



MANAGEMENT'S DISCUSSION & ANALYSIS

For the three months and year ended December 31, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis ("**MD&A**") of financial conditions and results of operations should be read in conjunction with NuVista Energy Ltd.'s ("**NuVista**" or the "**Company**") audited financial statements (the "**financial statements**") for the year ended December 31, 2022 and December 31, 2021, together with the notes related thereto, for a full understanding of the financial position and results of operations of the Company. The following MD&A was prepared at and is dated March 7, 2023. The financial statements, Annual Information Form and other disclosure documents are available on SEDAR at www.sedar.com or can be obtained at www.nuvistaenergy.com. Our Annual Information Form will be filed on or before March 30, 2023.

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**", "**annualized current quarter adjusted funds flow**", "**capital expenditures**", "**free adjusted funds flow**", "**netbacks**", "**cash costs**", "**net debt**", "**netbacks per Boe**" and "**cash costs per Boe**". For further information, refer to the section "Specified Financial Measures".

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 earnings (loss), cash provided by operating activities, and cash used in investing activities, as indicators of NuVista's performance.

This MD&A contains forward-looking information within the meaning of applicable Canadian securities laws. Such forward looking-information is based upon certain expectations and assumptions and actual results may differ materially from those expressed or implied by such forward-looking information. For further information regarding the forward-looking information contained herein, including the assumptions underlying such forward-looking information, refer to the "Forward-looking Information and Statements" in the advisories section.

All Boe amounts as presented in this MD&A have been calculated using the conversion of six thousand cubic feet of natural gas to one barrel of oil (6 mcf = 1 bbl). Condensate is a natural gas liquid ("NGL") as 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 as condensate. For further information refer to the "Oil and Gas Measures" in the advisories section.

FINANCIAL AND OPERATING HIGHLIGHTS

Three months ended December 31

Year ended December 31

(\$ thousands, except otherwise stated)	2022	2021	% Change	2022	2021	% Change
FINANCIAL						
Petroleum and natural gas revenues	455,868	323,355	41	1,745,975	885,290	97
Cash provided by operating activities	226,688	110,063	106	844,816	338,578	150
Adjusted funds flow ⁽³⁾	256,983	151,665	69	892,801	320,974	178
Per share, basic ⁽⁶⁾	1.16	0.67	73	3.94	1.42	177
Per share, diluted ⁽⁶⁾	1.12	0.64	75	3.78	1.38	174
Net earnings	159,372	113,159	41	631,045	264,672	138
Per share, basic ⁽⁶⁾	0.72	0.50	44	2.78	1.17	138
Per share, diluted ⁽⁶⁾	0.69	0.48	44	2.67	1.14	134
Capital expenditures ⁽¹⁾	72,743	86,402	(16)	419,476	288,846	45
Net proceeds on property dispositions	—	(1,034)	(100)	—	92,544	(100)
Net debt ⁽³⁾				171,805	480,275	(64)
OPERATING						
<u>Daily Production</u>						
Natural gas (MMcf/d)	259.3	202.7	28	239.6	183.5	31
Condensate (Bbls/d)	25,112	21,072	19	22,591	16,465	37
NGLs (Bbls/d)	5,918	6,028	(2)	6,162	5,298	16
Total (Boe/d)	74,252	60,888	22	68,690	52,345	31
Condensate & NGLs weighting	42%	45%		42%	42%	
Condensate weighting	34%	35%		33%	31%	
<u>Average realized selling prices ⁽⁵⁾</u>						
Natural gas (\$/Mcf)	7.55	6.09	24	7.39	4.63	60
Condensate (\$/Bbl)	109.69	96.15	14	118.34	84.35	40
NGLs (\$/Bbl) ⁽⁴⁾	41.28	42.38	(3)	54.90	35.38	55
<u>Netbacks (\$/Boe)</u>						
Petroleum and natural gas revenues	66.73	57.73	16	69.64	46.34	50
Realized loss on financial derivatives	(1.17)	(6.69)	(83)	(6.56)	(6.05)	8
Interest	0.01	—	—	—	—	—
Royalties	(7.94)	(4.89)	62	(7.92)	(3.41)	132
Transportation expenses	(5.33)	(5.20)	3	(5.16)	(5.27)	(2)
Operating expenses	(11.94)	(10.53)	13	(11.67)	(10.65)	10
Operating netback ⁽²⁾	40.36	30.42	33	38.33	20.96	83
Corporate netback ⁽²⁾	37.62	27.08	39	35.60	16.81	112
SHARE TRADING STATISTICS						
High (\$/share)	14.67	7.71	90	14.67	7.71	90
Low (\$/share)	10.22	5.06	102	6.94	0.89	680
Close (\$/share)	12.48	6.96	79	12.48	6.96	79
Average daily volume (thousands of shares)	649	827	(22)	1,067	1,133	(6)
Common shares outstanding (thousands of shares)				219,346	227,578	(4)

⁽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 "Specified Financial Measures".

⁽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 "Specified Financial Measures".

⁽³⁾ Capital management measure. Reference should be made to the section entitled "Specified Financial Measures".

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

⁽⁵⁾ Product prices exclude realized gains/losses on financial derivatives.

⁽⁶⁾ Supplementary financial measure. Reference should be made to the section entitled "Specified Financial Measures".

ABOUT NUVISTA ENERGY LTD.

NuVista is an exploration and production company actively engaged in the development, delineation and production of condensate, NGLs, and natural gas reserves in the Western Canadian Sedimentary Basin. NuVista's focus is on the scalable and repeatable condensate rich Montney formation in the 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.

FOURTH QUARTER & FULL YEAR 2022 HIGHLIGHTS

Adjusted funds flow and free adjusted funds flow

During the fourth quarter of 2022, NuVista generated adjusted funds flow of \$257 million, a 4% increase over the third quarter of 2022 of \$246 million and a 69% increase over the same prior year period of \$152 million. For the year ended December 31, 2022, adjusted funds flow increased 178% to \$893 million from \$321 million for the same period of 2021. The increase in adjusted funds flow was primarily due to higher production revenues, net of realized losses on financial derivative contracts in addition to significant growth in production volumes. With adjusted funds flow of \$893 million, capital expenditures of \$419 million and ARO spending totalling \$9 million, NuVista delivered record free adjusted funds flow of \$464 million for the year ended December 31, 2022.

Liquidity

NuVista ended the year with \$42 million of cash deposits and no amounts drawn on its \$440 million credit facility.

NuVista's net debt was \$172 million at December 31, 2022, a 64% reduction from \$480 million at December 31, 2021, and below the previously announced target of \$200 million. The Company's net debt to annualized fourth quarter adjusted funds flow was 0.2x. The significant reduction in net debt in 2022 was primarily due to the stronger commodity price environment and a strong capital program providing for excess free adjusted funds flow, the majority of which was allocated to net debt reduction. In addition, during the fourth quarter of 2022, NuVista successfully redeemed an additional \$3 million of its 2026 Notes through open market repurchases, at a weighted average price of \$102.34. Total repurchases for the year ended December 31, 2022 were \$9 million at a weighted average price of \$101.47. Subsequent to December 31, 2022, NuVista repurchased an additional \$8 million of its 2026 Notes, leaving \$213 million in aggregate principal outstanding.

Production

NuVista delivered a new record production level in the fourth quarter of 2022 averaging 74,252 Boe/d, which was above the fourth quarter guidance range of 72,000 – 74,000 Boe/d, an 8% increase compared to 68,792 Boe/d in the third quarter of 2022 and a 22% increase compared to 60,888 Boe/d in the same period of 2021. Production for the year ended December 31, 2022 averaged 68,690 Boe/d, a 31% increase compared to the prior year period. The production composition for the year ended December 31, 2022 was 33% condensate, 9% NGLs and 58% natural gas. This increase in production was supported by the continued execution of our capital program with 47 new wells brought online in 2022, offsetting natural declines in base production.

Pricing

During the fourth quarter of 2022, revenues continued to improve driven primarily by increased production.

- Realized condensate pricing for the fourth quarter of 2022 averaged \$109.69/Bbl, a 1% decrease compared to the third quarter of 2022 at \$111.14/Bbl and a 14% increase compared to the same period of 2021 at \$96.15/Bbl. For the year ended December 31, 2022, the realized condensate price averaged \$118.34/Bbl, 40% higher than the prior year at \$84.35/Bbl.

- Realized natural gas pricing weakened in the fourth quarter of 2022 averaging \$7.55/Mcf a 9% decrease as compared to the third quarter of 2022 at \$8.32/Mcf and a 24% increase as compared to the same period of 2021 at \$6.09/Mcf. For the year ended December 31, 2022, the realized natural gas price was \$7.39/Mcf, 60% higher than the prior year at \$4.63/Mcf.
- Realized NGL pricing for the fourth quarter of 2022 averaged \$41.28/Bbl, a 25% decrease as compared to the third quarter of 2022 at \$55.14/Bbl and 3% lower than the same period of 2021 at \$42.38/Bbl. For the year ended December 31, 2022, the realized NGL price was \$54.90/Bbl, 55% higher than the prior year at \$35.38/Bbl.

Operating costs

For the fourth quarter of 2022, NuVista's operating expenses on a per Boe basis were \$11.94/Boe, a 2% decrease from the third quarter of 2022 at \$12.23/Boe, and a 13% increase over the same period in 2021 at \$10.53/Boe. For the year ended December 31, 2022, operating costs were 10% higher at \$11.67/Boe compared to \$10.65/Boe for the prior year. Operating costs in 2022 were impacted by inflationary pressures and higher fuel and utility costs, partially offset by the economies of scale associated with the continued filling up of facility capacity through production growth.

Corporate netback

The corporate netback for the fourth quarter, including a \$1.17/Boe realized loss on financial derivatives, was \$37.62/Boe. This was 3% lower than the third quarter netback of \$38.89/Boe and 39% higher than the corporate netback of \$27.08/Boe for the fourth quarter of 2021. For the year ended December 31, 2022, the corporate netback increased 112% to \$35.60/Boe from \$16.81/Boe for the year ended December 31, 2021.

Capital expenditures

Capital expenditures were \$73 million in the fourth quarter of 2022, of which 84% was allocated to drilling and completion related activities with 9 gross (8.4 net) wells drilled and 3 gross (3.0 net) wells completed. For the year ended December 31, 2022, capital expenditures were \$419 million of which 83% was allocated to drilling and completion activities with 49 gross (47.5 net) wells drilled and 45 gross (44.4 net) wells completed. NuVista is focused upon maximizing economic value and allocating adjusted funds flow between growth capital to fill and debottleneck existing facilities at an optimal rates, return of capital to shareholders and prudent reduction of debt.

Return of capital to shareholders

With the strong commodity price environment, and our significantly increased production and free adjusted funds flow, NuVista is in the very favorable position of being able to continue our disciplined and value-adding growth strategy concurrently with continuing the reduction of net debt and return of capital to shareholders. On June 9, 2022, NuVista announced the approval of its normal course issuer bid ("NCIB"). The NCIB allows NuVista to purchase up to 18,190,261 of its outstanding common shares over a 12 month period, commencing June 14, 2022. During the quarter ended December 31, 2022, NuVista repurchased and subsequently cancelled 6,645,300 common shares at a weighted average price of \$12.88/share for a total cost of \$86 million. For the year ended December 31, 2022, NuVista repurchased and subsequently cancelled 13,482,600 common shares at a weighted average price of \$11.67/share for a total cost of \$157 million. Since inception of the NCIB, purchases represent a 6.3% reduction in common shares outstanding⁽¹⁾ with 80% of our approved NCIB complete. As of March 7, 2023, an additional 3,668,561 common shares remain available for repurchase by NuVista under the NCIB.

