CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at, and for three and six months ended:
June 30, 2024 and 2023

NUVISTA ENERGY LTD.

Condensed Consolidated Interim Statements of Financial Position
(Unaudited)

($Cdn thousands)	Note	**June 30 2024**	December 31 2023
ASSETS			
Current assets			
Accounts receivable		**115,372**	118,746
Prepaid expenses		**47,464**	45,241
Inventory		**8,683**	20,705
Financial derivative assets	15	**37,122**	14,599
		208,641	199,291
Financial derivative assets	15	**80,577**	39,429
Other assets		**9,500**	9,500
Exploration and evaluation assets	3	**34,067**	27,754
Property, plant and equipment	4	**2,870,513**	2,677,754
Right-of-use assets	5	**99,306**	104,325
Total assets		**$ 3,302,604**	$ 3,058,053
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**$ 192,204**	$ 157,711
Current portion of other liabilities	14	**18,107**	14,082
Current portion of lease liabilities	8	**6,952**	6,500
Current portion of asset retirement obligations	9	**15,700**	14,000
		232,963	192,293
Long-term debt	6	**49,726**	16,897
Senior unsecured notes	7	**162,752**	162,195
Other liabilities		**16,679**	17,358
Lease liabilities	8	**115,926**	119,461
Asset retirement obligations	9	**103,493**	74,114
Deferred tax liability		**389,240**	360,703
Total liabilities		**1,070,779**	943,021
SHAREHOLDERS' EQUITY			
Share capital	10	**1,103,279**	1,111,750
Contributed surplus		**46,934**	51,250
Retained earnings		**1,081,612**	952,032
Total shareholders' equity		**2,231,825**	2,115,032
Total liabilities and shareholders' equity		**$ 3,302,604**	$ 3,058,053
Subsequent events	10		
Commitments	18		

See accompanying notes to the condensed consolidated interim financial statements.

NUVISTA ENERGY LTD.

Condensed Consolidated Interim Statements of Earnings and Comprehensive Income (Unaudited)

($Cdn thousands, except per share amounts)	Note	Three months ended June 30 2024	2023	Six months ended June 30 2024	2023
Revenues					
Petroleum and natural gas sales	12	$ 323,350	$ 282,064	$ 632,374	$ 672,227
Royalties		(37,923)	(21,271)	(70,502)	(72,767)
Revenue from petroleum and natural gas sales		285,427	260,793	561,872	599,460
Realized gain (loss) on financial derivatives	15	1,989	7,416	698	(1,674)
Unrealized gain (loss) on financial derivatives	15	87,133	33,709	63,671	(21,554)
Other income		2,407	—	5,739	—
Total revenue, other income and gain (loss) on risk management contracts		376,956	301,918	631,980	576,232
Expenses					
Operating		89,009	76,979	175,808	152,020
Transportation		37,360	35,658	69,886	62,112
General and administrative		6,358	6,190	12,587	11,899
Share-based compensation	14	5,458	2,022	8,716	3,545
Financing costs	16	10,635	11,004	20,525	22,283
Depletion, depreciation and amortization	4,5	84,727	57,530	154,298	119,086
Gain on property dispositions		—	(1,615)	—	(15,207)
		233,547	187,768	441,820	355,738
Earnings before taxes		143,409	114,150	190,160	220,494
Current income tax expense		3,859	(6,391)	11,410	—
Deferred income tax expense		28,576	33,408	32,007	52,652
Total income tax expense		$ 32,435	$ 27,017	$ 43,417	$ 52,652
Net earnings and comprehensive income		$ 110,974	$ 87,133	$ 146,743	$ 167,842
Net earnings per share	11				
Basic		$ 0.54	$ 0.40	$ 0.71	$ 0.77
Diluted		$ 0.53	$ 0.39	$ 0.70	$ 0.74

See accompanying notes to the condensed consolidated interim financial statements.

