CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at, and for the three months ended:
March 31, 2023 and 2022

NUVISTA ENERGY LTD.
Consolidated Interim Statements of Financial Position
(Unaudited)

($Cdn thousands)	Note		**March 31 2023**		December 31 2022
Assets					
Current assets					
Cash and cash equivalents	3	$	65,598	$	41,890
Accounts receivable and prepaid expenses			146,162	$	196,678
Financial derivative assets	17		24,305		37,925
Other receivable			11,087		7,063
			247,152		283,556
Financial derivative assets	17		2,374		40,633
Other asset			9,500		—
Exploration and evaluation assets	4		25,676		18,307
Property, plant and equipment	5		2,500,802		2,380,205
Right-of-use assets	6		96,724		98,965
Total assets		$	2,882,228	$	2,821,666
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities		$	193,292	$	185,129
Current portion of other liabilities	16		14,909		15,375
Current portion of lease liabilities	10		6,103		5,908
Current portion of asset retirement obligations	11		9,500		9,950
			223,804		216,362
Long-term debt	8		—		—
Senior unsecured notes	9		183,631		215,392
Other liabilities	16		—		1,540
Lease liabilities	10		109,263		110,822
Asset retirement obligations	11		76,367		81,731
Financial derivative liabilities	17		3,384		—
Deferred tax liability			279,182		260,326
Total liabilities			875,631		886,173
Shareholders' equity					
Share capital	12		1,179,915		1,183,769
Contributed surplus			66,734		65,963
Retained earnings			759,948		685,761
Total Shareholders' equity			2,006,597		**1,935,493**
Total liabilities and shareholders' equity		$	2,882,228	$	2,821,666
Subsequent events	8,9,12,17				
Commitments	20				

See accompanying notes to the consolidated interim financial statements.

NUVISTA ENERGY LTD.

Consolidated Interim Statements of Earnings and Comprehensive Income (Unaudited)

($Cdn thousands, except per share amounts)	Note	Three months ended March 31 2023	2022
Revenues			
Petroleum and natural gas sales	14	$ 390,163	$ 381,827
Royalties		(51,496)	(33,308)
Revenue from petroleum and natural gas sales		338,667	348,519
Realized loss on financial derivatives	17	(9,090)	(45,215)
Unrealized loss on financial derivatives	17	(55,263)	(55,336)
Other income	11	—	5,605
Total revenue, other income and gain (loss) on risk management contracts		274,314	253,573
Expenses			
Operating		75,041	65,259
Transportation		26,454	27,469
General and administrative		5,709	5,033
Share-based compensation	16	1,523	5,858
Financing costs	18	11,279	12,252
Depletion, depreciation and amortization	5,6	61,556	48,030
Gain on property disposition	7	(13,592)	(1,280)
		167,970	**162,621**
Earnings before taxes		106,344	90,952
Current income tax expense		6,391	—
Deferred income tax expense		19,244	20,697
Total income tax expense		$ 25,635	$ 20,697
Net earnings and comprehensive income		$ 80,709	$ 70,255
Net earnings per share	13		
Basic		$ 0.37	$ 0.31
Diluted		$ 0.36	$ 0.30

See accompanying notes to the consolidated interim financial statements.

NUVISTA ENERGY LTD.
Consolidated Interim Statements of Changes in Shareholders' Equity
(Unaudited)

		Three months ended March 31	
($Cdn thousands)	Note	**2023**	2022
Share capital	12		
Balance, January 1		**$ 1,183,769**	$ 1,228,275
Issued for cash on exercise of stock options		**716**	4,221
Contributed surplus transferred on exercise of stock options		**334**	1,747
Conversion of restricted share awards		**164**	10
Conversion of performance share awards		**658**	38
Repurchase of shares for cancellation		**(5,726)**	—
Balance, end of period		**$ 1,179,915**	$ 1,234,291
Contributed surplus			
Balance, January 1		**$ 65,963**	$ 68,337
Share-based compensation		**4,224**	2,016
Transfer to share capital on exercise of stock options		**(334)**	(1,747)
Conversion of restricted share awards		**(164)**	(10)
Conversion of performance share awards		**(658)**	(38)
Share-based compensation - tax withholdings settled in cash		**(2,685)**	—
Tax deduction on excess value of share awards		**388**	3,673
Balance, end of period		**$ 66,734**	$ 72,231
Retained earnings			
Balance, January 1		**$ 685,761**	$ 139,205
Repurchase of shares for cancellation		**(6,522)**	—
Net earnings		**80,709**	70,255
Balance, end of period		**$ 759,948**	$ 209,460
Total shareholders' equity		**$ 2,006,597**	$ 1,515,982

See accompanying notes to the consolidated interim financial statements.