⁽¹⁾ Based on common shares outstanding at May 31, 2022 of 230,748,703.

Annual financial information

The following table highlights selected annual financial information for the years ended December 31, 2022, 2021 and 2020:

(\$ thousands, except per share amounts)	2022	2021	2020
Petroleum and natural gas revenues	1,745,975	885,290	424,637
Net earnings (loss)	631,045	264,672	(197,879)
Per share, basic	2.78	1.17	(0.88)
Per share, diluted	2.67	1.14	(0.88)
Balance sheet information			
Total assets	2,821,666	2,391,984	2,157,830
Long-term debt	—	196,055	362,673
Senior unsecured notes	215,392	223,178	217,724
Shareholders' equity	1,935,493	1,435,817	1,156,894

ENVIRONMENT, SOCIAL & GOVERNANCE (“ESG”)

In August 2022, we released our 2021 ESG report which highlights our performance through 2021. We have made significant progress on our ESG targets and continue to advance projects that support and enhance our objectives. For more information regarding our ESG performance and targets, please refer to our 2021 ESG report which is available on our website at www.nuvistaenergy.com. On June 9, 2022, we successfully incorporated sustainability linked performance features into our credit facility and as a result of our ongoing ESG initiatives, we are on track to meet or exceed these established sustainability performance targets (“SPTs”).

Environment

Approximately 60% of our current production is comprised of natural gas which has the lowest carbon footprint of any hydrocarbon. Our ongoing efforts to reduce greenhouse gas emissions (“GHG”) emissions led to a 16% reduction in our Scope 1 & 2 GHG intensity for 2021 relative to our 2020 baseline year. This was a significant step in achieving our stated goal of realizing a 20% reduction in GHG intensity by 2025. Implementation of our GHG reduction plans continued in 2022 and we are now in the process of evaluating results and compiling annual emissions data. Reducing methane emissions from fugitive and routine sources has been a major area of focus for us. Making changes to facility design and driving continual improvements in our fugitive emissions management program resulted in a methane emissions intensity for 2021 that was 80% lower than 2012. Efforts to reduce flaring, venting and fugitive emissions continued throughout 2022. More details on our emissions reduction efforts can be found within our annual submissions to the Carbon Disclosure Project. Our 2022 score for the 2021 reporting year was a B; the highest score given across our peer group.

We continue to make strides in the reduction of fresh water use for drilling and completions activities. In 2021 we exceeded our stated goal for reducing fresh-water use intensity in well completions. Our goal was to achieve a 40% reduction by 2025 relative to our 2018 baseline year. In 2021 we achieved a 50% reduction. Our water management efforts are continually evolving with an eye towards minimizing our demand on high quality fresh water resources. In 2022, NuVista along with a midstream partner completed an expanded recycling pilot in our Pipestone South field, which yielded a positive technical result towards our long-term goal of utilizing recycled produced water in our completion operations. We have also increased the usage of non-potable sourced water and municipal waste water throughout our operations.

In 2022, we continued our progress on responsibly abandoning and reclaiming inactive wells and facilities in our legacy areas. Throughout 2022, we spent \$16 million on abandonment and reclamation work including \$7 million in Alberta Site Rehabilitation Program funds that were directed towards NuVista assets. A high percentage of these funds were spent directly with businesses owned and operated by our local First Nations partners. Our 2022 asset retirement program led to the successful abandonment of 26 inactive wells, 77 inactive pipelines, and one legacy oil processing and storage facility. Numerous environmental remediation and reclamation projects were undertaken throughout the year, leading to the final reclamation certification of 20 former wellsites and

progressing 45 wellsites from the environmental assessment and remediation phase to the final surface reclamation phase.

Social

Safety

NuVista is committed to protecting the health and safety of our workers and the public while minimizing our impact on the environment. We always strive towards a goal of zero injuries for our employees and third-party contractors working on our sites. Of key importance to us at NuVista is maintaining focus on Lost Time Injuries (“LTI”) and high-potential near-miss incidents. These near-miss incidents are events which did not result in serious harm to people or the environment, but could have if conditions were slightly different. During the first few months of 2022 we observed an increase in both LTI and high-potential near misses among our contract work force. With the help of our staff and contractors we implemented a “whole-company” response focused on Isolation and Control of Hazardous Energy and effective management of short service workers. 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.

Community

Investment in our people and the communities where we live and operate continues to be a top priority. Giving is at the heart of our organization and we continue to look for opportunities to make a difference for the communities where we live and operate. Our 2022 United Way Campaign with employees and the Company proudly raised over \$300,000 for organizations in and around the Calgary area, a record for our Company. We also have long-standing relationships in and around the Grand Prairie region, having been recently recognized in the Town of Beaverlodge where its recreation center will be named the NuVista Energy Center for at least the next five years. We have contributed over \$200,000 in donations and sponsorships to the town over the past three years, which has supported the purchase of playground equipment and a bus that provides transportation to seniors and other not-for-profit and youth organizations in the community. NuVista, with our employees, stepped up more than ever throughout 2022 and donated over \$800,000 to charitable organizations, making a difference where we live and operate.

We continue to emphasize building relationships with the Indigenous communities with whom we work and consult. Our approach is guided by the four pillars of our Indigenous Inclusion Guiding Principles. With respect to our cultural awareness pillar, we have multiple events annually in addition to formal training, with most employees having participated. NuVista employees have also participated in training offered in communities with whom we consult. Our cultural training helps raise awareness about the history, experiences and cultures of Indigenous Peoples in Canada and supports our ongoing economic advancement efforts with Indigenous communities in our areas of operation. With respect to our economic inclusion pillar, NuVista remains focused on providing concrete benefits to the Indigenous communities surrounding our operations, including contracts and jobs. In 2022, NuVista spent over \$26 million on contracts with Indigenous community-owned, member-owned, or partnered businesses.

NuVista emphasizes community investment as part of its inclusion efforts. We entered into an agreement with Horse Lake First Nation to provide \$150,000 in funding over the next three years for a youth addictions treatment centre being opened by the Nation and have sponsored educational events in several communities. Cumulatively, NuVista has spent over \$250,000 on Indigenous community investment over the last three years.

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 have improved our Board diversity at the end of 2021 with the addition of Kate Holzhauser in November, and we welcome her as a strong addition to our Board. Our female membership

on the Board has reached 20% and we have set a new target of 30% by our 2023 Annual General Meeting to ensure continuous progress in diversity.

2023 GUIDANCE UPDATE

NuVista is in the extremely fortunate position of having top tier assets and economics, and with disciplined execution we have been spending only approximately half of free adjusted funds flow on capital to execute our plans. This means that despite the recent significant moderation of natural gas pricing, free adjusted funds flow is reduced but still highly positive. Due to our condensate weighting, our execution economics are still very strong. As such, we will continue with our capital execution plans unchanged while still returning free adjusted funds flow to shareholders and reducing net debt.

Full year production and capital expenditure guidance is reaffirmed at 79,000 – 83,000 Boe/d and \$425 to \$450 million respectively. We intend to continue our track record of carefully directing free adjusted funds flow towards a prudent balance of returns to shareholders and debt reduction, while investing in production growth until our existing facilities are filled and debottlenecked to maximum efficiency. NuVista has an exceptional business plan that maximizes free adjusted funds flow and the return of capital to shareholders when our existing facilities are debottlenecked and filled to maximum efficiency at production levels of approximately 100,000 - 105,000 Boe/d. 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.

(\$ thousands, unless otherwise indicated)	2023 Forecast Guidance
Production	
Total oil equivalent (Boe/d)	79,000 - 83,000
Natural gas (%)	62
Condensate (%)	29
NGLs (%)	9
Capital expenditures⁽¹⁾	425,000 - 450,000
Commodity prices (average)⁽²⁾	
AECO (\$/GJ)	2.94
NYMEX (US\$/MMBtu)	3.20
WTI (US\$/Bbl)	77.85
Cdn\$/US\$ exchange rate	1.34

⁽¹⁾ Non-GAAP measure that does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other entities.

⁽²⁾ Forecast was based on forward commodity prices as at February 15, 2023 and adjusted for January actual.

CONSOLIDATED RESULTS

Net earnings

(\$ thousands, except per share amounts)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Net earnings	159,372	113,159	631,045	264,672
Per share, basic	0.72	0.50	2.78	1.17
Per share, diluted	0.69	0.48	2.67	1.14

Details of the change in net earnings for the three months and year ended December 31, 2021 to net earnings for the three months and year ended December 31, 2022, are provided in the following table:

(\$ thousands)	Three months ended	Year ended
	2022	2022
Net earnings - December 31, 2021	113,159	264,672
Change in petroleum and natural gas sales	132,513	860,685
Change in royalties	(26,877)	(133,575)
Change in realized losses on financial derivatives	29,526	(48,733)
Change in unrealized gains on financial derivatives	(53,451)	128,130
Change in interest and other income	932	5,938
Change in operating expense	22,583	89,111
Change in transportation expense	7,256	28,531
Change in general and administrative expense	855	1,338
Change in share-based compensation expense	1,910	1,301
Change in depletion, depreciation, and impairment reversal	9,919	210,258
Change in exploration and evaluation expense	(10,225)	(8,188)
Change in gain (loss) on property dispositions	(2,044)	31,643
Change in financing costs	(1,841)	(11,058)
Change in deferred income tax expense	8,017	103,136
Net earnings - December 31, 2022	159,372	631,045

For the three months ended December 31, 2022, net earnings increased \$46.2 million to \$159.4 million (\$0.72/share) from fourth quarter 2021 earnings of \$113.2 million (\$0.50/share) driven primarily by increased adjusted funds flow of \$105.3 million and decreases of \$12.3 million in exploration and evaluation expenses and loss on dispositions, offset by a decrease in the unrealized gain of \$53.5 million, a \$9.9 million increase in DD&A, and an increase in the deferred tax expense of \$8.0 million.

For the year ended December 31, 2022, net earnings increased \$366.4 million to \$631.0 million (\$2.78/share) from \$264.7 million (\$1.17/share) for the year ended December 31, 2021, due primarily to a \$571.8 million increase in adjusted funds flow, a \$128.1 million increase in the unrealized gain and a \$8.2 million decrease in exploration and evaluation expense, partially offset by a decrease in the gain on dispositions of \$31.6 million, an increase to the deferred tax expense of \$103.1 million and a \$210.3 million increase in DD&A expense, due primarily to the \$163.2 million impairment recovery included in the prior year comparative period.

The net earnings (loss) reported in a period is significantly impacted by unrealized gains (losses) on financial derivatives recognized in each period as a result of the fair values 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 \$193.2 million and \$678.6 million for the three months and year ended December 31, 2022, compared to net earnings of \$85.5 million and \$174.0 million for the prior year comparative periods. The unrealized mark 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 totaling \$230.3 million.

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:

(\$ thousands, except per share and per Boe amounts)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Cash provided by operating activities	226,688	110,063	844,816	338,578
Per share, basic	1.02	0.48	3.73	1.50
Per share, diluted	0.98	0.47	3.58	1.45
Adjusted funds flow ⁽¹⁾	256,983	151,665	892,801	320,974
Adjusted funds flow \$/Boe	37.62	27.08	35.60	16.81
Per share, basic	1.16	0.67	3.94	1.42
Per share, diluted	1.12	0.64	3.78	1.38

⁽¹⁾ Capital management measure. Reference should be made to the section entitled "Specified Financial Measures".

For the three months ended December 31, 2022, cash provided by operating activities increased 106% to \$226.7 million (\$1.02/share, basic) from \$110.1 million (\$0.48/share, basic) for the comparable period of 2021, primarily due to higher average commodity prices, increased production volumes and lower realized losses on commodity derivative contracts, partially offset by an increase in royalties and changes in non-cash working capital.