NUVISTA ENERGY LTD.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Unaudited)

($Cdn thousands)	Note	Six months ended June 30 2024	2023
Share capital	10,14		
Balance, January 1		$ 1,111,750	$ 1,183,769
Issued for cash on exercise of stock options		29	1,253
Contributed surplus transferred on exercise of stock options		734	626
Conversion of restricted share awards		1,249	1,251
Conversion of performance share awards		2,776	1,713
Repurchase of shares for cancellation		(13,259)	(25,395)
Balance, end of period		$ 1,103,279	$ 1,163,217
Contributed surplus			
Balance, January 1		$ 51,250	$ 65,963
Share-based compensation		5,679	6,665
Transfer to share capital on exercise of stock options		(734)	(626)
Conversion of restricted share awards		(1,249)	(1,251)
Conversion of performance share awards		(2,776)	(1,713)
Share-based compensation - tax withholdings settled in cash		(8,706)	(11,524)
Tax deduction on excess value of share awards		3,470	5,049
Balance, end of period		$ 46,934	$ 62,563
Retained earnings			
Balance, January 1		$ 952,032	$ 685,761
Repurchase of shares for cancellation		(17,163)	(28,422)
Net earnings		146,743	167,842
Balance, end of period		$ 1,081,612	$ 825,181
Total shareholders' equity		$ 2,231,825	$ 2,050,961

See accompanying notes to the condensed consolidated interim financial statements.

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

($Cdn thousands)	Note	Three months ended June 30 2024	Three months ended June 30 2023	Six months ended June 30 2024	Six months ended June 30 2023
Cash provided by (used in)					
Operating activities					
Net earnings		**$ 110,974**	$ 87,133	**$ 146,743**	$ 167,842
Items not requiring cash from operations:					
Depletion, depreciation and amortization	4,5	**84,727**	57,530	**154,298**	119,086
Gain on property dispositions		**—**	(1,615)	**—**	(15,207)
Share-based compensation	14	**2,312**	2,007	**4,687**	5,536
Unrealized loss (gain) on financial derivatives		**(87,133)**	(33,709)	**(63,671)**	21,554
Deferred income tax expense		**28,576**	33,408	**32,007**	52,652
Accretion	9	**790**	728	**1,595**	1,483
Asset retirement expenditures	9	**(392)**	479	**(6,842)**	(9,214)
Change in non-cash working capital	17	**26,426**	(11,795)	**45,356**	5,655
Cash provided by operating activities		**166,280**	134,166	**314,173**	349,387
Financing activities					
Issuance of share capital on exercise of stock options		**29**	537	**29**	1,253
Share-based compensation - tax withholdings settled with cash		**(8,304)**	(8,839)	**(8,706)**	(11,524)
Payment on lease liabilities		**(1,563)**	(1,485)	**(3,083)**	(2,849)
Repurchase of shares		**(15,297)**	(41,569)	**(30,422)**	(53,817)
Increase (decrease) of long-term debt		**(2,694)**	8,019	**32,829**	8,019
Repayment of senior unsecured notes		**—**	(21,973)	**—**	(54,132)
Other liabilities		**(341)**	—	**(683)**	—
Cash provided by (used in) financing activities		**(28,170)**	(65,310)	**(10,036)**	(113,050)
Investing activities					
Property, plant and equipment expenditures	4	**(115,513)**	(125,130)	**(304,720)**	(313,631)
Exploration and evaluation expenditures	3	**(5,984)**	—	**(6,313)**	(7,369)
Other asset expenditures		**—**	—	**—**	(9,500)
Proceeds on property dispositions		**—**	—	**—**	26,000
Change in non-cash working capital	17	**(16,613)**	(9,324)	**6,896**	26,273
Cash used in investing activities		**(138,110)**	(134,454)	**(304,137)**	(278,227)
Change in cash and cash equivalents		**—**	(65,598)	**—**	(41,890)
Cash and cash equivalents, beginning of period		**—**	65,598	**—**	41,890
Cash and cash equivalents, end of period		**$ —**	$ —	**$ —**	$ —
Current income tax expense paid in cash		**$ —**	$ —	**$ —**	$ —
Interest paid in cash		**$ 2,992**	$ 2,932	**$ 11,485**	$ 14,252

See accompanying notes to the condensed consolidated interim 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. NuVista 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.

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

2. Basis of preparation

Statement of compliance

These condensed consolidated interim financial statements (the "financial statements") have been prepared in accordance with IFRS Accounting Standards ("IFRS"). These financial statements have been prepared following the same accounting policies and methods of computation as the annual financial statements for the year ended December 31, 2023. These financial statements do not include all the information required for annual financial statements and should be read in conjunction with the audited financial statements for the year ended December 31, 2023, which have been prepared in accordance with IFRS.

Functional and presentation currency

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

Use of estimates and judgments

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

These financial statements were approved and authorized for issuance by the Board of Directors on August 7, 2024.

