CONSOLIDATED FINANCIAL STATEMENTS

As at, and for the years then ended:
December 31, 2022 and 2021

MANAGEMENT'S REPORT

The preparation of the accompanying consolidated financial statements is the responsibility of Management. The consolidated financial statements have been prepared by Management in accordance with International Financial Reporting Standards. Financial information contained throughout all other financial and operating data is consistent with these consolidated financial statements.

Management is responsible for the integrity and objectivity of the consolidated financial statements. Where necessary, the consolidated financial statements include estimates, which are based on Management's informed judgments.

Management has established systems of internal controls, which are designed to provide reasonable assurance those assets, are safeguarded from loss or unauthorized use and to produce reliable accounting records for the preparation of financial information.

Under the supervision of our Chief Executive Officer and our Chief Financial Officer, Management has conducted an evaluation of the effectiveness of our internal control over financial reporting. Management has concluded that as of December 31, 2022, our internal controls over financial reporting were effective. Because of the inherent limitations, internal controls over financial reporting may not prevent or detect misstatements and even those systems determined to be effective can provide only reasonable assurance with respect to the financial statement preparation and presentation.

The Board of Directors is responsible for ensuring Management fulfils its responsibilities for financial reporting and internal controls. It exercises its responsibilities primarily through the Audit Committee, all of whose members are non-management directors. The Audit Committee has reviewed the consolidated financial statements with Management and the auditors and has reported to the Board of Directors which have approved the consolidated financial statements.

KPMG LLP are independent auditors appointed by NuVista's shareholders. The auditors have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards.

(signed) "Jonathan A. Wright"
President and Chief Executive Officer
March 7, 2023

(signed) "Ivan J. Condic"
Vice President, Finance and Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of NuVista Energy Ltd.

Opinion

We have audited the consolidated financial statements of NuVista Energy Ltd. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2022 and December 31, 2021
- the consolidated statements of earnings and comprehensive income for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key Audit Matters Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Assessment of the impact of estimated proved and proved plus probable oil and natural gas reserves on development and production assets

Description of the matter

We draw attention to notes 2 and 3 to the financial statements. The Entity uses estimated proved and proved plus probable oil and natural gas reserves in the calculation of depletion, impairment and impairment reversals of development and production assets, and to assess for indicators of impairment or impairment reversal on each of the Entity's cash generating units ("CGU"). The Entity has $2.4 billion of development and production assets as at December 31, 2022. The Entity depletes its net carrying value of development and production assets using the unit-of-production method by reference to the ratio of production in the period to the related proved and proved

plus probable oil and natural gas reserves, taking into account estimated future development costs necessary to bring those reserves into production. Depletion and depreciation expense was $211 million for the year ended December 31, 2022.

The estimate of proved and proved plus probable oil and natural gas reserves includes significant assumptions related to:

- Forecasted oil and natural gas prices
- Forecasted production volumes
- Forecasted operating costs
- Forecasted royalties
- Future development costs.

The Entity engages independent third-party reserve evaluators to estimate the proved and proved plus probable oil and gas reserves and the related cash flows.

Why the matter is a key audit matter

We identified the assessment of the impact of estimated proved and proved plus probable oil and gas reserves on development and production assets as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures regarding the estimate of proved and proved plus probable oil and natural gas reserves.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

We assessed the depletion expense calculation for compliance with IFRS as issued by the IASB.

With respect to the estimate of proved and proved plus probable oil and gas reserves:

- We evaluated the competence, capabilities and objectivity of the independent third-party reserve evaluators engaged by the Entity
- We compared forecasted oil and natural gas prices to those published by other independent third-party reserve evaluators
- We compared the 2022 actual production volumes, operating costs, royalties and development costs of the Entity to those estimates used in the prior year's estimate of proved oil and gas reserves to assess the Entity's ability to accurately forecast
- We evaluated the appropriateness of forecasted production volumes and forecasted operating costs, royalties and future development costs assumptions by comparing to 2022 historical results. We took into account changes in conditions and events affecting the Entity to assess the adjustments or lack of adjustments made by the Entity in arriving at the assumptions.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this

other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor’s report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this auditor's report is Jassie Kang.

(signed) "KPMG LLP"

Chartered Professional Accountants

Calgary, Canada

March 7, 2023

NUVISTA ENERGY LTD.

Consolidated Statements of Financial Position

($Cdn thousands)

As at December 31,	Note		2022		2021
Assets					
Current assets					
Cash and cash equivalents		$	41,890	$	—
Accounts receivable and prepaid expenses			196,678	$	88,537
Financial derivative assets	20		37,925		—
Other receivable			7,063		—
			283,556		88,537
Financial derivative assets	20		40,633		—
Exploration and evaluation assets	6		18,307		18,135
Property, plant and equipment	7		2,380,205		2,177,379
Right-of-use assets	8		98,965		107,933
Total assets		$	2,821,666	$	2,391,984
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities		$	185,129	$	140,002
Current portion of other liabilities	19		15,375		7,990
Current portion of lease liabilities	12		5,908		5,300
Current portion of asset retirement obligations	13		9,950		7,075
Financial derivative liabilities	20		—		40,317
			216,362		200,684
Long-term debt	10		—		196,055
Senior unsecured notes	11		215,392		223,178
Other liabilities	19		1,540		1,587
Lease liabilities	12		110,822		116,730
Asset retirement obligations	13		81,731		113,162
Financial derivative liabilities	20		—		16,938
Deferred tax liability	14		260,326		87,833
Total liabilities			886,173		956,167
Shareholders' equity					
Share capital	15		1,183,769		1,228,275
Contributed surplus			65,963		68,337
Retained earnings			685,761		139,205
Total Shareholders'			1,935,493		**1,435,817**
Total liabilities and shareholders' equity		$	2,821,666	$	2,391,984
Subsequent events	11,15,20				
Commitments	23				

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Directors of NuVista Energy Ltd:

(signed) "Deborah Stein"

Deborah Stein
Chair of the Audit Committee and Director

(signed) "Pentti Karkkainen"

Pentti Karkkainen
Chair of the Board of Directors and Director

NUVISTA ENERGY LTD.

Consolidated Statements of Earnings and Comprehensive Income

($Cdn thousands, except per share amounts)

Year ended December 31,	Note	2022	2021
Revenues			
Petroleum and natural gas sales	17	$ 1,745,975	$ 885,290
Royalties		(198,674)	(65,099)
Revenue from petroleum and natural gas sales		1,547,301	820,191
Realized loss on financial derivatives		(164,349)	(115,616)
Unrealized gain on financial derivatives		135,813	7,683
Interest and other income	13	7,186	1,248
Total revenue, other income and gain (loss) on risk management contracts		1,525,951	713,506
Expenses			
Operating		292,568	203,457
Transportation		129,313	100,782
General and administrative		21,247	19,909
Share-based compensation	19	14,147	12,846
Financing costs	21	42,816	53,874
Depletion, depreciation, amortization, and impairment reversal	7,8	211,120	862
Exploration and evaluation	6	2,037	10,225
Gain on property dispositions	9	(1,688)	(33,331)
		711,560	368,624
Earnings before taxes		814,391	344,882
Deferred income tax expense	14	183,346	80,210
Net earnings and comprehensive income		$ 631,045	$ 264,672
Net earnings per share	16		
Basic		$ 2.78	$ 1.17
Diluted		$ 2.67	$ 1.14

See accompanying notes to the consolidated financial statements.

NUVISTA ENERGY LTD.