NUVISTA ENERGY LTD.
Consolidated Interim Statements of Cash Flows
(Unaudited)

($Cdn thousands)	Note	Three months ended March 31 2023	2022
Cash provided by (used in)			
Operating activities			
Net earnings		$ 80,709	$ 70,255
Items not requiring cash from operations:			
Other income	11	—	(5,605)
Depletion, depreciation and amortization	5,6	61,556	48,030
Gain on property disposition	7	(13,592)	(1,280)
Share-based compensation	16	3,529	1,716
Unrealized loss on financial derivatives		55,263	55,336
Deferred income tax expense		19,244	20,697
Accretion	11	755	720
Asset retirement expenditures	11	(9,693)	(5,568)
Change in non-cash working capital	19	17,450	(21,859)
Cash provided by operating activities		215,221	162,442
Financing activities			
Issuance of share capital on exercise of stock options		716	4,221
Share-based compensation - tax withholdings settled with cash		(2,685)	—
Payment on lease liabilities		(1,364)	(1,215)
Repurchase of shares		(12,248)	—
Decrease of long-term debt		—	(38,926)
Repayment of senior unsecured notes		(32,159)	—
Cash used in financing activities		(47,740)	(35,920)
Investing activities			
Property, plant and equipment expenditures	5	(188,501)	(118,872)
Exploration and evaluation expenditures	4	(7,369)	(1,092)
Other asset expenditures		(9,500)	—
Proceeds on property disposition	7	26,000	—
Change in non-cash working capital	19	35,597	(6,558)
Cash used in investing activities		(143,773)	(126,522)
Change in cash and cash equivalents		23,708	—
Cash and cash equivalents, beginning of period		41,890	—
Cash and cash equivalents, end of period		$ 65,598	$ —
Cash interest paid		$ 11,321	$ 12,155

See accompanying notes to the consolidated interim financial statements.

NUVISTA ENERGY LTD.
Notes to the Unaudited Consolidated Interim Financial Statements
For the three months ended March 31, 2023, and 2022

1. Corporate information

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

The Company's registered office and principal place of business is located at 2500, 525 – 8th Avenue S.W., Calgary, Alberta, Canada, T2P 1G1. NuVista's common shares are traded on the Toronto Stock Exchange ("TSX") under the symbol NVA.

2. Basis of preparation

Statement of compliance

These condensed consolidated interim financial statements (the "financial statements") have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting". These financial statements have been prepared following the same accounting policies and methods of computation as the annual financial statements for the year ended December 31, 2022. These financial statements do not include all the information required for annual financial statements and should be read in conjunction with the audited financial statements for the year ended December 31, 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Functional and presentation currency

These financial statements are presented in Canadian dollars ("CDN"), which is the Company's functional currency. All tabular amounts are in thousands of CDN dollars, unless otherwise stated.

Use of estimates and judgments

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.

These financial statements were approved and authorized for issuance by the Board of Directors on May 9, 2023.

3. Cash and cash equivalents

As at March 31, 2023, the Company held cash and cash equivalents of $65.6 million (December 31, 2022 - $41.9 million). Interest is earned at a rate of approximately 4.8% (December 31, 2022 - 4.1%) in the Company's Canadian cash account. As at March 31, 2023, the credit risk associated with cash was considered low as the balance was held with the Company's lead syndicate Canadian bank.

4. Exploration and evaluation assets

	Note	March 31, 2023	December 31, 2022
Cost			
Balance, January 1		$ 18,307	$ 18,135
Additions		7,369	3,305
Acquisitions [(1)]		—	1,280
Transfers to property, plant and equipment	5	—	(2,376)
Expiries (exploration and evaluation expense)		—	(2,037)
Balance, end of period		$ 25,676	$ 18,307

[(1)] 2022 includes a non-cash land swap included in acquisitions.

5. Property, plant and equipment

	Note	March 31, 2023	December 31, 2022
Cost			
Balance, January 1		$ 3,914,710	$ 3,509,731
Additions		188,501	416,171
Dispositions	7	(21,408)	—
Capitalized share-based compensation	16	695	1,222
Change in asset retirement obligations	11	3,124	(14,790)
Transfers from exploration and evaluation assets	4	—	2,376
Balance, end of period		$ 4,085,622	$ 3,914,710

	Note	March 31, 2023	December 31, 2022
Accumulated depletion, depreciation, amortization and impairment reversal			
Balance, January 1		$ 1,534,505	$ 1,332,352
Depletion, depreciation and amortization (“DD&A”)		59,315	202,153
Dispositions	7	(9,000)	—
Balance, end of period		$ 1,584,820	$ 1,534,505

	March 31, 2023	December 31, 2022
Carrying value		
Balance, January 1	$ 2,380,205	$ 2,177,379
Balance, end of period	$ 2,500,802	$ 2,380,205

Future development costs of $2.3 billion were included in the determination of DD&A for the three months ended March 31, 2023 (2022 - $2.3 billion).