3. Exploration and evaluation assets

	Note		June 30, 2024		December 31, 2023
Cost					
Balance, January 1		$	27,754	$	18,307
Additions			6,313		7,369
Acquisitions			—		6,840
Transfers to property, plant and equipment	4		—		(4,762)
Balance, end of period		$	34,067	$	27,754

4. Property, plant and equipment

	Note		June 30, 2024		December 31, 2023
Cost					
Balance, January 1		$	4,436,834	$	3,914,710
Additions [1]			304,720		509,829
Acquisitions			—		45,160
Dispositions			—		(44,288)
Capitalized share-based compensation	14		992		2,059
Change in asset retirement obligations	9		36,326		4,602
Transfers from exploration and evaluation assets	3		—		4,762
Balance, end of period		$	4,778,872	$	4,436,834

[1] Included in additions for the six months ended June 30, 2024, is $1.7 million of power generation expenditures (December 31, 2023 - $16.9 million).

	Note		June 30, 2024		December 31, 2023
Accumulated depletion, depreciation and amortization					
Balance, January 1		$	1,759,080	$	1,534,505
Depletion, depreciation and amortization			149,279		244,723
Dispositions			—		(20,148)
Balance, end of period		$	1,908,359	$	1,759,080

		June 30, 2024		December 31, 2023
Carrying value				
Balance, January 1	$	2,677,754	$	2,380,205
Balance, end of period	$	2,870,513	$	2,677,754

Depletion, depreciation and amortization ("DD&A") on property, plant and equipment was $149.3 million for the six months ended June 30, 2024 (June 30, 2023 - $114.4 million). Included in DD&A for the six months ended June 30, 2024, is depletion of $141.4 million and depreciation and amortization of $7.9 million (June 30, 2023 - $103.6 million and $10.8 million, respectively). Future development costs of $2.6 billion were included in the determination of DD&A for the six months ended June 30, 2024 (June 30, 2023 - $2.3 billion).

On June 30, 2024, and December 31, 2023, there were no indicators of impairment identified within property, plant & equipment, and an impairment test was not performed.

5. Right-of-use assets

	Office Leases	Gas Gathering Lease	Gas Processing Lease	June 30 2024 Total	December 31 2023 Total
Cost					
Balance, January 1	$ 9,697	$ 36,921	$ 97,239	**$ 143,857**	$ 128,758
Additions	—	—	—	**—**	$ 15,099
Balance, end of period	$ 9,697	$ 36,921	$ 97,239	**$ 143,857**	$ 143,857
Accumulated depreciation					
Balance, January 1	$ 4,025	$ 10,435	$ 25,072	**$ 39,532**	$ 29,793
Depreciation	458	1,204	3,357	**5,019**	$ 9,739
Balance, end of period	$ 4,483	$ 11,639	$ 28,429	**$ 44,551**	$ 39,532
Carrying amount					
Balance, January 1	$ 5,672	$ 26,486	$ 72,167	**$ 104,325**	$ 98,965
Balance, end of period	**$ 5,214**	**$ 25,282**	**$ 68,810**	**$ 99,306**	$ 104,325

6. Long-term debt

Covenant based credit facility

On May 7, 2024, NuVista amended and renewed its existing covenant based credit facility of $450.0 million (December 31, 2023 - $450 million) from a syndicate of Canadian financial institutions to a maturity date of May 7, 2027. The amendments to the credit facility involve changes to the applicable benchmark rates for borrowing and certain other administrative amendments. While NuVista's covenants remain unchanged, the Company did elect to remove the sustainability-linked performance features.

NuVista's covenant based credit agreement includes an accordion feature, allowing NuVista to increase the credit facility by $300 million at any time during the term, with the approval of existing or additional lenders. The credit facility has a tenor of three years and is secured by a demand debenture. Borrowings under the credit facility may be made through prime loans and CORRA loans. These advances bear interest at the bank's prime rate and/or at money market rates plus a borrowing margin. For the six months ended June 30, 2024, borrowing costs averaged 7.4% (June 30, 2023 - 7.5%).

Under the terms of the credit facility, NuVista has provided the following financial covenants (collectively, the "financial covenants") that at the end of each financial quarter:

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

EBITDA is defined as net income before unrealized gains and losses on financial derivatives, plus interest, taxes and depreciation, depletion and amortization, and where EBITDA and interest expense are calculated on a rolling 12-month basis. Total Debt is inclusive of outstanding financial letters of credit whereas Senior Debt excludes the amount of the demand letter of credit facility. Interest Coverage Ratio is defined as EBITDA to Interest expense for the 12-months ending at the end of each reporting period.