Consolidated Statements of Changes in Shareholders' Equity

($Cdn thousands)

Year ended December 31,	Note	2022	2021
Share capital	15		
Balance, January 1		$ 1,228,275	$ 1,220,032
Issued for cash on exercise of stock options		16,949	3,305
Contributed surplus transferred on exercise of stock options		7,466	1,297
Conversion of restricted share awards		1,405	1,921
Conversion of performance share awards		2,543	1,720
Repurchase of shares for cancellation		(72,869)	—
Balance, end of period		$ 1,183,769	$ 1,228,275
Contributed surplus			
Balance, January 1		$ 68,337	$ 62,329
Share-based compensation		8,032	5,894
Transfer to share capital on exercise of stock options		(7,466)	(1,297)
Conversion of restricted share awards		(1,405)	(1,921)
Conversion of performance share awards		(2,543)	(1,720)
Share-based compensation - tax withholdings settled in cash		(9,845)	—
Tax deduction on excess value of share awards	14	10,853	5,052
Balance, end of period		$ 65,963	$ 68,337
Retained earnings (deficit)			
Balance, January 1		$ 139,205	$ (125,467)
Repurchase of shares for cancellation		(84,489)	—
Net earnings		631,045	264,672
Balance, end of period		$ 685,761	$ 139,205
Total shareholders' equity		$ 1,935,493	$ 1,435,817

See accompanying notes to the consolidated financial statements.

NUVISTA ENERGY LTD.
Consolidated Statements of Cash Flows

($Cdn thousands)

Year ended December 31,	Note	2022	2021
Cash provided by (used in)			
Operating activities			
Net earnings		**$ 631,045**	$ 264,672
Items not requiring cash from operations:			
Other income	13	**(7,118)**	(1,248)
Depletion, depreciation, amortization and impairment reversal	7,8	**211,120**	862
Exploration and evaluation	6	**2,037**	10,225
Gain on property dispositions	9	**(1,688)**	(33,331)
Share-based compensation	19	**6,810**	5,054
Unrealized gain on financial derivatives		**(135,813)**	(7,683)
Deferred income tax expense		**183,346**	80,210
Accretion	13	**3,062**	2,213
Asset retirement expenditures	13	**(9,302)**	(5,478)
Change in non-cash working capital	22	**(38,683)**	23,082
Cash provided by operating activities		**844,816**	338,578
Financing activities			
Issuance of share capital on exercise of stock options		**16,949**	3,305
Share-based compensation - tax withholdings settled with cash		**(9,845)**	—
Payment on lease liabilities		**(5,300)**	(3,929)
Repurchase of shares		**(157,358)**	—
Decrease of long-term debt		**(196,055)**	(166,618)
Issuance of senior unsecured notes, net of financing costs		**—**	222,646
Repayment of senior unsecured notes		**(9,226)**	(217,724)
Cash used in financing activities		**(360,835)**	(162,320)
Investing activities			
Property, plant and equipment expenditures	7	**(416,171)**	(287,837)
Exploration and evaluation expenditures	6	**(3,305)**	(1,009)
Proceeds on property dispositions		**—**	92,544
Other receivable expenditures		**—**	4,795
Change in non-cash working capital	22	**(22,615)**	15,249
Cash used in investing activities		**(442,091)**	(176,258)
Change in cash and cash equivalents		**41,890**	—
Cash and cash equivalents, beginning of period		**—**	—
Cash and cash equivalents, end of period		**$ 41,890**	$ —
Cash interest paid		**$ 26,914**	$ 28,332

See accompanying notes to the consolidated financial statements.

1. Corporate information

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

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

2. Basis of preparation

Statement of compliance

These consolidated financial statements (the “financial statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). A summary of NuVista’s significant accounting policies under IFRS are presented in Note 3, “Significant accounting policies”. These policies have been applied consistently for all periods presented in these financial statements. Certain comparative figures have been reclassified to conform with current period presentation in the financial statements.

These financial statements were approved and authorized for issuance by the Board of Directors on March 7, 2023.

Basis of measurement

These financial statements have been prepared on the historical cost basis, except for certain items that have been measured at fair value as detailed in the accounting policies disclosed in Note 3 “Significant Accounting Policies”.

Functional and presentation currency

These financial statements are presented in Canadian dollars (“CDN”), which is the Company’s functional currency.

Reporting environment changes

Emissions, carbon and other regulations impacting climate and climate-related matters are constantly evolving. With respect to environmental, social, governance (“ESG”) and climate reporting, the International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. In addition, the Canadian Securities Administrators published for comment Proposed National Instrument 51-107 – Disclosure of Climate Related Matters, intended to introduce climate related disclosure requirements for reporting issuers in Canada with limited exceptions. If NuVista is not able to meet future sustainability reporting requirements of regulators or current and future expectations of investors, insurance providers, or other stakeholders, its business and ability to attract and retain skilled employees, obtain regulatory permits, licenses, registrations, approvals, and authorizations from various governmental authorities, and raise capital may be adversely affected. The cost to comply with these standards, and others that may be developed or evolve over time, has not yet been quantified.

Health, safety and environmental considerations are integrated into key business planning and risk management processes throughout the Company.

Use of estimates and judgments

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

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

Determination of cash generating units

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

Impairment indicators

NuVista assesses its property, plant and equipment for impairment or impairment reversal when internal or external indicators of impairment or impairment reversal exist and impairment testing is required. If any indication of impairment exists, NuVista performs an impairment test on the CGU. The carrying amount of each CGU is compared to its recoverable amount, which is defined as the greater of its fair value less costs of disposal and value in use, and is subject to management's estimates. If in determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of reserves which are dependent upon variables including forecasted oil and natural gas prices, operating costs, royalties, production volumes, future development costs, discount rates and other relevant assumptions. NuVista also assesses its property, plant and equipment to determine if events or circumstances would support the reversal of any previously recorded impairment charges. In this assessment NuVista considers the facts and circumstances that caused the original impairment charge to be recognized and whether there is a sustained period in which those facts and circumstances changed.

Exploration and evaluation assets

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

Reserve estimates

Proved and proved plus probable oil and natural gas reserves are used in the calculation of depletion, impairment and impairment reversals and to assess for indicators of impairment or impairment reversal on each of the Company's CGUs. Reserve estimates and their related cash flows are based on a number of significant assumptions, which include forecasted oil and natural gas prices, operating costs, royalties, production volumes and future development costs, all of which are subject to many uncertainties and interpretations. The Company expects that, over time, its reserve estimates will be revised upward or

downward based on updated information such as the results of future drilling, testing and production levels and changes in commodity prices.

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

Asset retirement obligations

Asset retirement obligations are recognized for the future decommissioning and restoration of property, plant and equipment. These obligations are based on estimated costs, which take into account the anticipated method and extent of restoration and technological advances. Actual costs are uncertain and estimates can vary as a result of changes to relevant laws and regulations, the emergence of new technology, operating experience and prices. The expected timing of future decommissioning and restoration may change due to certain factors, including reserve life. The estimate for these obligations is also impacted by the risk-free rate and inflation rates used to calculate the present value of the asset retirement obligation.

Income taxes

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

Lease arrangements

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

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

Incremental borrowing rate

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

Lease term

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

Share-based compensation

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

Directors' discretion. Assumptions on the forfeiture rate at the time of grant are also subject to management estimates

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

Depreciation, depletion, amortization and impairment (reversal)

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

3. Significant accounting policies

Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and short-term highly liquid cash investments which have an original maturity date of three months or less.

Jointly controlled operations

A portion of exploration, development and production activities are conducted jointly with others and, accordingly, the Company only reflects its proportionate interest of the assets, liabilities, revenues, expenses and cash flows. The Company does not have any joint arrangements that are structured through a separate vehicle.

Exploration and evaluation assets

Exploration and evaluation expenditures are initially capitalized within "exploration and evaluation assets". E&E costs may include the costs of acquiring licenses, technical services and studies, seismic acquisition, exploration drilling and testing costs, directly attributable general and administrative costs, and the cost of acquiring undeveloped land with no booked reserves. Costs incurred prior to having obtained the legal right to explore an area are charged to net earnings as exploration and evaluation expenditures in the period in which they are incurred.

E&E assets are not depreciated. These costs are accumulated and are carried forward until technical feasibility and commercial viability of the area is determined or the assets are determined to be impaired. Technical feasibility and commercial viability are met when the Company has determined that an E&E asset will be developed, as evidenced by the classification of proved or probable reserves and the appropriate internal and external approvals.