Adjusted funds flow for the three months ended December 31, 2022 increased 69% to \$257.0 million (\$1.16/share, basic) from \$151.7 million (\$0.67/share, basic) for the comparable period of 2021, for similar reasons as noted above.

For the year ended December 31, 2022, cash provided by operating activities increased 150% to \$844.8 million (\$3.73/share, basic) from \$338.6 million (\$1.50/share, basic) from the comparative period of 2021, primarily as a result of higher commodity prices and an increase in production volumes, partially offset by higher realized losses on commodity derivative contracts and an increase in royalties and changes in non-cash working capital.

Adjusted funds flow for the year ended December 31, 2022 increased 178% to \$892.8 million (\$3.94/share, basic) from \$321.0 million (\$1.42/share, basic) for the same period of 2021, for similar reasons as noted above.

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, 2022, free adjusted funds flow was \$183.0 million and \$464.0 million compared to \$64.5 million and \$26.7 million in the prior year comparative periods.

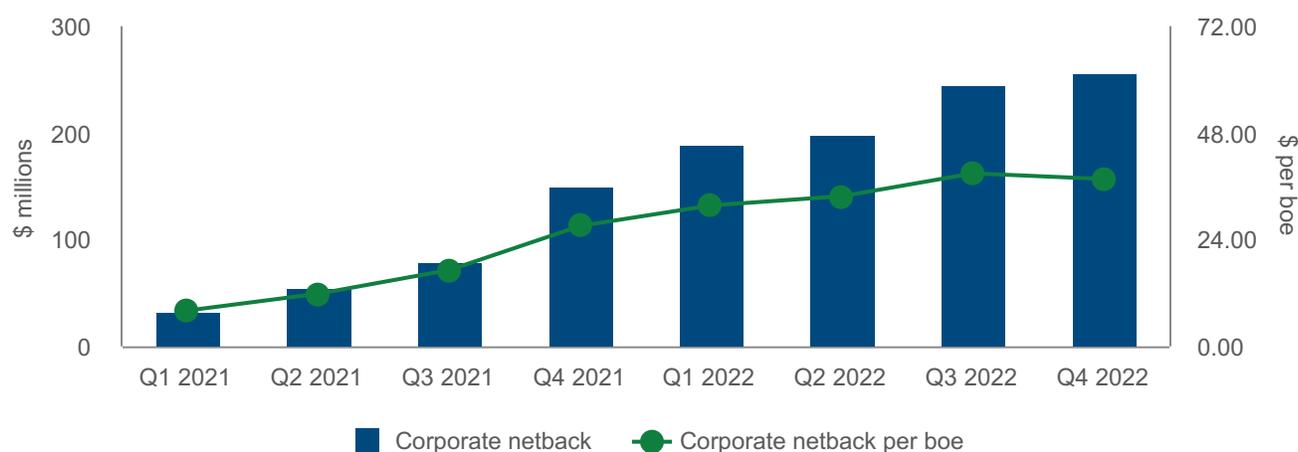
(\$ thousands)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Adjusted funds flow ⁽¹⁾	256,983	151,665	892,801	320,974
Capital expenditures ⁽²⁾	(72,743)	(86,402)	(419,476)	(288,846)
Asset retirement expenditures	(1,223)	(809)	(9,302)	(5,478)
Free adjusted funds flow ⁽²⁾	183,017	64,454	464,023	26,650

⁽¹⁾ Capital management measure. Reference should be made to the section entitled "Specified 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 "Specified Financial Measures".

Operating netback, corporate netback and cash costs

Quarterly corporate netback



The table below summarizes operating netback and corporate netback on a per Boe basis for the three months and year ended December 31, 2022 and 2021:

\$/Boe	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Petroleum and natural gas revenues ⁽¹⁾	66.73	57.73	69.64	46.34
Realized loss on financial derivatives	(1.17)	(6.69)	(6.56)	(6.05)
Interest income	0.01	—	—	—
	65.57	51.04	63.08	40.29
Royalties	(7.94)	(4.89)	(7.92)	(3.41)
Transportation expense	(5.33)	(5.20)	(5.16)	(5.27)
Operating expense	(11.94)	(10.53)	(11.67)	(10.65)
Operating netback ⁽²⁾	40.36	30.42	38.33	20.96
General and administrative expense	(0.86)	(0.90)	(0.85)	(1.04)
Share-based compensation expense	(0.53)	(0.41)	(0.29)	(0.41)
Financing costs ⁽³⁾	(1.35)	(2.03)	(1.59)	(2.70)
Corporate netback ⁽²⁾	37.62	27.08	35.60	16.81

⁽¹⁾ For the three months and year ended December 31, 2022 includes price risk management losses of \$0.23/Boe and \$0.76/Boe (2021 – losses of \$0.41/Boe and \$0.12/Boe, respectively) 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 “Specified 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, 2022 and 2021:

\$/Boe	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Operating expense	11.94	10.53	11.67	10.65
Transportation expense	5.33	5.20	5.16	5.27
General and administrative expense	0.86	0.90	0.85	1.04
Financing costs ⁽¹⁾	1.35	2.03	1.59	2.70
Total cash costs ⁽²⁾	19.48	18.66	19.27	19.66

⁽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 “Specified Financial Measures”.

OPERATING RESULTS

Operations activity

Number of wells	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Wells drilled - gross (net) ⁽¹⁾	9 (8.4)	17 (17.0)	49 (47.5)	38 (38.0)
Wells completed - gross (net) ⁽²⁾	3 (3.0)	10 (10.0)	45 (44.4)	44 (44.0)
Wells brought on production - gross (net) ⁽³⁾	2 (1.6)	10 (10.0)	47 (46.4)	38 (38.0)

⁽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, 2022, NuVista drilled 9 gross (8.4 net) wells compared to 17 (17.0 net) wells in the comparable period of 2021. In addition, 3 (3.0 net) wells were completed with 2 (1.6 net) wells brought online throughout the fourth quarter. For the year ended December 31, 2022, NuVista drilled 49 (47.5 net) wells compared to 38 (38.0 net) wells in 2021. In addition, 45 (44.4 net) wells were completed with 47 (46.4 net) wells brought online in 2022.

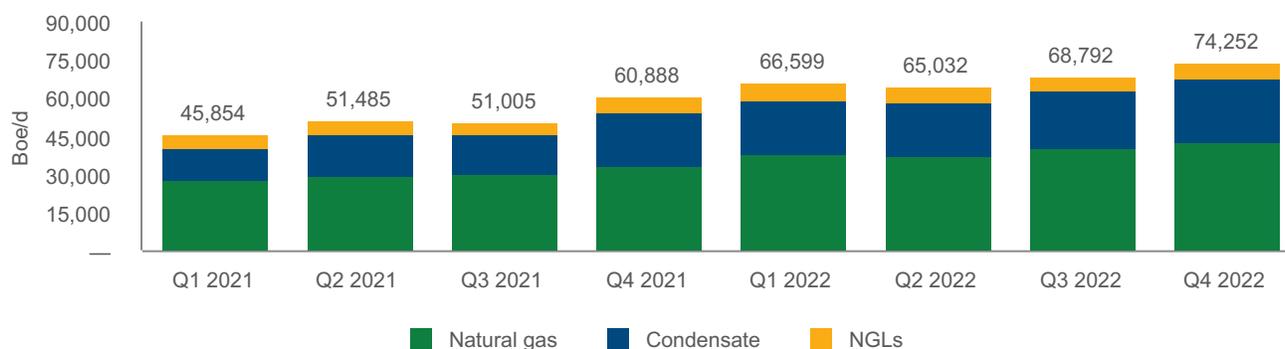
Production

	Three months ended December 31			Year ended December 31		
	2022	2021	% Change	2022	2021	% Change
Natural gas (Mcf/d)	259,335	202,730	28	239,620	183,497	31
Condensate (Bbls/d)	25,112	21,072	19	22,591	16,465	37
NGLs (Bbls/d) ⁽¹⁾	5,918	6,028	(2)	6,162	5,298	16
Total (Boe/d)	74,252	60,888	22	68,690	52,345	31
Condensate & NGLs weighting ⁽²⁾	42%	45%		42%	42%	
Condensate weighting ⁽²⁾	34%	35%		33%	31%	

⁽¹⁾ NGLs include butane, propane and ethane.

⁽²⁾ Product weighting is based on total production.

Average daily production



Production for the three months and year ended December 31, 2022 was 22% and 31% higher than the comparative periods of 2021, due to new well production and optimization of existing production offsetting natural production declines. Fourth quarter production of 74,252 Boe/d was above the fourth quarter guidance range of 72,000 - 74,000 Boe/d and 8% higher from third quarter 2022 production of 68,792 Boe/d, primarily as a result of the new wells that were brought online at the end of the third quarter.

Condensate volume weighting for the three months and year ended December 31, 2022 was 34% and 33% compared to 35% and 31% in the prior year comparative periods. Condensate weightings for the fourth quarter of 2022 were positively impacted by high condensate rates realized primarily in our Pipestone North area.

Pricing

	Three months ended December 31			Year ended December 31		
	2022	2021	% change	2022	2021	% change
Realized selling prices ^{(1),(2)}						
Natural gas (\$/Mcf)	7.55	6.09	24	7.39	4.63	60
Condensate (\$/Bbl)	109.69	96.15	14	118.34	84.35	40
NGLs (\$/Bbl) ^{(3), (4)}	41.28	42.38	(3)	54.90	35.38	55
Barrel of oil equivalent (\$/Boe)	66.73	57.73	16	69.64	46.34	50
Benchmark pricing						
Natural gas - AECO 5A daily index (Cdn\$/Mcf)	5.11	4.66	10	5.31	3.62	47
Natural gas - AECO 7A monthly index (Cdn\$/Mcf)	5.58	4.94	13	5.56	3.56	56
Natural gas - NYMEX (monthly) (US\$/MMBtu)	6.26	5.83	7	6.64	3.84	73
Natural gas - Chicago Citygate (monthly) (US\$/MMBtu)	5.86	5.87	—	6.61	3.77	75
Natural gas - Dawn (daily) (US\$/MMBtu)	5.16	4.65	11	6.04	3.62	67
Natural gas - Malin (monthly) (US\$/MMBtu)	8.45	5.99	41	7.20	3.97	81
Oil - WTI (US\$/Bbl)	82.64	77.13	7	94.23	67.90	39
Oil - Edmonton Par - (Cdn\$/Bbl)	110.12	93.01	18	120.12	80.07	50
Condensate - @ Edmonton (Cdn\$/Bbl)	113.23	99.60	14	121.80	85.47	43
Condensate - Average C5-WTI differential (US\$/Bbl)	0.72	1.95	(63)	(0.47)	0.30	(257)
Exchange rate - (Cdn\$/US\$)	1.36	1.26	8	1.30	1.25	4

⁽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.

⁽³⁾ Natural gas liquids ("NGLs") include butane, propane and ethane revenue and sales volumes, and sulphur revenue.

⁽⁴⁾ Sulphur revenue for the three months and year ended December 31, 2022 was \$0.4 million and \$21.9 million (2021 - \$2.8 million and \$8.1 million, respectively).

WTI benchmark averaged US\$82.64/Bbl in the fourth quarter of 2022, 7% above the fourth quarter of the prior year and 10% lower than the third quarter of 2022 which averaged US\$91.56/Bbl. Global oil and product inventories continue to be below normal levels for this time of year in most regions. The significant strategic petroleum reserves ("SPR") releases by the US and other OECD countries have come to an end. Sanctions and price caps have put Russian production at risk with exports declining throughout last year. Many OPEC nations are also not meeting their production quotas and with prices softening in September, OPEC decided to cut quotas again to defend oil prices. Total US production has been growing but at a moderate pace 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. Despite the strong structural setup with China reopening, declining Russian exports and the end of SPR releases, the ongoing risk of a recession could have a material impact on prices. NuVista continues to monitor this risk and its potential impact on our business plan.