At March 31, 2023 and at December 31, 2022, there were no indicators of impairment identified in any of the Company’s CGUs within property, plant & equipment and an impairment test was not performed.

6. Right-of-use assets

	Office Leases	Gas Gathering Lease	Gas Processing Lease	March 31 2023 Total	December 31 2022 Total
Cost					
Balance, January 1	$ 5,481	$ 36,921	$ 86,356	**$ 128,758**	$ 128,758
Accumulated depreciation					
Balance, January 1	$ 3,170	$ 8,027	$ 18,596	**$ 29,793**	$ 20,826
Depreciation	198	601	1,442	**2,241**	8,967
Balance, end of period	$ 3,368	$ 8,628	$ 20,038	**$ 32,034**	$ 29,793
Carrying amount					
Balance, January 1	$ 2,311	$ 28,894	$ 67,760	**$ 98,965**	$ 107,932
Balance, end of period	**$ 2,113**	**$ 28,293**	**$ 66,318**	**$ 96,724**	$ 98,965

7. Property disposition

		Three months ended March 31	
	Note	2023	2022
Proceeds from disposition		**$ 26,000**	$ 1,280
Property, plant and equipment, net of accumulated DD&A disposed	5	**(12,408)**	—
Gain on disposition		**$ 13,592**	$ 1,280

During the three months ended, March 31, 2023, the Company disposed of property for gross proceeds of $26.0 million (2022 - $1.3 million), resulting in a gain on disposition of $13.6 million (2022 - $1.3 million).

8. Long-term debt

Extendible revolving term credit facility

At March 31, 2023, the Company had a $440 million (December 31, 2022 - $440 million) extendible revolving term credit facility available from a syndicate of Canadian chartered banks ("the banking syndicate"). 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. For the three months ended March 31, 2023, borrowing costs averaged 7.6% (December 31, 2022 – 5.3%). The credit facility is secured by a first floating charge debenture, general assignment of book debts and the Company's condensate and natural gas properties and equipment. The credit facility has a tenor of two years with a maturity date of May 31, 2024 and is subject to an annual review by the lenders. During the revolving period, a review of the maximum borrowing amount occurs annually on or before May 31 and semi-annually on or before November 30. During the term period, no principal payments would be required until a year after the revolving period matures on May 31, 2024 in the event of a reduction or the credit facility not being renewed. 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.

NuVista's credit facility is a sustainability-linked loan ("SLL") which allows the Company to link performance on key sustainability themes to its borrowing costs, whereby borrowing rates and standby fees increase or decrease based 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.

As at March 31, 2023, the Company had drawn nil on its term credit facility (December 31, 2022 – nil) and had outstanding letters of credit of $8.6 million (December 31, 2022 - $7.2 million) which reduce the credit available on this credit facility. The credit facility does not contain any financial covenants, but the Company is subject to various non-financial covenants under its credit facility. These covenants are monitored on a regular basis and as at March 31, 2023, the Company was in compliance with all covenants.

The Company also has a $30 million unsecured letter of credit facility under Export Development Canada's ("EDC") Account Performance Security Guarantee ("APSG") program. At March 31, 2023, the Company had outstanding letters of credit associated with the APSG of $23.4 million (December 31, 2022 - $22.8 million), leaving $6.6 million of credit available on this facility.

Covenant based credit facility

Effective May 9, 2023, NuVista successfully renegotiated its extendible revolving term credit facility with its existing banking syndicate transitioning to a covenant based facility. Under the new credit agreement NuVista has in place a $450 million, covenant-based credit facility which incorporates its existing sustainability linked performance features. There is an accordion feature providing that at any time during the term, on participation of any existing or additional lenders, NuVista can increase the credit facility by $300 million. The credit facility has a tenor of three years with a current maturity of May 9, 2026.

Under the terms of the credit facility, NuVista is subject to the following financial covenants (collectively, the "financial covenants") that as of the end of each financial quarter:

- Senior Debt to EBITDA ratio will not exceed 3.0:1;
- Total Debt to EBITDA ratio will not exceed 3.5:1; and
- Interest Coverage Ratio will be less than 3.5:1,

where EBITDA is defined as net income (loss) before unrealized gains and losses on financial derivatives, plus interest, taxes and depreciation, depletion, amortization and impairment, and where EBITDA and interest are calculated on a rolling 12-month basis. Total Debt is inclusive of outstanding financial letters of credit whereas Senior Debt excludes the amount of the demand letter of credit facility.