At June 30, 2024, NuVista was in compliance with its financial covenants, the details of which are as follows:

Financial Covenant	Reported	Threshold	Compliance
Senior debt to EBITDA ratio	**0.07:1**	Not exceed 3.0:1	Met
Total debt to EBITDA ratio	**0.30:1**	Not exceed 3.5:1	Met
EBITDA to interest expense ratio	**19.04:1**	Not be less than 3.5:1	Met

As at June 30, 2024, NuVista had $49.7 million drawn on its credit facility (December 31, 2023 – $16.9 million) and no outstanding letters of credit (December 31, 2023 - $11.5 million), which reduce the credit available on the credit facility.

NuVista also has in place a $30 million unsecured letter of credit facility under Export Development Canada's (“EDC”) Account Performance Security Guarantee (“APSG”) program. At June 30, 2024, NuVista had outstanding letters of credit associated with the APSG of $15.4 million (December 31, 2023 - $8.0 million), leaving $14.6 million of credit available on the letter of credit facility.

7. Senior unsecured notes

On July 23, 2021, NuVista 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. NuVista is not subject to any financial covenants under the terms of the 2026 Notes.

The 2026 Notes were non-callable by NuVista prior to July 23, 2023. On or after July 23, 2023, NuVista 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 NuVista 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.

As at June 30, 2024, NuVista has redeemed in aggregate $64.6 million of the 2026 Notes. The remaining face value at June 30, 2024 was $165.4 million, with a carrying value of $162.8 million.

8. Lease liabilities

NuVista has the following future commitments associated with its lease obligations relating to office leases, gas gathering, and gas processing commitments:

		June 30, 2024		December 31, 2023
Balance, January 1	$	125,961	$	116,730
Additions		—		15,099
Lease interest expense		7,164		14,079
Payment of leases		(10,247)		(19,947)
Balance, end of period	$	122,878	$	125,961
Current portion of lease liabilities	$	6,952	$	6,500
Non-current portion of lease liabilities	$	115,926	$	119,461

The following table details the undiscounted cash outflows and contractual maturities relating to NuVista's lease liabilities:

		June 30, 2024		December 31, 2023
Less than 1 year	$	20,719	$	20,643
1-3 years		62,623		62,508
4-5 years		41,067		41,710
After 5 years		84,610		94,404
Total undiscounted future lease payments	$	209,019	$	219,265
Amounts representing lease interest expense over the term of the lease		(86,141)		(93,304)
Present value of net lease payments	$	122,878	$	125,961

9. Asset retirement obligations

NuVista’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. During the period ended June 30, 2024, NuVista incurred a change in estimate of $38.3 million which largely related to updates for well abandonment cost estimates. At June 30, 2024, the estimated total undiscounted, uninflated amount of cash flows required to settle the asset retirement obligations was $155.4 million (December 31, 2023 – $118.0 million), of which 32% is estimated to be incurred within the next 10 years.

The Government of Canada benchmark long-term risk-free bond rate of 3.4% (December 31, 2023 – 3.0%) and an inflation rate of 1.8% (December 31, 2023 – 1.6%) 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 3.4% (December 31, 2023 - 3.0%) and the real rate of interest of 1.6% (December 31, 2023 - 1.4%).

The following table reconciles NuVista's provision for asset retirement obligations:

	June 30, 2024	December 31, 2023
Balance, January 1	$ 88,114	$ 91,681
Accretion expense	1,595	3,026
Liabilities incurred	1,617	4,579
Change in estimates	38,252	2,575
Change in discount rate	(3,543)	(2,552)
Liabilities settled	(6,842)	(11,195)
Balance, end of period	$ 119,193	$ 88,114
Expected to be incurred within one year	$ 15,700	$ 14,000
Expected to be incurred beyond one year	$ 103,493	$ 74,114

10. Share capital

Common shares

	June 30, 2024		December 31, 2023	
	Number	Amount	Number	Amount
Balance, January 1	207,584,197	$ 1,111,750	219,346,357	$ 1,183,769
Issued for cash on exercise of stock options	—	29	—	2,331
Contributed surplus transferred on exercise of stock options	355,206	734	952,699	1,842
Conversion of restricted share awards	57,477	1,249	338,342	2,388
Conversion of performance share awards	552,471	2,776	2,246,360	3,791
Repurchase of shares for cancellation	(2,476,000)	(13,259)	(15,299,561)	(82,371)
Balance, end of period	206,073,351	$ 1,103,279	207,584,197	$ 1,111,750

Under the terms of NuVista's 2023 NCIB, which commenced on June 16, 2023, NuVista was allowed to repurchase and subsequently cancel up to 16,793,779 of its outstanding common shares over a 12-month period. The 2023 NCIB program expired on June 15, 2024, with NuVista having repurchased and subsequently cancelling 13,067,900 of its outstanding common shares.

