



SECOND INTERIM REPORT 2005

Press Release August 4, 2005

Calgary – NuVista Energy Ltd. is pleased to announce its financial and operating results for the three and six months ended June 30, 2005 as follows:

Corporate Highlights

	Three Months ended June 30,			Six Months ended June 30,		
	2005	2004	% Change	2005	2004	% Change
Financial						
(\$ thousands, except per share)						
Production revenue	30,626	16,982	80	57,891	32,777	77
Funds from operations ⁽¹⁾	18,495	11,368	63	34,924	20,967	67
Per share – basic	0.46	0.30	53	0.86	0.56	54
Per share – diluted	0.44	0.30	47	0.83	0.54	54
Net income	6,335	4,540	40	11,920	8,272	44
Per share – basic	0.16	0.12	33	0.29	0.22	32
Per share – diluted	0.15	0.12	25	0.28	0.21	33
Total assets				225,212	101,051	123
Bank loan, net of working capital				48,663	10,275	374
Shareholders' equity				127,692	80,760	58
Net capital expenditures	13,416	10,946	23	49,789	18,120	175
Weighted average common shares outstanding (thousands):						
Basic	40,562	37,334	9	40,562	37,335	9
Diluted	42,198	38,519	10	42,143	38,517	9
Operating						
(boe conversion – 6:1 basis)						
Production:						
Natural gas (mmcf/d)	32.7	21.2	54	32.4	20.9	55
Oil and liquids (bbls/d)	2,329	1,187	96	2,169	1,181	84
Total oil equivalent (boe/d)	7,783	4,712	65	7,572	4,682	62
Product prices: ⁽²⁾						
Natural gas (\$/mcf)	7.48	6.89	9	7.24	6.67	9
Oil and liquids (\$/bbl)	39.35	34.49	14	39.30	33.92	16
Operating expenses:						
Natural gas (\$/mcf)	0.73	0.65	12	0.73	0.64	14
Oil and liquids (\$/bbl)	7.43	3.94	89	7.21	3.93	83
Total oil equivalent (\$/boe)	5.29	3.91	35	5.19	3.86	34
General and administrative expenses (\$/boe)	0.48	0.35	37	0.47	0.35	34
Cash costs (\$/boe)	6.53	4.50	45	6.35	4.41	44
Funds from operations netback (\$/boe) ⁽¹⁾	26.11	26.51	(2)	25.48	24.61	4

NOTES:

- (1) Funds from operations and funds from operations per share are not defined by GAAP in Canada and are referred to as non-GAAP measures. Funds from operations is detailed on the Statement of Cash Flows. Funds from operations per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of net income per share. Netbacks equal total revenue less royalties and operating costs calculated on a boe basis. Total boe is calculated by multiplying the daily production by the number of days in the period.
- (2) Product prices are before transportation costs.

MESSAGE TO SHAREHOLDERS

NuVista Energy Ltd. ("NuVista") is pleased to report to shareholders its financial and operating results for the three and six months ended June 30, 2005. NuVista has now completed two years of operations and the Board of Directors and management are very pleased with the results, accomplishments and corresponding value created for its shareholders. The results of the second quarter of 2005 represent the eighth consecutive quarter of continuous profitable growth for NuVista, since its creation on July 2, 2003, through the Plan of Arrangement involving Bonavista Petroleum Ltd. and Bonavista Energy Trust (collectively "Bonavista").

On August 4, 2005 NuVista announced the closing of the transaction to acquire certain natural gas assets in northwestern Saskatchewan for approximately \$150 million. Upon completion of the transaction, NuVista acquired 3,400 boe/d of natural gas production, establishing a new core region for NuVista, Northwest Saskatchewan. As part of this acquisition, NuVista increased its capital program to \$235 million for 2005. The acquisition was funded through the issue of 7.5 million common shares at a price of \$13.60/share for gross proceeds of \$102 million and an increase in NuVista's bank facility from \$80 million to \$130 million. The equity issue completed as part of the financing of the acquisition and expanded bank facility will provide NuVista significant financial flexibility with a projected exit debt to funds flow ratio of 0.6 : 1.

