MANAGEMENT'S DISCUSSION & ANALYSIS

For the three months and year ended December 31, 2023

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, 2023 and December 31, 2022, 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 as at and is dated February 28, 2024. Our audited financial statements, Annual Information Form and other disclosure documents are or will be available on SEDAR+ at www.sedarplus.ca or can be obtained at www.nuvistaenergy.com. Our Annual Information Form will be filed on or before March 29, 2024.

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

These specified financial measures do not have any standardized meaning prescribed under IFRS Accounting Standards 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 Accounting Standards, such as net earnings, 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 "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). Natural gas liquids ("NGLs") are defined by National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101") to include ethane, butane, propane, pentanes plus and condensate. Unless explicitly stated in this MD&A, references to NGLs refers only to ethane, butane and propane and references to condensate refers only to condensate and pentanes plus. NuVista has disclosed condensate and pentanes plus separately from ethane, butane and propane, as NuVista believes it provides a more accurate description of NuVista's operations and results therefrom.

FINANCIAL AND OPERATING HIGHLIGHTS

($ thousands, except otherwise stated)	Three months ended December 31 2023	2022	% Change	Year ended December 31 2023	2022	% Change
FINANCIAL						
Petroleum and natural gas revenues	**365,497**	455,868	(20)	**1,398,097**	1,745,975	(20)
Cash provided by operating activities	**211,761**	226,688	(7)	**721,342**	844,816	(15)
Adjusted funds flow [(3)]	**201,987**	256,983	(21)	**756,943**	892,801	(15)
Per share, basic [(6)]	**0.95**	1.16	(18)	**3.50**	3.94	(11)
Per share, diluted [(6)]	**0.93**	1.12	(17)	**3.40**	3.78	(10)
Net earnings	**89,513**	159,372	(44)	**367,678**	631,045	(42)
Per share, basic	**0.42**	0.72	(42)	**1.70**	2.78	(39)
Per share, diluted	**0.41**	0.69	(41)	**1.65**	2.67	(38)
Total assets				**3,058,053**	2,821,666	8
Net capital expenditures [(1)]	**113,258**	72,743	56	**518,294**	419,476	24
Net debt [(3)]				**183,551**	171,805	7
OPERATING						
Daily Production						
Natural gas (MMcf/d)	**310.5**	259.3	20	**276.0**	239.6	15
Condensate (Bbls/d)	**26,889**	25,112	7	**24,633**	22,591	9
NGLs (Bbls/d)	**7,287**	5,918	23	**6,545**	6,162	6
Total (Boe/d)	**85,924**	74,252	16	**77,185**	68,690	12
Condensate & NGLs weighting	**40%**	42%		**40%**	42%	
Condensate weighting	**31%**	34%		**32%**	33%	
Average realized selling prices [(5)]						
Natural gas ($/Mcf)	**3.45**	7.55	(54)	**4.19**	7.39	(43)
Condensate ($/Bbl)	**99.20**	109.69	(10)	**100.02**	118.34	(15)
NGLs ($/Bbl) [(4)]	**32.46**	41.28	(21)	**31.80**	54.90	(42)
Netbacks ($/Boe)						
Petroleum and natural gas revenues	**46.24**	66.73	(31)	**49.62**	69.64	(29)
Realized gain (loss) on financial derivatives	**0.46**	(1.17)	(139)	**0.41**	(6.56)	(106)
Royalties	**(4.50)**	(7.94)	(43)	**(4.80)**	(7.92)	(39)
Transportation expense	**(4.54)**	(5.33)	(15)	**(4.77)**	(5.16)	(8)
Net operating expense [(2)]	**(10.65)**	(11.94)	(11)	**(11.40)**	(11.67)	(2)
Operating netback [(2)]	**27.01**	40.36	(33)	**29.06**	38.33	(24)
Corporate netback [(2)]	**25.55**	37.62	(32)	**26.86**	35.60	(25)
SHARE TRADING STATISTICS						
High ($/share)	**13.72**	14.67	(6)	**13.72**	14.67	(6)
Low ($/share)	**10.40**	10.22	2	**9.93**	6.94	43
Close ($/share)	**11.04**	12.48	(12)	**11.04**	12.48	(12)
Common shares outstanding (thousands of shares)				**207,584**	219,346	(5)

(1) Non-GAAP financial measure that does not have any standardized meaning under IFRS Accounting Standards 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 Accounting Standards 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 Pipestone and Wapiti 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 2023 HIGHLIGHTS

- **Adjusted funds flow -** During the fourth quarter of 2023, NuVista generated adjusted funds flow of $202.0 million, which is comparable to the third quarter of 2023, and a 21% decrease from $257.0 million in the fourth quarter of 2022. For the year ended December 31, 2023, adjusted funds flow decreased 15% to $756.9 million from $892.8 million for the comparable period of 2022. The decrease in adjusted funds flow was primarily due to lower petroleum and natural gas prices, net of realized gains and losses on financial derivative contracts, offset by higher production volumes and lower royalties. Notably, during the second quarter of 2023, NuVista's revenues and production volumes were affected by operational shutdowns resulting from wildfires in the Grande Prairie region of Alberta (the "Alberta wildfires"). Despite weaker commodity prices and the disruptions caused by the Alberta wildfires, NuVista delivered free adjusted funds flow of $210.6 million for the year ended December 31, 2023.

- **Liquidity -** NuVista is in a position of low debt and significant financial flexibility. NuVista ended the year with $16.9 million drawn on its $450 million covenant-based credit facility. NuVista's outstanding letters of credit as at December 31, 2023, were lower by $10.5 million at $19.5 million, increasing the amount available under its credit facility. Further, improving its financial strength, NuVista redeemed $55.2 million of its 7.875% senior unsecured notes due July 23, 2026 (the "2026 Notes") through open market repurchases during the year. At December 31, 2023, the remaining face value of the 2026 Notes was $165.4 million, with a carrying value of $162.2 million. NuVista's net debt was $183.6 million as at December 31, 2023, a 22% increase from $150.2 million as at December 31, 2022, but well below its net debt soft ceiling of approximately $350 million. This net debt soft ceiling corresponds to a net debt to adjusted funds flow ratio of less than 1.0x even in a pandemic-type commodity pricing environment ($US 45/Bbl WTI oil and $US 2.00/MMBtu NYMEX natural gas). NuVista's net debt to annualized fourth quarter adjusted funds flow ratio was 0.2x.

- **Production -** NuVista delivered record production in the fourth quarter of 2023 averaging 85,924 Boe/d, which was well above the fourth quarter guidance range of 82,000 - 84,000 Boe/d. Fourth quarter production increased 7% from the third quarter of 2023, which averaged 80,382, and was 16% higher than the same period of 2022, which averaged 74,252 Boe/d. The production composition for the fourth quarter of 2023 was 31% condensate, 9% NGLs and 60% natural gas. Production for the year ended December 31, 2023 averaged 77,185 Boe/d, above the previously announced guidance range of 76,000 - 77,000 Boe/d and a 12% increase compared to the prior year. The production composition for the year ended December 31, 2023 was 32% condensate, 8% NGLs and 60% natural gas. Production growth for the year was supported by the execution of a strong capital program with 50 new wells brought online, more than offsetting natural declines in base production, planned and unplanned downtime at owned and third-party facilities, and the impacts from the Alberta wildfires.

- **Pricing -** Commodity prices for the fourth quarter and year ended December 31, 2023, experienced a decline compared to the same periods in the previous year. The decline in benchmark crude oil prices, was primarily due to macroeconomic uncertainties, including recessionary concerns and rising interest rates aimed at controlling inflation. Natural gas prices weakened due to mild winter weather conditions, which decreased demand and inventory draws.

    - Realized condensate pricing for the fourth quarter of 2023 averaged $99.20/Bbl, a 5% decrease compared to the third quarter of 2023 at $103.92/Bbl and a 10% decrease compared to the same period of 2022 at $109.69/Bbl. For the year ended December 31, 2023, the realized condensate price averaged $100.02/Bbl, 15% lower than the prior year at $118.34/Bbl.

- Realized natural gas pricing in the fourth quarter of 2023 averaged $3.45/Mcf, a 3% increase as compared to the third quarter of 2023 at $3.36/Mcf and a 54% decrease as compared to the same period of 2022 at $7.55/Mcf. For the year ended December 31, 2023, the realized natural gas price was $4.19/Mcf, 43% lower than the prior year at $7.39/Mcf.

- Realized NGL pricing for the fourth quarter of 2023 averaged $32.46/Bbl, an 11% increase as compared to the third quarter of 2023 at $29.19/Bbl and 21% lower than the same period of 2022 at $41.28/Bbl. For the year ended December 31, 2023, the realized NGL price was $31.80/Bbl, 42% lower than the prior year at $54.90/Bbl.

- **Net operating expense -** For the fourth quarter of 2023, NuVista's net operating expense on a per Boe basis was $10.65/Boe, a 7% decrease from the third quarter of 2023 at $11.49/Boe, and an 11% decrease over the same period of 2022 at $11.94/Boe. For the year ended December 31, 2023, net operating expense was 2% lower at $11.40/Boe compared to $11.67/Boe for the prior year. The reduction in net operating expense on a per Boe basis was primarily attributed to higher production volumes, leading to fixed costs being spread across a greater number of producing barrels of oil equivalent. This was partially offset by inflationary pressures in service and supply costs.

- **Corporate netback -** The corporate netback for the fourth quarter of 2023 was $25.55/Boe, inclusive of a $0.46/Boe realized gain on financial derivatives. The corporate netback for the fourth quarter of 2023 was 6% lower than the third quarter of 2023 and 32% lower than the fourth quarter of 2022, largely due to weaker commodity prices. For the year ended December 31, 2023, the corporate netback decreased 25% to $26.86/Boe from $35.60/Boe for the comparable period of 2022.

- **Capital expenditures and net capital expenditures -** Capital expenditures were $69.3 million in the fourth quarter of 2023, of which 74% was allocated to drilling and completion related activities, resulting in 8 (8.0 net) wells drilled and 5 (5.0 net) wells completed. Net capital expenditures were $113.3 million in the fourth quarter of 2023, inclusive of capital expenditures of $69.3 million, and property acquisitions of $44.0 million. During the period, NuVista acquired specific properties in its core Wapiti area, for $44.0 million in cash. This strategic property acquisition aims to add to NuVista's drilling inventory, improve land configuration efficiency, and optimize the utilization of pipelines and field facilities.

  During the year ended December 31, 2023, capital expenditures were $500.3 million, of which 79% was allocated to drilling and completion activities with 49 (48.5) wells drilled and 47 (45.7) wells completed. Net capital expenditures for the year ended December 31, 2023 were $518.3 million, inclusive of capital expenditures of $500.3 million, property acquisitions of $44.0 million and disposition proceeds of $26.0 million.

  Additionally, during the three months and year ended December 31, 2023, power generation expenditures were $16.9 million. These funds were invested in the cogeneration unit at our Wembley Gas Plant in the Pipestone North area, which was commissioned in December 2023. For its majority working interest in the project, NuVista partnered with five Indigenous Nations, who invested $20 million in support of this emissions reduction project. In return, the five Indigenous Nations are entitled to defined contractual cash flows, while NuVista will benefit from the cogeneration unit in terms of reduced operating costs and carbon emissions.

- **Return of capital to shareholders -** With constructive commodity prices and a disciplined capital program supporting production growth and positive free adjusted funds flow, NuVista was able to continue its value-adding growth strategy while concurrently returning capital to shareholders. In the fourth quarter of 2023, NuVista repurchased and subsequently cancelled 7,159,500 common shares at a weighted average price of $12.22/share for a total cost of $87.5 million. For the year ended December 31, 2023, NuVista repurchased and subsequently cancelled 15,299,561 common shares at a weighted average price of $12.01/share for a total cost of $183.8 million. Subsequent to December 31, 2023, NuVista has repurchased and subsequently cancelled an additional 948,200 outstanding common shares under its normal course issuer bid ("NCIB").