E&E assets are assessed for impairment if: (i) sufficient data exists to determine technical feasibility and commercial viability; and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is defined as the higher of fair value less costs to sell and value in use.

If proved and/or probable reserves have been discovered, E&E assets are first tested for impairment prior to the reclassification to property, plant and equipment. The carrying value, after any impairment loss, of the relevant E&E assets and associated undeveloped land is then reclassified as development and production assets within property, plant and equipment.

Any impairment loss on E&E assets, unsuccessful E&E costs and the cost of undeveloped land that has expired are charged to net earnings as exploration and evaluation expense.

Development and production assets

Items of property, plant and equipment which include oil and gas development and production assets and corporate assets are measured at cost less accumulated depletion, depreciation, amortization and impairment (reversal). Development and production assets are accumulated on an area-by-area basis and represent the cost of developing the commercial reserves discovered and bringing them into production, together with the E&E expenditures incurred in finding commercial reserves transferred from E&E assets as outlined above.

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as oil and natural gas assets only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in net earnings as incurred. Such capitalized oil and natural gas assets generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in net earnings as incurred.

Impairment

An impairment test is performed when events and circumstances arise, at each reporting date, that indicate that the carrying value of a development and production asset may exceed its recoverable amount. The carrying value is compared against the expected recoverable amount of the asset, defined as the greater of fair value less costs to sell and its value in use. Fair value less costs to sell is determined as the amount that would be obtained for the sale of a CGU in an arm's length transaction between knowledgeable and willing parties. Fair value less costs to sell may be determined by using discounted future net cash flows of proved and proved plus probable reserves using forecast prices and costs including expansion prospects and its eventual disposal, using assumptions that an independent market participant may take into account. Value in use is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset. If any indications of impairment exist, the Company performs an impairment test related to the assets. Individual assets or areas are grouped for impairment assessment purposes into CGU's.

Where the carrying amount of a CGU exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount. The impairment loss is recorded within depletion, depreciation, amortization and impairment expense in net earnings. Impairments are reversed when events or circumstances give rise to changes in the estimate of the recoverable amount since the period the impairment was recorded. An impairment loss is reversed only to the extent that the CGU's carrying amount does not exceed the carrying amount that would have been determined, net of depletion, if no impairment loss had been recognized.

Depletion, depreciation, amortization ("DD&A)

The costs of development and production assets are depleted using the unit-of-production method by reference to the ratio of production in the period to the related proved and proved plus probable reserves, taking into account estimated future development costs necessary to bring those reserves into production and the estimated salvage value of the assets at the end of their useful lives. Future development costs are estimated by taking into account the level of development required to produce the reserves. These estimates are evaluated by independent third-party reserve evaluators at least annually.

Other property, plant and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) and depreciated over their useful lives. Costs associated with workovers are depreciated over two years and plant turnarounds and overhauls are depreciated over five years. Corporate assets are depreciated on a straight-line basis over the useful life of the related assets. Right-of-use assets are depreciated on a straight-line basis over the economic life of the contract. The assets' useful lives and residual values are assessed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

Asset purchases, disposals and exchanges

Transactions involving the purchase of an individual area, or a group of areas, that do not qualify as a business combination, are treated as asset purchases irrespective of whether the specific transactions involved the transfer of the areas directly or the transfer of an incorporated entity. Accordingly, no goodwill arises and the consideration is allocated to the assets and liabilities purchased on an appropriate basis.

Proceeds on disposition are compared to the carrying value of the specific exploration and evaluation assets, development and production assets and asset retirement obligations disposed and any surplus or shortfall is recorded as a gain or loss on disposal in net earnings.

Asset exchange transactions for development and production assets are measured at the fair value of the asset acquired and the assets given up are measured at the carrying amount. Gains and losses are recorded in net earnings in the period incurred.

Business combinations

Determining whether an acquisition meets the definition of a business combination or represents an asset purchase requires judgment on a case by case basis. Business combinations are accounted for using the acquisition method. The acquired identifiable assets and liabilities are measured at their fair value at the date of acquisition, with limited exceptions. Any excess of the purchase price over the recognized amount (generally the fair value) of the net assets acquired is recognized as goodwill. Any deficiency of the purchase price below the recognized amount of the net assets acquired is recorded as a bargain purchase gain in net earnings. Associated transactions costs are expensed when incurred.

NuVista may elect for each transaction or event to an apply an optional “concentration test” which permits a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or group of similar identifiable assets. If the transaction is determined to be an asset acquisition, the purchase price is allocated to the identifiable assets and liabilities based on their relative fair values at the acquisition date.

Provisions

Provisions are recognized when the Company has a present obligation (legal and/or constructive) as a result of a past event, if it is probable the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

When some or all of the economic benefits required to settle a provision are expected to be recovered by a third-party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Asset retirement obligations

The Company recognizes a liability in the period in which it has a present and legal or constructive liability and a reasonable estimate of the amount can be made. On a periodic basis, the Company reviews these estimates and changes, if any, are applied prospectively. An obligation is recognized for the estimated cost of abandonment and site restoration, by discounting expected future cash flows required to settle the obligation using a risk free rate, with a corresponding amount capitalized as asset retirement costs in property, plant and equipment. These asset retirement costs are subsequently depleted on a unit-of-production basis over the life of the proved and probable reserves. The obligation is adjusted each reporting period to reflect the passage of time and changes to the estimated future cash flows underlying the obligation. The increase in the obligation due to the passage of time is recognized as accretion expense and changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the obligations are charged against the liability.

Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Leases are recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Company.

A lease liability is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date, discounted at the Company's incremental borrowing rate where the rate implicit in the lease is not readily determinable. The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics. Each lease payment is allocated between the liability and lease interest expense. The lease interest expense is charged net earnings (loss) over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. A corresponding right-of-use asset is recognized at the amount of the lease liability. The right-of-use asset is depreciated on a straight line basis over the term of the lease. Lease payments on short term leases with lease terms of less than twelve months or leases on which the underlying asset is of low value are accounted for as expenses in net earnings (loss) on a straight-line basis over the lease term.

Revenue recognition

The Company's petroleum and natural gas revenue from the sale of natural gas, condensate and natural gas liquids ("NGLs") are based on the consideration specified in contracts with customers. NuVista recognizes revenue when it transfers control of the product to the customer. This is generally at the point in time when the customer obtains legal title to the product which is when it is physically transferred to the pipeline or other transportation method agreed upon and collection is reasonably assured. The amount of revenue recognized is based on the consideration specified in the contract.

NuVista evaluates its arrangements with third parties and partners to determine if NuVista is acting as the principal or as an agent. NuVista is considered the principal in a transaction when it has primary responsibility for the transaction. If NuVista acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net basis, only reflecting the fee, if any, realized by NuVista from the transaction. As a result of various marketing arrangements, NuVista will give up title to their commodity to a third party marketing company who will deliver the product to the end customer using NuVista's pipeline capacity. This revenue is shown separate as transportation revenue.

The transaction price for variable price contracts is based on a representative commodity price index, and may be adjusted for quality, location, delivery method, or other factors depending on the agreed upon terms of the contract. The amount of revenue recorded can vary depending on the grade, quality and quantities of natural gas, condensate or NGLs transferred to customers. Market conditions, which impact NuVista's ability to negotiate certain components of the transaction price, can also cause the amount of revenue recorded to fluctuate from period to period. Tariffs, tolls and fees charged to other entities for use of pipelines and facilities owned by NuVista are evaluated by management to determine if these originate from contracts with customers or from incidental or collaborative arrangements. Tariffs, tolls and fees charged to other entities that are from contracts with customers are recognized in revenue when the related services are provided.

Government grants

Government grants are only provided in rare circumstances and usually in such cases, to foster the execution of carbon reduction projects. Broadly, this represents the recycling of carbon tax revenues towards carbon reduction projects. Government grants are recognized when there is a reasonable expectation that the conditions attached to the grants have been met, and that the grants will be received. Government grants primarily related to asset expenditures are presented as a reduction to the capital cost of the asset the grant relates to. Government grants primarily related to income are presented in the consolidated statement of earnings (loss) in the period in which the expenditures are incurred or the related income is earned.