With the growth in heavy oil production in Canada, demand for condensate has been strong. Condensate differentials from WTI averaged +US\$0.72/Bbl in the fourth quarter and premiums have increased significantly in the first quarter of 2023. 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 and Transmountain Pipeline expansion to enter into service at the end of this year, the condensate market is expected to remain strong in the long-term. Condensate prices continued to outperform other liquid prices with the Edmonton marker averaging \$113.23/Bbl in the quarter.

NGL prices improved significantly in 2022 compared to 2021 but have softened slightly throughout the fourth quarter of 2022. Butane prices are weaker primarily due to the decline in WTI prices throughout the fourth quarter. Propane prices were much higher in 2022 due to significantly higher US exports into the 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 operate in normal ranges. The warm winter most of North America has experienced has led to weaker propane prices in the fourth quarter.

NYMEX gas prices averaged US\$6.26/MMBtu in the fourth quarter, down 24% from the third quarter of 2022 which averaged \$8.20/MMBtu and 7% higher than the fourth quarter of last year which averaged \$5.83/MMBtu. Gas prices were very strong throughout the third quarter of 2022 in most regions of North America but began to weaken into the fourth quarter. With a very warm winter in most key consuming regions, storage withdrawals have been muted and the price of gas has declined significantly at the end of the year and into the start of 2023. The one exception has been the West Coast where we have seen record high gas prices in December and into January of 2023. NuVista has exposure to Malin with approximately 11% of physical natural gas sales to that location in 2023. US LNG exports had been exceeding 12 Bcf/d for most of this year and at times had approached 13 Bcf/d. A fire at the Freeport LNG terminal in June reduced flows by approximately 2 Bcf/d. The return of this facility has been delayed multiple times but it appears a partial restart will now happen toward the end of the first quarter in 2023. US gas production has been growing, but at a measured pace and is only now above pre-pandemic levels. Gas prices in Europe and Asia are still high but have moderated significantly from their peak last fall due to unprecedented successful efforts to fill storage closer to normal levels coupled with a warm start to winter in Europe.

AECO gas prices averaged \$5.58/Mcf in the fourth quarter of 2022 representing a decrease of 4% from the third quarter average of \$5.81/Mcf and a 13% increase from the fourth quarter of 2021 which averaged \$4.94/Mcf. AECO differentials were very wide during the third and fourth quarters due to the elevated NYMEX prices, but have recently narrowed as US gas prices have weakened.

Revenue

Petroleum and natural gas revenues

(\$ thousands, except % amounts)	Three months ended December 31				Year ended December 31			
	2022	% of total	2021	% of total	2022	% of total	2021	% of total
	\$		\$		\$		\$	
Natural gas ⁽¹⁾	179,972	39	113,450	35	646,653	37	309,979	35
Condensate	253,423	56	186,405	58	975,839	56	506,890	57
NGLs ⁽²⁾	22,473	5	23,500	7	123,483	7	68,421	8
Total petroleum and natural gas revenues	455,868		323,355		1,745,975		885,290	

⁽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, 2022, our physical delivery sales contracts resulted in losses of \$1.5 million and \$19.1 million (2021 – losses of \$2.3 million, respectively).

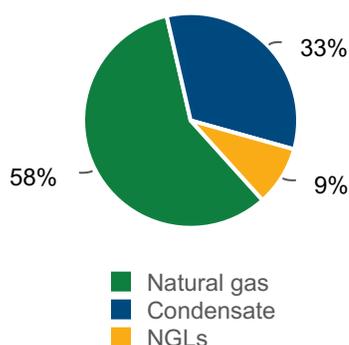
⁽²⁾ Includes butane, propane, ethane and sulphur.

For the three months ended December 31, 2022, petroleum and natural gas revenues increased 41% from the comparable period of 2021, due primarily to a 16% increase in average per Boe realized price and a 22% increase in production for the quarter.

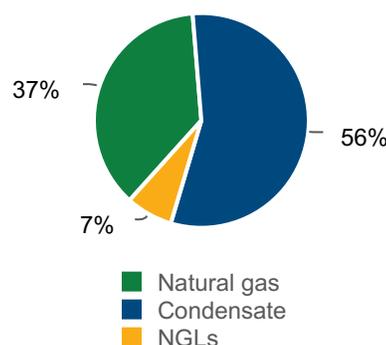
For the year ended December 31, 2022, petroleum and natural gas revenues increased 97% over the comparable period of 2021, due primarily to a 50% increase in average per Boe realized price, and a 31% increase in production.

Condensate volumes averaged 34% of total production in the fourth quarter of 2022, contributing 56% of total petroleum and natural gas revenues. For the year ended December 31, 2022, condensate volumes averaged 33% of total production, contributing 56% of total petroleum and natural gas revenues.

Year ended December 31, 2022
Production mix (Boe/d)



Year ended December 31, 2022
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			
	2022		2021		2022		2021	
	\$	\$/Mcf	\$	\$/Mcf	\$	\$/Mcf	\$	\$/Mcf
Natural gas revenue - AECO reference price ⁽¹⁾	135,342	5.58	91,118	4.94	487,453	5.56	242,235	3.55
Heat/value adjustment ⁽²⁾	15,284	0.67	9,762	0.54	54,264	0.64	24,409	0.37
Transportation revenue ⁽³⁾	10,710	0.47	8,272	0.45	37,267	0.44	33,848	0.51
Natural gas market diversification gain	20,177	0.89	6,612	0.28	86,744	0.97	11,816	0.23
AECO physical delivery sales contract losses ⁽⁴⁾	(1,541)	(0.06)	(2,314)	(0.12)	(19,075)	(0.22)	(2,329)	(0.03)
Total natural gas revenue	179,972	7.55	113,450	6.09	646,653	7.39	309,979	4.63

⁽¹⁾ Average AECO 7A monthly index.

⁽²⁾ Based on NuVista's historical adjustment of 10-13%.

⁽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, 2022, natural gas revenue increased 59% from the comparable period of 2021, due to a 24% increase in realized selling prices and a 28% increase in production. For the year ended December 31, 2022, natural gas revenue increased 109% from the comparable period of 2021, due primarily to an 60% increase in realized selling prices and a 31% increase 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	
	2022	2021	2022	2021
AECO physical deliveries	44 %	26 %	40 %	20 %
Dawn physical deliveries	17 %	22 %	18 %	24 %
Malin physical deliveries	14 %	19 %	15 %	20 %
Chicago physical deliveries	25 %	33 %	27 %	36 %

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, 2022, the Company delivered 44% of its natural gas production to AECO, 17% to Dawn, 14% to Malin, and 25% to Chicago. For the year ended December 31, 2022, Company delivered 40% of its natural gas production to AECO, 18% to Dawn, 15% to Malin, and 27% to Chicago.

NuVista's exposure to AECO floating prices was approximately 18% of volumes in the fourth quarter of 2022 as a result of this market egress, 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 serve to provide for long-term price diversification.

Excluding the impact of realized losses on physical sales contracts, the average selling price for natural gas for both the three months and year ended December 31, 2022 was \$7.61/Mcf, compared to \$6.21/Mcf and \$4.66/Mcf for the comparative periods of 2021, and \$8.62/Mcf for the third quarter of 2022.

Condensate revenue

For the three months ended December 31, 2022, condensate revenue increased 36% over the comparable period of 2021 due to a 14% increase in the average realized selling price and a 19% increase in production. For the year ended December 31, 2022, condensate revenue increased 93% over the comparable period of 2021, due primarily to a 40% increase in realized selling prices and a 37% increase in production.

Strong demand for condensate in Alberta results in benchmark condensate prices at Edmonton trading at a premium to Canadian light oil prices. NuVista's realized condensate price includes adjustments for fractionation fees and quality differentials. The condensate realized selling price was \$109.69/Bbl and \$118.34/Bbl in the three months and year ended December 31, 2022, compared to \$96.15/Bbl and \$84.35/Bbl for the comparable periods of 2021, and \$111.14/Bbl for the third quarter of 2022.

NGL revenue

For the three months ended December 31, 2022, NGL revenue decreased 4% over the comparable period of 2021, due to a 3% decrease in the average realized selling price and a 2% decrease in production. For the year ended December 31, 2022, NGL revenue increased 80% over the comparable period of 2021, due primarily to a 55% increase in the average realized selling price, and a 16% increase in production. NGL revenue in 2022 was materially impacted by a significant but temporary improvement in sulphur pricing. For the three months and year ended December 31, 2022, sulphur revenue was \$0.4 million and \$21.9 million compared to \$2.8 million and \$8.1 million for the comparative periods of 2021, and \$3.9 million in the third quarter of 2022. Sulphur revenues are inherently very volatile and not typically a material portion of NuVista's NGL revenue composition.

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 70% 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, with a term of not more than 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 US dollars at the time the position is established and the US 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 exposure, may also be hedged back to Canadian dollars.

Three months ended December 31

(\$ thousands)	2022			2021		
	Realized loss	Unrealized gain	Total gain (loss)	Realized loss	Unrealized gain	Total gain (loss)
Natural gas	(1,714)	6,219	4,505	(22,139)	52,187	30,048
Condensate & oil	(6,256)	3,247	(3,009)	(15,357)	10,730	(4,627)
Gain (loss) on financial derivatives	(7,970)	9,466	1,496	(37,496)	62,917	25,421

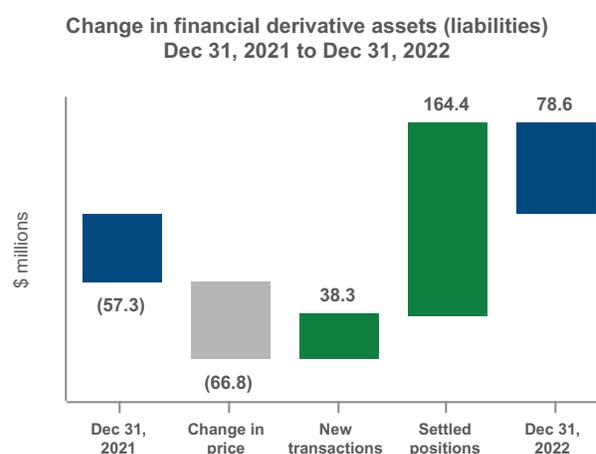
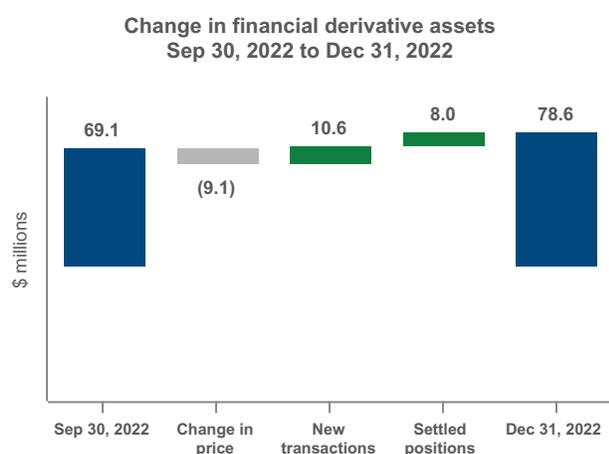
During the fourth quarter of 2022, the commodity price risk management program resulted in a gain of \$1.5 million, compared to a gain of \$25.4 million for the prior year comparative period and a gain of \$67.2 million in the third quarter of 2022. The fair value of financial derivative contracts is recorded in the financial statements. Unrealized gains and losses are the change in mark to market values 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 a result of gains due to the decrease in NYMEX forward strip pricing and decreasing WTI forward strip pricing, offset by losses as a result of the narrowing AECO-NYMEX basis strip 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 net earnings in a particular reporting period can be substantial.