Annual financial information

The following table highlights selected annual financial information for the years ended December 31, 2023, 2022 and 2021:

($ thousands, except per share amounts)	**2023**	2022	2021
Petroleum and natural gas revenues	**1,398,097**	1,745,975	885,290
Net earnings	**367,678**	631,045	264,672
Per share, basic	**1.70**	2.78	1.17
Per share, diluted	**1.65**	2.67	1.14
Balance sheet information			
Total assets	**3,058,053**	2,821,666	2,391,984
Long-term debt	**16,897**	—	196,055
Senior unsecured notes	**162,195**	215,392	223,178
Shareholders' equity	**2,115,032**	1,935,493	1,435,817

ENVIRONMENT, SOCIAL & GOVERNANCE ("ESG")

In September 2023, NuVista proudly released its 2022 ESG Report, highlighting the achievement of specific targets and the ongoing advancement of projects that support its commitment to ongoing ESG objectives. The 2022 ESG Report is available and can be accessed on NuVista's website at www.nuvistaenergy.com.

Environment

NuVista has made significant progress in achieving its emission reduction targets. In 2022, a substantial 34% reduction in CO_2e emission intensity was realized from the 2020 baseline, surpassing the Company's targeted 20% reduction by 2025. Additionally, methane emission intensity exhibited an 86% decrease compared to the 2012 benchmark. Late in 2023, the construction of the Wembley Gas Plant cogeneration unit was completed, and the facility is now fully operational with the gas plant utilizing recovered heat. This project aligns with NuVista's environmental goals, as the cogeneration unit is expected to contribute to a reduction in the Company's carbon emissions. NuVista is also actively exploring other initiatives aimed at improving emission performance and enhancing energy efficiency, while actively monitoring regulatory developments. More details on NuVista's emissions reduction efforts can be found within the 2022 ESG Report, in addition to the annual submissions to the Carbon Disclosure Project, from which a B score was achieved for the 2022 reporting year.

In its commitment to responsible water management, NuVista consistently pursues solutions that shift water consumption towards lower-quality sources. Over the past two years, the Company has made significant progress by reducing non-saline (fresh) water consumption through the utilization of alternative (lower quality) sources, such as municipal wastewater and deep aquifers. In 2022, 28% of our non-saline (fresh) water consumption came from alternative (lower quality) sources such as municipal wastewater and deep aquifers. This commitment extends to the execution of sour waste recycling pilot programs as part of NuVista's ongoing efforts to establish a permanent and robust water recycling program.

NuVista continues to make significant progress on the responsible abandonment and reclamation of inactive wells and facilities in legacy areas. In 2023, the Company spent $11.2 million on abandonment and reclamation work. This comprehensive asset retirement program resulted in the final abandonment of 25 inactive wells, 26 inactive pipelines and one legacy oil processing and storage facility. Throughout the year, numerous environmental remediation and reclamation projects were undertaken, leading to the final reclamation certification of 19 former wellsites and progressing 28 wellsites from the environmental assessment and remediation phase to the final surface reclamation phase.

Social

Safety

NuVista is committed to safeguarding the health and safety of its workers and the public while minimizing its impact on the environment. The Company consistently strives toward a goal of zero injuries for both its employees and third-party contractors working on its sites. A primary focus for NuVista is the management of Lost Time Injuries ("LTI") and high-potential near-miss incidents. These near-miss incidents, though not resulting in serious harm, are events that could have led to adverse outcomes under slightly different conditions.

During the 2023 reporting period, NuVista observed both LTI's and high-potential near misses among its contract work force at a similar rate to that of the previous year. This trend is attributed, in part, to sustained higher industry activity levels and the ongoing influx of new and less experienced staff entering the contract workforce. NuVista remains proactive in engaging its contractors in the implementation of their safety policies and procedures, with a specific emphasis on the effective management of short-service workers. NuVista also continues to integrate Energy Safety Canada's 10 Life Saving Rules into its operations, considering them essential tools in preventing the most common causes of fatalities and serious injuries within the industry.

Community

NuVista, driven by its commitment to investing in its people and the communities it operates in, maintains a core emphasis on giving back. Actively seeking opportunities to make a positive impact locally, NuVista places special importance on cultivating robust relationships with Indigenous communities, guided by the four pillars of its Indigenous Inclusion Guiding Principles. In 2021, NuVista set a target to double its community donations to $0.6 million by 2025, using 2020 as a baseline. This investment comprises direct Company contributions and employee donations, which are matched by the Company. Since 2022, NuVista has consistently exceeded its 2025 goal, owing in part to the incredible support from its employees. In 2023, NuVista contributed over $0.9 million to local communities, with $0.4 million raised through the 2023 United Way Campaign, achieving 100% employee engagement.

Cultural awareness is a significant aspect of NuVista's approach to Indigenous engagement, with multiple events held annually and formal training provided to most employees. Additionally, the team participates in training programs offered by the communities they consult with, fostering a better understanding of the history, experiences, and diverse cultures of Indigenous Peoples in Canada. This commitment supports ongoing efforts to collaborate and advance economic opportunities with Indigenous communities in the regions where NuVista operates. To this end, five Indigenous Nations united and partnered with NuVista, in support of our emissions reduction cogeneration project. In return, the five Indigenous Nations are entitled to defined contractual cash flows, while NuVista will benefit from the cogeneration unit in terms of reduced operating costs and carbon emissions.

Governance

Governance plays a key role in providing leadership at NuVista. The Corporate Governance & Compensation and ESG Committees are instrumental in overseeing the Company's policies and programs, ensuring that Management remains committed to upholding these fundamental principles. These principles establish a robust framework for both field and head office staff, guiding their operations with a strong focus on safety and environmental consciousness.

The appointment of Mary Ellen Lutey to the Board of Directors at the Annual General Meeting on May 9, 2023, marked a significant milestone for NuVista, achieving 30% female board membership. NuVista is committed to continuing the pursuit of diversity in approach, gender, and background, as natural succession and board renewal processes. Furthermore, in 2022, NuVista reaffirmed its dedication to ESG accountability and transparency by transitioning its bank credit facility into a sustainability-linked loan. Having either met or exceeded all sustainability targets for 2022, NuVista realized a modest reduction in borrowing rates and standby fees. This underscores NuVista's ongoing commitment to sustainable business practices.

We look forward to providing a full update on our 2023 ESG performance and progress when we release our 2023 ESG update report in the summer of 2024.

2024 GUIDANCE UPDATE

NuVista continues to execute according to our plans, with well and facility outperformance in several areas. Production is tracking ahead of plan, and as a result we expect to land near the top of our first quarter 2024 production guidance range of 77,000 – 80,000 Boe/d (30% condensate, 9% NGLs, and 61% natural gas). We expect volumes to reach over 90,000 Boe/d at some point in the second half of 2024.

Our outlook for the full year of 2024 still anticipates excellent well economics with sub one-year payouts, and significant free adjusted funds flow net of capital expenditures despite the temporary significant reduction in natural gas prices. As our adjusted funds flow is primarily driven by condensate pricing, we are making no changes to our capital plans at this time, which allows us to maintain the efficiencies of steady 2-drill-rig execution. We re-affirm our 2024 full year production and capital expenditure guidance ranges of 83,000 – 87,000 Boe/d (30% condensate, 9% NGLs and 61% natural gas) and $500 million.

We intend to continue our track record of carefully directing free adjusted funds flow towards a prudent balance of return to shareholders and debt reduction, while investing in disciplined production growth towards 115,000 Boe/d.

CONSOLIDATED RESULTS

Net earnings

	Three months ended December 31		Year ended December 31	
($ thousands, except per share amounts)	**2023**	2022	**2023**	2022
Net earnings	**89,513**	159,372	**367,678**	631,045
Per share, basic	**0.42**	0.72	**1.70**	2.78
Per share, diluted	**0.41**	0.69	**1.65**	2.67

For the three months ended December 31, 2023, net earnings decreased $69.9 million to $89.5 million ($0.42/share) from fourth quarter 2022 earnings of $159.4 million ($0.72/share), due primarily to a $55.0 million decrease in adjusted funds flow, a $13.0 million decrease in unrealized gains on financial derivative contracts, a $15.4 million increase in depletion, depreciation and amortization expense and a $3.7 million loss on dispositions, partially offset by a $18.5 million decrease in the deferred tax expense.

For the year ended December 31, 2023, net earnings decreased $263.4 million to $367.7 million ($1.70/share) from $631.0 million ($2.78/share) for the year ended December 31, 2022, due primarily to a $135.9 million decrease in adjusted funds flow, a $160.3 million decrease in unrealized gains on financial derivative contracts and a $43.3 million increase in depletion, depreciation and amortization expense, offset by a $9.8 million increase in disposition gains and a $74.8 million decrease to the deferred tax expense.

Net earnings reported in a period is significantly impacted by unrealized gains (losses) on financial derivatives recognized in each period as a result of the mark to market fair values of the financial derivative contracts in place at each period end. Before taxes and unrealized gains (losses) on financial derivatives, net earnings were $115.3 million and $500.8 million for the three months and year ended December 31, 2023, respectively, compared to net earnings of $193.2 million and $678.6 million for the prior year comparative periods. The unrealized mark-to-market values are a function of commodity prices, resulting in significant variances in the values from period to period. The financial derivatives contracts are in place to provide greater adjusted funds flow stability and certainty in a volatile commodity price environment.

Cash provided by operating activities and adjusted funds flow

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

	Three months ended December 31		Year ended December 31	
($ thousands, except per share and per Boe amounts)	**2023**	2022	**2023**	2022
Cash provided by operating activities	**211,761**	226,688	**721,342**	844,816
Per share, basic	**1.00**	1.02	**3.34**	3.73
Per share, diluted	**0.98**	0.98	**3.24**	3.58
Adjusted funds flow (1)	**201,987**	256,983	**756,943**	892,801
Per share, basic	**0.95**	1.16	**3.50**	3.94
Per share, diluted	**0.93**	1.12	**3.40**	3.78
Adjusted funds flow $/Boe (2)	**25.55**	37.62	**26.86**	35.60

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

For the three months ended December 31, 2023, cash provided by operating activities decreased 7% to $211.8 million ($1.00/share, basic) from $226.7 million ($1.02/share, basic) for the comparable period of 2022, primarily due to a decrease in the average realized selling price and changes in non-cash working capital, partially offset by increased production volumes, lower royalties, and realized gains on commodity derivative contracts.

Adjusted funds flow for the three months ended December 31, 2023 decreased 21% to $202.0 million ($0.95/share, basic) from $257.0 million ($1.16/share, basic) for the comparable period of 2022, for similar reasons as noted above.

For the year ended December 31, 2023, cash provided by operating activities decreased 15% to $721.3 million ($3.34/share, basic) from $844.8 million ($3.73/share, basic) from the comparative period of 2022, primarily as a result of lower commodity prices and changes in non-cash working capital, partially offset by an increase in production volumes, lower royalties and realized gains on commodity derivative contracts.

Adjusted funds flow for the year ended December 31, 2023 decreased 15% to $756.9 million ($3.50/share, basic) from $892.8 million ($3.94/share, basic) for the same period of 2022, for similar reasons as noted above.

Free adjusted funds flow

NuVista uses free adjusted funds flow, defined as adjusted funds flow less net capital expenditures, power generation expenditures and asset retirement expenditures, as an indicator of the funds available for additional capital allocation such as the repurchase of common shares or the retirement of debt. For the three months and year ended December 31, 2023, free adjusted funds flow was $70.6 million and $210.6 million, compared to $183.0 million and $464.0 million in the prior year comparative periods.