Transportation

Transportation expenses include costs incurred to transport natural gas, condensate, and natural gas liquids from the wellhead to the point of title transfer.

Financial instruments

Non-derivative financial instruments

Financial instruments are measured at fair value on initial recognition. For subsequent measurement, financial instruments have three principal classification categories; measured at amortized cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit or loss ("FVTPL"). The Company's classification for each identified financial instrument is provided below:

Financial Instrument	Measurement Category
Cash and cash equivalents	Amortized cost
Accounts receivable and prepaid expenses	Amortized cost
Derivative assets and liabilities	FVTPL
Other receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Lease liability	Amortized cost
Other liabilities	Amortized cost
Long-term debt	Amortized cost
Senior unsecured notes	Amortized cost

The classification of financial assets and liabilities is based on the business model in which the asset is managed and its contractual cash flow characteristics. Financial assets and liabilities are subsequently measured at amortized cost if it meets both of the following conditions:

- the asset is held with a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows on specified dates that are solely payments of principal and interest on principal amounts outstanding.

Financial assets and liabilities that meet criteria above that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets is subsequently measured at FVOCI. All other financial assets and liabilities are subsequently measured at FVTPL.

Where the fair value option is applied to financial liabilities, any change in fair value resulting from an entity's own credit risk is recorded through comprehensive earnings (loss) rather than net earnings (loss).

NuVista recognizes loss allowances for expected credit losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, NuVista measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability weighted estimate of credit loss and are discounted at the effective interest rate of the related financial asset.

Derivative financial instruments

The Company has entered into certain financial derivative contracts in order to manage the exposure to market risks from fluctuations in commodity prices. These instruments are not used for trading or speculative purposes. The Company has not designated its financial derivative contracts as effective accounting hedges, and has not applied hedge accounting, even though the Company considers all commodity contracts to be

economic hedges. As a result, all financial derivative contracts are classified as fair value through net earnings (loss) and are recorded on the consolidated statements of financial position at fair value. Transaction costs are recognized in net earnings (loss) when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in net earnings (loss).

The Company has accounted for its forward physical delivery sales contracts, which were entered into and continue to be held for the purpose of receipt or delivery of non-financial items, in accordance with its expected purchase, sale or usage requirements as executory contracts. As such, these contracts are not considered to be derivative financial instruments and have not been recorded at fair value on the statement of financial position. Realized gains or losses from natural gas and oil commodity physical delivery sales contracts are recognized in petroleum and natural gas revenue as the contracts are settled.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through net earnings (loss). Changes in the fair value of separable embedded derivatives are recognized in net earnings.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. When NuVista repurchases its own common shares, share capital is reduced by the average carrying value of the shares repurchased. If the average carrying value of the shares exceeds the purchase price, the difference will be recognized as contributed surplus. If the purchase price exceeds the average carrying value of the shares, any previous contributed surplus related to such transactions is reversed. To the extent there is none, the difference is recognized as a reduction to retained earnings. Shares are cancelled upon repurchase.

Share-based compensation

The Company has four types of incentive plans: stock options, director deferred share units (“DSU”), performance share awards (“PSA”), restricted share awards (“RSA”), and performance share units (“PSU”) that may be granted to directors, officers and employees.

The Company’s stock option plan provides the stock option holder with the right to purchase common shares. The Company uses the fair value method for valuing stock option grants using the Black-Scholes option pricing model. Under this method, the compensation cost attributable to all share options granted is measured at fair value at the grant date and expensed over the vesting period to share-based compensation expense with a corresponding increase to contributed surplus. Upon the exercise of stock options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. A forfeiture rate is estimated on the grant date and is subsequently adjusted each period to reflect the actual number of options that are expected to vest.

The Company's DSU plan entitles participants to receive cash based on the Company's share price at the time of retirement. A liability for expected cash payments is accrued over the life of the DSUs based on the market price of the Company's common shares. Compensation expense is recorded in net earnings as share-based compensation expense.

The RSA and PSA incentive plans allows a holder of the RSA and of PSA to receive common shares upon vesting. Grants under the PSA plan are multiplied by a payout multiplier ranging from 0 to 2.0x, determined by the Board based on an assessment of the Company's achievement of predefined corporate performance measures. The Company uses the fair value method for valuing RSA and PSA grants using the Black-Scholes option pricing model. This fair value is recognized as share-based compensation expense over the vesting period with a corresponding increase to contributed surplus. The amount of the compensation expense is reduced by an estimated forfeiture rate determined at the date of the grant. Upon vesting of the RSAs and PSAs the previously recognized value in contributed surplus will be recorded as an increase to share capital.

The Company may settle the minimum statutory withholding tax for a holder from its cash reserve, which is recognized in contributed surplus.

The Company's PSU plan entitles participants to receive cash based on the Company's share price at the time of retirement. Grants under the PSA plan are multiplied by a payout multiplier ranging from 0 to 2.0x, determined by the Board based on an assessment of the Company's achievement of predefined corporate performance measures. A liability for expected cash payments is accrued over the life of the PSUs based on the market price of the Company's common shares and the payout multiplier. Compensation expense is recorded in net earnings (loss) as share-based compensation expense.

Income taxes

Income tax expense represents the sum of the tax currently payable and the deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred income tax assets and liabilities are netted in certain circumstances.

Deferred income tax expense is recognized in the statement of earnings except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net earnings or losses attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised into common shares. The Company calculates the dilutive impact of common shares assuming the proceeds received from the pro forma exercise of in-the-money stock options, RSAs and PSAs are used to purchase common shares at average market prices.

4. Future accounting pronouncements

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

5. Cash and cash equivalents

As at December 31, 2022, the Company held cash and cash equivalents of $41.9 million (December 31, 2021 - nil). Interest is earned at a rate of approximately 4.1% in the Company’s Canadian cash account. As at December 31, 2022, the credit risk associated with cash was considered low as the balance was held with the Company’s lead syndicate Canadian bank.

6. Exploration and evaluation assets

	Note	2022	2021
Cost			
Balance, January 1		$ 18,135	$ 34,368
Additions		3,305	9
Acquisitions [(1)]		1,280	—
Dispositions	9	—	(4,912)
Transfers to property, plant and equipment	7	(2,376)	(1,105)
Expiries (exploration and evaluation expense)		(2,037)	(10,225)
Balance, end of period		$ 18,307	$ 18,135

[(1)] Non-cash land swap included in acquisitions.

7. Property, plant and equipment

	Note	2022	2021
Cost			
Balance, January 1		$ 3,509,731	$ 3,311,998
Additions		416,171	287,837
Acquisitions [(1)]		—	—
Dispositions	9	—	(94,385)
Capitalized share-based compensation	19	1,222	840
Change in asset retirement obligations	13	(14,790)	2,336
Transfers from exploration and evaluation assets	6	2,376	1,105
Balance, end of period		$ 3,914,710	$ 3,509,731

	2022	2021
Accumulated depletion, depreciation, amortization and impairment reversal		
Balance, January 1	$ 1,332,352	$ 1,364,000
Depletion, depreciation and amortization (“DD&A”)	202,153	155,073
Dispositions	—	(23,543)
Impairment reversal	—	(163,178)
Balance, end of period	$ 1,534,505	$ 1,332,352

	2022	2021
Carrying value		
Balance, January 1	$ 2,177,379	$ 1,947,998
Balance, end of period	$ 2,380,205	$ 2,177,379

Future development costs of $2.3 billion were included in the determination of DD&A for the year ended December 31, 2022 (2021 - $2.2 billion).

At December 31, 2022 and at December 31, 2021, there were no indicators of impairment identified in any of the Company’s CGUs within property, plant & equipment and an impairment test was not performed.