Other significant highlights for NuVista to date in 2005, after incorporating the northwestern Saskatchewan acquisition, include:

- Increased employee count to 31 people, with 19 office and 12 field staff, including the formation of dedicated technical teams in each of NuVista's core areas;
- Increased year over year production by 62% in the first half of 2005 to 7,572 boe/d, with a further increase to the current level of 11,200 boe/d, consisting of 53.5 mmcf/day of natural gas and 2,285 bbls/d of oil and liquids. NuVista's current natural gas weighting has increased to 80% of total production;
- Increased undeveloped land to approximately 430,000 net acres, providing NuVista with over 60 approved locations in the second half of 2005 and a strong prospect inventory;
- Acquired over 5,300 kilometers of 2D and 144 square kilometers of 3D seismic to further enhance the prospectivity of NuVista's undeveloped land;
- Participated in 55 (42.6 net) wells to date, with an overall success rate of 89%;
- Completed the construction and installation of NuVista's second operated production facility in our Provost Area, reducing our operating costs and dependence on third party facilities. Two additional operated processing facilities in our Oyen Area will commence operations in the third quarter of 2005;
- Completed three property acquisitions, expanding NuVista's prospect inventory in the Provost Area and establishing a new Core Region, Northwest Saskatchewan; and
- Continued focus on controllable cash costs resulting in cash costs of \$6.35/boe for the six months ended June 30, 2005. NuVista's overall cash costs are forecasted to decrease slightly in the second half of 2005, thereby ensuring NuVista remains in the top decile of our industry peers.

Total capital expenditures for the second quarter of 2005 were \$13.4 million, significantly less than originally forecasted due to early breakup and an unseasonable amount of wet weather in the Eastern Region. This resulted in delays in connecting new production, installation of new facilities, and the deferral of five drilling locations to the third quarter. NuVista has currently approved 60 locations for the second half of 2005, and two dedicated rigs are drilling in the Eastern Region. We are continuing to add to our prospect inventory on a weekly basis. The establishment of our Northwest Saskatchewan Core Region has left NuVista with over 80 additional drilling/workover prospects, a program of which will be initiated in late 2005. With current production levels of 11,200 boe/d, and the largest and most prospective prospect inventory in our history, NuVista is in a strong position to exit 2005 at 11,900 boe/d and average 9,300 boe/d for the year, with the completion of our \$235 million capital program.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis ("MD&A") of financial conditions and results of operations should be read in conjunction with the interim consolidated financial statements for the three and six months ended June 30, 2005 and NuVista's audited consolidated financial statements and MD&A for the year ended December 31, 2004. Our audited consolidated financial statements, current annual information form and other disclosure documents are filed on SEDAR at www.sedar.com, and other corporate documentation can be obtained from our website at www.nuvistaenergy.com.

Basis of Presentation – The financial data presented below has been prepared in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”). The reporting and the measurement currency is the Canadian dollar. For the purpose of calculating unit costs, natural gas is converted to a barrel of oil equivalent (“boe”) using six thousand cubic feet of natural gas equal to one barrel of oil unless otherwise stated.

Forward-Looking Statements – Certain information set forth in this document, including management’s assessment of NuVista’s future plans and operations, contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond NuVista’s control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. NuVista’s actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements, or if any of them do so, what benefits that NuVista will derive therefrom. NuVista disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Non-GAAP Measurements - Within Management’s discussion and analysis, references are made to terms commonly used in the oil and gas industry. Funds from operations and funds from operations per share are not defined by GAAP in Canada and are referred to as non-GAAP measures. Funds from operations is detailed on the Statement of Cash Flows. Funds from operations per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of net income per share. Netbacks equal total revenue less royalties and operating costs calculated on a boe basis. Total boe is calculated by multiplying the daily production by the number of days in the period. Management uses these terms to analyze operating performance and leverage.

Operating activities – During the second quarter of 2005, NuVista participated in 22 wells with an average working interest of 83% and operated 21 of these wells. The success rate of 91% in this drilling program resulted in 18 natural gas wells and two oil wells. Ten of these wells were tied in and brought on stream in July 2005. NuVista continues to actively drill in its Core Regions, with approximately 60 wells planned for the second half of the year. For the six months ended June 30, 2005, NuVista drilled 47 (37.1 net) wells, operating 40 of them, resulting in 35 natural gas wells, seven oil wells and five dry holes. NuVista has commenced its third quarter drilling program, having participated in eight wells thus far and currently has two drilling rigs running in our Eastern Region. In addition to weather related delays, NuVista experienced production disruptions of approximately 150 boe/d for the second quarter due to third party facility and pipeline constraints in both our Provost and Pembina Areas and scheduled turnarounds in other areas. The disruptions continued into July and early August but will be mitigated in the near future due to the start up of the Provost Veteran and the Oyen Sibbald facilities and the completion of scheduled turnarounds.