Year ended December 31

(\$ thousands)	2022			2021		
	Realized loss	Unrealized gain	Total gain (loss)	Realized loss	Unrealized gain (loss)	Total loss
Natural gas	(63,133)	107,844	44,711	(48,515)	26,405	(22,110)
Condensate	(101,216)	27,969	(73,247)	(67,101)	(18,722)	(85,823)
Gain (loss) on financial derivatives	(164,349)	135,813	(28,536)	(115,616)	7,683	(107,933)

For the year ended December 31, 2022, the commodity price risk management program resulted in a loss of \$28.5 million compared to a loss of \$107.9 million for the comparable period of 2021.



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 4% of projected 2023 liquids production (primarily Q1-Q2) at an average WTI floor price of C\$100/Bbl. We have hedged 29% of projected 2023 gas production (primarily Q1-Q3) at an average floor price of C\$4.30/Mcf (hedged and exported volumes converted to an AECO equivalent price) using a combination of swaps and collars. These percentage figures relate to production net of royalty volumes.

Price risk management on our physical delivery sale contracts resulted in losses of \$1.5 million and \$19.1 million for the three months and year ended December 31, 2022 compared to a loss of \$2.3 million for both the comparable periods of 2021.

Financial instruments

The following is a summary of financial derivatives contracts in place as at December 31, 2022:

Term ⁽¹⁾	C5 - WTI differential swap		C\$ WTI 3 way collar			
	Bbls/d	US\$/Bbl	Bbls/d	Cdn\$/Bbl	Cdn\$/Bbl	Cdn\$/Bbl
Q1 2023	4,000	0.00	2,250	85.00	100.00	128.61
Q2 2023	4,000	0.00	1,250	85.00	100.00	136.31

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

Term ⁽¹⁾	AECO-NYMEX basis swap	
	MMBtu/d	US\$/MMBtu
Q1 2023	100,000	(1.01)
Q2 2023	110,000	(1.01)
Q3 2023	110,000	(1.01)
Q4 2023	103,370	(1.01)
2024	100,000	(1.00)
2025	105,000	(0.96)
2026	137,500	(0.91)
2027	70,000	(0.85)

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

Term ⁽¹⁾	AECO fixed price swap	
	GJ/d	Cdn\$/GJ
Q1 2023	15,000	4.30
Q2 2023	20,000	3.87
Q3 2023	20,000	3.87
Q4 2023	6,739	3.87
2024	15,000	4.00
2025	15,000	4.00

⁽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 2023	60,000	4.50	10.97	20,000	4.00	7.13
Q2 2023	40,000	4.00	10.07	20,000	3.88	5.39
Q3 2023	40,000	4.00	10.07	20,000	3.88	5.39
Q4 2023	13,478	4.00	10.07	13,370	3.69	5.32

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

Subsequent to December 31, 2022, the following is a summary of financial derivatives that have been entered into:

Term ⁽¹⁾	Dawn-NYMEX basis swap	
	MMBtu/d	US\$/MMBtu
Q2 2023	30,000	(0.19)
Q3 2023	30,000	(0.19)
Q4 2023	10,109	(0.19)

⁽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, 2022:

Term ⁽¹⁾	AECO fixed price swap		AECO-NYMEX basis	
	GJ/d	Cdn\$/GJ	MMBtu/d	US\$/MMBtu
Q1 2023	5,000	4.82	—	—
Q2 2023	35,000	3.92	—	—
Q3 2023	41,630	3.82	—	—
Q4 2023	15,163	3.77	—	—
2024	35,000	4.01	—	—
2025	35,000	4.01	5,000	(1.15)

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

Royalties

(\$ thousands, except % and per Boe amounts)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Gross royalties	65,261	34,415	245,586	91,874
Gas cost allowance ("GCA")	(11,003)	(7,034)	(46,912)	(26,775)
Net royalties	54,258	27,381	198,674	65,099
Gross royalty % excluding physical delivery sales contracts ⁽¹⁾	14.3	10.6	13.9	10.4
Gross royalty % including physical delivery sales contracts	14.3	10.6	14.1	10.4
Net royalty %	11.9	8.5	11.4	7.4
Net royalties \$/Boe	7.94	4.89	7.92	3.41

⁽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, 2022, gross royalties increased 90% and 167% compared to the prior year comparative periods primarily as a result of the increase in the average \$/Boe realized sales price. Gross royalties as a percentage of petroleum and natural gas revenues increased from the prior year comparative periods, as a result of higher crown reference pricing on which NuVista's royalty obligations are calculated. In addition, due to the higher price environment a greater number of wells fully utilized the lower initial royalty rates under the Alberta royalty incentive programs in 2022, after which an increased royalty rate is applied.

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, 2022, the 56% and 75% increase in GCA credits received compared to the comparative

periods of 2021 is primarily due to GCA received related to NuVista's investment in gas processing and transportation infrastructure.

The gross natural gas and liquids (condensate and NGL) royalty rates for the three months ended December 31, 2022 were 9% and 18% compared to 5% and 14% respectively, in the comparative periods of 2021. Compared to the third quarter, gross natural gas and liquids royalty rates increased from 5% and 16%. The gross natural gas and liquids (condensate and NGL) royalty rates for the year ended December 31, 2022 were 8% and 18% compared to 5% and 13% respectively, in the comparative periods of 2021.

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

Transportation expenses

(\$ thousands, except per unit and per Boe amounts)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Natural gas transportation expense	19,277	17,940	75,387	70,709
Condensate & NGL transportation expense	17,100	11,181	53,926	30,073
Total transportation expense	36,377	29,121	129,313	100,782
Natural gas transportation \$/Mcf ⁽¹⁾	0.81	0.96	0.86	1.06
Condensate & NGL transportation \$/Bbl	5.99	4.48	5.14	3.79
Total transportation \$/Boe	5.33	5.20	5.16	5.27

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

For the three months and year ended December 31, 2022, natural gas transportation expense on a total dollar basis was higher than the prior year comparative periods due to increased firm commitments for natural gas transportation. However, over the same periods, the cost on a \$/Mcf basis decreased due to a 28% and 31% increase in natural gas production. Compared to the third quarter of 2022, natural gas transportation expense increased from \$18.6 million (\$0.83/Mcf) due to the increase in natural gas production.

Condensate & NGL transportation for the three months and year ended December 31, 2022, increased on both a total dollar and \$/Bbl basis from the prior year comparative periods due to increased production, primarily in the Pipestone area, increased pipeline tolls reflective of consumer price index adjustments, and temporary trucking costs incurred as a result of an extended third party pipeline outage throughout the fourth quarter of 2022.

Operating expenses

(\$ thousands, except per Boe amounts)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Operating expenses	81,570	58,987	292,568	203,457
Per Boe	11.94	10.53	11.67	10.65

For the three months and year ended December 31, 2022, operating expenses on a total dollar and \$/Boe basis were higher than the prior year comparative periods due to increased production in the Pipestone area as well as the impact of inflationary pressures and higher utility and fuel costs realized at both NuVista and third party midstream facilities. Fourth quarter operating expenses of \$81.6 million (\$11.94/Boe) increased from third quarter operating expenses of \$77.4 million (\$12.23/Boe) on total dollar basis due to the impact of midstream processing charges on higher production volumes.

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 - Leases*. For the three months and year ended December 31, 2022, total payments under these two leases of \$4.4 million and \$17.2 million were

excluded from operating expenses and accounted for under the lease standard, compared to \$4.3 million and \$16.2 million in the prior year comparative periods.

General and administrative expenses (“G&A”)

(\$ thousands, except per Boe amounts)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Gross G&A expenses	7,936	6,435	29,091	25,979
Overhead recoveries	(835)	(444)	(2,981)	(1,731)
Capitalized G&A	(1,198)	(943)	(4,863)	(4,339)
Net G&A expenses	5,903	5,048	21,247	19,909
Gross G&A per Boe	1.16	1.15	1.16	1.36
Net G&A per Boe	0.86	0.90	0.85	1.04

For the three months and year ended December 31, 2022, G&A expenses on a total dollar basis increased from the prior year comparative periods, due to compensation and discretionary spending returning to pre-COVID levels, and general economic inflationary pressures, offset by higher overhead recoveries. However, G&A expenses on a per Boe basis have decreased from the prior year as a result of the increase in production volumes.

The Company’s base rent for the head office is excluded from G&A expense and classified as a lease under *IFRS 16 - Leases*. For the three months and year ended December 31, 2022 and December 31, 2021, total payments of \$0.2 million and \$0.8 million were excluded from gross G&A expenses and accounted for under the lease standard.

Share-based compensation expense

(\$ thousands)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Stock options	453	417	1,662	1,678
Restricted share awards	550	398	1,904	1,498
Performance share awards	925	558	3,244	1,878
Non-cash share-based compensation expense	1,928	1,373	6,810	5,054
Director deferred share units	3,681	2,287	7,385	7,047
Performance share units	(42)	(4)	(48)	687
Restricted share awards ⁽¹⁾	—	—	—	26
Performance share awards ⁽¹⁾	—	—	—	32
Cash share-based compensation expense	3,639	2,283	7,337	7,792
Total share-based compensation expense	5,567	3,656	14,147	12,846

⁽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 performance share unit (“PSU”) plans.

The change in share-based compensation expense over the prior year comparative period is primarily due to the number and fair value of units granted or exercised for non-cash share-based awards, changes in performance multipliers associated with the PSAs, and the change in the valuation of the liability of the cash share-based DSU and awards as result of the change in share price from the beginning of the period to the end of the period.

For the three months ended December 31, 2022, the increase in total share-based compensation was primarily a result of an increase in DSU expense and a corresponding increase in the recorded liability due to the increase in

the Company's share price. At December 31, 2022, the Company's closing share price was \$12.48/share compared to \$9.81/share at September 30, 2022 and \$6.96/share at December 31, 2021.

For the year ended December 31, 2022, the increase in total share-based compensation was primarily due to an increase to the performance multiplier for 2022 PSAs, which was determined by the Board to be 1.23x (3 year average), based on above-target Company performance.

Financing costs

(\$ thousands, except per Boe amounts)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Interest on long-term debt (credit facility)	1,156	3,233	7,110	15,931
Interest on senior unsecured notes	4,809	4,870	19,525	18,907
Early redemption expense on 2026 Notes	131	—	356	—
Call premium on redemption of 2023 Notes	—	—	—	3,575
Interest expense	6,096	8,103	26,991	38,413
Lease interest expense	3,141	3,271	12,763	13,248
Accretion expense	770	474	3,062	2,213
Total financing costs	10,007	11,848	42,816	53,874
Interest expense per Boe	0.89	1.45	1.08	2.01
Total financing costs per Boe	1.46	2.12	1.71	2.82

For the three months and year ended December 31, 2022, the decrease in interest expense on long-term debt from the prior year comparable periods was primarily due to lower average borrowings on the credit facility offset by an increase in interest rates. The average interest rate on long-term debt (credit facility) for the three months and year ended December 31, 2022 was 7.0% and 5.3% compared to the average interest rate of 3.7% and 4.3% for the comparative periods of 2021. 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 then outstanding 6.5% senior unsecured notes due March 2, 2023 ("2023 Notes") which were issued on March 2, 2018. See also the *Liquidity and Capital Resources* section in this MD&A. During the year ended December 31, 2022, NuVista repurchased and cancelled \$9.4 million aggregate principal of its 2026 Notes plus accrued and unpaid interest, for a total purchase price of \$9.6 million, resulting in an early redemption expense of \$0.4 million compared to the carrying value of \$9.2 million.