At September 30, 2021, there were indicators of reversal of impairment identified in NuVista’s Montney CGU primarily as a result of improved forward commodity prices for natural gas and condensate, improving well economics and improvements to economic cutoff limits on reserve evolution, continued strong well performance, and a significantly improved share price. An impairment test was performed on PP&E assets. PP&E assets were assessed based on the recoverable amount estimated using a value in use calculation

based on expected future cash flows generated from proved and proved plus probable reserves using pre-tax discount rates ranging from 10% to 20% based on an internally prepared reserves report. A total impairment recovery of $163.2 million net of depletion was recognized at September 30, 2021 in NuVista's Montney CGU, which has been included in the depletion, depreciation, amortization and impairment expense (reversal).

The following benchmark price forecasts [1] were used to calculate the recoverable amounts:

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030 [2]
WTI (US$/Bbl)	75.00	72.00	69.01	67.24	68.58	69.96	71.35	72.78	74.24	75.72
NYMEX (US$/MMBtu)	5.70	4.50	3.50	3.15	3.21	3.28	3.34	3.41	3.48	3.55
Exchange rate (US$/Cdn$)	0.79	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80

[1] GLJ Ltd. price forecast, effective October 1, 2021.
[2] 2031 and beyond commodity price forecasts are inflated at 2.0% per annum. In 2031 and beyond there is no escalation of exchange rates.

8. Right-of-use assets

	Office Leases	Gas Gathering Lease	Gas Processing Lease	2022 Total	2021 Total
Cost					
Balance, January 1	$ 5,481	$ 36,921	$ 86,356	**$ 128,758**	$ 128,758
Accumulated depreciation					
Balance, January 1	$ 2,378	$ 5,619	$ 12,829	**$ 20,826**	$ 11,858
Depreciation	792	2,408	5,767	**8,967**	8,967
Balance, end of period	$ 3,170	$ 8,027	$ 18,596	**$ 29,793**	$ 20,825
Carrying amount					
Balance, January 1	$ 3,103	$ 31,302	$ 73,527	**$ 107,932**	$ 116,900
Balance, end of period	**$ 2,311**	**$ 28,894**	**$ 67,760**	**$ 98,965**	$ 107,933

9. Property dispositions

	2022	2021
Proceeds from dispositions	**$ 1,280**	$ 92,544
Exploration and evaluation disposed	**—**	(4,912)
Property, plant and equipment, net of accumulated DD&A disposed	**—**	(70,842)
Asset retirement obligations disposed	**408**	17,551
Working capital	**—**	(1,010)
Gain on dispositions	**$ 1,688**	$ 33,331

During the year ended, December 31, 2022, the Company disposed of properties for non-cash proceeds of $1.3 million compared to gross proceeds of $92.5 million for the prior year comparative period. A gain on dispositions of $1.7 million was recorded for the year ended December 31, 2022 compared to a gain of $33.3 million in the prior year comparative period.

10. Long-term debt

At December 31, 2022, the Company had a $440 million (December 31, 2021 - $440 million) extendible revolving term credit facility available from a syndicate of Canadian chartered banks (“the banking syndicate”). Borrowing under the credit facility may be made by prime loans and bankers’ acceptances. These advances bear interest at the bank’s prime rate and/or at money market rates plus a borrowing margin. For the year ended December 31, 2022, borrowing costs averaged 5.3% (December 31, 2021 – 4.3%). The credit facility is secured by a first floating charge debenture, general assignment of book debts and the Company’s condensate and natural gas properties and equipment. The credit facility has a tenor of two years with a maturity date of May 31, 2024 and is subject to an annual review by the lenders. During the revolving period, a review of the maximum borrowing amount occurs annually on or before May 31 and semi-annually on or before November 30. During the term period, no principal payments would be required until a year after the revolving period matures on May 31, 2024 in the event of a reduction or the credit facility not being renewed. The semi annual review was completed on November 30, 2022, with no change to the credit facility capacity, and the credit facility now incorporates sustainability linked performance features. The next annual review is scheduled on or before May 31, 2023.

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

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

Successfully achieving these SPTs will result in a decrease to the ongoing costs of the SLL Facility, and conversely, NuVista will incur an increase to the ongoing costs if it fails to meet the SPTs.

As at December 31, 2022, the Company had drawn nil on its term credit facility (December 31, 2021 – $196.1 million) and had outstanding letters of credit of $7.2 million (December 31, 2021 - $7.0 million) which reduce the credit available on this credit facility. The credit facility does not contain any financial covenants, but the Company is subject to various non-financial covenants under its credit facility. These covenants are monitored on a regular basis and as at December 31, 2022, the Company was in compliance with all covenants.

The Company also has a $30 million unsecured letter of credit facility under Export Development Canada's (“EDC”) Account Performance Security Guarantee (“APSG”) program. At December 31, 2022, the Company had outstanding letters of credit associated with the APSG of $22.8 million (December 31, 2021 - $18.1 million), leaving $7.2 million of credit available on this facility.

11. Senior unsecured notes

On July 23, 2021, the Company issued $230.0 million aggregate principal amount of 7.875% senior unsecured notes due July 23, 2026 (“2026 Notes”). The 2026 Notes were issued at $989.89 expressed as a price per $1,000.00 principal amount. Interest is payable semi-annually in arrears. The 2026 Notes are fully and unconditionally guaranteed as to the payment of principal and interest, on a senior unsecured basis by the Company. There are no maintenance or financial covenants.

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

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

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

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

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

12. Lease liabilities

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

		2022		2021
Balance, January 1	$	122,030	$	125,959
Lease interest expense		12,763		13,248
Payment of leases		(18,063)		(17,177)
Balance, end of period	$	116,730	$	122,030
Current portion of lease liabilities	$	5,908	$	5,300
Non-current portion of lease liabilities	$	110,822	$	116,730

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

		2022		2021
Less than 1 year	$	18,113	$	18,062
1-3 years		52,550		53,397
4-5 years		34,634		34,539
After 5 years		100,217		117,578
Total undiscounted future lease payments	$	205,514	$	223,576
Amounts representing lease interest expense over the term of the lease		(88,784)		(101,546)
Present value of net lease payments	$	116,730	$	122,030

13. Asset retirement obligations

		2022		2021
Balance, January 1	$	120,237	$	139,965
Accretion expense		3,062		2,213
Liabilities incurred		5,126		4,842
Liabilities disposed		(408)		(17,551)
Change in estimates		2,756		3,148
Change in discount rate		(22,672)		(5,654)
Liabilities settled (cash)		(9,302)		(5,478)
Liabilities settled (non-cash) [(1)]		(7,118)		(1,248)
Balance, end of period	$	91,681	$	120,237
Expected to be incurred within one year	$	9,950	$	7,075
Expected to be incurred beyond one year	$	81,731	$	113,162

[(1)] Liabilities settled (non-cash) of $7.1 million (2021 - $1.2 million) were funded by payments made directly to NuVista's service providers from the Alberta Site Rehabilitation program ("SRP") with respect to approved abandonment and reclamation expenditures. These amounts have been recorded as "Other Income".

The Company's asset retirement obligations are based on estimated costs to reclaim and abandon ownership interests in condensate and natural gas assets including well sites, gathering systems and processing facilities. At December 31, 2022, the estimated total undiscounted, uninflated amount of cash flows required to settle the asset retirement obligations is $110.7 million (December 31, 2021 – $117.1 million), of which 35% is estimated to be incurred within the next 10 years. The Government of Canada benchmark long-term risk-free bond rate of 3.3% (December 31, 2021 – 1.7%) and an inflation rate of 2.1% (December 31, 2021 – 1.8%) were used to calculate the net present value of the asset retirement obligations. The inflation rate was determined as the difference between the Government of Canada long-term risk free rate bond rate of 3.3% (December 31, 2021 - 1.7%) and the real rate of interest of 1.19% (December 31, 2021 - (0.14)%).

14. Deferred income taxes

The tax provision differs from the amount computed by applying the combined Canadian federal and provincial statutory income tax rates to income before deferred income tax expense (benefit) as follows:

		2022		2021
Income before tax	$	814,391	$	344,882
Expected tax rate [(1)]		23.00%		23.00%
Expected income tax expense		187,310		79,323
Non-deductible expenses		430		427
Non-deductible share-based expense		(3,091)		—
Other		(1,303)		460
Deferred income tax expense	$	183,346	$	80,210

[(1)] The statutory rate consists of the combined statutory rates for the Company for the years ended December 31, 2022 and 2021.