	Three months ended December 31		Year ended December 31	
($ thousands)	**2023**	2022	**2023**	2022
Adjusted funds flow [(1)]	**201,987**	256,983	**756,943**	892,801
Net capital expenditures [(2)]	**(113,258)**	(72,743)	**(518,294)**	(419,476)
Power generation expenditures	**(16,904)**	—	**(16,904)**	—
Asset retirement expenditures	**(1,208)**	(1,223)	**(11,195)**	(9,302)
Free adjusted funds flow [(2)]	**70,617**	183,017	**210,550**	464,023

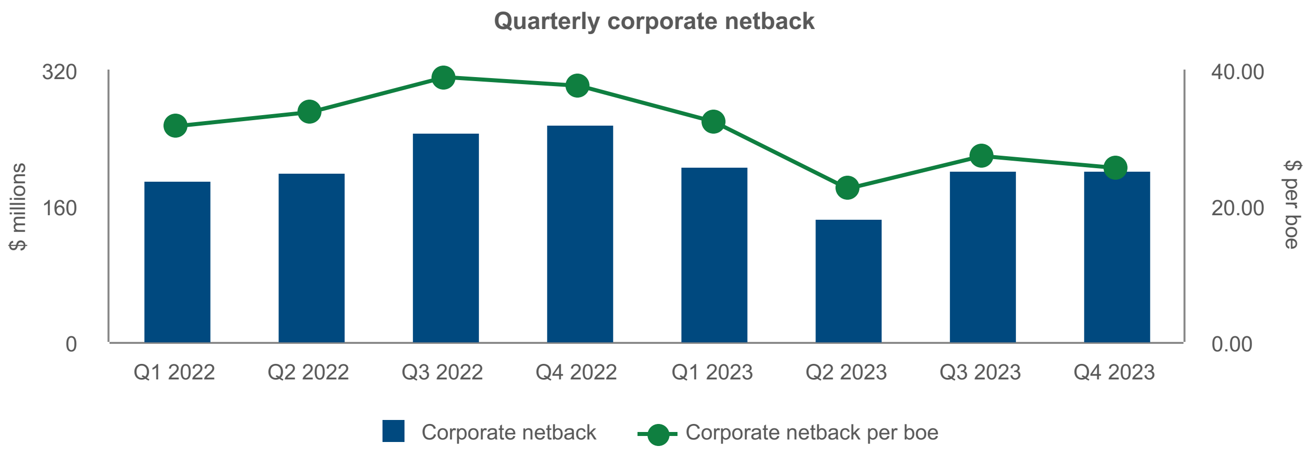
[(1)] Capital management measure. Reference should be made to the section entitled *"Specified Financial Measures"*.
[(2)] Non-GAAP financial measure that does not have any standardized meaning under IFRS Accounting Standards and therefore may not be comparable to similar measures presented by other companies where similar terminology is used. Reference should be made to the section entitled *"Specified Financial Measures"*.

Operating netback, corporate netback and cash costs

The table below summarizes operating netback and corporate netback on a per Boe basis for the three months and year ended December 31, 2023 and 2022:

	Three months ended December 31		Year ended December 31	
$/Boe	**2023**	2022	**2023**	2022
Petroleum and natural gas revenues [(1)]	**46.24**	66.73	**49.62**	69.64
Realized gain (loss) on financial derivatives	**0.46**	(1.17)	**0.41**	(6.56)
Interest income	**—**	0.01	**—**	—
	46.70	65.57	**50.03**	63.08
Royalties	**(4.50)**	(7.94)	**(4.80)**	(7.92)
Transportation expense	**(4.54)**	(5.33)	**(4.77)**	(5.16)
Net operating expense [(2)]	**(10.65)**	(11.94)	**(11.40)**	(11.67)
Operating netback [(2)]	**27.01**	40.36	**29.06**	38.33
General and administrative expense	**(0.75)**	(0.86)	**(0.83)**	(0.85)
Cash share-based compensation expense	**0.19**	(0.53)	**0.02**	(0.29)
Financing costs [(3)]	**(1.21)**	(1.35)	**(1.39)**	(1.59)
Current income tax recovery	**0.31**	—	**—**	—
Corporate netback [(2)]	**25.55**	37.62	**26.86**	35.60

[(1)] For the three months and year ended December 31, 2023, includes price risk management gains of $0.35/Boe and $0.33/Boe (2022 – losses of $0.23/Boe and $0.76/Boe, respectively) on physical delivery sales contracts.
[(2)] Non-GAAP ratio that does not have any standardized meaning under IFRS Accounting Standards 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, 2023 and 2022:

	Three months ended December 31		Year ended December 31	
$/Boe	**2023**	2022	**2023**	2022
Net operating expense [1]	**10.65**	11.94	**11.40**	11.67
Transportation expense	**4.54**	5.33	**4.77**	5.16
General and administrative expense	**0.75**	0.86	**0.83**	0.85
Financing costs [2]	**1.21**	1.35	**1.39**	1.59
Current income tax recovery	**(0.31)**	—	**—**	—
Total cash costs [1]	**16.84**	19.48	**18.39**	19.27

(1) Non-GAAP ratio that does not have any standardized meaning under IFRS Accounting Standards 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) Excludes accretion expense.

OPERATING RESULTS

Operations activity

	Three months ended December 31		Year ended December 31	
Number of wells	**2023**	2022	**2023**	2022
Wells drilled - gross (net) [1]	**8 (8.0)**	9 (8.4)	**49 (48.5)**	49 (47.5)
Wells completed - gross (net) [2]	**5 (5.0)**	3 (3.0)	**47 (45.7)**	45 (44.4)
Wells brought on production - gross (net) [3]	**5 (5.0)**	2 (1.6)	**50 (48.7)**	47 (46.4)

(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, 2023, NuVista drilled 8 (8.0 net) wells compared to 9 (8.4 net) wells in the comparable period of 2022. In addition, 5 (5.0 net) wells were completed with 5 (5.0 net) wells brought online throughout the fourth quarter.

For the year ended December 31, 2023, NuVista drilled 49 (48.5 net) wells compared to 49 (47.5) wells in 2022. In addition, 47 (45.7 net) wells were completed with 50 (48.7 net) wells brought online in 2023.

Production

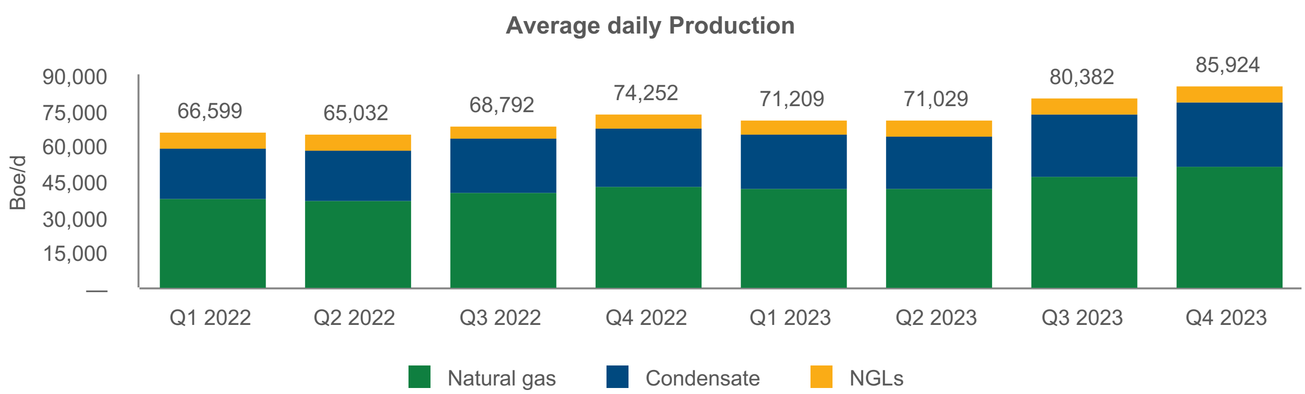
	Three months ended December 31			Year ended December 31		
	2023	2022	% Change	**2023**	2022	% Change
Natural gas (Mcf/d)	**310,485**	259,335	20	**276,039**	239,620	15
Condensate (Bbls/d)	**26,889**	25,112	7	**24,633**	22,591	9
NGLs (Bbls/d)	**7,287**	5,918	23	**6,545**	6,162	6
Total (Boe/d) (1)	**85,924**	74,252	16	**77,185**	68,690	12
Condensate & NGLs weighting (2)	**40%**	42%		**40%**	42%	
Condensate weighting (2)	**31%**	34%		**32%**	33%	

(1) Production represents the average daily production for the applicable period.
(2) Product weighting is based on total production.

Production for the three months and year ended December 31, 2023 was 16% and 12% higher than the comparative periods of 2022, due to new well production and optimization of existing production, which was partially offset by natural production declines and shut-ins in May 2023 caused by the Alberta wildfires, which impacted our second quarter 2023 production by approximately 11,000 Boe/d.

Fourth quarter production of 85,924 Boe/d was above third quarter 2023 production of 80,382 Boe/d with the addition of 5 wells brought online throughout the quarter, and the prior quarter impacted by planned and unplanned downtime at owned and third-party facilities which reduced production. Full year production of 77,185 Boe/d came in above the full year guidance range of 76,000 to 77,000 Boe/d, and 12% higher than 2022.

Condensate volume weighting for the three months and year ended December 31, 2023 was 31% and 32% compared to 34% and 33% in the prior year comparative periods.



Pricing

	Three months ended December 31			Year ended December 31		
	2023	2022	% change	**2023**	2022	% change
Realized selling prices (1),(2)						
Natural gas ($/Mcf)	**3.45**	7.55	(54)	**4.19**	7.39	(43)
Condensate ($/Bbl)	**99.20**	109.69	(10)	**100.02**	118.34	(15)
NGLs ($/Bbl) (3), (4)	**32.46**	41.28	(21)	**31.80**	54.90	(42)
Barrel of oil equivalent ($/Boe)	**46.24**	66.73	(31)	**49.62**	69.64	(29)
Benchmark pricing						
Natural gas - AECO 5A daily index (Cdn$/Mcf)	**2.30**	5.11	(55)	**2.64**	5.31	(50)
Natural gas - AECO 7A monthly index (Cdn$/Mcf)	**2.66**	5.58	(52)	**2.93**	5.56	(47)
Natural gas - NYMEX (monthly) (US$/MMbtu)	**2.88**	6.26	(54)	**2.74**	6.64	(59)
Natural gas - Chicago Citygate (monthly) (US$/MMBtu)	**2.63**	5.86	(55)	**2.79**	6.61	(58)
Natural gas - Dawn (daily) (US$/MMBtu)	**2.28**	5.16	(56)	**2.33**	6.04	(61)
Natural gas - Malin (monthly) (US$/MMBtu)	**4.65**	8.45	(45)	**7.52**	7.20	4
Oil - WTI (US$/Bbl)	**78.32**	82.64	(5)	**77.62**	94.23	(18)
Oil - Edmonton Par - (Cdn$/Bbl)	**99.75**	110.12	(9)	**100.66**	120.12	(16)
Condensate - @ Edmonton (Cdn$/Bbl)	**103.91**	113.23	(8)	**103.46**	121.80	(15)
Condensate - Average C5-WTI differential (US$/Bbl)	**(2.08)**	0.72	(389)	**(1.01)**	(0.47)	115
Exchange rate - (Cdn$/US$)	**1.36**	1.36	—	**1.35**	1.30	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) 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, 2023 was $0.9 million and $3.8 million (2022 - $0.4 million and $21.9 million, respectively).

WTI benchmark averaged US$78.32/Bbl in the fourth quarter of 2023, a decrease of 5% from the fourth quarter of the prior year and 5% lower than the third quarter of 2023 which averaged US$82.26/Bbl. OPEC cut oil production last year by 1.66 million Bbl/d and Saudi Arabia announced a unilateral cut of 1 million Bbl/d. These cuts have been extended and will likely persist until at least the end of the first quarter of 2024. Sanctions and price caps continue to put Russian production at risk, but exports have been resilient. Total U.S. production has been growing at a moderate pace as shale producers continue to show discipline in their capital programs. Consumption in China has largely recovered to 2019 levels, but growth has been moderate, with some economic uncertainty. The interest rate hikes by central banks appear to have impacted oil markets as economic growth slows. Concerns about a potential recession, at least in the U.S., seems to be dissipating. The U.S. has begun to refill the strategic petroleum reserves but at a very slow pace. The recent events in the Middle East have created more uncertainty in the oil markets with potential disruptions to supply if the conflict were to spread.