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

(\$ thousands, except per Boe amounts)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Depletion and depreciation of property, plant and equipment	59,982	50,062	202,153	155,073
Depreciation of right-of-use assets	2,241	2,242	8,967	8,967
DD&A expense	62,223	52,304	211,120	164,040
Property, plant and equipment ("PP&E") impairment reversal	—	—	—	(163,178)
Total DD&A and impairment expense	62,223	52,304	211,120	862
DD&A rate per Boe	9.11	9.34	8.42	8.59

DD&A expense for three months and year ended December 31, 2022 was \$62.2 million (\$9.11/Boe) and \$211.1 million (\$8.42/Boe), compared to \$52.3 million (\$9.34/Boe) and \$164.0 million (\$8.59/Boe) for the comparable periods of 2021, and \$54.3 million (\$8.58/Boe) in the third quarter of 2022.

Included in DD&A expense is the accelerated depletion expense or accelerated depletion recovery 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, 2022, the DD&A rate excluding the impact of accelerated depletion was \$8.62/Boe and \$8.65/Boe compared to the prior year comparative periods of \$8.75/Boe and \$8.65/Boe, and \$8.63/Boe in the third quarter of 2022.

The Montney cash generating unit (“CGU”) DD&A rate per Boe for the three months and year ended December 31, 2022 increased to \$8.37/Boe and \$8.31/Boe compared to \$8.34/Boe and \$8.16/Boe for the comparable periods of 2021. The higher DD&A rates are primarily a result of the increase in the depletable base as a result of the reversal of previously recognized impairment expense in the third quarter of 2021. The current quarter rate of \$8.37/Boe increased slightly from the third quarter rate of \$8.30/Boe.

At December 31, 2022, there were no indicators of impairment identified on any of the Company’s CGUs within property, plant and equipment and an impairment test was not performed.

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, 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. As of September 30, 2021, all impairment expenses previously recognized within PP&E were fully reversed.

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.

Asset retirement obligations



⁽¹⁾ For the year ended December 31, 2022, includes non-cash settlements of \$7.1 million (2021 - \$1.2 million) that were funded by payments made directly to NuVista’s service providers from the Alberta Site Rehabilitation Program (“ASRP”) with respect to approved abandonment and reclamation expenditures. These amounts have been recorded within “Interest and other income”.

Asset retirement obligations (“ARO”) are based on estimated costs to reclaim and abandon ownership interests in condensate and natural gas assets including well sites, gathering systems and processing facilities. At December 31, 2022, NuVista had an ARO balance of \$91.7 million as compared to \$120.2 million as at December 31, 2021. The Government of Canada long-term risk-free bond rate of 3.3% (December 31, 2021 – 1.7%) and an inflation rate of 2.1% (December 31, 2021 – 1.8%) were used to calculate the net present value of the asset retirement obligations. At December 31, 2022, the estimated total undiscounted and uninflated amount of cash required to settle NuVista’s ARO was \$110.7 million (December 31, 2021 – \$117.1 million) with an estimated 35% to be incurred within the next 10 years. Actual ARO expenditures for the year ended December 31, 2022 were \$16.4 million including funding by payments made under the ASRP of \$7.1 million, compared to \$6.7 million including funding by payments made under the ASRP of \$1.2 million for the year ended December 31, 2021.

NuVista’s ARO liability decreased by \$28.6 million in 2022 due primarily to a \$22.7 million decrease as a result of a change in the discount rate used to value the liability from December 31, 2021, in addition to \$16.4 million of liabilities settled, partially offset by a \$2.8 million increase in ARO cost estimates and \$5.1 million of liabilities incurred as a result of new wells drilled.

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, 2022 were \$72.7 million and \$419.5 million, compared to \$86.4 million and \$288.8 million in the comparative periods of 2021. For the three months and year ended December 31, 2022, cash used in investing activities was \$79.3 million and \$442.1 million, compared to \$42.6 million and \$176.3 million in the comparative periods of 2021, with the first quarter of 2021 including proceeds on property dispositions of \$93.6 million.

The increase in capital expenditures for the three months and year ended December 31, 2022 is reflective of the increased activity and increase to the capital budget in 2022 in response to the improved economic environment. Capital expenditures for the year came in at the top of guidance range of \$410 - \$420 million.

The table below summarizes the breakdown of capital expenditures in each category of capital expenditures for the three months and year ended December 31, 2022 and 2021:

(\$ thousands, except % amounts)	Three months ended December 31				Year ended December 31			
	2022	% of total	2021	% of total	2022	% of total	2021	% of total
Land and retention costs	20	—	1,000	1	3,378	1	1,000	—
Geological and geophysical	139	—	98	—	386	—	421	—
Drilling and completion	61,348	84	75,221	88	345,735	83	242,875	84
Facilities and equipment	9,882	14	8,941	10	64,386	15	39,391	14
Corporate and other	1,354	2	1,142	1	5,591	1	5,159	2
Capital expenditures ⁽¹⁾	72,743		86,402		419,476		288,846	

⁽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 “Specified Financial Measures”.

The majority of 2022 capital expenditures was focused on drilling and completion activities. Looking forward, the Company expects to continue to spend between 80-85% of planned capital expenditures on drilling and completion related activities.

Asset transactions

For the year ended December 31, 2022, the Company had minor asset transactions resulting in an accounting gain of \$1.7 million. During the first quarter of 2022, a non-cash land swap valued at \$1.3 million resulted in an accounting gain of \$1.3 million. The lands disposed had a net book value of nil within property, plant & equipment, and the lands acquired in the swap valued at \$1.3 million are included in exploration & evaluation assets. During the second quarter of 2022, the Company disposed of non-core assets resulting in an accounting gain of \$0.4 million. There were no transactions in last half of 2022.

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 of 2021, resulting in a reduction to the original proceeds. A gain on dispositions was recorded in the amount of \$33.3 million. 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.

Right-of-use assets and lease liabilities

The Company has right-of-use assets and lease liabilities for its head and field office leases, a gas processing lease associated with the Pipestone South compressor, and a gas gathering lease associated with the pipeline that connects the Pipestone South compressor to the Energy Transfer Partners Wapiti plant. At December 31, 2022, the total right-of-use asset is \$99.0 million. The total lease liability is \$116.7 million, of which \$5.9 million is classified as a current liability.

Deferred income taxes

For the three months and year ended December 31, 2022, the Company recorded deferred tax expense of \$43.2 million and \$183.3 million compared to \$35.2 million and \$80.2 million for the prior year comparative periods. As a result of the increase in net earnings, the deferred tax liability of \$260.3 million at December 31, 2022 increased from the December 31, 2021 balance of \$87.8 million. The combined federal and provincial corporate tax rate in 2021 and 2022 is 23%. Within the context of current strip prices and our current capital spending plans, we expect to be cash taxable starting in 2023.

Tax pools

At December 31, 2022, NuVista had \$1.1 billion (2021 – \$1.6 billion) of tax pools available for deduction against future years' taxable income.

(\$ thousands)	Available tax pools	Maximum annual deduction
	2022	%
Canadian exploration expenses	158,000	100 %
Canadian development expenses	463,000	30-45% declining balance
Canadian oil and natural gas property expenses	277,000	10-15% declining balance
Undepreciated capital cost	177,000	25-37.5% declining balance
Non-capital losses	67,000	100 %
Other	7,000	various rates
Total federal tax pools	1,149,000	
Additional Alberta tax pools	13,000	100 %

Liquidity and capital resources

With the strong commodity price environment and our significantly increased production and free adjusted funds flow, NuVista is in the very favorable position of being able to continue our disciplined and value-adding growth strategy concurrently with continuing reduction of net debt and the continued return of capital to shareholders. Options for the return of capital to shareholders include the repurchase of shares and dividend strategies, and remaining free adjusted funds flow can also be considered for allocation towards continued growth and highly selective M&A, where value adding for shareholders. Currently, our Board has set a target of 75% of free adjusted funds flow returned to shareholders through the repurchase of the Company's common shares.

Our Board has approved a long-term sustainable target net debt to adjusted funds flow of less than 1.0 times in a stress test price environment of US\$45/Bbl WTI and US\$2.00/MMBtu NYMEX natural gas. We believe that the best method for return of capital to shareholders is initially to repurchase shares, however we continue to re-evaluate the uses of free adjusted funds flow. The re-evaluation takes into account the supply and demand and pricing environment, and includes all options including continued disciplined growth beyond existing facility capacity, share repurchases, dividend payments and prudent targeted M&A.

Long-term debt (credit facility)

At December 31, 2022, the Company had a \$440 million (December 31, 2021 - \$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, 2024 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, 2022, NuVista was in compliance with all covenants. The semi-annual review was completed on November 30, 2022, with no change to the credit facility capacity, and the credit facility now incorporates sustainability linked performance features. The next annual review is scheduled on or before May 31, 2023.

The conversion of the NuVista's credit facility to a sustainability-linked loan ("SLL") allows the Company to link performance on key sustainability themes to its borrowing costs, whereby rates increase or decrease depending on established annual sustainability performance targets ("SPTs") related to:

- A reduction of Scope 1 & 2 GHG Intensity;
- Increased spending on asset retirement obligations, over and above the minimum Alberta Energy Regulator established regulations as well as the number of well sites moved through the assessment and remediation process; and
- Gender diversity at the Board of Directors level.

Successfully achieving these SPTs will result in a decrease to the ongoing costs of the credit facility, and conversely, NuVista will incur an increase to the ongoing costs if it fails to meet the SPTs. The SPTs are important to the business plan and corporate values while demonstrating continuing commitment to the environment. Currently, NuVista is on track to meet or exceed the SPTs.

As at December 31, 2022, the Company had drawn nil on its term credit facility (December 31, 2021 – \$196.1 million) and had outstanding letters of credit of \$7.2 million which reduce the credit available on this credit facility.

As at December 31, 2022, the Company had available cash on hand of \$41.9 million in its Canadian cash account attracting an interest rate of approximately 4.1% (2021 - nil).

Export development Canada (“EDC”) facility

The Company has a \$30 million unsecured letter of credit facility under Export Development Canada's (“EDC”) Account Performance Security Guarantee (“APSG”) program. At December 31, 2022, the Company had outstanding letters of credit associated with the APSG of \$22.8 million, leaving \$7.2 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.

During the year ended December 31, 2022, NuVista redeemed a total of \$9.4 million in aggregate principal of its 2026 Notes through open market repurchases at a weighted average price of \$101.47 plus accrued and unpaid interest. The difference between the repurchase price and the carrying value was recognized as an early redemption expense within financing costs in the consolidated statement of earnings. The remaining face value of the 2026 Notes at December 31, 2022 was \$220.6 million, with a carrying value of \$215.4 million.

Subsequent to December 31, 2022, NuVista repurchased an additional \$7.8 million in aggregate principal of its 2026 Notes. The remaining face value of the 2026 Notes is \$212.7 million with a carrying value of \$205.0 million.