The significant components of the net deferred income tax liability (asset) are as follows:

	2022	2021
Deferred tax liability		
Oil and natural gas properties	$ 324,558	$ 293,906
Financial derivative contracts	18,068	—
Senior unsecured notes	593	438
	343,219	294,344
Deferred tax assets		
Asset retirement obligations	(47,935)	(55,721)
Share issue costs	(1,423)	(2,723)
Financial derivative contracts	—	(13,169)
Non-capital losses	(15,483)	(123,856)
Other	(18,052)	(11,042)
	(82,893)	(206,511)
Net deferred tax liability	$ 260,326	$ 87,833

A continuity of the net deferred tax liability is detailed in the following tables:

Assets (liability)	Balance January 1, 2022	Recognized in profit or loss	Recognized in equity	Other	Balance December 31, 2022
Oil and natural gas properties	$ (293,906)	$ (30,652)	$ —	$ —	$ (324,558)
Asset retirement obligations	55,721	(7,786)	—	—	47,935
Share issue costs	2,723	(1,300)	—	—	1,423
Senior unsecured notes	(438)	(155)	—	—	(593)
Financial derivative contracts	13,169	(31,237)	—	—	(18,068)
Non-capital losses	123,856	(108,373)	—	—	15,483
Other	11,042	(3,843)	10,853	—	18,052
Total	$ (87,833)	$ (183,346)	$ 10,853	$ —	$ (260,326)

Asset (liability)	Balance January 1, 2021	Recognized in profit or loss	Recognized in equity	Other	Balance December 31, 2021
Oil and natural gas properties	$ (205,545)	$ (88,361)	$ —	$ —	$ (293,906)
Asset retirement obligations	61,162	(5,441)	—	—	55,721
Share issue costs	2,807	(84)	—	—	2,723
Senior unsecured notes	(523)	85	—	—	(438)
Financial derivative contracts	15,585	(2,416)	—	—	13,169
Non-capital losses	112,448	11,408	—	—	123,856
Other	1,391	4,599	5,052	—	11,042
Total	$ (12,675)	$ (80,210)	$ 5,052	$ —	$ (87,833)

A summary of the Company's estimated tax pools is as follows:

	2022	2021
Canadian exploration expenses	$ 158,000	$ 272,000
Canadian development expenses	463,000	390,000
Canadian oil and natural gas property expenses	277,000	171,000
Undepreciated capital cost	177,000	184,000
Non-capital losses	67,000	535,000
Other	7,000	13,000
Total federal tax pools	$ 1,149,000	$ 1,565,000
Additional Alberta tax pools	$ 13,000	$ 11,000

15. Share capital

Common shares

	2022		2021	
	Number	Amount	Number	Amount
Balance, January 1	227,578,334	$ 1,228,275	225,836,865	$ 1,220,032
Issued for cash on exercise of stock options	—	16,949	—	3,305
Contributed surplus transferred on exercise of stock options	3,403,318	7,466	792,027	1,297
Conversion of restricted share awards	1,188,970	1,405	686,089	1,921
Conversion of performance share awards	658,335	2,543	263,353	1,720
Repurchase of shares for cancellation	(13,482,600)	(72,869)	—	—
Balance, end of period	219,346,357	$ 1,183,769	227,578,334	$ 1,228,275

On June 9, 2022, NuVista announced the approval of its normal course issuer bid ("NCIB"). The NCIB allows NuVista to purchase up to 18,190,261 of its outstanding common shares over a 12-month period, commencing June 14, 2022. During the year ended December 31, 2022, NuVista repurchased and subsequently cancelled 13,482,600 common shares at a weighted average price of $11.67/share for a total cost of $157.4 million.

Subsequent to December 31, 2022, the Company repurchased and subsequently cancelled 1,039,100 common shares at a weighted average price of $11.53/share for a total cost of $12.0 million.

16. Earnings per share

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

	Year ended December 31	
(thousands of shares)	2022	2021
Weighted average common shares outstanding		
Basic	226,733	226,288
Diluted	236,094	233,050

17. Petroleum and natural gas revenues

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

depending on the contract terms. Under the contracts, NuVista is required to deliver fixed or variable volumes of commodity to the contract counterparty.

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

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

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

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

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

	Year ended December 31	
	2022	2021
Natural gas revenue [1]	**$ 646,653**	$ 309,979
Condensate revenue	**975,839**	506,890
NGL revenue [2]	**123,483**	68,421
Total petroleum and natural gas revenue	**$ 1,745,975**	$ 885,290

(1) Natural gas revenue includes price risk management gains and losses on physical delivery sale contracts. For the year ended December 31, 2022, physical delivery sales contracts resulted in a loss of $19.1 million (2021 – loss of $2.3 million).
(2) Includes butane, propane, ethane and sulphur revenue.

A breakdown of natural gas revenue is as follows:

	Year ended December 31	
	2022	2021
Natural gas revenue - AECO reference price [1]	**$ 487,453**	$ 242,235
Heat/value adjustment [2]	**54,264**	24,409
Transportation revenue [3]	**37,267**	33,848
Natural gas market diversification revenue	**86,744**	11,816
AECO physical delivery price risk management losses [4]	**(19,075)**	(2,329)
Total natural gas revenue	**$ 646,653**	$ 309,979

(1) Quarter average AECO 7A monthly index.
(2) Based on NuVista's historical adjustment of 10-13%.
(3) Cost of gas transportation from the transfer of custody sales point to the final sales point.
(4) Excludes price risk management realized and unrealized gains and losses on financial derivative commodity contracts but includes gains and losses on physical sale contracts.

Included in the accounts receivable at December 31, 2022 is $141.8 million (December 31, 2021 - $94.1 million) of accrued petroleum and natural gas revenue related to deliveries for periods prior to the reporting date. There were no significant adjustments for prior period accrued petroleum and natural gas revenue reflected in the Company's current period.

18. Capital management

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

The Company has a long-term sustainable net debt target of less than 1.0 times adjusted funds flow annualized for the current quarter in the stress test price environment of US$ 45/Bbl WTI and US$ 2.00/ MMBtu NYMEX natural gas. The actual ratio may fluctuate on a quarterly basis above or below targeted levels due to a number of factors including facility outages, commodity prices, capital expenditures, and the timing of acquisitions and dispositions. At December 31, 2022, the Company's net debt was 0.2 times its annualized fourth quarter adjusted funds flow (December 31, 2021 - 0.8 times). The net debt to annualized current quarter adjusted funds flow ratio represents the time period in years it would take to pay off the net debt if no further capital expenditures were incurred and if adjusted funds flow remained consistent.

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

Adjusted funds flow

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

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

	Three months ended December 31		Year ended December 31	
	2022	2021	**2022**	2021
Cash provided by operating activities	**$ 226,688**	$ 110,063	**$ 844,816**	$ 338,578
Asset retirement expenditures	**1,223**	809	**9,302**	5,478
Change in non-cash working capital	**29,072**	40,793	**38,683**	(23,082)
Adjusted funds flow [1]	**$ 256,983**	$ 151,665	**$ 892,801**	$ 320,974

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

Net debt and total capitalization

Net debt is used by management to provide a more complete understanding of the Company's capital structure and provides a key measure to assess the Company's liquidity. NuVista has calculated net debt based on cash and cash equivalents, accounts receivable and prepaid expenses, other receivable, accounts payable and accrued liabilities, long-term debt (credit facility) and senior unsecured notes and other liabilities.

Total market capitalization and net debt to annualized current quarter adjusted funds flow are used by management and the Company's investors in analyzing the Company's balance sheet strength and liquidity.