9. 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 ("2026 Notes"). The 2026 Notes were issued at $989.89 expressed as a price per $1,000.00 principal amount. Interest is payable semi-annually in arrears. The 2026 Notes are fully and unconditionally guaranteed as to the payment of principal and interest, on a senior unsecured basis by the Company. There are no maintenance or financial covenants.

The 2026 Notes are non-callable by the Company prior to July 23, 2023. At any time on or after July 23, 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 three months ended March 31, 2023, NuVista redeemed a total of $32.8 million in aggregate principal of its 2026 Notes through open market repurchases at a weighted average price of $102.67 plus accrued and unpaid interest. The difference between the redemption price and the carrying value was recognized as an early redemption expense within financing costs in the consolidated statement of earnings and comprehensive income.

Subsequent to March 31, 2023, NuVista repurchased an additional $2.0 million in aggregate principal of its 2026 Notes. The remaining face value is $185.8 million.

10. Lease liabilities

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

	March 31, 2023	December 31, 2022
Balance, January 1	$ 116,730	$ 122,030
Lease interest expense	3,106	12,763
Payment of leases	(4,470)	(18,063)
Balance, end of period	$ 115,366	$ 116,730
Current portion of lease liabilities	$ 6,103	$ 5,908
Non-current portion of lease liabilities	$ 109,263	$ 110,822

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

	March 31, 2023	December 31, 2022
Less than 1 year	$ 18,160	$ 18,113
1-3 years	52,291	52,550
4-5 years	34,646	34,634
After 5 years	95,947	100,217
Total undiscounted future lease payments	$ 201,044	$ 205,514
Amounts representing lease interest expense over the term of the lease	(85,678)	(88,784)
Present value of net lease payments	$ 115,366	$ 116,730

11. Asset retirement obligations

	March 31, 2023	December 31, 2022
Balance, January 1	$ 91,681	$ 120,237
Accretion expense	755	3,062
Liabilities incurred	943	5,126
Liabilities disposed	—	(408)
Change in estimates	4,314	2,756
Change in discount rate	(2,133)	(22,672)
Liabilities settled (cash)	(9,693)	(9,302)
Liabilities settled (non-cash) [1]	—	(7,118)
Balance, end of period	$ 85,867	$ 91,681
Expected to be incurred within one year	$ 9,500	$ 9,950
Expected to be incurred beyond one year	$ 76,367	$ 81,731

[1] Liabilities settled (non-cash) of nil (2022 - $7.1 million) were funded by payments made directly to NuVista's service providers from the Alberta Site Rehabilitation program ("SRP") with respect to approved abandonment and reclamation expenditures. These amounts have been recorded as "Other Income".

The Company's asset retirement obligations are based on estimated costs to reclaim and abandon ownership interests in condensate and natural gas assets including well sites, gathering systems and processing facilities. At March 31, 2023, the estimated total undiscounted, uninflated amount of cash flows required to settle the asset retirement obligations is $105.9 million (December 31, 2022 – $110.7 million), of which 35% is estimated to be incurred within the next 10 years. The Government of Canada benchmark long-term risk-free bond rate of 3.0% (December 31, 2022 – 3.3%) and an inflation rate of 1.7% (December 31, 2022 – 2.1%) were used to calculate the net present value of the asset retirement obligations. The inflation rate was determined as the difference between the Government of Canada long-term risk free rate bond rate of 3.0% (December 31, 2022 - 3.3%) and the real rate of interest of 1.34% (December 31, 2022 - 1.19%).

12. Share capital

Common shares

	March 31, 2023		December 31, 2022	
	Number	Amount	Number	Amount
Balance, January 1	219,346,357	$ 1,183,769	227,578,334	$ 1,228,275
Issued for cash on exercise of stock options	—	716	—	16,949
Contributed surplus transferred on exercise of stock options	220,182	334	3,403,318	7,466
Conversion of restricted share awards	21,559	164	1,188,970	1,405
Conversion of performance share awards	236,981	658	658,335	2,543
Repurchase of shares for cancellation	(1,060,900)	(5,726)	(13,482,600)	(72,869)
Balance, end of period	218,764,179	$ 1,179,915	219,346,357	$ 1,183,769

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 three months ended March 31, 2023, NuVista repurchased and subsequently cancelled 1,060,900 common shares at a weighted average price of $11.54/share for a total cost of $12.2 million.