Production – For the second quarter of 2005, NuVista’s average production was 7,783 boe/d, comprised of 32.7 mmcf/d of natural gas and 2,329 bbls/d of oil and liquids, which represents a 65% increase over the same period in 2004. For the six months ended June 30, 2005 NuVista’s average production was 7,572 boe/d, comprised of 32.4 mmcf/d of natural gas and 2,169 bbls/d of oil and liquids, which also represents a 62% increase over the same period in 2004.

Revenues – Revenues, before transportation costs, for the three months ended June 30, 2005 were \$30.6 million, an 80% increase from \$17.0 million for the three months ended June 30, 2004. For the six months ended June 30, 2005, revenues, before transportation costs were \$57.9 million, a 77% increase from \$32.8 million, for the same period in 2004. These revenues were comprised of \$42.5 million of natural gas and \$15.4 million of oil and liquids. The increase in revenues for the six months ended June 30, 2005 versus the same period of 2004 results directly from a 62% increase in production and a 10% increase in commodity prices. The increase in commodity prices, before transportation costs, is made up of a 9% increase in the natural gas price to \$7.24/mcf from \$6.67/mcf and a 16% increase in the oil and liquids price to \$39.30/bbl from \$33.92/bbl.

Commodity hedging – As part of our financial management strategy, NuVista has adopted a disciplined commodity-hedging program. The purpose of the hedging program is to reduce volatility in the financial results, protect acquisition economics and stabilize cash flow against the unpredictable commodity price environment. At any given period of time, our hedging strategy is restricted to a maximum hedge of 50% of forecast production, net of royalties, and primarily utilizes costless collars. This strategy limits NuVista’s exposure to downturns in commodity prices while allowing for participation in commodity price increases. In the first half of 2005, our hedging program resulted in a loss of \$32,000. A summary of hedging contracts in place as at June 30, 2005 is outlined in note 4 of the Notes to the Interim Consolidated Financial Statements.

Royalties – Royalties for the three months ended June 30, 2005 were \$6.8 million, an increase of 105% over the \$3.3 million reported for the three months ended June 30, 2004. The increase in royalties results from higher revenues in the second quarter of 2005 versus the same period in 2004. As a percentage of revenue, the average royalty rate for the second quarter of 2005 was 22% compared to 20% for the comparative period of 2004. Royalty rates by product for the second quarter of 2005 were 24% for natural gas and 19% for oil and liquids versus 21% for natural gas and 16% for oil and liquids for the similar period in 2004. The increase in the natural gas royalty rates results from higher natural gas prices in the second quarter of 2005. Royalties of \$12.9 million for the six months ended June 30, 2005 were 75% higher than the \$7.4 million for the same period of 2004. The increase in royalties for the six months ended June 30, 2005 resulted from higher revenues compared to the same period of 2004, generated by a 62% increase in production volumes and a 10% increase in commodity prices. Royalty rates by product for the six months ended June 30, 2005 were 24% for natural gas and 19% for oil and liquids and 25% for natural gas and 17% for oil and liquids for the same period in 2004.

Transportation costs – Transportation costs were \$663,000 (\$0.94/boe) for the three months ended June 30, 2005 as compared to \$340,000 (\$0.79/boe) for the second quarter of 2004. For the six months ended June 30, 2005, transportation costs were \$1.3 million (\$0.97/boe) as compared to \$679,000 (\$0.80/boe) for the same period in 2004. The slight increase in transportation costs results from the 62% increase in production volumes and increased natural gas transportation rates in the first half of 2005 versus 2004.

Operating – Operating expenses were \$3.7 million (\$5.29/boe) for the three months ended June 30, 2005, a 124% increase when compared to \$1.7 million (\$3.91/boe) for the three months ended June 30, 2004. This increase resulted from both higher production volumes and a 35% increase in per unit costs in the second quarter of 2005 versus the second quarter of 2004 because of higher per unit costs of the 2005 first quarter oil acquisition. Operating expenses were \$7.1 million for the six months ended June 30, 2005 versus \$3.3 million for the same period in 2004, a 116% increase. This increase resulted primarily from the higher production volumes, increased per unit oil operating costs associated with the first quarter 2005 acquisition and higher per unit natural gas operating costs associated with the private company acquisition completed in July 2004. In the first half of 2005, natural gas operating expenses averaged \$0.73/mcf and oil and liquids operating expenses were \$7.21/bbl as compared to \$0.64/mcf and \$3.93/bbl respectively for the same period of 2004. On a boe basis, operating costs increased 34% to \$5.19/boe in the first half of 2005 as compared to \$3.86/boe for the same period of 2004, also primarily due to higher per unit costs of the newly acquired oil assets in the first quarter and increasing cost pressures facing the entire industry. Despite these increases, NuVista remains in the top decile for oil and natural gas companies in its peer group.