During the six months ended June 30, 2024, NuVista repurchased and subsequently cancelled 2,476,000 of its outstanding common shares under its 2023 NCIB, at a weighted average price of $12.29 per share and total cost of $30.4 million. The total cost of $30.4 million exceeded the average carrying value of the shares repurchased of $13.3 million, with the difference of $17.2 million recorded in retained earnings.

On June 17, 2024, NuVista announced its 2024 NCIB, allowing NuVista to purchase up to 14,234,451 of its outstanding common shares. The 2024 NCIB program commenced on June 19, 2024, and will expire on the earlier of June 18, 2025 or the repurchase of all the common shares allotted thereunder. Subsequent to June 30, 2024, NuVista has repurchased and subsequently cancelled 784,000 common shares at a weighted average price of $13.58 per share for a total cost of $10.6 million under its 2024 NCIB.

11. Earnings per share

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

	Three months ended June 30		Six months ended June 30	
(thousands of shares)	**2024**	2023	**2024**	2023
Weighted average common shares outstanding				
Basic	**206,191**	217,952	**206,683**	218,569
Diluted	**209,893**	224,776	**210,252**	225,795

12. 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.

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

	Three months ended June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Natural gas revenue (1)	**$ 61,258**	$ 76,984	**$ 143,277**	$ 236,861
Condensate revenue	**243,551**	189,936	**453,157**	398,604
NGL revenue (2)	**18,541**	15,144	**35,940**	36,762
Total petroleum and natural gas revenue	**$ 323,350**	$ 282,064	**$ 632,374**	$ 672,227

(1) Natural gas revenue includes price risk management gains and losses on physical delivery sale contracts. For the three and six months ended June 30, 2024, our physical delivery sales contracts resulted in gains of $8.4 million and $15.0 million (2023 – gains of $5.0 million and $0.3 million, respectively).
(2) Includes butane, propane, ethane and sulphur revenue.

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 transportation revenue. For the three and six months ended June 30, 2024, transportation revenue related to these contracts was $8.9 million and $18.0 million (2023 - $8.8 million and $19.4 million, respectively).

Included in the accounts receivable at June 30, 2024 is $96.1 million (December 31, 2023 - $103.5 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 current period.

13. Capital management

NuVista 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.

NuVista has a long-term 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$45.00/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 June 30, 2024, NuVista's net debt was 0.5 times its annualized second quarter adjusted funds flow (December 31, 2023 - 0.2 times). The net debt to annualized current quarter adjusted funds flow ratio represents the time period in years it would take to reduce net debt to nil 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. NuVista manages its capital structure and makes adjustments by continually monitoring its business conditions including: the current economic conditions, the risk characteristics of its 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. Management believes that the timing of collection, payment, and occurrence is variable. By excluding these from the calculation, management is able to provide a more meaningful performance measure of NuVista's operations on a continuing basis. 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 regularly. 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 June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Cash provided by operating activities	**$ 166,280**	$ 134,166	**$ 314,173**	$ 349,387
Asset retirement expenditures	**392**	(479)	**6,842**	9,214
Change in non-cash working capital	**(26,426)**	11,795	**(45,356)**	(5,655)
Adjusted funds flow [1]	**$ 140,246**	$ 145,482	**$ 275,659**	$ 352,946

[1] Adjusted funds flow as presented does not have any standardized meaning prescribed by IFRS Accounting Standards 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 NuVista's capital structure and provides a key measure to assess the company's liquidity. NuVista has calculated net debt based on 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 to analyze 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:

		June 30, 2024		December 31, 2023
Basic common shares outstanding (thousands of shares)		**206,073**		207,584
Share price[1]	**$**	**14.22**	$	11.04
Total market capitalization	**$**	**2,930,358**	$	2,291,727
Accounts receivable and prepaid expenses		**(162,836)**		(163,987)
Inventory		**(8,683)**		(20,705)
Accounts payable and accrued liabilities		**192,204**		157,711
Current portion of other liabilities		**18,107**		14,082
Long-term debt (credit facility)		**49,726**		16,897
Senior unsecured notes		**162,752**		162,195
Other liabilities		**16,679**		17,358
Net debt [2]	**$**	**267,949**	$	183,551
Annualized current quarter adjusted funds flow	**$**	**560,984**	$	807,948
Net debt to annualized current quarter adjusted funds flow		**0.5**		0.2

(1) Represents the closing share price on the TSX on the last trading day of the period.
(2) Net debt as presented does not have any standardized meaning prescribed by IFRS Accounting Standards 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.