With the growth in heavy oil production in Canada, demand for condensate has been strong. Condensate differentials from WTI averaged US$2.08/Bbl in the fourth quarter. Condensate prices have been a bit weaker this winter with the delays to the TransMountain Pipeline and unplanned refiner maintenance in the U.S. Midwest. Condensate prices continued to outperform other liquid prices with the Edmonton marker averaging $103.91/Bbl in the fourth quarter of 2023.

NGL prices were softer in 2023 compared to 2022. Butane prices were weaker as they are tied to WTI prices which have been softer than the prior year. Propane prices were much higher in 2022 due to significantly higher U.S. exports into the Asian petrochemical market. Softening of demand in the petrochemical markets primarily in Asia led to weaker propane prices in 2023.

NYMEX gas prices averaged US$2.88/MMBtu in the fourth quarter, up 13% from the third quarter of 2023 which averaged $2.55/MMBtu and 54% lower than the fourth quarter of last year which averaged $6.26/MMBtu. With a very warm start to winter in most key consuming regions, storage withdrawals were well below average in the fourth quarter.

AECO gas prices averaged $2.66/Mcf in the fourth quarter of 2023 representing an increase of 11% from the third quarter average of $2.39/Mcf, and a 52% decrease from the fourth quarter of 2022 which averaged $5.58/Mcf. AECO differentials were very wide at the end of 2022 due to the elevated NYMEX prices, but have since narrowed as U.S. gas prices have weakened. Continued Nova debottlenecking, growth in local demand, and the eventual commissioning of LNG facilities on the West Coast should help keep AECO differentials narrower than prior years.

Revenue

Petroleum and natural gas revenues

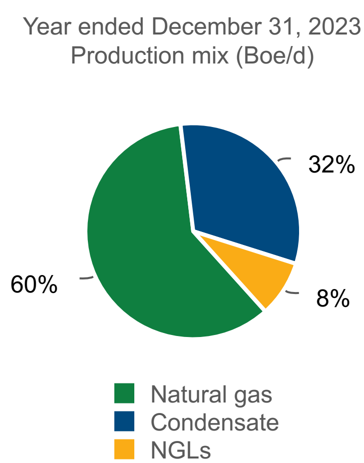
	Three months ended December 31				Year ended December 31			
	2023		2022		**2023**		2022	
($ thousands, except % amounts)	**$**	**% of total**	$	% of total	**$**	**% of total**	$	% of total
Natural gas [(1)]	**98,329**	**27**	179,972	39	**422,818**	**30**	646,653	37
Condensate	**245,402**	**67**	253,423	56	**899,319**	**64**	975,839	56
NGLs [(2)]	**21,766**	**6**	22,473	5	**75,960**	**6**	123,483	7
Total petroleum and natural gas revenues	**365,497**		455,868		**1,398,097**		1,745,975	

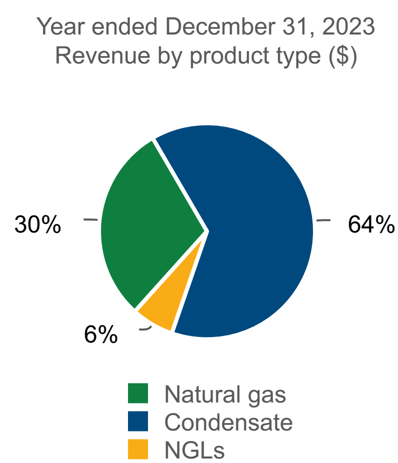
(1) Natural gas revenue includes price risk management gains and losses on physical delivery sale contracts. For the three months and year ended December 31, 2023, our physical delivery sales contracts resulted in gains of $2.7 million and $9.4 million (2022 – losses of $1.5 million and $19.1 million, respectively).
(3) Includes butane, propane, ethane and sulphur.

For the three months ended December 31, 2023, petroleum and natural gas revenues decreased 20% from the comparable period of 2022, due primarily to a 31% decrease in the average per Boe realized price, partially offset by a 16% increase in production for the quarter.

For the year ended December 31, 2023, petroleum and natural gas revenue decreased 20% from the comparable period of 2022, due primarily to a 29% decrease in the average per Boe realized price, partially offset by a 12% increase in production.

Condensate volumes averaged 31% of total production in the fourth quarter of 2023, contributing 67% of total petroleum and natural gas revenues. For the year ended December 31, 2023, condensate volumes averaged 32% of total production, contributing 64% of total petroleum and natural gas revenues.





Natural gas revenue

For the three months ended December 31, 2023, natural gas revenue decreased 45% from the comparable period of 2022, due to a 54% decrease in realized selling prices partially offset by a 20% increase in production. For the year ended December 31, 2023, natural gas revenue decreased 35% from the comparable period of 2022, due primarily to a 43% decrease in realized selling prices offset by a 15% increase in production.

Excluding the impact of realized gains (losses) on physical sales contracts, the average realized selling price for natural gas for the three months and year ended December 31, 2023 was $3.35/Mcf and $4.10/Mcf respectively, compared to $7.61/Mcf for both comparative periods of 2022, and $3.12/Mcf in the third quarter of 2023.

NuVista'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	
	2023	2022	**2023**	2022
AECO physical deliveries	**52 %**	44 %	**46 %**	40 %
Dawn physical deliveries	**14 %**	17 %	**16 %**	18 %
Malin physical deliveries	**12 %**	14 %	**14 %**	15 %
Chicago physical deliveries	**22 %**	25 %	**24 %**	27 %

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, 2023, NuVista delivered 52% of its natural gas production to AECO, 14% to Dawn, 12% to Malin, and 22% to Chicago. NuVista's existing contracts for firm transportation on export pipelines coupled with the financial AECO-NYMEX basis natural gas sales price derivative contracts and financial physical AECO fixed price natural gas swaps serve to provide for long-term price diversification.

Condensate revenue

For the three months ended December 31, 2023, condensate revenue decreased 3% over the comparable period of 2022 due to a 7% increase in production offset by a 10% decrease in the average realized selling price. For the year ended December 31, 2023, condensate revenue decreased 8% over the comparable period of 2022, due primarily to a 15% decrease in realized selling prices, partially offset by a 9% 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 realized condensate price was $99.20/Bbl and $100.02/Bbl in the three months and year ended December 31, 2023, compared to $109.69/Bbl and $118.34/Bbl for the comparable periods of 2022, and $103.92/Bbl for the third quarter of 2023.

NGL revenue

For the three months ended December 31, 2023, NGL revenue decreased 3% over the comparable period of 2022, due to a 21% decrease in the average realized selling price, partially offset by a 23% increase in NGL production. For the year ended December 31, 2023, NGL revenue decreased 38% over the comparable period of 2022, due primarily to a 42% decrease in the average realized selling price, partially offset by a 6% increase in NGL production. NGL revenue includes sulphur revenue, which decreased 83% in the current year compared to 2022. Sulphur revenues are inherently very volatile and not typically a material portion of NuVista's NGL revenue composition.

The realized selling price for NGLs was $32.46/Bbl and $31.8/Bbl in the three months and year ended December 31, 2023, compared to $41.28/Bbl and $54.90/Bbl for the comparable periods of 2022, and $29.19/Bbl for the third quarter of 2023.

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.

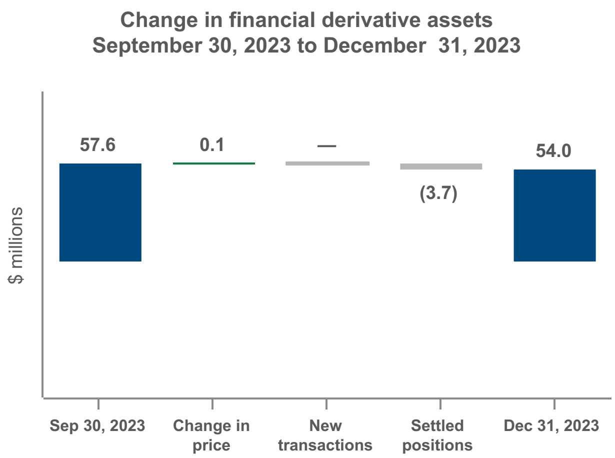
Hedges on crude oil, natural gas liquids, natural gas, differentials and basis may be made in Canadian or U.S. dollars at the time the position is established, and the U.S. dollar positions may be hedged to Canadian dollars during the term of the applicable hedge. Foreign currency exposure on interest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

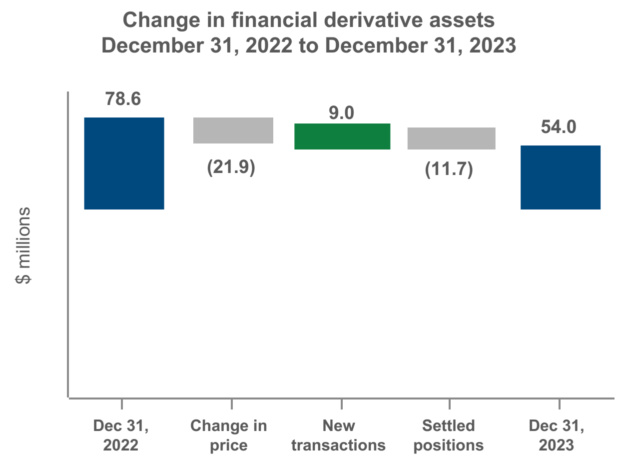
	Three months ended December 31					
	2023			2022		
($ thousands)	**Realized gain**	**Unrealized loss**	**Total gain**	Realized loss	Unrealized gain	Total gain (loss)
Natural gas	**3,650**	**(3,526)**	**124**	(1,714)	6,219	4,505
Condensate & oil	**—**	**—**	**—**	(6,256)	3,247	(3,009)
Gain (loss) on financial derivatives	**3,650**	**(3,526)**	**124**	(7,970)	9,466	1,496

During the fourth quarter of 2023, the commodity price risk management program resulted in a gain of $0.1 million, compared to a gain of $1.5 million for the prior year comparative period and a gain of $10.1 million in the third quarter of 2023. 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. 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					
	2023			2022		
($ thousands)	**Realized gain (loss)**	**Unrealized loss**	**Total loss**	Realized loss	Unrealized gain	Total gain (loss)
Natural gas	**12,494**	**(23,458)**	**(10,964)**	(63,133)	107,844	44,711
Condensate	**(921)**	**(1,072)**	**(1,993)**	(101,216)	27,969	(73,247)
Gain (loss) on financial derivatives	**11,573**	**(24,530)**	**(12,957)**	(164,349)	135,813	(28,536)

For the year ended December 31, 2023, the commodity price risk management program resulted in a loss of $13.0 million compared to a loss of $28.5 million for the comparable period of 2022.





Price risk management on our physical delivery sale contracts resulted in gains of $2.7 million and $9.4 million for the three months and year ended December 31, 2023 compared to losses of $1.5 million and $19.1 million for the comparable periods of 2022, and a gain of $6.3 million for the three months ended September 30, 2023.

NuVista currently possess swaps which cover 14% of projected 2024 natural gas production at an average floor price of C$4.22/Mcf (hedged and exported volumes converted to an AECO equivalent price). These percentage figures relate to production net of royalty volumes.