Subsequent to March 31, 2023, the Company repurchased and subsequently cancelled 1,950,000 common shares at a weighted average price of $11.54/share for a total cost of $22.5 million.

13. Earnings per share

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

	Three months ended March 31	
(thousands of shares)	**2023**	2022
Weighted average common shares outstanding		
Basic	**219,192**	228,146
Diluted	**226,921**	238,084

14. Petroleum and natural gas revenues

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

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

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

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

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

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

	Three months ended March 31	
	2023	2022
Natural gas revenue [1]	**$ 159,877**	$ 119,248
Condensate revenue	**208,668**	232,600
NGL revenue [2]	**21,618**	29,979
Total petroleum and natural gas revenue	**$ 390,163**	$ 381,827

(1) Natural gas revenue includes price risk management gains and losses on physical delivery sale contracts. For the three months ended March 31, 2023, physical delivery sales contracts resulted in a loss of $4.6 million (2022 – loss of $2.2 million).
(2) Includes butane, propane, ethane and sulphur revenue.

A breakdown of natural gas revenue is as follows:

	Three months ended March 31	
	2023	2022
Natural gas revenue - AECO reference price [1]	**$ 88,857**	$ 93,891
Heat/value adjustment [2]	**9,280**	10,760
Transportation revenue [3]	**10,555**	8,625
Natural gas market diversification revenue	**55,818**	8,214
AECO physical delivery price risk management losses [4]	**(4,633)**	(2,242)
Total natural gas revenue	**$ 159,877**	$ 119,248

(1) Quarter 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.

Included in the accounts receivable at March 31, 2023 is $104.8 million (December 31, 2022 - $141.8 million) of accrued petroleum and natural gas revenue related to deliveries for periods prior to the reporting date. There were no significant adjustments for prior period accrued petroleum and natural gas revenue reflected in the Company's current period.

15. Capital management

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

The Company has a long-term sustainable net debt target of less than 1.0 times adjusted funds flow annualized for the current quarter in the stress test price environment of US$ 45/Bbl WTI and US$ 2.00/MMBtu NYMEX natural gas. The actual ratio may fluctuate on a quarterly basis above or below targeted levels due to a number of factors including facility outages, commodity prices, capital expenditures, and the timing of acquisitions and dispositions. At March 31, 2023, the Company's net debt was 0.2 times its annualized first quarter adjusted funds flow (December 31, 2022 - 0.2 times). The net debt to annualized current quarter adjusted funds flow ratio represents the time period in years it would take to pay off the net debt if no further capital expenditures were incurred and if adjusted funds flow remained consistent.

To facilitate the management of this ratio, NuVista prepares annual adjusted funds flow and capital expenditure forecasts, which are updated as necessary, and are routinely reviewed and approved by the Board of Directors. The Company manages its capital structure and makes adjustments by continually monitoring its business conditions including: the current economic conditions, the risk characteristics of NuVista's natural gas and condensate assets, the depth of its investment opportunities, current and forecast net debt levels, current and forecast commodity prices, and other factors that influence commodity prices and adjusted funds flow such as quality and basis differentials, royalties, operating costs and transportation costs.

Adjusted funds flow

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

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

	Three months ended March 31	
	2023	2022
Cash provided by operating activities	**$ 215,221**	$ 162,442
Asset retirement expenditures	**9,693**	5,568
Change in non-cash working capital	**(17,450)**	21,859
Adjusted funds flow (1)	**$ 207,464**	$ 189,869

(1) Adjusted funds flow as presented does not have any standardized meaning prescribed by IFRS and therefore it may not be comparable with the calculation of similar measures of other entities. Management considers adjusted funds flow to be a capital management measure.

Net debt and total capitalization

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

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

	March 31, 2023	December 31, 2022
Basic common shares outstanding (thousands of shares)	**218,764**	219,346
Share price(1)	**$ 10.93**	$ 12.48
Total market capitalization	**$ 2,391,091**	$ 2,737,438
Cash and cash equivalents	**$ (65,598)**	$ (41,890)
Accounts receivable and prepaid expenses	**(146,162)**	(196,678)
Other receivable	**(11,087)**	(7,063)
Accounts payable and accrued liabilities	**193,292**	185,129
Current portion of other liabilities	**14,909**	15,375
Senior unsecured notes	**183,631**	215,392
Other liabilities	**—**	1,540
Net debt (2)	**$ 168,985**	$ 171,805
Annualized current quarter adjusted funds flow	**$ 829,856**	$ 1,027,932
Net debt to annualized current quarter adjusted funds flow	**0.2**	0.2

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

(2) Net debt as presented does not have any standardized meaning prescribed by IFRS and therefore it may not be comparable with the calculation of similar measures of other entities. Management considers net debt to be a capital management measure.