Market capitalization and net debt

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

(\$ thousands)	December 31, 2022	December 31, 2021
Basic common shares outstanding ('000s)	219,346	227,578
Share price ⁽¹⁾	12.48	6.96
Total market capitalization	2,737,438	1,583,943
Cash and cash equivalents	(41,890)	—
Accounts receivable and prepaid expenses	(196,678)	(88,537)
Other receivable	(7,063)	—
Accounts payable and accrued liabilities	185,129	140,002
Current portion of other liabilities ⁽²⁾	15,375	7,990
Long-term debt (credit facility)	—	196,055
Senior unsecured notes	215,392	223,178
Other liabilities	1,540	1,587
Net debt ^(3,4)	171,805	480,275
Annualized current quarter adjusted funds flow ^(3,4)	1,027,932	606,660
Net debt to annualized current quarter adjusted funds flow	0.2	0.8
Adjusted funds flow ^(2,3)	892,801	320,974
Net debt to adjusted funds flow	0.2	1.5

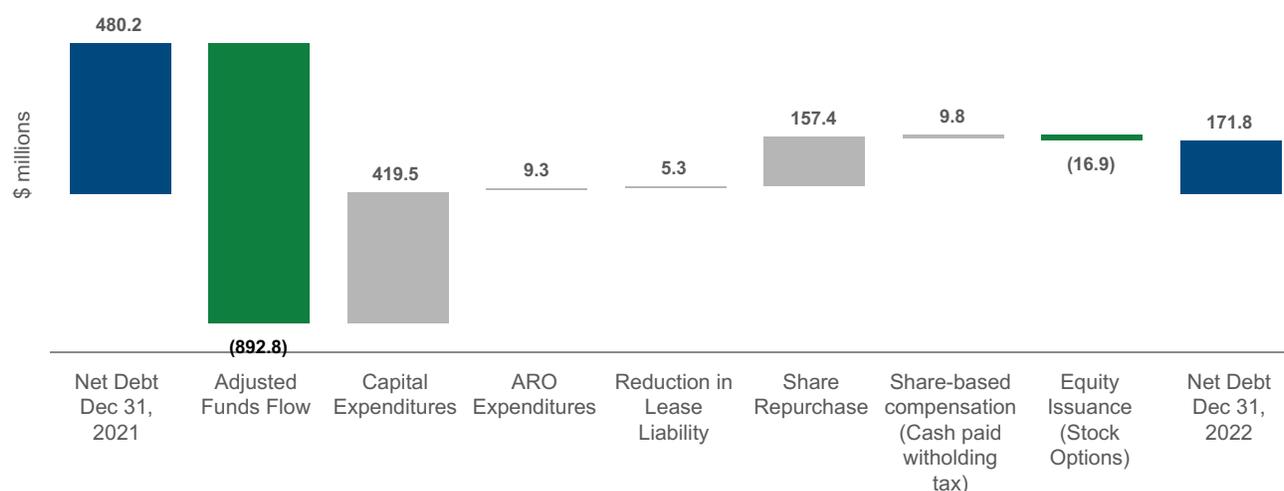
⁽¹⁾ Represents the closing share price on the TSX on the last trading day of the period.

⁽²⁾ Prior year comparative of \$8.0 million has been reclassified from long-term to current liabilities to align with the current presentation.

⁽³⁾ Capital management measure. Reference should be made to the section entitled "Specified Financial Measures".

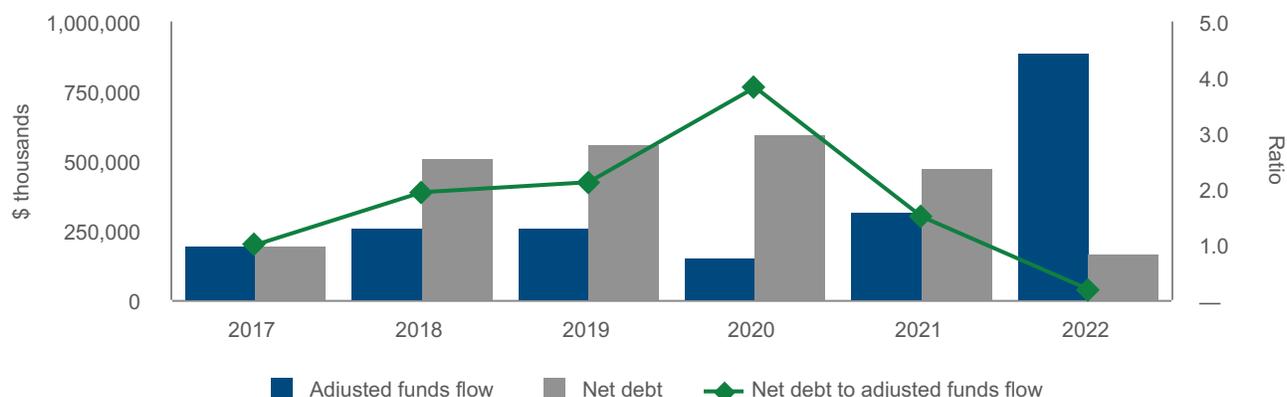
⁽⁴⁾ Refer to Note 18, "Capital Management" in NuVista's financial statements.

Net debt reconciliation



NuVista has more than sufficient liquidity to execute its business plan. At current strip pricing, the Company is forecasting net debt reduction from adjusted funds flow in excess of capital expenditures and financing of our NCIB, while achieving prudent production growth. Net debt has been reduced to \$171.8 million and we achieved a favorable net debt to annualized current quarter adjusted funds flow of 0.2x. This represents the time period it would take to pay off NuVista's net debt if no further capital expenditures were incurred and if adjusted funds flow remained constant. NuVista plans to monitor its business plan and has flexibility to adjust its capital program, NCIB expenditures and net debt reduction in the context of commodity prices and net debt levels.

Net debt to adjusted funds flow ⁽¹⁾



⁽¹⁾ Based on full year adjusted funds flow.

Share Capital

On June 9, 2022, NuVista announced the approval of its normal course issuer bid (“NCIB”). The NCIB allows NuVista to purchase up to 18,190,261 of its outstanding common shares over a 12-month period, commencing June 14, 2022. During the quarter ended December 31, 2022, NuVista repurchased 6,645,300 common shares at a weighted average price of \$12.88/share for a total cost of \$85.6 million. Since the inception of the NCIB, NuVista has repurchased a total of 13,482,600 common shares at a weighted average price of \$11.67/share for a total cost of \$157.4 million. Shares were cancelled upon repurchase. Subsequent to December 31, 2022, the Company repurchased and subsequently cancelled 1,039,100 common shares at a weighted average price of \$11.53/share for a total cost of \$12.0 million.

As at December 31, 2022, there were 219.3 million common shares outstanding. In addition, there were 4.1 million stock options with an average exercise price of \$3.84 per option and 0.8 million RSAs and 4.3 million PSAs outstanding.

Commitments

NuVista enters into contract obligations as part of conducting business. Such commitments include 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, 2022:

(\$ thousands)	Total	2023	2024	2025	2026	2027	Thereafter
Transportation ⁽¹⁾	904,272	131,685	130,914	123,220	119,390	104,937	294,126
Processing ⁽¹⁾	1,262,893	84,163	97,659	97,522	94,770	95,240	793,539
Servicing ⁽²⁾	16,560	5,000	5,780	5,780	—	—	—
Total commitments ⁽³⁾	2,183,725	220,848	234,353	226,522	214,160	200,177	1,087,665

⁽¹⁾ Certain of the transportation and processing commitments are secured by outstanding letters of credit of \$29.0 million at December 31, 2022 (December 31, 2021 - \$24.2 million).

⁽²⁾ Effective November 2022, NuVista entered into a 3-year fracturing services and proppant supply agreement with a third-party. Part of the agreement includes USD and the conversion rate used was as at December 31, 2022 1.36 Cdn\$/US\$.

⁽³⁾ Excludes commitments recognized within lease liabilities.

Off “balance sheet” arrangements

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

QUARTERLY FINANCIAL INFORMATION

(\$ thousands, except otherwise stated)	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
FINANCIAL								
Petroleum and natural gas revenues	455,868	445,007	463,273	381,827	323,355	222,601	187,925	151,409
Net earnings (loss)	159,372	223,463	177,954	70,255	113,159	147,065	(10,941)	15,389
Per share, basic ⁽⁶⁾	0.72	0.99	0.78	0.31	0.50	0.65	(0.05)	0.07
Per share, diluted ⁽⁶⁾	0.69	0.95	0.74	0.30	0.48	0.63	(0.05)	0.07
Cash provided by operating activities	226,688	228,018	227,668	162,442	110,063	124,007	58,357	46,151
Per share, basic ⁽⁶⁾	1.02	1.01	0.99	0.71	0.48	0.55	0.26	0.20
Per share, diluted ⁽⁶⁾	0.98	0.97	0.95	0.68	0.47	0.53	0.26	0.20
Adjusted funds flow ⁽¹⁾	256,983	246,115	199,833	189,869	151,665	80,602	55,452	33,257
Per share, basic	1.16	1.09	0.87	0.83	0.67	0.36	0.25	0.15
Per share, diluted	1.12	1.04	0.83	0.80	0.64	0.35	0.25	0.14
Capital expenditures ⁽²⁾	72,743	111,746	115,023	119,964	86,402	77,152	44,344	80,948
Total assets (\$ millions)	2,822	2,750	2,613	2,505	2,392	2,353	2,140	2,137
Weighted average basic shares outstanding (thousands of shares)	222,483	226,770	229,595	228,146	226,951	226,301	226,045	225,842
Weighted average diluted shares outstanding (thousands of shares)	230,366	235,540	239,405	238,084	235,691	233,400	226,045	229,813
OPERATING								
Daily Production								
Natural gas (Mcf/d)	259,335	244,709	225,070	228,978	202,730	184,149	178,293	168,433
Condensate (Bbls/d)	25,112	22,478	21,058	21,680	21,072	15,779	16,296	12,627
NGLs (Bbls/d) ⁽⁴⁾	5,918	5,529	6,463	6,756	6,028	4,534	5,473	5,155
Total (Boe/d)	74,252	68,792	65,032	66,599	60,888	51,005	51,485	45,854
Condensate & NGLs weighting	42%	41%	42%	43%	45%	40%	42%	39%
Average realized selling prices ⁽⁵⁾								
Natural gas (\$/Mcf)	7.55	8.32	7.83	5.79	6.09	4.88	3.48	3.79
Condensate (\$/Bbl)	109.69	111.14	135.67	119.21	96.15	84.59	79.00	70.87
NGLs (\$/Bbl)	41.28	55.14	73.09	49.30	42.38	41.36	28.73	28.80
Netbacks (\$/Boe)								
Petroleum and natural gas revenues	66.73	70.32	78.28	63.71	57.73	47.44	40.11	36.68
Realized gain (loss) on financial derivatives	(1.17)	(5.63)	(12.77)	(7.54)	(6.69)	(6.04)	(6.13)	(5.11)
Interest income	0.01	—	—	—	—	—	—	—
Royalties	(7.94)	(6.23)	(12.11)	(5.56)	(4.89)	(3.51)	(2.24)	(2.61)
Transportation expenses	(5.33)	(5.12)	(5.59)	(4.58)	(5.20)	(5.38)	(5.44)	(5.07)
Operating expenses	(11.94)	(12.23)	(11.55)	(10.89)	(10.53)	(10.49)	(10.54)	(11.11)
Operating netback ⁽³⁾	40.36	41.11	36.26	35.14	30.42	22.02	15.76	12.78
Corporate netback ⁽³⁾	37.62	38.89	33.76	31.69	27.08	17.18	11.84	8.06

⁽¹⁾ Capital management measure. Reference should be made to the section entitled "Specified 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 "Specified 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 "Specified Financial Measures".

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

⁽⁵⁾ Product prices exclude realized gains/losses on financial derivatives.

⁽⁶⁾ Supplementary financial measure. Reference should be made to the section entitled "Specified Financial Measures".