Financial instruments

The following is a summary of financial derivatives contracts in place as at December 31, 2023:

	AECO-NYMEX basis swap	
Term [1]	MMBtu/d	US$/MMBtu
2024	100,000	(1.00)
2025	105,000	(0.96)
2026	187,500	(0.92)
2027	140,000	(0.91)
2028	97,500	(0.99)
2029	22,500	(0.98)

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

	AECO fixed price swap	
Term [1]	GJ/d	Cdn$/GJ
2024	15,000	4.00
2025	15,000	4.00

[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, 2023:

	AECO fixed price swap		AECO-NYMEX basis	
Term [1]	GJ/d	Cdn$/GJ	MMBtu/d	US$/MMBtu
2024	35,000	4.01	—	—
2025	35,000	4.01	5,000	(1.15)

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

Royalties

	Three months ended December 31		Year ended December 31	
($ thousands, except % and per Boe amounts)	**2023**	2022	**2023**	2022
Gross royalties	**55,467**	65,261	**210,679**	245,586
Gas cost allowance	**(19,889)**	(11,003)	**(75,447)**	(46,912)
Net royalties	**35,578**	54,258	**135,232**	198,674
Gross royalty % excluding physical delivery sales contracts[1]	**15.3**	14.3	**15.2**	13.9
Gross royalty % including physical delivery sales contracts	**15.2**	14.3	**15.1**	14.1
Net royalty %	**9.7**	11.9	**9.7**	11.4
Net royalties $/Boe	**4.50**	7.94	**4.80**	7.92

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

For the three months and year ended December 31, 2023, gross royalties decreased on a total dollar basis compared to the prior year comparative periods primarily as a result the decrease in the average $/Boe realized sales price. The increase in gross royalties as a percentage of petroleum and natural gas revenues, when compared to the prior year, was due to a higher number of wells having fully utilized a lower initial royalty rate under the Alberta royalty incentive programs, after which a higher royalty rate is applied.

NuVista receives gas cost allowance (“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, 2023, the increase in GCA credits received compared to the comparative periods of 2022 was primarily due to the annual adjustment for GCA received related to NuVista’s investment in gas processing and transportation infrastructure and higher production volumes.

The gross natural gas and liquids (condensate and NGL) royalty rates for the three months ended December 31, 2023 were 9% and 18% compared to 9% and 18% respectively, in the comparative period of 2022. Compared to the third quarter, the gross natural gas rate increased from 3% and the liquids royalty rate increased from 16%.

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 expense

	Three months ended December 31		Year ended December 31	
($ thousands, except per unit and per Boe amounts)	**2023**	2022	**2023**	2022
Natural gas transportation expense	**19,940**	19,277	**78,360**	75,387
Condensate & NGL transportation expense	**15,972**	17,100	**55,952**	53,926
Total transportation expense	**35,912**	36,377	**134,312**	129,313
Natural gas transportation $/Mcf (1)	**0.70**	0.81	**0.78**	0.86
Condensate & NGL transportation $/Bbl	**5.08**	5.99	**4.92**	5.14
Total transportation $/Boe	**4.54**	5.33	**4.77**	5.16

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

For the three months and year ended December 31, 2023, natural gas transportation expense on a total dollar basis increased from the prior year comparative periods due to increased firm commitments for gas transportation. However, over the same periods, the cost on a $/Mcf basis decreased due to a 20% and 15% increase in natural gas production, respectively. Fourth quarter natural gas transportation expense was comparable with the third quarter of 2023 of $19.4 million ($0.75/Mcf), but lower on a $/Mcf basis due to a 10% increase in natural gas production.

Condensate & NGL transportation expense decreased for the three months ended December 31, 2023 from the prior year comparative period, as pipeline outages throughout the fourth quarter of 2022 resulted in temporarily higher trucking costs in that period. Condensate & NGL transportation expense decreased on a $/Bbl basis over the same period due to the 7% increase in condensate & NGL production volumes. For the year ended December 31, 2023, condensate & NGL transportation expense increased on a total dollar basis from the prior year comparative period due primarily to an increase in production, and increased pipeline tolls reflective of the increase in the consumer price index, but decreased on a $/Bbl basis due to a 9% increase in condensate & NGL production. Fourth quarter condensate & NGL transportation expense was slightly lower than the third quarter of 2023 of $16.8 million ($5.51/Bbl), and lower on a $/Bbl basis due to a 3% increase in condensate & NGL production.

Net operating expense

	Three months ended December 31		Year ended December 31	
($ thousands, except per Boe amounts)	**2023**	2022	**2023**	2022
Operating expense	**85,207**	81,570	**324,196**	292,568
Other income	**(1,038)**	—	**(3,058)**	—
Net operating expense (1)	**84,169**	81,570	**321,138**	292,568
Per Boe (2)	**10.65**	11.94	**11.40**	11.67

(1) Non-GAAP financial measure that does not have any standardized meaning under IFRS Accounting Standards 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 Accounting Standards 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"*.

For the three months and year ended December 31, 2023, net operating expense on a total dollar basis increased from the prior year comparative periods due to increased production, primarily in the Pipestone area. Net operating expense on a $/Boe basis decreased compared to the prior year comparative periods, primarily due the increased production and lower power and utility costs realized at NuVista facilities. Fourth quarter net operating expense of $85.2 million ($10.65/Boe) on a total dollar basis was consistent with third quarter net operating expense of $84.9 million ($11.49/Boe) and lower on a $/Boe basis due the higher production.

The capital fees associated with the Pipestone South gas processing lease and gas transportation lease is excluded from net operating expense and classified as a lease under *IFRS 16 - Leases.* For the three months and year ended December 31, 2023, total payments under these two leases of $5.0 million and $19.1 million were excluded from net operating expense and accounted for under the lease standard, compared to $4.3 million and $12.0 million in the prior year comparative periods.

General and administrative expense ("G&A")

	Three months ended December 31		Year ended December 31	
($ thousands, except per Boe amounts)	**2023**	2022	**2023**	2022
Gross G&A expense	**7,800**	7,936	**32,103**	29,091
Overhead recoveries	**(603)**	(835)	**(3,284)**	(2,981)
Capitalized G&A	**(1,264)**	(1,198)	**(5,323)**	(4,863)
G&A expense	**5,933**	5,903	**23,496**	21,247
Gross G&A per Boe	**0.99**	1.16	**1.14**	1.16
G&A per Boe	**0.75**	0.86	**0.83**	0.85

For the three months ended December 31, 2023, G&A expense on a total dollar basis was consistent with the prior year comparative period, but decreased on a $/Boe basis due to the increase in production.

For the year ended December 31, 2023, G&A expense on a total dollar basis increased 11% from the prior year comparative period, due to increases in employee compensation and general economic inflation, partially offset by higher overhead recoveries and capitalized G&A.

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, 2023 and December 31, 2022, total payments of $0.2 million and $0.8 million were excluded from gross G&A expense and accounted for under the lease standard.

Share-based compensation expense

	Three months ended December 31		Year ended December 31	
($ thousands)	**2023**	2022	**2023**	2022
Stock options	**553**	453	**2,049**	1,662
Restricted share awards	**604**	550	**2,269**	1,904
Performance share awards	**1,155**	925	**5,849**	3,244
Non-cash share-based compensation expense	**2,312**	1,928	**10,167**	6,810
Director deferred share units	**(1,551)**	3,681	**(357)**	7,385
Restricted share units	**18**	—	**18**	—
Performance share units	**—**	(42)	**(147)**	(48)
Cash share-based compensation expense	**(1,533)**	3,639	**(486)**	7,337
Total share-based compensation expense	**779**	5,567	**9,681**	14,147

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 for the director deferred share units ("DSU"), the restricted share units ("RSU") and the performance share units ("PSU"). 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, exercised or settled 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 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, 2023, the decrease in total share-based compensation over the prior year comparative period was primarily a result of the decrease in DSU expense and a corresponding decrease in the recorded liability due to the decrease in the Company's share price from $13.00 at September 30, 2023 to $11.04 per share at December 31, 2023.

For the year ended December 31, 2023, the decrease in total share-based compensation was primarily due to the increase in PSA expense due to an increase to the performance multiplier for 2023 PSAs, based on above-target Company performance. Partially offsetting this increase is lower DSU expense recorded throughout 2023 due to changes in the Company’s share price as compared to the prior year comparative period. The Company’s closing share price at December 31, 2023 was $11.04 per share compared to $12.48 per share at December 31, 2022.

Financing costs

	Three months ended December 31		Year ended December 31	
($ thousands, except per Boe amounts)	**2023**	2022	**2023**	2022
Interest on long-term debt (credit facility)	**2,307**	1,156	**6,171**	7,110
Interest on senior unsecured notes	**3,488**	4,809	**16,181**	19,525
Early redemption expense on 2026 Notes	**—**	131	**2,604**	356
Interest expense	**5,795**	6,096	**24,956**	26,991
Lease interest expense	**3,739**	3,141	**14,079**	12,763
Accretion expense	**631**	770	**3,026**	3,062
Total financing costs	**10,165**	10,007	**42,061**	42,816
Interest expense per Boe	**0.73**	0.89	**0.89**	1.08
Total financing costs per Boe	**1.29**	1.46	**1.49**	1.71

For the three months and year ended December 31, 2023, the changes in interest on long-term debt (credit facility) from the prior year comparable periods was primarily due to changes in average borrowings on the credit facility, and the increase in interest rates. The average interest rate on long-term debt for the three months and year ended December 31, 2023 was 7.7% and 7.6%, compared to the average interest rate of 7.0% and 5.3% for the comparative periods of 2022. Interest expense on long-term debt includes interest standby charges on the Company's credit facility.

On July 23, 2021, the Company issued $230.0 million aggregate principal amount of 2026 Notes. See also the *Liquidity and Capital Resources* section in this MD&A. During the year ended December 31, 2023, NuVista repurchased and cancelled $55.2 million aggregate principal of the 2026 Notes plus accrued and unpaid interest, for a total purchase price of $56.7 million, resulting in an early redemption expense of $2.6 million compared to the carrying value of $54.1 million.

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

	Three months ended December 31		Year ended December 31	
($ thousands, except per Boe amounts)	**2023**	2022	**2023**	2022
Depletion and depreciation of property, plant and equipment	**75,036**	59,982	**244,723**	202,153
Depreciation of right-of-use assets	**2,541**	2,241	**9,739**	8,967
DD&A expense	**77,577**	62,223	**254,462**	211,120
DD&A per Boe	**9.81**	9.11	**9.03**	8.42

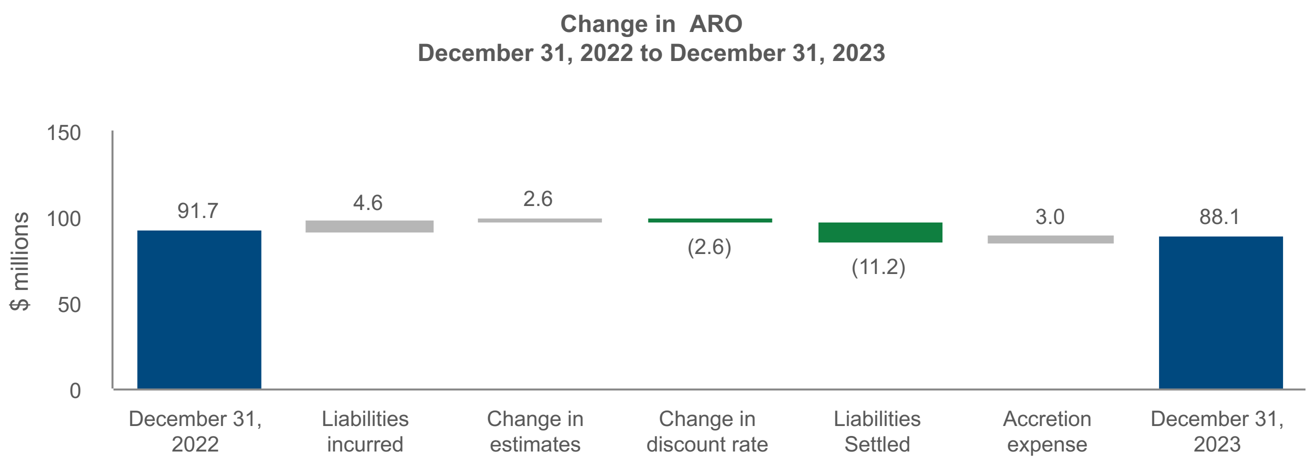
DD&A expense for three months and year ended December 31, 2023 was $77.6 million ($9.81/Boe) and $254.5 million ($9.03/Boe), compared to $62.2 million ($9.11/Boe) and $211.1 million ($8.42/Boe) for the comparable periods of 2022, and $57.8 million ($7.82/Boe) in the third quarter of 2023.