14. Share-based compensation

Stock options

NuVista has established a Stock Option plan whereby officers and employees may be granted options to purchase common shares. Options granted vest at the rate of one-third per year and expire 2.5 years after the vesting date. On May 7, 2024, NuVista's Shareholders approved a 2,500,000 increase to the number of common shares available for stock option grants. The maximum number of common shares reserved for issuance under the Stock Option plan is 12,945,000 of which 6,088,441 remain to be issued at June 30, 2024.

The following continuity table summarizes the stock option activity:

	June 30, 2024			December 31, 2023		
	Number of options		**Weighted average exercise price**	Number of options		Weighted average exercise price
Balance, January 1	**3,415,160**	**$**	**5.27**	4,050,019	$	3.84
Granted	**274,083**		**12.76**	519,001		12.09
Exercised - issuance of shares from treasury	**(355,206)**		**2.52**	(952,699)		3.32
Exercised - cash withholding tax	**(222,850)**		**2.52**	(189,914)		3.32
Forfeited	**(19,217)**		**—**	(3,253)		12.28
Expired	**—**		**—**	(7,994)		1.01
Balance, end of period	**3,091,970**	**$**	**6.41**	3,415,160	$	5.27

For the six months ended June 30, 2024, NuVista withheld 222,850 shares with respect to minimum statutory withholding tax obligations which were settled from its cash reserves (December 31, 2023 - 189,914 shares). Total withholding tax paid in cash for the six months ended June 30, 2024, was $1.4 million (December 31, 2023 - $1.0 million).

The following table summarizes stock options outstanding and exercisable at June 30, 2024:

	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	885,782	1.3	$ 0.83	885,782	$ 0.83
$2.00 to $3.99	752,864	1.2	2.69	752,864	2.69
$4.00 to $5.99	2,106	2.8	5.12	—	—
$6.00 to $7.99	206,677	1.8	7.28	126,150	7.28
$10.00 to $11.99	446,849	2.8	11.42	219,356	11.55
$12.00 to $13.77	797,692	3.7	13.11	82,652	13.77
$0.79 to $13.77	**3,091,970**	**2.2**	**$ 6.41**	**2,066,804**	**$ 3.56**

NuVista 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:

	June 30, 2024	December 31, 2023
Risk-free interest rate (%)	**3.74**	3.70
Expected volatility (%)	**53**	54
Expected life (years)	**4.5**	4.5
Forfeiture rate (%)	**9.00**	9.16
Fair value at grant date ($ per option)	**6.03**	5.76

Share award incentive plan

NuVista has a Share Award Incentive 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 Share Award Incentive Plan is 14,350,000 of which 4,785,950 remain to be issued at June 30, 2024.

Restricted share awards

NuVista has a RSA plan for officers and employees which entitles the holder to receive one common share for each RSA granted upon vesting. RSA grants may 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:

	June 30, 2024	December 31, 2023
Balance, January 1	**488,392**	845,204
Settled - issuance of shares from treasury	**(57,477)**	(338,342)
Settled - cash withholding tax	**(48,616)**	(272,237)
Granted	**134,382**	259,302
Forfeited	**(3,165)**	(5,535)
Balance, end of period	**513,516**	488,392

For the six months ended June 30, 2024, NuVista withheld 48,616 shares with respect to minimum statutory withholding tax obligations which was settled from its cash reserves (December 31, 2023 - 272,237 shares). Total withholding tax paid in cash for the six months ended June 30, 2024, was $0.7 million (December 31, 2023 - $3.2 million).