General and administrative – General and administrative expenses were \$338,000 (\$0.48/boe) net of overhead recoveries, as compared to the charge of \$153,000 (\$0.35/boe) for the three months ended June 30, 2004. General and administrative expenses, net of overhead recoveries for the six months ended June 30, 2005, were \$645,000 (\$0.47/boe), an increase of 114% over the \$302,000 (\$0.35/boe) for the six months ended June 30, 2004. This increase is directly attributable to the higher production base in NuVista, hiring of NuVista's own core area teams and the allocation of higher per unit overhead costs from Bonavista, in accordance with the Technical Services Agreement. For the six months ended June 30, 2005, Bonavista charged \$677,000 compared to \$520,000 in 2004, to NuVista for general and administrative services under the Technical Services Agreement. The Technical Services Agreement, entered into as part of the Plan of Arrangement, has allowed NuVista to initiate and continue with its successful and active capital programs, through the use of Bonavista's personnel in managing its operations and at the same time taking advantage of Bonavista's low overhead cost structure. NuVista recorded a stock-based compensation charge of \$584,000 for the six months ended June 30, 2005 versus \$478,000 for the same period in 2004 in connection with the issuance of both the Class B Performance Shares in 2003 and stock options.

Interest – For the three months ended June 30, 2005, interest expense was \$406,000 (\$0.57/boe), up 421% from \$78,000 (\$0.18/boe) in the same period of 2004, due to higher average debt levels in 2005. Interest expense for the six months ended June 30, 2005 was \$688,000 (\$0.50/boe) versus \$129,000 (\$0.15/boe) for the same period of 2004 due to higher average debt levels. Cash paid on interest for the six months ended June 30, 2005 was \$406,000. Currently, NuVista's average borrowing rate is approximately 3.7%.

Depreciation, depletion and accretion – Depreciation, depletion and accretion expenses were \$8.0 million for the second quarter of 2005 compared to \$3.5 million for the same period in 2004, an increase of 131%. The average cost per unit was \$11.36/boe in the second quarter of 2005 versus \$8.13/boe for the same period in 2004. Depreciation, depletion and accretion expenses for the six months ended June 30, 2005 were \$15.2 million, an increase of 127% over the \$6.7 million for the six months ended June 30, 2004. The average cost per unit was \$11.12/boe in the first half of 2005 versus \$7.88/boe in the same period in 2004 due to higher costs of adding reserves, which is a trend being experienced throughout the industry.

Income and other taxes – For the second quarter of 2005, the provision for income and other taxes was \$3.9 million for an effective tax rate of 38%, as compared to \$3.1 million with an effective tax rate of 41% for the second quarter of 2004. For the six months ended June 30, 2005, the provision for income and other taxes was \$7.4 million for an effective tax rate of 38%, as compared to \$5.5 million for an effective tax rate of 40% for the same period in 2004. The reduction in the effective tax rate results primarily from lower statutory income tax rates in 2005. Cash paid for income and other taxes for the six months ended June 30, 2005 was \$349,000.

Capital expenditures – Capital expenditures were \$13.4 million during the second quarter of 2005 and consisted primarily of exploration and development spending. Capital expenditures were \$49.8 million for the six months ended June 30, 2005 consisting of exploration and development spending of \$27.7 million and \$22.1 million of acquisitions, compared to \$18.1 million incurred for the six months ended June 30, 2004, virtually all spent on exploration and development activities.

Funds from operations and net income – In the second quarter of 2005, funds from operations was \$18.5 million (\$0.46/share, basic), a 63% increase over the \$11.4 million (\$0.30/share, basic) for the same period in 2004. For the six months ended June 30, 2005, NuVista's funds from operations was \$34.9 million (\$0.86/share, basic), a 67% increase from \$21.0 million (\$0.56/share, basic) for the six months ended June 30, 2004. Net income also increased 40% during the second quarter of 2005 to \$6.3 million (\$0.16/share, basic) from the \$4.5 million (\$0.12/share, basic) for the same period in 2004. For the six months ended June 30, 2005 net income increased 44% to \$11.9 million (\$0.29/share, basic) from \$8.3 million (\$0.22/share, basic) for the same period in 2004.