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, 2023, the DD&A rate excluding the impact of accelerated depletion was $8.92/Boe and $8.90/Boe compared to the prior year comparative periods of $8.62/Boe and $8.65/Boe, and $8.85/Boe in the third quarter of 2023.

The Montney cash generating unit (“CGU”) DD&A rate per Boe for the three months and year ended December 31, 2023 increased to $8.63/Boe and $8.60/Boe compared to $8.37/Boe and $8.31/Boe for the comparable periods of 2022. The higher DD&A expense and DD&A rate per Boe is primarily a result of the increase in the depletable base and the increase in production volumes on which depletion expense is based. The current quarter rate of $8.63/Boe decreased slightly from the third quarter rate of $8.55/Boe.

At December 31, 2023, there were no indicators of impairment identified on any of NuVista's CGUs within property, plant and equipment and an impairment test was not performed.

Asset retirement obligations



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, 2023, NuVista had an ARO balance of $88.1 million as compared to $91.7 million as at December 31, 2022. At December 31, 2023, the estimated total undiscounted and uninflated amount of cash required to settle NuVista's ARO was $118.0 million (December 31, 2022 – $110.7 million), with an estimated 32% to be incurred within the next 10 years. The Government of Canada long-term risk-free bond rate of 3.0% (December 31, 2022 – 3.3%) and an inflation rate of 1.6% (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 and the real rate of interest of 1.4% (December 31, 2022 - 1.2%). ARO expenditures for the year ended December 31, 2023 were $11.2 million compared to $16.4 million for the year ended December 31, 2022. Included in the 2022 ARO expenditures were $7.1 million funded by a provincial grant received from the Accelerated Site Rehabilitation Program.

NuVista's ARO liability decreased by $3.6 million in 2023 due primarily to a $2.6 million decrease as a result of a change in the discount rate used to value the liability from December 31, 2022, in addition to $11.2 million of liabilities settled, partially offset by a $2.6 million increase in ARO cost estimates and $4.6 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, capital, net capital and power generation expenditures

For the three months and year ended December 31, 2023, cash used in investing activities was $132.6 million and $531.6 million, compared to $79.3 million and $442.1 million in the comparative periods of 2022.

Capital expenditures were $69.3 million for the three months ended December 31, 2023, of which 74% was allocated to drilling and completion related activities, resulting in 8 (8.0 net) wells drilled and 5 (5.0 net) wells completed. During the three months ended December 31, 2023, NuVista acquired specific properties in its core Wapiti area, for a cash consideration of $44.0 million. This strategic property acquisition aims to add to NuVista's inventory and improve land configuration efficiency and optimize the utilization of pipelines and field facilities. Inclusive of capital expenditures and property acquisitions, net capital expenditures for the three months ended December 31, 2023 were $113.3 million.

For the year ended December 31, 2023, capital expenditures were $500.3 million of which 79% was allocated to drilling and completion activities with 49 (48.5) wells drilled and 47 (45.7) wells completed. Net capital expenditures for the year ended December 31, 2023 were $518.3 million, inclusive of capital expenditures of $500.3 million, property acquisitions of $44.0 million and disposition proceeds of $26.0 million.

During the three months and year ended December 31, 2023, power generation expenditures were $16.9 million. These funds were invested in the cogeneration unit at our Wembley Gas Plant in the Pipestone North area, which was commissioned in December 2023. For its majority working interest in the project, NuVista partnered with five Indigenous Nations, who invested $20 million in support of this emissions reduction project. In return, the five Indigenous Nations are entitled to defined contractual cash flows, while NuVista will benefit from the cogeneration unit in terms of reduced operating costs and carbon emissions.

The following table provides a breakdown of capital expenditures, net capital expenditures and power generation expenditures by category for the three months and year ended December 31, 2023 and 2022:

	Three months ended December 31				Year ended December 31			
($ thousands, except % amounts)	**2023**	**% of total**	2022	% of total	**2023**	**% of total**	2022	% of total
Land and retention costs	**15**	**—**	20	—	**7,507**	**2**	3,378	1
Geological and geophysical	**249**	**—**	139	—	**691**	**—**	386	—
Drilling and completion	**51,413**	**74**	61,348	84	**392,663**	**79**	345,735	83
Facilities and equipment	**16,193**	**23**	9,882	14	**93,252**	**19**	64,386	15
Corporate and other	**1,388**	**2**	1,354	2	**6,181**	**1**	5,591	1
Capital expenditures (1)	**69,258**		72,743		**500,294**		419,476	
Property acquisitions	**44,000**		—		**44,000**		—	
Proceeds on property disposition	**—**		—		**(26,000)**		—	
Net capital expenditures (1)	**113,258**		72,743		**518,294**		419,476	
Power generation expenditures	**16,904**		—		**16,904**		—	

(1) Non-GAAP financial measure that does not have any standardized meaning under IFRS Accounting Standards 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".*

Other liabilities

During the year ended December 31, 2023, NuVista together with its joint venture partners completed the construction of a cogeneration unit at the Wembley Gas Plant, which it operates. For its majority working interest in the project NuVista partnered with five Indigenous Nations, who invested $20 million in support of this emissions reduction project. In return, the five Indigenous Nations are entitled to defined contractual cash flows, while NuVista will benefit from the cogeneration unit terms of reduced operating costs and carbon emissions. NuVista has recognized an other liability $20 million, with respect to the contractual obligations to the five Indigenous Nations.

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 Pembina Gas Infrastructure Wapiti plant. In the second quarter of 2023, the Company increased the lease liability for the Pipestone South compressor by $10.9MM to recognize capital expansion costs, resulting in a corresponding increase in the ROU asset. In the fourth quarter of 2023, the Company renewed its head office lease, resulting in a $4.2 million increase to its lease liability and ROU asset.

At December 31, 2023, the total right-of-use asset is $104.3 million. The total lease liability is $126.0 million, of which $6.5 million is classified as a current liability.

Deferred income taxes

For the three months and year ended December 31, 2023, NuVista recorded deferred tax expense of $24.7 million and $108.6 million, compared to deferred tax expense of $43.2 million and $183.3 million for the prior year comparative periods. The deferred tax liability of $360.7 million at December 31, 2023 increased from the December 31, 2022 balance of $260.3 million. The combined federal and provincial corporate tax rate in 2022 and 2023 is 23%. NuVista was not cash taxable in 2023. Within the context of current strip prices and our current capital spending plans, we expect to be cash taxable in 2024.

Tax pools

At December 31, 2023, NuVista had $1.0 billion (2022 – $1.2 billion) of tax pools available for deduction against future years' taxable income.

	Available tax pools	Maximum annual deduction
($ thousands)	2023	%
Canadian exploration expense	7,000	100 %
Canadian development expense	539,000	30-45% declining balance
Canadian oil and natural gas property expense	189,000	10-15% declining balance
Undepreciated capital cost	176,000	25-37.5% declining balance
Non-capital losses	58,000	100 %
Other	23,000	various rates
Total federal tax pools	992,000	
Additional:		
Alberta tax pools	14,000	100 %
Incentive tax credits	3,000	100 %

Liquidity and capital resources

NuVista has balance sheet strength with low net debt and significant financial flexibility and is in a favorable position to maintain its disciplined and value-adding growth strategy. Additionally, the Company remains committed to the return of capital to shareholders. This financial strength will enable NuVista to navigate volatile commodity prices while creating long-term value for its stakeholders. The options for returning capital to its shareholders include share repurchases and dividend strategies. Presently, our Board has set a target of returning approximately 75% of free adjusted funds flow to shareholders through the repurchase of the Company's common shares pursuant to our current NCIB program.

Our Board has set 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. In the context of NuVista's current production, that soft ceiling is approximately $350 million. While our initial focus for returning capital to shareholders is through share repurchases, we continuously re-evaluate the use of free adjusted funds flow. The re-evaluation takes into account the supply and demand and pricing environment, and considers all options including continued disciplined growth beyond existing facility capacity, share repurchases, dividend payments, land acquisitions, infrastructure repurchases and selective mergers and acquisitions that add value for shareholders.

Covenant based credit facility

Effective May 9, 2023, NuVista successfully renegotiated its extendible revolving term credit facility with its existing banking syndicate and has transitioned to a covenant based credit facility. Under the new credit agreement NuVista has in place a $450 million, covenant based credit facility, (December 31, 2022 - $440 million extendable revolving term 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, and is secured by a demand debenture. 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 year ended December 31, 2023, borrowing costs averaged 7.6% (December 31, 2022 - 5.3%).

Under the terms of the credit facility, NuVista is subject to the following financial covenants (collectively, the "financial covenants") at 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 greater than 3.5:1,

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. Interest Coverage Ratio is defined as EBITDA to Interest expense for the 12-months ending at the end of each reporting period.

At December 31, 2023, the NuVista was in compliance with its financial covenants, the details of which are as follows:

Financial Covenant	Reported	Threshold	Compliance
Senior debt to EBITDA ratio	**0.02:1**	Not exceed 3.0:1	Met
Total debt to EBITDA ratio	**0.25:1**	Not exceed 3.5:1	Met
EBITDA to interest expense ratio	**19.88:1**	Not be less than 3.5:1	Met

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 depending on established annual sustainability performance targets ("SPTs") related to:

- A reduction of Scope 1 & 2 Greenhouse Gas ("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 December 31, 2023, the Company had drawn $16.9 million on its credit facility (December 31, 2022 – nil) and had outstanding letters of credit of $11.5 million which reduce the credit available on this credit facility.

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, 2023, the Company had outstanding letters of credit associated with the APSG of $8.0 million, leaving $22.0 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, 2023 ("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 financial covenants for the Company to maintain.

The 2026 Notes were 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 first six months of 2023, NuVista redeemed a total of $55.2 million in aggregate principal of its 2026 Notes through open market repurchases at a weighted average price of $102.85, respectively, 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 statements of earnings and comprehensive income. There were no 2026 Notes repurchased in the second half of 2023. As at December 31, 2023, NuVista has redeemed $64.6 million of the 2026 Notes. The remaining face value at December 31, 2023 was $165.4 million, with a carrying value of $162.2 million.