16. Share-based compensation

Stock options

The Company has established a stock option plan whereby officers and employees may be granted options to purchase common shares. Options granted vest at the rate of one-third per year and expire 2.5 years after the vesting date. The maximum number of stock options currently outstanding and available to be issued as at March 31, 2023 is 4,918,107.

The following continuity table summarizes the stock option activity:

	March 31, 2023		December 31, 2022	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance, January 1	**4,050,019**	**$ 3.84**	6,972,487	$ 3.78
Granted	**5,557**	**11.08**	487,270	12.74
Exercised	**(220,182)**	**3.25**	(3,403,318)	4.98
Forfeited	**(2,413)**	**11.76**	(5,820)	11.76
Expired	**(7,994)**	**1.01**	(600)	3.92
Balance, end of period	**3,824,987**	**$ 3.88**	4,050,019	$ 3.84

The following table summarizes stock options outstanding and exercisable under the plan at March 31, 2023:

	Options outstanding			Options exercisable	
Range of exercise price	Number of options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
$0.79 to $1.99	1,425,977	2.2	$ 0.83	767,181	$ 0.83
$2.00 to $3.99	1,305,949	2.0	2.79	860,317	2.87
$4.00 to $5.99	265,375	1.1	4.47	258,687	4.46
$6.00 to $7.99	245,276	2.9	7.28	80,772	7.28
$8.00 to $9.99	97,816	0.6	9.16	97,816	9.16
$10.00 to $11.99	239,445	3.5	11.68	—	—
$12.00 to $13.99	245,149	4.1	13.77	—	—
$0.79 to $13.99	**3,824,987**	**2.3**	**$ 3.88**	**2,064,773**	**$ 2.78**

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

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

	March 31, 2023	December 31, 2022
Risk-free interest rate (%)	**3.14**	3.11
Expected volatility (%)	**54**	53
Expected life (years)	**4.5**	4.5
Forfeiture rate (%)	**9**	9
Fair value at grant date ($ per option)	**5.22**	5.93

Share award incentive plan

The Company has a Share Award Incentive Plan (“the Plan”) for officers, directors and employees consisting of Restricted Share Awards (“RSA”) and Performance Share Awards (“PSA”). The maximum number of common shares reserved for issuance under the Plan is 14,350,000 of which 3,814,383 remain to be issued.

Restricted share awards

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

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

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

	March 31, 2023	December 31, 2022
Balance, January 1	845,204	2,308,555
Settled - issuance of shares from treasury	(21,559)	(1,188,970)
Settled - cash payment	(18,441)	(496,477)
Granted	3,649	240,145
Forfeited	(4,256)	(18,049)
Balance, end of period	804,597	845,204

For the three months ended March 31, 2023, the Company withheld 18,441 shares with respect to minimum statutory withholding tax obligations which the Company settled from its cash reserves (December 31, 2022 - 496,477 shares). Total withholding tax paid in cash for the three months ended March 31, 2023 was $0.2 million (December 31, 2022 - $6.6 million).

Performance share awards

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

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

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

	March 31, 2023	December 31, 2022
Balance, January 1	**4,307,296**	4,644,674
Settled - issuance of shares from treasury	**(236,981)**	(658,335)
Settled - cash payment	**(215,595)**	(249,078)
Granted	**5,003**	407,049
Forfeited	**(57,392)**	(157,401)
Performance adjustment [1]	**1,261,328**	320,387
Balance, end of period	**5,063,659**	4,307,296

[1] Awards granted on the vest date due to a performance factor increase to 1.48x for the three months ended March 31, 2023. (December 31, 2022 - 1.23x)

For the three months ended March 31, 2023, the Company withheld 215,595 shares (December 31, 2022 - 249,078 shares) with respect to minimum statutory withholding tax obligations which the Company settled from its cash reserves. Total withholding tax paid in cash for the three months ended March 31, 2023 was $2.5 million (December 31, 2022 - $3.3 million).

Cash award incentive plan

Director deferred share units

The Company's director deferred share unit ("DSU") incentive plan provides compensation to non-management directors. Each DSU entitles the holder to receive cash equal to the trading price of the equivalent number of shares of the Company. All DSUs granted vest and become payable upon retirement of the director.

The compensation expense is calculated using the fair value method based on the trading price of the Company's shares at the end of each reporting period.