Performance share awards

NuVista has a PSA plan for officers 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 is determined by NuVista's Board of Directors 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:

	June 30, 2024	December 31, 2023
Balance, January 1	**1,755,372**	4,307,296
Settled - issuance of shares from treasury	**(552,471)**	(2,246,360)
Settled - cash withholding tax	**(487,269)**	(1,953,716)
Granted	**237,282**	452,434
Forfeited	**(21,917)**	(73,094)
Performance adjustment (1)	**516,066**	1,268,812
Balance, end of period	**1,447,063**	1,755,372

(1) Awards granted on the vest date due to a performance factor increase to 1.48x for the six months ended June 30, 2024. (December 31, 2022 - 1.23x)

For the six months ended June 30, 2024, the NuVista withheld 487,269 shares (December 31, 2023 - 1,953,716 shares) with respect to minimum statutory withholding tax obligations which was settled from its cash reserves. Total withholding tax paid in cash for the six months ended June 30, 2024 was $6.6 million (December 31, 2023 - $22.9 million).

Cash award incentive plan

NuVista has a Cash Award Incentive Plan consisting of Director Deferred Share Units ("DSU") for non-management directors, Restricted Stock Units ("RSU") for non-management directors, officers, and employees, and Performance Share Units ("PSU") for officers and employees.

Director deferred share units

The Company's DSU 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 NuVista's shares at the end of each reporting period.

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

	June 30, 2024	December 31, 2023
Balance, January 1	1,034,614	1,231,973
Settled	—	(275,544)
Granted	49,242	78,185
Balance, end of period	1,083,856	1,034,614

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

	June 30, 2024	December 31, 2023
Balance, January 1	$ 11,422	$ 15,375
Change in accrued compensation liabilities	3,990	(357)
Cash settled	$ —	$ (3,596)
Balance, end of period	$ 15,412	$ 11,422

The compensation liability was calculated using NuVista's closing share price at June 30, 2024 and December 31, 2023, of $14.22 and $11.04, respectively.

Restricted share units

The Company's RSU plan provides compensation to non-management directors, officers and employees. Each RSU entitles the holder to receive cash equal to the trading price of the equivalent number of shares of the Company. All RSU's granted vest and become payable within three years from the date of grant.

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

	June 30, 2024	December 31, 2023
Balance, January 1	8,236	8,236
Granted	5,292	—
Balance, end of period	13,528	8,236

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

	June 30, 2024	December 31, 2023
Balance, January 1	$ 18	$ 18
Change in accrued compensation liabilities	39	—
Balance, end of period	$ 57	$ 18

Share-based compensation expense

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

	Three months ended June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Stock options	**$ 584**	$ 387	**$ 1,131**	$ 861
Restricted share awards	**642**	558	**1,273**	1,094
Performance share awards	**1,086**	1,062	**2,283**	3,581
Non-cash share-based compensation expense	**2,312**	2,007	**4,687**	5,536
Director deferred share units	**3,121**	33	**3,990**	(1,844)
Restricted share units	**25**	(18)	**39**	(147)
Cash share-based compensation expense	**3,146**	15	**4,029**	(1,991)
Total share-based compensation expense	**$ 5,458**	$ 2,022	**$ 8,716**	$ 3,545

The following table summarizes the capitalized share-based compensation relating to stock options, RSAs and PSAs:

	Three months ended June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Capitalized stock options	**$ 124**	$ 110	**$ 243**	$ 210
Capitalized restricted share awards	**126**	108	**246**	211
Capitalized performance share awards	**245**	216	**503**	708
Capitalized share-based compensation	**$ 495**	$ 434	**$ 992**	$ 1,129

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

15. Risk management activities

(a) Financial instruments

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

NuVista 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.

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

(b) Financial assets and financial liabilities subject to offsetting

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

	June 30, 2024			December 31, 2023		
	Gross financial assets	**Gross financial liabilities**	**Net financial assets**	Gross financial assets	Gross financial liabilities	Net financial assets
Current assets (liabilities)	**$ 37,492**	**$ (370)**	**$ 37,122**	$ 14,599	$ —	$ 14,599
Long-term assets (liabilities)	**80,893**	**(316)**	**80,577**	39,429	—	39,429
Net position	**$ 118,385**	**$ (686)**	**$ 117,699**	$ 54,028	$ —	$ 54,028

(c) Risk management contracts

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

	June 30, 2024	December 31, 2023
Fair value of contracts, beginning of year	**$ 54,028**	$ 78,558
Change in the fair value of contracts in the period	**64,369**	(12,957)
Fair value of contracts realized in the period	**(698)**	(11,573)
Fair value of contracts, end of period	**$ 117,699**	$ 54,028
Financial derivative assets (liabilities) – current	**$ 37,122**	$ 14,599
Financial derivative assets (liabilities) – long-term	**$ 80,577**	$ 39,429