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

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

(1) Represents the closing share price on the TSX on the last trading day of the period.
(2) The prior year comparative balance of $8.0 million has been reclassified from long-term to current liabilities to align with the current presentation.
(3) Net debt as presented does not have any standardized meaning prescribed by IFRS and therefore it may not be comparable with the calculation of similar measures of other entities. Management considers net debt to be a capital management measure.

19. Share-based compensation

Stock options

The Company has established a stock option plan whereby officers, directors and employees may be granted options to purchase common shares. Options granted vest at the rate of one-third per year and expire 2.5 years after the vesting date. The maximum number of stock options currently outstanding and available to be issued as at December 31, 2022 is 5,138,289.

The following continuity table summarizes the stock option activity:

	2022			2021		
	Number of options		**Weighted average exercise price**	Number of options		Weighted average exercise price
Balance, January 1	**6,972,487**	**$**	**3.78**	8,054,966	$	4.30
Granted	**487,270**		**12.74**	925,236		3.89
Exercised	**(3,403,318)**		**4.98**	(792,027)		4.17
Forfeited	**(5,820)**		**11.76**	(70,523)		4.13
Expired	**(600)**		**3.92**	(1,145,165)		7.26
Balance, end of period	**4,050,019**	**$**	**3.84**	6,972,487	$	3.78

The following table summarizes stock options outstanding and exercisable under the plan at December 31, 2022:

	Options outstanding			Options exercisable	
Range of exercise price	Number of options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
$0.79 to $1.99	1,488,280	2.4	$ 0.83	821,890	$ 0.83
$2.00 to $3.99	1,389,941	2.2	2.81	944,309	2.90
$4.00 to $5.99	336,080	1.2	4.47	329,392	4.46
$6.00 to $7.99	248,046	3.2	7.28	83,542	7.28
$8.00 to $9.99	106,222	0.8	9.12	106,222	9.12
$10.00 to $11.99	236,301	3.8	11.70	—	—
$12.00 to $13.99	245,149	4.4	13.77	—	—
$0.79 to $13.99	**4,050,019**	**2.5**	**$ 3.84**	**2,285,355**	**$ 2.83**

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

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

	2022	2021
Risk-free interest rate (%)	**3.11**	0.97
Expected volatility (%)	**53**	79
Expected life (years)	**4.5**	4.5
Forfeiture rate (%)	**9**	10
Fair value at grant date ($ per option)	**5.93**	2.35

Share award incentive plan

The Company has a Share Award Incentive Plan (“the Plan”) for officers, directors and employees consisting of Restricted Share Awards (“RSA”) and Performance Share Awards (“PSA”). The maximum number of common shares reserved for issuance under the Plan is 14,350,000 of which 4,788,679 remain to be issued.

Restricted share awards

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

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

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

	2022	2021
Balance, January 1	**2,308,555**	2,407,697
Settled - issuance of shares from treasury	**(1,188,970)**	(686,089)
Settled - cash payment [1]	**(496,477)**	(10,961)
Granted	**240,145**	631,911
Forfeited	**(18,049)**	(34,003)
Balance, end of period	**845,204**	2,308,555

[1] For the year ended December 31, 2021 - Awards under share-based plans elected by the Company to be settled with cash and not the issuance of shares from treasury.

For the year ended December 31, 2022, the Company withheld 496,477 shares with respect to minimum statutory withholding tax obligations which the Company settled from its cash reserves. Total withholding tax paid in cash for the year ended December 31, 2022 was $6.6 million (December 31, 2021 - nil).

Performance share awards

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

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

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

	2022	2021
Balance, January 1	**4,644,674**	3,948,785
Settled - issuance of shares from treasury	**(658,335)**	(263,353)
Settled - cash payment [1]	**(249,078)**	(13,702)
Granted	**407,049**	1,043,455
Forfeited	**(157,401)**	(48,246)
Performance adjustment [2]	**320,387**	(22,265)
Balance, end of period	**4,307,296**	4,644,674

[1] For the year ended December 31, 2021- Awards under share-based plans elected by the Company to be settled with cash and not the issuance of shares from treasury.
[2] Awards granted on the vest date due to a performance factor increase to 1.23x for the year ended December 31, 2022. (December 31, 2021 - decrease to 0.91x)

For the year ended December 31, 2022, the Company withheld 249,078 shares with respect to minimum statutory withholding tax obligations which the Company settled from its cash reserves. Total withholding tax paid in cash for the year ended December 31, 2022 was $3.3 million (December 31, 2021 - nil).

Cash award incentive plan

Director deferred share units

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

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

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

	2022	2021
Balance, January 1	1,147,930	1,002,594
Granted	84,043	145,336
Balance, end of period	1,231,973	1,147,930

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

	2022	2021
Balance, January 1	$ 7,990	$ 943
Change in accrued compensation liabilities	7,385	7,047
Balance, end of period	$ 15,375	$ 7,990

[1] The prior year comparative balance of $8.0 million has been reclassified from long-term to current to be consistent with current presentation.

The compensation liability was calculated using share prices at December 31, 2022 and December 31, 2021, of $12.48 and $6.96, respectively.

Performance share units

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

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

	2022	2021
Balance, January 1	944,645	975,436
Settled	(3,848)	(10,353)
Forfeited	(24,431)	(20,438)
Balance, end of period	916,366	944,645

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

	2022	2021
Balance, January 1	$ 1,587	$ 917
Change in accrued compensation liabilities	(47)	687
Cash settled	—	(17)
Balance, end of period	$ 1,540	$ 1,587

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

	2022	2021
Stock options	$ 1,662	$ 1,678
Restricted share awards	1,904	1,498
Performance share awards	3,244	1,878
Non-cash share-based compensation expense	6,810	5,054
Director deferred share units	7,385	7,047
Performance share units	(48)	687
Restricted share awards [1]	—	26
Performance share awards [1]	—	32
Cash share-based compensation expense	7,337	7,792
Total share-based compensation expense	$ 14,147	$ 12,846

[1] Awards under share-based plans elected by the Company to be settled with cash and not the issuance of shares from treasury.

	2022	2021
Capitalized stock options	$ 318	$ 285
Capitalized restricted share awards	341	238
Capitalized performance share awards	563	317
Capitalized share-based compensation	$ 1,222	$ 840

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

20. Risk management activities

Financial instruments

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

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

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

  The Company's cash and cash equivalents are classified as Level 1 measurements, financial derivative contracts as Level 2 measurements. The Company does not have any recurring fair value measurements classified as Level 3. The Company uses third party models and valuation methodologies to determine the fair value of financial derivative contracts. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level.

Financial assets and financial liabilities subject to offsetting

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

			2022			2021
	Gross financial assets	**Gross financial liabilities**	**Net financial assets**	Gross financial assets	Gross financial liabilities	Net financial liabilities
Current assets (liabilities)	**$ 37,925**	**$ —**	**$ 37,925**	$ —	$ (40,317)	$ (40,317)
Long-term assets (liabilities)	**40,633**	**—**	**40,633**	—	(16,938)	(16,938)
Net position	**$ 78,558**	**$ —**	**$ 78,558**	$ —	$ (57,255)	$ (57,255)

Risk management contracts

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

	2022	2021
Fair value of contracts, beginning of year	**$ (57,255)**	$ (64,938)
Change in the fair value of contracts in the period	**(28,536)**	(107,933)
Fair value of contracts realized in the period	**164,349**	115,616
Fair value of contracts, end of year	**$ 78,558**	$ (57,255)
Financial derivative assets (liabilities) – current	**$ 37,925**	$ (40,317)
Financial derivative assets (liabilities) – long-term	**$ 40,633**	$ (16,938)

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

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

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

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

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

Term [1]	NYMEX collars			AECO fixed price swap		AECO collars		
	MMBtu/d	US$/MMBtu	US$/MMBtu	GJ/d	Cdn$/GJ	GJ/d	Cdn$/GJ	Cdn$/GJ
Q1 2023	60,000	4.50	10.97	15,000	4.30	20,000	4.00	7.13
Q2 2023	40,000	4.00	10.07	20,000	3.87	20,000	3.88	5.39
Q3 2023	40,000	4.00	10.07	20,000	3.87	20,000	3.88	5.39
Q4 2023	13,478	4.00	10.07	6,739	3.87	13,370	3.69	5.32
2024	—	—	—	15,000	4.00	—	—	—
2025	—	—	—	15,000	4.00	—	—	—

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

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

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

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

Physical delivery sales contracts

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

The following is a summary of the physical delivery sales contracts in place as at December 31, 2022:

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

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

Financial risk management

In the normal course of business, the Company is exposed to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as:

- credit risk;
- liquidity risk; and
- market risk.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to market conditions and the Company's activities.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk with respect to its accounts receivables. Most of the Company's accounts receivable arises from transactions with joint operations partners and petroleum and natural gas sales with petroleum and natural gas marketers and are now subject to normal credit risk. The Company mitigates its credit risk by entering into contracts with established counterparties that have strong credit ratings and reviewing its exposure to individual counterparties on a regular basis.