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

	March 31, 2023	December 31, 2022
Balance, January 1	**1,231,973**	1,147,930
Granted	**3,046**	84,043
Balance, end of period	**1,235,019**	1,231,973

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

	March 31, 2023	December 31, 2022
Balance, January 1	**$ 15,375**	$ 7,990
Change in accrued compensation liabilities	**(1,876)**	7,385
Balance, end of period	**$ 13,499**	$ 15,375

The compensation liability was calculated using share prices at March 31, 2023 and December 31, 2022, of $10.93 and $12.48, respectively.

Performance share units

The Company's performance share unit ("PSU") incentive plan provides compensation to officers and employees. Each PSU entitles the holder to receive cash equal to the trading price of the equivalent number of shares of the Company at the time of grant, multiplied by a payout multiplier ranging from 0 to 2.0x. The payout multiplier for performance-based awards will be determined by our Board based on an assessment of the Company's achievement of predefined corporate performance measures in respect of the applicable period, using the same performance assessment metrics as are used in the PSA plan.

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

	March 31, 2023	December 31, 2022
Balance, January 1	916,366	944,645
Settled	(69,975)	(3,848)
Forfeited	(6,991)	(24,431)
Balance, end of period	839,400	916,366

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

	March 31, 2023	December 31, 2022
Balance, January 1	$ 1,540	$ 1,587
Change in accrued compensation liabilities	(130)	(47)
Balance, end of period	$ 1,410	$ 1,540

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

	Three months ended March 31	
	2023	2022
Stock options	$ 473	$ 386
Restricted share awards	537	397
Performance share awards	2,519	933
Non-cash share-based compensation expense	3,529	1,716
Director deferred share units	(1,876)	4,144
Performance share units	(130)	(2)
Cash share-based compensation expense	(2,006)	4,142
Total share-based compensation expense	$ 1,523	$ 5,858

	Three months ended March 31	
	2023	2022
Capitalized stock options	$ 100	$ 69
Capitalized restricted share awards	103	69
Capitalized performance share awards	492	162
Capitalized share-based compensation	$ 695	$ 300

Capitalized share-based compensation is attributable to personnel involved with the development of the Company’s capital projects.

17. Risk management activities

(a) Financial instruments

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

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

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

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

(b) Financial assets and financial liabilities subject to offsetting

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

	March 31, 2023			December 31, 2022		
	Gross financial assets	**Gross financial liabilities**	**Net financial assets**	Gross financial assets	Gross financial liabilities	Net financial assets
Current assets (liabilities)	**$ 24,305**	**$ —**	**$ 24,305**	$ 37,925	$ —	$ 37,925
Long-term assets (liabilities)	**2,374**	**(3,384)**	**(1,010)**	40,633	—	40,633
Net position	**$ 26,679**	**$ (3,384)**	**$ 23,295**	$ 78,558	$ —	$ 78,558

(c) Risk management contracts

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

	March 31, 2023	December 31, 2022
Fair value of contracts, beginning of year	**$ 78,558**	$ (57,255)
Change in the fair value of contracts in the period	**(64,353)**	(28,536)
Fair value of contracts realized in the period	**9,090**	164,349
Fair value of contracts, end of period	**$ 23,295**	$ 78,558
Financial derivative assets (liabilities) – current	**$ 24,305**	$ 37,925
Financial derivative assets (liabilities) – long-term	**$ (1,010)**	$ 40,633

The following is a summary of the financial derivatives as at March 31, 2023:

	C5 - WTI differential swap		**C$ WTI 3 way collar**			
Term [(1)]	**Bbls/d**	**US$/Bbl**	**Bbls/d**	**Cdn$/Bbl**	**Cdn$/Bbl**	**Cdn$/Bbl**
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
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	187,500	(0.92)
2027	135,000	(0.91)
2028	35,000	(0.97)

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

	NYMEX collars			AECO fixed price swap		AECO collars		
Term [1]	MMBtu/d	US$/MMBtu	US$/MMBtu	GJ/d	Cdn$/GJ	GJ/d	Cdn$/GJ	Cdn$/GJ
Q2 2023	40,000	4.00	10.07	20,000	3.87	20,000	3.88	5.39
Q3 2023	40,000	4.00	10.07	20,000	3.87	20,000	3.88	5.39
Q4 2023	13,478	4.00	10.07	6,739	3.87	13,370	3.69	5.32
2024	—	—	—	15,000	4.00	—	—	—
2025	—	—	—	15,000	4.00	—	—	—

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

Subsequent to March 31, 2023, the following is a summary of financial derivatives that have been entered into:

Term [1]	AECO-NYMEX basis swap MMBtu/d	US$/MMBtu
2028	27,500	(0.99)

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

(d) 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 March 31, 2023:

	AECO fixed price swap		Dawn-NYMEX basis swap		AECO-NYMEX Basis	
	GJ/d	Cdn$/GJ	MMBtu/d	US$/MMBtu	MMBtu/d	US$/ MMBtu
Q2 2023	35,000	3.92	30,000	(0.19)	—	—
Q3 2023	41,630	3.82	30,000	(0.19)	—	—
Q4 2023	15,163	3.77	10,109	(0.19)	—	—
2024	35,000	4.01	—	—	—	—
2025	35,000	4.01	—	—	5,000	(1.15)

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

18. Financing costs

	Note	Three months ended March 31 2023	2022
Interest on long-term debt (credit facility)		$ **1,009**	$ 3,249
Interest on senior unsecured notes		**4,901**	5,044
Early redemption expense on 2026 Notes	9	**1,508**	—
Interest expense		**7,418**	8,293
Lease interest expense		**3,106**	3,239
Accretion expense	11	**755**	720
Total financing costs		$ **11,279**	$ 12,252

19. Supplemental cash flow information

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

	Three months ended March 31 2023	2022
Cash provided by (used for):		
Accounts receivable and prepaid expenses	$ **46,492**	$ (49,399)
Other receivables	**—**	—
Accounts payable and accrued liabilities	**6,555**	20,982
	$ **53,047**	$ (28,417)
Related to:		
Operating activities	$ **17,450**	$ (21,859)
Investing activities	**35,597**	(6,558)
	$ **53,047**	$ (28,417)

20. Commitments

The following is a summary of the Company's commitments as at March 31, 2023:

	Total	2023	2024	2025	2026	2027	Thereafter
Transportation (1)	$ **889,975**	$ 99,138	$ 133,367	$ 125,594	$ 122,688	$ 111,927	$ 297,261
Processing (1)	**1,498,219**	65,309	101,928	114,458	111,706	112,176	992,642
Servicing (2)	**16,498**	5,000	5,749	5,749	—	—	—
Total commitments (3)	$ **2,404,692**	$ 169,447	$ 241,044	$ 245,801	$ 234,394	$ 224,103	$1,289,903

(1) Certain of the transportation and processing commitments are secured by outstanding letters of credit totaling $31.0 million at March 31, 2023 (December 31, 2022 - $24.7 million).
(2) Effective November 2022, NuVista entered into a 3-year fracturing services and proppant supply agreement with a third-party. Part of the agreement includes USD and the conversion rate used at March 31, 2023 was 1.36 Cdn$/US$.
(3) Excludes commitments recognized within lease liabilities.

Corporate Information

LEADERSHIP TEAM

Jonathan Wright
President and Chief Executive Officer

Kevin Asman
Vice President, Marketing

Ivan J. Condic
Vice President, Finance and Chief Financial Officer

Mike Lawford
Chief Operating Officer

Chris LeGrow
Vice President, Development & Planning

Ryan Paulgaard
Vice President, Production & Facilities

Josh Truba
Vice President, Land & Business Development

Tanya Dickison
Director, Human Resources & ESG Communications

BOARD OF DIRECTORS

Pentti Karkkainen (1) (2)
Chair of the Board

Ronald J. Eckhardt (2) (4)
Independent Director

Kate Holzhauser (1) (3)
Independent Director

Keith MacPhail (2) (4)
Independent Director

Ronald Poelzer (1) (2)
Independent Director

Sheldon Steeves (3) (4)
Independent Director

Deborah Stein (1) (3)
Independent Director

Grant Zawalsky (3) (4)
Independent Director

Jonathan Wright
President and Chief Executive Officer

(1) Member of Audit Committee
(2) Member of Corporate Governance & Compensation Committee
(3) Member of Environment, Social & Governance Committee
(4) Member of Reserves Committee

BANKERS

Canadian Imperial Bank of Commerce
Royal Bank of Canada
The Bank of Nova Scotia
Bank of Montreal
ATB Financial
Canadian Western Bank
Business Development Bank of Canada

TRANSFER AGENT - COMMON SHARES

Odyssey Trust Company, Calgary, Alberta
Calgary, Alberta

TRANSFER AGENT - SENIOR UNSECURED NOTES

Computershare Trust Company of Canada
Calgary, Alberta and Toronto, Ontario

AUDITORS

KPMG LLP
Calgary, Alberta

RESERVE EVALUATORS

GLJ Ltd.
Calgary, Alberta

STOCK EXCHANGE LISTING

The Toronto Stock Exchange (“TSX”)
“NVA”

NUVISTA
ENERGY LTD

2500, 525 8 AVE SW
Calgary, Alberta, Canada
T2P 1G1

Telephone: (403) 538-8500
Facsimile: (403) 538-8505
www.nuvistaenergy.com