Market capitalization and net debt

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

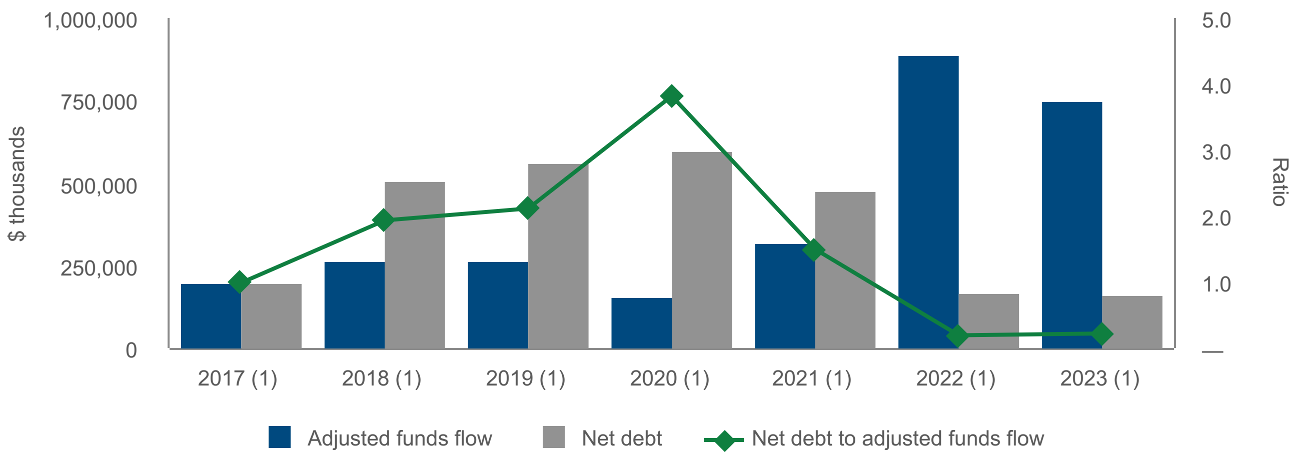
($ thousands)	December 31, 2023	December 31, 2022
Basic common shares outstanding	**207,584,197**	219,346,357
Share price [1]	**11.04**	12.48
Total market capitalization	**2,291,730**	2,737,443
Cash and cash equivalents	**—**	(41,890)
Accounts receivable and prepaid expenses	**(163,987)**	(194,128)
Inventory	**(20,705)**	(9,613)
Accounts payable and accrued liabilities	**157,711**	185,129
Current portion of other liabilities	**14,082**	15,375
Long-term debt (credit facility)	**16,897**	—
Senior unsecured notes	**162,195**	215,392
Other liabilities	**17,358**	1,540
Net debt [2,3]	**183,551**	171,805
Annualized current quarter adjusted funds flow [2,3]	**807,948**	1,027,932
Net debt to annualized current quarter adjusted funds flow [3]	**0.2**	0.2
Adjusted funds flow [2,3]	**756,943**	892,801
Net debt to 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) Capital management measure. Reference should be made to the section entitled *"Specified Financial Measures"*.
(3) Refer to Note 17, "Capital Management" in NuVista's financial statements.

Net debt reconciliation
($ millions)

NuVista's net debt of $183.6 million at December 31, 2023 is an increase of 7% from $171.8 million at December 31, 2022, and an increase of 22% from $150.2 million at September 30, 2023, as a result of increased net capital expenditures stemming from the property acquisition in the fourth quarter of 2023. NuVista's net debt to annualized fourth quarter adjusted funds flow ratio was 0.2x. This ratio represents the time period in years 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 and NCIB expenditures in the context of commodity prices and net debt levels.

Net debt to adjusted funds flow



(1) Based on full year adjusted funds flow.

Share Capital

On June 9, 2022, NuVista announced the approval of its normal course issuer bid, allowing NuVista to purchase up to 18,190,261 of its outstanding common shares over a 12-month period, commencing June 14, 2022 (the "2022 NCIB"). The 2022 NCIB was completed on June 12, 2023. On June 14, 2023, NuVista announced the approval of its current NCIB, which allows the Company to purchase up to 16,793,779 of its outstanding common shares over a 12-month period, commencing on June 16, 2023. The NCIB will terminate on June 15, 2024 or such earlier time as the NCIB is completed or terminated at the option of NuVista. A copy of NuVista's Notice of Intention to Make a Normal Course Issuer Bid can be obtained from NuVista, without charge.

In the fourth quarter of 2023, NuVista repurchased and subsequently cancelled 7,159,500 common shares at a weighted average price of $12.22/share for a total cost of $87.5 million. For the year ended December 31, 2023, NuVista repurchased and subsequently cancelled 15,299,561 common shares at a weighted average price of $12.01 per share for a total cost of $183.8 million.

Subsequent to December 31, 2023, the Company repurchased and subsequently cancelled 948,200 common shares at a weighted average price of $10.75/share for a total cost of $10.2 million under the NCIB. Since the inception of the NCIB program in 2022, 29,730,361 common shares have been repurchased and subsequently cancelled at a weighted average price of $11.82/share for a total cost of $351.3 million.

As at December 31, 2023, there were 207.6 million common shares outstanding. In addition, there were 3.4 million stock options with an average exercise price of $5.27 per option, 0.5 million RSAs and 1.8 million PSAs outstanding.

Commitments

NuVista enters into contractual 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, 2023:

($ thousands)	Total	2024	2025	2026	2027	2028	Thereafter
Transportation [1]	**986,330**	139,739	140,998	140,383	136,238	109,787	319,185
Processing [1] [2]	**1,797,233**	105,636	123,263	139,348	139,978	141,161	1,147,847
Servicing [3]	**5,777**	—	5,777	—	—	—	—
Total commitments [4]	**2,789,340**	245,375	270,038	279,731	276,216	250,948	1,467,032

(1) Certain of the transportation and processing commitments are secured by outstanding letters of credit of $18.5 million at December 31, 2023 (December 31, 2022 - $29.0 million).
(2) Includes processing commitments to guarantee firm capacity in various facilities.
(3) Effective November 2022, NuVista entered into a 3-year fracturing services and proppant supply agreement with a third-party. Part of the agreement includes USD and the conversion rate used at December 31, 2023 was 1.32 Cdn$/US$.
(4) 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. Except as disclosed herein, the Company has no other material off-balance sheet arrangements.

QUARTERLY FINANCIAL INFORMATION

($ thousands, except otherwise stated)	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
FINANCIAL								
Petroleum and natural gas revenues	**365,497**	360,373	282,064	390,163	455,868	445,007	463,273	381,827
Net earnings	**89,513**	110,323	87,133	80,709	159,372	223,463	177,954	70,255
Per share, basic	**0.42**	0.51	0.40	0.37	0.72	0.99	0.78	0.31
Per share, diluted	**0.41**	0.50	0.39	0.36	0.69	0.95	0.74	0.30
Cash provided by operating activities	**211,761**	160,194	134,166	215,221	226,688	228,018	227,668	162,442
Per share, basic	**1.00**	0.74	0.62	0.98	1.02	1.01	0.99	0.71
Per share, diluted	**0.98**	0.72	0.60	0.95	0.98	0.97	0.95	0.68
Adjusted funds flow [1]	**201,987**	202,010	145,482	207,464	256,983	246,115	199,833	189,869
Per share, basic [4]	**0.95**	0.94	0.67	0.95	1.16	1.09	0.87	0.83
Per share, diluted [4]	**0.93**	0.91	0.65	0.91	1.12	1.04	0.83	0.80
Net capital expenditures [2]	**113,258**	110,036	125,130	169,870	72,743	111,746	115,023	119,964
Total assets ($ millions)	**3,058**	3,009	2,910	2,882	2,822	2,750	2,613	2,505
Weighted average basic shares outstanding (thousands of shares)	**211,807**	215,710	217,952	219,192	222,483	226,770	229,595	228,146
Weighted average diluted shares outstanding (thousands of shares)	**216,446**	221,657	224,776	226,921	230,366	235,540	239,405	238,084
OPERATING								
Daily Production								
Natural gas (Mcf/d)	**310,485**	283,125	256,572	253,269	259,335	244,709	225,070	228,978
Condensate (Bbls/d)	**26,889**	26,704	21,990	22,885	25,112	22,478	21,058	21,680
NGLs (Bbls/d)	**7,287**	6,491	6,277	6,113	5,918	5,529	6,463	6,756
Total (Boe/d)	**85,924**	80,382	71,029	71,209	74,252	68,792	65,032	66,599
Condensate & NGLs weighting	**40%**	41%	40%	41%	42%	41%	42%	43%
Netbacks ($/Boe)								
Operating netback [3]	**27.01**	29.99	24.07	35.58	40.36	41.11	36.26	35.14
Corporate netback [3]	**25.55**	27.30	22.51	32.36	37.62	38.89	33.76	31.69

(1) Capital management measure. Reference should be made to the section entitled *"Specified Financial Measures"* . The following table sets out our adjusted funds flow compared to the most directly comparable GAAP measure of cash provided by operating activities for the applicable periods:

($ thousands, except otherwise stated)	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Cash provided by operating activities	**211,761**	160,194	134,166	215,221	226,688	228,018	227,668	162,442
Asset retirement expenditures	**1,208**	773	(479)	9,693	1,223	1,327	1,184	5,568
Change in non-cash working capital	**(10,982)**	41,043	11,795	(17,450)	29,072	16,770	(29,019)	21,859
Adjusted funds flow	**201,987**	202,010	145,482	207,464	256,983	246,115	199,833	189,869

(2) Non-GAAP financial measure that does not have any standardized meaning under IFRS Accounting Standards 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 following table sets out our net capital expenditures compared to the most directly comparable GAAP measure of cash used in investing activities for the applicable periods:

($ thousands, except otherwise stated)	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Cash used in investing activities	**(132,646)**	(120,713)	(134,454)	(143,773)	(79,310)	(128,727)	(107,532)	(126,522)
Changes in non-cash working capital	**2,484**	10,677	9,324	(35,597)	6,567	16,981	(7,491)	6,558
Other asset expenditures	**—**	—	—	9,500	—	—	—	—
Power generation expenditures	**16,904**	—	—	—	—	—	—	—
Net capital expenditures	**(113,258)**	(110,036)	(125,130)	(169,870)	(72,743)	(111,746)	(115,023)	(119,964)

(3) Non-GAAP ratio that does not have any standardized meaning under IFRS Accounting Standards 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) 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 $282.1 million to $463.3 million, largely due to the volatility of commodity prices and changes in production. Net earnings have been in a range of $70.3 million to $223.5 million, primarily influenced by commodity prices and production volumes, realized and unrealized gains and losses on financial derivatives, 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 provides 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 Accounting Standards 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 Accounting Standards measures as indicators of NuVista's performance.

NuVista has added the non-GAAP financial measures of “net capital expenditures” and “net operating expense” during the year. Net capital expenditures includes proceeds received on property dispositions which will be reinvested into the Company’s development plans and funds used to acquire properties. The use of net capital expenditures more closely aligns with the most directly comparable GAAP measure of cash used in investing activities and incorporates funds reinvested from property dispositions which more accurately reflects the Company’s strategic plan. The fourth quarter of 2023 was the first instance in which NuVista recognized power generation expenditures which were in respect of the cogeneration unit at the Wembley Gas Plant. Net operating expense considers that any incremental gross costs incurred to process third party volumes at its facilities are offset by the applicable fees charged to such third parties. The use of net operating expense closely aligns with the most directly comparable GAAP measure of operating expense and includes other income which more actually reflects the nature of the Company’s operating activities.

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 asset expenditures, power generation expenditures, proceeds on property dispositions and costs of acquisitions. NuVista considers capital expenditures to represent its organic capital program and 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 applicable periods:

	Three months ended December 31		Year ended December 31	
($ thousands)	**2023**	2022	**2023**	2022
Cash used in investing activities	**(132,646)**	(79,310)	**(531,586)**	(442,091)
Changes in non-cash working capital	**2,484**	6,567	**(13,112)**	22,615
Other asset expenditures	**—**	—	**9,500**	—
Power generation expenditures	**16,904**	—	**16,904**	—
Property acquisition	**44,000**	—	**44,000**	—
Proceeds on property disposition	**—**	—	**(26,000)**	—
Capital expenditures	**(69,258)**	(72,743)	**(500,294)**	(419,476)

Net capital expenditures

Net capital expenditures are equal to cash used in investing activities, excluding changes in non-cash working capital, other asset expenditures, and power generation expenditures. The Company includes funds used for property acquisition or proceeds from property dispositions within net capital expenditures as these transactions are part of its development plans. NuVista considers net capital expenditures to represent its organic capital program inclusive of capital spending for acquisition and disposition proposes and a useful measure of cash flow used for capital reinvestment.