Petroleum and natural gas revenues over the prior eight quarters, have ranged from \$151.4 million to \$463.3 million, largely due to the volatility of commodity prices and changes in production. Net earnings (loss) has been in a range of a net loss of \$10.9 million to net earnings of \$223.5 million, primarily influenced by commodity prices and production volumes, realized and unrealized gains and losses on financial derivatives, impairment charges and reversals and deferred income taxes.

SPECIFIED 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 may 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.

The following list identifies the non-GAAP financial measures included in NuVista's MD&A:

Capital expenditures

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

(\$ thousands)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Cash used in investing activities	(79,310)	(42,620)	(442,091)	(176,258)
Changes in non-cash working capital	6,567	(44,254)	22,615	(15,249)
Other receivable expenditures	—	(562)	—	(4,795)
Property dispositions	—	1,034	—	(92,544)
Capital expenditures	(72,743)	(86,402)	(419,476)	(288,846)

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 under the headings "Capital management measures" 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:

(\$ thousands)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Cash provided by operating activities	226,688	110,063	844,816	338,578
Cash used in investing activities	(79,310)	(42,620)	(442,091)	(176,258)
Excess cash provided by operating activities over cash used in investing activities	147,378	67,443	402,725	162,320
Adjusted funds flow	256,983	151,665	892,801	320,974
Capital expenditures	(72,743)	(86,402)	(419,476)	(288,846)
Asset retirement expenditures	(1,223)	(809)	(9,302)	(5,478)
Free adjusted funds flow	183,017	64,454	464,023	26,650

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 believes 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, excluding accretion expense.

Management believes 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 18 "Capital Management" in NuVista's financial statements for additional disclosure on net debt, adjusted funds flow, net debt to adjusted funds flow, and net debt to annualized current quarter 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.

NuVista calculates: (i) "adjusted funds flow per share" by dividing adjusted funds flow for a period by the number of weighted average common shares of NuVista for the specified period; and (ii) "net earnings per share" by dividing the net earnings for a period by the number of weighted average common shares of NuVista for the specified period.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the financial statements and the reported amounts of revenue and expenses during the period. Estimates are subject to measurement uncertainty and changes in such estimates in future years could require material change in the financial statements. These underlying assumptions are based on historical experience and other factors that management believes to be reasonable under the circumstances, and are subject to change as new events occur, as more industry experience is acquired, as additional information is obtained as NuVista's operating environment changes. Estimates and underlying assumptions are reviewed on an ongoing basis by management. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in the future periods affected.

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

Determination of cash generating units

Oil and natural gas assets are grouped into cash generating units ("CGUs") that have been identified as being the smallest identifiable group of assets that generate cash flows that are independent of cash flows of other assets or groups of assets. The determination of NuVista's CGUs is subject to management judgement and interpretations with respect to the geographical proximity, shared infrastructure, commodity composition, similar market exposure, and the way in which operations are managed.

Impairment indicators

NuVista assesses its property, plant and equipment for impairment or impairment reversal when internal or external indicators of impairment or impairment reversal exist and impairment testing is required. If any indication of impairment exists, NuVista performs an impairment test on the CGU. The carrying amount of each CGU is compared to its recoverable amount, which is defined as the greater of its fair value less costs of disposal and value in use, and is subject to management's estimates. If 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. NuVista also assesses its property, plant and equipment to determine if events or circumstances would support the reversal of any previously recorded impairment charges. In this assessment NuVista considers the facts and circumstances that caused the original impairment charge to be recognized and whether there is a sustained period in which those facts and circumstances changed.

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.

Reserve estimates

Proved and proved plus probable oil and natural gas reserves are used in the calculation of depletion, impairment and impairment reversals and to assess for indicators of impairment or impairment reversal on each of the Company's CGUs. 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. The estimate for these obligations is also impacted by the risk-free rate and inflation rates used to calculate the present value of the asset retirement obligation.

Income taxes

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. 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.

Lease arrangements

Management applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease. Leases that are recognized are subject to further management judgment and estimation in various areas specific to the arrangement, including lease term and discount rate.

The preparation of the consolidated financial statements in accordance with IFRS 16 requires management to make judgments, estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses. Actual results could differ significantly from these estimates. Key areas where management has made judgments, estimates and assumptions related to the application of IFRS 16 include:

Incremental borrowing rate

The incremental borrowing rates are based on judgments including economic environment, term, and the underlying risk inherent to the asset. The carrying balance of the right-of-use assets, lease liabilities and the resulting lease interest and depreciation expense may differ due to changes in the market conditions and lease term.

Lease term

Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

Share-based compensation

Compensation expense recognized for the Company's performance share awards is subject to estimation relating to the performance multiplier, which will determine the ultimate equity payout at the vesting date. This multiplier, ranging from zero to two, will be applied at vesting and is dependent on the performance of the Company relative to pre-defined corporate performance measures for a particular period and the Board of Directors' discretion. Assumptions on the forfeiture rate at the time of grant are also subject to management estimates

The compensation expense recognized for the awards granted under the Company's stock option plan is subject to the estimation of what the ultimate payout will be using pricing models such as the Black-Scholes model, which is based on significant assumptions such as volatility, forfeiture, discount rates and expected term.

Depreciation, depletion, amortization and impairment (reversal)

Property, plant and equipment is measured at cost less accumulated depreciation, depletion, amortization and impairment (reversal). Depletion of crude oil and natural gas assets is determined based on total proved plus probable reserves as well as future development costs as estimated by an independent qualified reserve evaluator.

Future accounting pronouncements

Various amendments to existing standards and new accounting requirements have been released that are effective January 1, 2023. The Company does not anticipate the new requirements to have a material impact on the financial statements.

CONTROLS AND PROCEDURES

Disclosure controls and procedures

Disclosure controls and procedures (“DC&P”) have been designed to ensure that information to be disclosed by NuVista is accumulated and communicated to management, as appropriate, to allow timely decisions regarding required disclosures. All control systems by their nature have inherent limitations and, therefore, the Company’s disclosure controls and procedures are believed to provide reasonable, but not absolute, assurance that the objectives of the control systems are met.

NuVista’s President and Chief Executive Officer (“CEO”) and Vice President, Finance and Chief Financial Officer (“CFO”) (“the Certifying Officers”) have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company’s DC&P at December 31, 2022 and have concluded that the Company’s DC&P were effective.

Internal control over financial reporting

NuVista complies with National Instrument 52-109 “Certification of Disclosure in Issuers’ Annual and Interim Filings”. The certification requires that NuVista disclose in the MD&A any material weaknesses in NuVista’s internal controls over financial reporting and/or any changes in NuVista’s internal controls over financial report that occurred during the period that may have materially affected, or are reasonably likely to materially affect, NuVista’s internal controls over financial reporting.

The CEO and CFO have designed internal controls over financial reporting (“ICFR”), 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 ICFR based on the Committee of Sponsoring Organizations of the Treadway Commission (2013). The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company’s ICFR at December 31, 2022 and have concluded that the Company’s ICFR was effective at December 31, 2022. No changes were made to NuVista’s ICFR during the year ended December 31, 2022 that have materially or are reasonably likely to materially affect the internal controls over financial reporting.

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

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:

- Commodity risk as crude oil, condensate and natural gas prices and differentials fluctuate due to market forces;
- Risk associated with a potential recession and its corresponding impact on commodity prices;
- Inflationary pressures on the procurement of materials and labour to safely deliver on our forecasted capital and operational plans;
- 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;
- Transition risks as countries adopt policies and legislation to reduce GHG emissions;
- Supply chain risk on the ability to execute our development plan;
- Labour risk related to availability, productivity and retention of qualified personnel;
- Risk associated with the re-negotiation of NuVista's credit facility and the continued participation of NuVista's lenders;
- Financial risk such as volatility of the Cdn/US dollar exchange rate, interest rates and debt service obligations;
- 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;
- Market risk relating to the availability of transportation systems to move the product to market;
- Our ability to satisfy obligations under our firm commitment transportation and processing arrangements; and
- Environmental and safety risk associated with well operations and production facilities.

NuVista seeks to mitigate these risks by:

- Maintaining product mix to balance exposure to commodity prices;
- 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;
- 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;
- Establishing ESG related processes and targets and investments in projects that reduce GHG emissions;
- 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;
- Conducting rigorous reviews of all property acquisitions;
- Ensuring strong third-party operators for non-operated properties;
- Adhering to NuVista's safety program and keeping abreast of current operating best practices;
- 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, greenhouse 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, 2021.

GLOSSARY

The following tables summarize the measurements and abbreviations used in this document:

MEASUREMENTS			
Bbl	barrel	Mcf	thousand cubic feet
Bbls	barrels	Mcf/d	thousand cubic feet per day
Bbls/d	barrels per day	MMcf	million cubic feet
Boe	barrels of oil equivalent	MMcf/d	million cubic feet per day
Boe/d	barrels of oil equivalent per day	Bcf	billion cubic feet
NGLs	natural gas liquids	Bcf/d	billion cubic feet per day
GJ	gigajoule	MMBtu	million British Thermal Units

OTHER ABBREVIATIONS	
AECO	benchmark price for natural gas determined at the AECO 'C' hub in southeast Alberta
AIF	annual information form
ARO	asset retirement obligation
ASRP	Alberta site rehabilitation program
AER	Alberta Energy Regulator
CDP	Climate Disclosure Project
Chicago	Chicago city-gate benchmark price for natural gas
CGU	cash-generating unit
DAWN	natural gas traded at Union Gas Dawn hub in Dawn Township, Ontario
DD&A	depreciation, depletion and amortization
DSU	director deferred share units
ESG	environment, social and governance
GAAP	generally accepted accounting principles
GCA	gas cost allowance
GHG	greenhouse gas
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
LTI	lost time injuries
MALIN	natural gas traded at Malin, Oregon
NCIB	normal course issuer bid
NYMEX	New York Mercantile Exchange natural gas futures benchmark prices
OECD	Organization of Economic Cooperation and Development (OECD)
PSA	performance share awards
PSU	performance share units
RSA	restricted share awards
SLL	sustainability-linked loan
SPR	Strategic Petroleum Reserve
SPT	sustainability performance targets
TSX	Toronto Stock Exchange
WCSB	Western Canadian Sedimentary Basin
WTI	West Texas Intermediate

ADVISORIES

Oil and Gas Measures

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.

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; the quality of NuVista’s asset base and economics therein; the ability to continue to execute NuVista’s 2023 capital plan in the current commodity price environment while returning free adjusted funds flow to shareholders and reducing net debt; NuVista’s expectation of maximum production levels and anticipated growth in netbacks and timing thereof; the anticipated re-evaluation of the uses of free adjusted funds flow and anticipated outcomes therefrom; expectations with respect to achieving our 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 and anticipated timing thereof; 2023 capital expenditure guidance, plans and expected allocations; 2023 guidance with respect to production and production mix; that NuVista’s credit facility and APSG program will continue to provide it with more than sufficient liquidity to continue to execute its capital plans to maximize value; NuVista’s ability to meet the SPTs under the SLL; NuVista’s ability to adjust its capital program, NCIB expenditures and net debt reduction in the context of commodity prices and net debt levels; expectations related to gas storage levels; ESG plans, targets and results from ESG initiatives; future commodity prices; expectations with respect to future liquidity; 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 in 2023; that NuVista will become cash taxable in 2023; the ability to reduce our unit operating, transportation, and interest expenses; the effect of NuVista’s financial, commodity, and natural gas risk management strategy and market diversification; 2023 drilling and completion plans, timing and expected results; anticipated drilling and completions costs; expectations with respect to the structure set-up of global oil and gas supply and demand; and expectations with respect to the condensate price environment for 2023.

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, the impact of ongoing global events including European tensions, impacts of higher inflation and interest rates, 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.