The following is a summary of the financial derivatives as at June 30, 2024:

	AECO-NYMEX basis swap	
Term [(1)]	**MMBtu/d**	**US$/MMBtu**
2024	100,000	(1.00)
2025	105,000	(0.96)
2026	187,500	(0.92)
2027	140,000	(0.91)
2028	97,500	(0.99)
2029	25,000	(0.98)
2030	20,000	(1.00)

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

	NYMEX collars			**AECO fixed price swap**	
Term [(1)]	**MMBtu/d**	**US$/MMBtu**	**US$/MMBtu**	**GJ/d**	**Cdn$/GJ**
2024	6,630	3.00	3.75	15,000	4.00
2025	16,658	3.00	3.75	20,863	3.70

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

(d) Physical delivery sales contracts

NuVista 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 June 30, 2024:

	AECO fixed price swap		AECO-NYMEX Basis	
Term [1]	GJ/d	Cdn$/GJ	MMBtu/d	US$/MMBtu
2024	35,000	4.01	—	—
2025	40,863	3.85	5,000	(1.15)

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

16. Financing costs

		Three months ended June 30		Six months ended June 30	
	Note	**2024**	2023	**2024**	2023
Interest on long-term debt (credit facility)		**$ 2,826**	$ 1,254	**$ 4,636**	$ 2,262
Interest on senior unsecured notes		**3,459**	4,289	**7,131**	9,190
Early redemption expense on 2026 Notes		**—**	1,095	**—**	2,604
Interest expense		**6,285**	6,638	**11,767**	14,056
Lease interest expense		**3,560**	3,638	**7,163**	6,744
Accretion expense	9	**790**	728	**1,595**	1,483
Total financing costs		**$ 10,635**	$ 11,004	**$ 20,525**	$ 22,283

17. Supplemental cash flow information

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

	Three months ended June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Cash provided by (used for):				
Accounts receivable and prepaid expenses	**$ (10,357)**	$ 9,086	**$ 1,151**	$ 59,602
Inventory	**1,038**	10,852	**12,022**	6,827
Accounts payable and accrued liabilities	**19,132**	(41,057)	**39,079**	(34,501)
	$ 9,813	$ (21,119)	**$ 52,252**	$ 31,928
Related to:				
Operating activities	**$ 26,426**	$ (11,795)	**$ 45,356**	$ 5,655
Investing activities	**(16,613)**	(9,324)	**6,896**	26,273
	$ 9,813	$ (21,119)	**$ 52,252**	$ 31,928

18. Commitments

The following is a summary of the Company's commitments as at June 30, 2024:

	Total	2024	2025	2026	2027	2028	Thereafter
Transportation [1]	**$ 945,220**	$ 73,142	$ 149,475	$ 147,719	$ 143,197	$ 116,765	$ 314,922
Processing [1] [2]	**1,765,036**	57,284	124,853	142,412	143,429	144,635	1,152,423
Servicing [3]	**5,988**	—	5,988	—	—	—	—
Total commitments [4]	**$ 2,716,244**	$ 130,426	$ 280,316	$ 290,131	$ 286,626	$ 261,400	$1,467,345

(1) Certain of the transportation and processing commitments are secured by outstanding letters of credit totaling $14.7 million at June 30, 2024 (December 31, 2023 - $18.5 million).
(2) Includes processing commitments to guarantee firm capacity in various facilities.
(3) Effective November 2022, NuVista entered into a 3-year fracturing services and proppant supply agreement with a third-party. Part of the agreement includes USD and the conversion rate used at June 30, 2024 was 1.37 Cdn$/US$.
(4) Excludes commitments recognized within lease liabilities.

Corporate Information

LEADERSHIP TEAM

Jonathan Wright
Chief Executive Officer

Mike Lawford
President and Chief Operating Officer

Kevin Asman
Vice President, Marketing

Ivan J. Condic
Vice President, Finance and Chief Financial 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 Eckhardt (2) (4)
Independent Director

K.L. (Kate) Holzhauser (1) (3)
Independent Director

Mary Ellen Lutey (3) (4)
Independent Director

Keith MacPhail (2) (4)
Independent Director

Ronald Poelzer (1) (2)
Independent Director

Deborah Stein (1) (3)
Independent Director

Grant Zawalsky (3) (4)
Independent Director

Jonathan Wright
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”)
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