The following table provides a reconciliation between the non-GAAP measure of net capital expenditures to the most directly comparable GAAP measure of cash used in investing activities for the applicable periods:

	Three months ended December 31		Year ended December 31	
($ thousands)	**2023**	2022	**2023**	2022
Cash used in investing activities	**(132,646)**	(79,310)	**(531,586)**	(442,091)
Changes in non-cash working capital	**2,484**	6,567	**(13,112)**	22,615
Other asset expenditures	**—**	—	**9,500**	—
Power generation expenditures	**16,904**	—	**16,904**	—
Net capital expenditures	**(113,258)**	(72,743)	**(518,294)**	(419,476)

Free adjusted funds flow

Free adjusted funds flow is adjusted funds flow less net capital expenditures, power generation expenditures, 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 net 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 applicable periods:

	Three months ended December 31		Year ended December 31	
($ thousands)	**2023**	2022	**2023**	2022
Cash provided by operating activities	**211,761**	226,688	**721,342**	844,816
Cash used in investing activities	**(132,646)**	(79,310)	**(531,586)**	(442,091)
Excess cash provided by operating activities over cash used in investing activities	**79,115**	147,378	**189,756**	402,725
Adjusted funds flow	**201,987**	256,983	**756,943**	892,801
Net capital expenditures	**(113,258)**	(72,743)	**(518,294)**	(419,476)
Power generation expenditures	**(16,904)**	—	**(16,904)**	—
Asset retirement expenditures	**(1,208)**	(1,223)	**(11,195)**	(9,302)
Free adjusted funds flow	**70,617**	183,017	**210,550**	464,023

Net operating expense

NuVista considers that any incremental gross costs incurred to process third party volumes at its facilities are offset by the applicable fees charged to such third parties. However, under IFRS Accounting Standards, NuVista is required to reflect operating costs and processing fee income separately on its consolidated statements of earnings and comprehensive income. Management believes that net operating expense, calculated as gross operating expense less processing income and other recoveries, which are included in other income on the statement of income and comprehensive income, is a meaningful measure for investors to understand the net impact of the Company's operating activities. The following table sets out net net operating expense compared to the most directly comparable GAAP measure of operating expenses for the applicable periods:

	Three months ended December 31		Year ended December 31	
($ thousands)	**2023**	2022	**2023**	2022
Operating expense	**85,207**	81,570	**324,196**	292,568
Other income	**(1,038)**	—	**(3,058)**	—
Net operating expense	**84,169**	81,570	**321,138**	292,568

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 Accounting Standards 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 Accounting Standards measures as indicators of NuVista's performance.

Per Boe disclosures for petroleum and natural gas revenues, realized gains/losses on financial derivatives, royalties, transportation expense, G&A expense, financing costs, and DD&A expense are non-GAAP ratios that are calculated by dividing each of these respective GAAP measures by NuVista's total production volumes for the period.

Net operating expense, per Boe

NuVista calculated net operating expense per Boe by dividing net operating expense by NuVista's production volumes for the period.

Management believes that net operating expense, calculated as gross operating expense less processing income and other recoveries, which are included in other income on the statement of income and comprehensive income, is a meaningful measure for investors to understand the net impact of the Company's operating activities. The measurement on a Boe basis assists management and investors with evaluating NuVista's operating performance on a comparable basis.

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 expense and net operating expense. Corporate netback is operating netback less general and administrative expense, cash share-based compensation expense, financing costs excluding accretion expense, and current income tax expense (recovery).

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 net operating expense, transportation expense, general and administrative expense, financing costs excluding accretion expense, and current income tax expense (recovery).

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 17 "Capital Management" in NuVista's consolidated 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 "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. NuVista calculates "adjusted funds flow per Boe" by dividing adjusted funds flow for a period by total production volumes sold in 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 key sources of estimation uncertainty to the carrying value of assets and liabilities are discussed below:

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 judgment 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.

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.

Proved and proved plus probable oil and natural gas reserves are used in the calculation of depletion, impairment and to assess for indicators of impairment on each of the NuVista'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. NuVista 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 natural gas reserves and the related cash flows from the NuVista'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.

Depreciation, depletion, amortization

Property, plant and equipment is measured at cost less accumulated depreciation, depletion, amortization. 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.

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.

FUTURE ACCOUNTING PRONOUNCEMENTS

Various amendments to existing standards and new accounting requirements have been released that are effective January 1, 2024. 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, 2023 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 Internal Control-Integrated Framework ("2013 Framework"), issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in May of 2013. The Certifying Officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's ICFR at December 31, 2023 and have concluded that the Company's ICFR was effective at December 31, 2023. There were no changes to NuVista's ICFR during the year ended December 31, 2023 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

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.

Notably, the Canadian Federal government has committed to cap and reduce greenhouse gas emissions from the oil and gas sector at a pace and scale necessary to support Canada's 2040 climate goals and achieve net-zero emissions by 2050. The proposed framework, "A Regulatory Framework to Cap Oil and Gas Sector Greenhouse Gas Emissions", released in December 2023, outlines an emissions cap and maximum allowable emissions from covered sources in 2030. While there are still many gaps in the information available, the proposed legislation could require a change to NuVista's business plans and allocation of investments. NuVista is continuing to monitor the evolving regulatory landscape and the potential impacts thereof.

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:

- Due to the lack of winter precipitation, the drought risk profile for the province of Alberta has escalated, raising concerns about water access and the impact to our operations and development plans;
- The drought risk profile of Alberta also raises the risk of the occurrence of wildfires which may restrict our ability to access properties and cause operational challenges;
- 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;
- Changing government regulations relating to royalty legislation, income tax laws, incentive programs, operating practices, fracturing regulations and environmental protection relating to the oil and natural gas industry;
- Inflationary pressures on the procurement of materials and labour to safely deliver on our forecasted capital and operational plans;
- Supply chain risk could impact the ability to execute our development plan;
- Labour risk related to availability, productivity and retention of qualified personnel;
- Environmental and safety risk associated with well operations and production facilities;
- 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;
- Risks associated with our information technology systems and a potential breakdown, cyber-attack and/or security breach; and
- Risk associated with the renewal of NuVista's credit facility and the continued participation of NuVista's lenders.

NuVista seeks to mitigate these risks by:

- Developing a water access plan for all areas of our operations that may be impacted by drought and wildfire conditions;

- Constructing our facilities for extreme weather conditions, as well as developing mitigation measures in processes;
- 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;
- 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;
- Ensuring strong third-party operators for non-operated properties;
- Adhering to NuVista's safety program and keeping up to date on 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;
- Maintenance of information and technology policies and procedures, and assessment thereof; and
- Monitoring the debt and equity markets to understand how changes in the capital market may impact NuVista's business plan.

Changing regulation

The International Sustainability Standards Board ("ISSB") recently released its initial sustainability standards, IFRS S1 and IFRS S2, focusing on general sustainability disclosure requirements and climate-related disclosure, respectively. While there has been overall support from various Canadian stakeholders for ISSB's initiatives, the Canadian disclosure framework is still in the early stages of development. Following a comprehensive examination of the Canadian standard-setting structure, the Canadian Sustainability Standards Board ("CSSB") was established in 2023 with the goal of collaborating with the ISSB to facilitate the adoption of ISSB standards in Canada.

In addition, the Canadian Securities Administrators ("CSA") published Proposed National Instrument 51-107 – Disclosure of Climate Related Matters for public comment. This proposed instrument aims to introduce climate-related disclosure requirements for reporting issuers in Canada, with limited exceptions. The comment period has since closed, and with the release of ISSB standards and the establishment of the CSSB, the CSA has expressed its intent to further assess international developments and collaborate with the CSSB prior to finalizing National Instrument 51-107.

Failure to meet upcoming sustainability reporting obligations set by regulators or current and future expectations of investors, insurers, or other stakeholders could adversely affect NuVista. This may impact its business, its ability to attract and retain skilled employees, obtain necessary regulatory approvals, and raise capital. The cost to comply with these standards, and others that may be developed or evolve over time, has not yet been quantified.

NuVista has considered the evolving global demand for carbon-based energy, incorporating climate-related factors into key business planning and risk management processes. The uncertainties surrounding climate change may influence management's estimates, potentially impacting areas such as property, plant and equipment, exploration and evaluation assets, depletion, impairment, and impairment reversal, reserves estimates, decommissioning obligations, credit facilities, and share capital.

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, 2022.

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
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
IASB	International Accounting Standards Board
IFRS	IFRS Accounting Standards
MALIN	natural gas traded at Malin, Oregon
NCIB	normal course issuer bid
NYMEX	New York Mercantile Exchange natural gas futures benchmark prices
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
U.S.	United States
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 IFRS Accounting Standards ("IFRS"). The reporting and measurement currency is the Canadian dollar. Natural gas is converted to a barrel of oil equivalent ("Boe") using six thousand cubic feet of gas to one barrel of oil. In certain circumstances natural gas liquid volumes have been converted to a thousand cubic feet equivalent ("Mcfe") on the basis of one barrel of natural gas liquids to six thousand cubic feet of gas. Boes and Mcfes may be misleading, particularly if used in isolation. A conversion ratio of one barrel to six thousand cubic feet of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion ratio on a 6:1 basis may be misleading as an indication of value. National Instrument 51-101 - "Standards of Disclosure for Oil and Gas Activities" includes condensate and pentanes plus within the product type of natural gas liquids. NuVista has disclosed condensate and pentanes plus 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 current position of low debt and significant financial flexibility;*
- *NuVista's ability to maintain its disciplined and value-adding growth strategy, while concurrently executing on its return of capital to shareholder initiatives and the anticipated benefits therefrom;*
- *that NuVista's financial strength will enable it to navigate volatile commodity prices while creating long-term value for shareholders;*
- *NuVista's expectations with respect to its 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;*
- *that the cogeneration unit and partnership with five Indigenous Nations will provide defined contractual cash flows to the participating Indigenous Nations and lead to reduced operating costs and carbon emissions for NuVista;*
- *NuVista's ESG plans and expectations regarding ongoing ESG initiatives and anticipated timing thereof;*
- *NuVista's ability to make continuous progress on emissions reductions;*
- *NuVista's commitment towards shifting water usage to non-saline water sources;*
- *NuVista's expected asset retirement obligations and the amount and timing of such expenditures and the source of funding thereof;*
- *NuVista's future focus, strategy, plans, opportunities and operations;*
- *the quality of NuVista's asset base and economics therein;*
- *NuVista's ability to continue to execute the 2024 capital plan while returning free adjusted funds flow to shareholders;*
- *the anticipated re-evaluation of the uses of free adjusted funds flow and anticipated outcomes therefrom;*
- *NuVista's 2024 capital expenditure guidance, plans and expected allocations;*
- *2024 guidance with respect to production and production mix;*
- *Guidance with respect to first quarter 2024 production and production mix, and that production will reach over 90,000 Boe/d in the second half of 2024;*
- *NuVista ability to build out infrastructure to support production levels of 115,000 Boe/d;*
- *NuVista's ability to direct free adjusted funds flow towards a balance of return to shareholders and debt reduction;*
- *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 with respect to the structure set-up of global oil and gas supply and demand; and expectations with respect to the natural gas and condensate price environment;*
- *the effect of NuVista's financial, commodity, and natural gas risk management strategy and market diversification; and*
- *NuVista's expectations for 2024 with respect to taxability.*

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 Middle East and 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.

Forward-looking information in this MD&A pertaining to the repurchase of our outstanding common shares, while based on NuVista's current intentions and beliefs, are not guaranteed and should not be unduly relied upon. Any decisions with respect to share repurchases are subject to the approval of the Board.

NuVista's 2024 guidance is based on various commodity price scenarios and economic conditions; certain guidance estimates may fluctuate with commodity price changes and regulatory changes. NuVista's guidance provides readers with the information relevant to management's expectation for financial and operational results for 2024. Readers are cautioned that the guidance estimates may not be appropriate for any other purpose.

This MD&A also contains future-oriented financial information and financial outlook information (collectively, "FOFI") about our prospective results of operations including, without limitation, expectations with respect to net debt, free adjusted funds flows, well payouts, capital expenditures and production which are based on various factors and assumptions that are subject to change including regarding production levels, commodity prices, operating and other costs and capital expenditure levels, and in the case of 2025 and beyond, such estimates are provided for illustration purposes only and are based on budgets and plans that have not been finalized and are subject to a variety of contingencies including prior years' results. These statements are also subject to the same assumptions, risk factors, limitations, and qualifications as set forth 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 NuVista will derive therefrom. NuVista has included the FOFI and forward-looking statements 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.