The majority of the Company's credit exposure on accounts receivable at December 31, 2022 pertains to accrued sales revenue for December 2022 production volumes. Receivables from oil and natural gas marketers are normally collected on the 25th of the month following production. Receivables with joint operations partners are typically collected within one to three months of the joint operations invoice being issued to the partner. At December 31, 2022, the Company's receivables consisted of $141.8 million from oil and gas marketers $17.8 million from joint operations partners. At December 31, 2022, the Company did not have any past due accounts receivable that it has determined to be uncollectible.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity through continuously monitoring cash flows from operating activities, review of the actual capital expenditure program, managing maturity profiles of financial assets and financial liabilities, maintaining a revolving credit facility with sufficient capacity, and managing its commodity price risk management program. These activities ensure that the Company has sufficient funds to meet its financial obligations when due.

The timing of cash flows relating to financial liabilities as at December 31, 2022 is as follows:

	Total	1 year	2 to 3 years	4 to 5 years	Beyond 5 years
Accounts payable and accrued liabilities	**$ 185,129**	$ 185,129	$ —	$ —	$ —
Senior unsecured notes	**215,392**	—	—	215,392	—
Lease liabilities	**116,730**	5,909	19,839	16,708	74,274
Total financial liabilities	**$ 517,251**	$ 191,038	$ 19,839	$ 232,100	$ 74,274

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in commodity price risk, currency risk, and interest rate risk. The Company is engaged in oil and gas exploration, development and production activities in Canada and as a result has significant exposure to commodity price risk. The Company has adopted a disciplined commodity price risk management program as part of its overall financial management strategy. The Company considers all of these transactions to be economic hedges but does not designate them as hedges for accounting purposes.

(a) Commodity price risk

Commodity price risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in commodity prices. The Company manages the risks associated with changes in commodity prices through the use of various financial derivative and physical delivery sales contracts. The financial derivative contracts are considered financial instruments but the physical delivery sales contracts are excluded from the definition of financial instruments. The Company uses financial instruments and physical delivery sales contracts to manage petroleum and natural gas commodity price risk.

(b) Currency risk

Currency risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Company's financial instruments are only indirectly exposed to currency risk as the underlying commodity prices in Canada for petroleum and natural gas are impacted by changes in exchange rate between the Canadian and United States dollars. In addition, NuVista has US dollar denominated receivables and payables which future cash payments are directly impacted by the exchange rate in effect on the payment date. As at December 31, 2022, the Company's cash and cash equivalents of $41.9 million included US $1.8 million.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows will fluctuate because of changes in market interest rates. The Company is exposed to interest rate fluctuations on its bank loan which bears a floating rate of interest. The Company had no interest rate swap or financial contracts in place as at or during the year ended December 31, 2022.

At December 31, 2022, the Company had no amounts drawn on its bank credit facility.

(d) Financial instrument sensitivities

The following table summarizes the effects of movement in commodity prices on net earnings due to changes in the fair value of financial derivative contracts in place at December 31, 2022. Changes in the fair value generally cannot be extrapolated because the relationship of a change in an assumption to the change in fair value may not be linear.

CDN $		**2022**		2021
Increase in $ WTI – oil $10/Bbl	**$**	**(1,631)**	$	(4,044)
Decrease in $ WTI – oil $10/Bbl	**$**	**1,524**	$	12,467
Increase in $ AECO – gas $0.50/GJ	**$**	**(61,468)**	$	(10,766)
Decrease in $ AECO – gas $0.50/GJ	**$**	**61,372**	$	3,380

21. Financing costs

	2022	2021
Interest on long-term debt (credit facility)	$ **7,110**	$ 15,931
Interest on senior unsecured notes	**19,525**	18,907
Early redemption expense on 2026 Notes	**356**	—
Call premium on redemption of 2023 Notes	**—**	3,575
Interest expense	**26,991**	38,413
Lease interest expense	**12,763**	13,248
Accretion expense	**3,062**	2,213
Total financing costs	$ **42,816**	$ 53,874

22. Supplemental cash flow information

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

	2022	2021
Cash provided by (used for):		
Accounts receivable and prepaid expenses	$ **(108,818)**	$ (33,571)
Other assets	**(6,387)**	(1,207)
Accounts payable and accrued liabilities	**53,907**	73,109
	$ **(61,298)**	$ 38,331
Related to:		
Operating activities	$ **(38,683)**	$ 23,082
Investing activities	**(22,615)**	15,249
	$ **(61,298)**	$ 38,331

23. Commitments

The following is a summary of the Company's commitments as at December 31, 2022:

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

(1) Certain of the transportation and processing commitments are secured by outstanding letters of credit totaling $29.0 million at December 31, 2022 (December 31, 2021 - $24.2 million).
(2) Effective November 2022, NuVista entered into a 3-year fracturing services and proppant supply agreement with a third-party. Part of the agreement includes USD and the conversion rate used was as at December 31, 2022 1.36 Cdn$/US$.
(3) Excludes commitments recognized within lease liabilities.

24. Personnel expenses

Key management personnel include the Board of Directors and executive officers of the Company. The compensation included in general and administrative expenses relating to key management personnel for the year was comprised of the following:

	2022	2021
Salaries, wages and short-term benefits	$ **5,823**	$ 4,874
Share-based payments [1]	**10,644**	9,471
Total	$ **16,467**	$ 14,345

(1) Represents the amortization of share-based compensation expense as recorded in the financial statements.

25. Presentation of expenses

The Company's statement of earnings and comprehensive income is prepared primarily by nature of expense, with the exception of employee compensation costs which are included in both operating and general and administrative expenses.

The following table details the amount of total employee compensation costs included in the operating, general and administrative expenses and share-based compensation in the statement of earnings and comprehensive income:

		2022		2021
Operating	$	2,830	$	2,775
General and administrative		19,434		17,602
Share-based compensation		14,147		12,846
Total employee compensation costs	$	36,411	$	33,223

Corporate Information

LEADERSHIP TEAM

Jonathan Wright
President and Chief Executive Officer

Kevin Asman
Vice President, Marketing

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

Mike Lawford
Chief Operating Officer

Chris LeGrow
Vice President, Development & Planning

Ryan Paulgaard
Vice President, Production & Facilities

Josh Truba
Vice President, Land & Business Development

Tanya Dickison
Director, Human Resources & ESG Communications

BOARD OF DIRECTORS

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

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

Kate Holzhauser (1) (3)
Independent Director

Keith MacPhail (2) (4)
Independent Director

Ronald Poelzer (1) (2)
Independent Director

Sheldon Steeves (3) (4)
Independent Director

Deborah Stein (1) (3)
Independent Director

Grant Zawalsky (3) (4)
Independent Director

Jonathan Wright
President and Chief Executive Officer

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

BANKERS

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

TRANSFER AGENT - COMMON SHARES

Odyssey Trust Company
Calgary, Alberta

TRANSFER AGENT - SENIOR UNSECURED NOTES

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

AUDITORS

KPMG LLP
Calgary, Alberta

RESERVE EVALUATORS

GLJ Ltd.
Calgary, Alberta

STOCK EXCHANGE LISTING

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

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