a non-GAAP financial measure; and (iv) is not a non-GAAP ratio.

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. Throughout 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.

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

Cash generating units

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

Impairment indicators

Judgments are required to assess when internal or external indicators of impairment or impairment reversal exist and impairment testing is required. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of reserves which are dependent upon variables including forecasted oil and natural gas prices, operating costs, royalties, production volumes, future development costs, discount rates and other relevant assumptions.

Exploration and evaluation assets

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

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

Reserve estimates

Oil and natural gas reserves are used in the calculation of depletion, impairment and impairment reversals. Reserve estimates and their related cash flows are based on a number of significant assumptions, which include forecasted oil and natural gas prices, operating costs, royalties, production volumes and future development costs, all of which are subject to many uncertainties and interpretations. The Company expects that, over time, its reserve estimates will be revised upward or downward based on updated information such as the results of future drilling, testing and production levels and changes in commodity prices.

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

Asset retirement obligations

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

Income taxes

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

Business combinations

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

Future accounting pronouncements

Various amendments to existing standards and new accounting requirements have been released that are effective January 1, 2022. The Company does not anticipate the new requirements to have a material impact on the financial statements.

Disclosure controls and internal controls over financial reporting

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

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

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

NuVista has designed its internal controls over financial reporting based on the Committee of Sponsoring Organizations of the Treadway Commission (2013). During the three months and year ended December 31, 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 throughout 2021. Although the government authorities are easing restrictions, the situation remains dynamic and the ultimate duration and magnitude of the impact on the economy and financial effect on NuVista is uncertain. These events had resulted in a volatile and challenging economic environment which adversely affected the Company's operational results and financial position for the majority of 2020 and 2021.

Operational risk

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;
- Inflationary pressures on the procurement of materials and labour to safely deliver on our forecasted capital and operational plans;
- Labour risk related to availability, productivity and retention of qualified personnel.

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.

Climate change risk

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. 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. Where possible, NuVista has considered these factors in the preparation of the consolidated financial statements.

Changing regulation

Emissions, carbon and other regulations impacting climate and climate related matters are constantly evolving. With respect to ESG and climate reporting, the International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. In addition, the Canadian Securities Administrators have issued a proposed national instrument 51-107 *Disclosure of Climate-related Matters*. The cost to comply with these standards, and others that may be developed or evolve over time, has not yet been quantified. NuVista is committed to transparent and comprehensive reporting of its sustainability performance and considers these standards.

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 ("Mcf") on the basis of one barrel of natural gas liquids to six thousand cubic feet of gas. Boes and Mcfes may be misleading, particularly if used in isolation. A conversion ratio of one barrel to six thousand cubic feet of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion ratio on a 6:1 basis may be misleading as an indication of value. National Instrument 51-101 - "Standards of Disclosure for Oil and Gas Activities" includes condensate within the product type of natural gas liquids. NuVista has disclosed condensate values separate from natural gas liquids herein as NuVista believes it provides a more accurate description of NuVista's operations and results therefrom.

Advisory regarding forward-looking information and statements

This MD&A contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable securities laws. The use of any of the words "will", "expects", "believe", "plans", "potential" and similar expressions are intended to identify forward-looking statements. More particularly and without limitation, this MD&A contains forward looking statements, including management's assessment of: NuVista's future focus, strategy, plans, opportunities and operations; 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; 2022 capital expenditure plans and expected allocations; 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 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; the anticipated timing of completion of the vapor recovery unit and anticipated benefits therefrom; the expanded recycling pilot and anticipated timing and benefits therefrom; the anticipated reduction of TRIF;

anticipated demand levels from the airlines industry; 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 reduce net debt while achieving prudent production growth; anticipated reductions in net debt and net debt to adjusted funds flow ratio alongside significant production and adjusted funds flow growth into 2022; that capital spending will continue to be weighted heavily towards Pipestone; that Pipestone will continue to be the Company's highest return area; expected well payouts at Pipestone; that NuVista will not be cash taxable until 2024; NuVista's ability to redeem the 2026 Notes; the successful hedging of 2022 gas productions and anticipated outcomes thereof; the effect of NuVista's financial, commodity, and natural gas risk management strategy and market diversification; 2022 drilling and completion plans, timing and expected results; anticipated drilling and completions costs. Statements relating to "reserves" are also deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

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 including, without limitation, NuVista's ability to repay debt, expectations with respect to future net debt to adjusted funds flow ratios, projected adjusted funds flows at current strip prices and capital expenditures, 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 forward-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.