Liquidity and capital resources – As at June 30, 2005, bank debt (including working capital) was \$48.7 million, resulting in a debt to funds flow ratio of approximately 0.7 to 1. NuVista has approximately \$31.3 million of unused bank borrowing capability based on the current line of credit of \$80 million, which provides substantial flexibility to fund expanded capital programs into the future. As at August 4, 2005, there were 48,327,030 common shares (including the conversion of 7,500,000 subscription receipts into common shares on a one for one basis) and 570,256 Class B Performance Shares outstanding. In addition, there were 2,402,486 stock options outstanding, with an average exercise price of \$8.61/share.

Quarterly financial information – The following table highlights NuVista's performance for the eight quarterly reporting periods from September 30, 2003 to June 30, 2005:

	2005		2004				2003	
	June 30	March 31	December 31	September 30	June 30	March 31	December 31	September 30
Production (boe/d)	7,783	7,358	6,703	6,113	4,712	4,651	4,316	3,949
(thousands, except per share amounts)							(restated)	
Production revenue	\$ 30,626	\$ 27,265	\$ 24,601	\$ 22,020	\$ 16,982	\$ 15,795	\$ 13,061	\$ 12,697
Net income	6,335	5,585	5,715	4,335	4,540	3,732	2,878	2,746
Net income per share:								
Basic	0.16	0.14	0.14	0.11	0.12	0.10	0.08	0.08
Diluted	0.15	0.13	0.14	0.11	0.12	0.10	0.08	0.07

Since its commencement of operations on July 2, 2003, NuVista has seen dramatic growth in its production and revenues over its first eight quarters. Coupled with stronger commodity prices, revenues have increased 141% and net income has increased 131% over these eight quarters.

BUSINESS RISKS AND OUTLOOK

NuVista's management remains committed to the same principles and disciplined growth strategy that has led to considerable success over its first two years. In 2005, NuVista increased its employee base with the establishment of separate technical teams in each of its Core Areas and completed three acquisitions, which strengthened our core regions and our inventory of drilling opportunities. With the undeveloped land base now exceeding 430,000 net acres, an increased drilling inventory, coupled with our strong balance sheet, NuVista is well positioned to continue posting strong operational and financial results for the remainder of 2005 and beyond. On August 4, 2005, NuVista completed the acquisition of certain natural gas properties in northwestern Saskatchewan for approximately \$150 million. This acquisition resulted in NuVista increasing its 2005 capital budget to \$235 million, which is expected to result in 2005 production averaging approximately 9,300 boe/d for the year. Using the current strip for commodity prices, this production forecast should result in cash flow in excess of \$88 million (\$2.00/share) for 2005.

NuVista will continue to focus on its core strategy of applying the expertise of its own technical staff to its current operating regions, through both the drill bit and strategic acquisitions. The execution of these strategies will enable NuVista to continue to grow its production, cash flow and net income consistently and profitably. Furthermore, our solid financial position will enable us to continue execution of our capital programs and remain positioned to pursue additional strategic opportunities as they arise. We remain unwavering in our commitment to enhance shareholder value over the long-term by accessing the broad depth and expertise of our team in a diligent and prudent manner.

On Behalf of the Board of Directors



Alex G. Verge
President and
Chief Executive Officer

August 4, 2005
Calgary, Alberta



Glenn A. Hamilton
Vice President and
Chief Financial Officer

Consolidated Balance Sheets

(thousands)

	June 30, 2005	December 31, 2004
	(unaudited)	(audited)
Assets		
Current assets:		
Accounts receivable (note 5)	\$ 27,248	\$ 12,071
Oil and natural gas properties and equipment	188,525	152,021
Goodwill	9,439	9,439
	\$ 225,212	\$ 173,531
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 14,824	\$ 17,524
Bank loan	61,087	28,352
Asset retirement obligations	7,876	5,990
Future income taxes	13,733	6,555
Shareholders' equity:		
Share capital	89,994	89,876
Contributed surplus	1,832	1,288
Retained earnings	35,866	23,946
Subsequent events (note 5)	127,692	115,110
	\$ 225,212	\$ 173,531

Consolidated Statements of Operations and Retained Earnings

(thousands, except per share amounts)

	Three Months ended June 30,		Six Months ended June 30,	
	2005	2004	2005	2004
(unaudited)				
Revenues:				
Production	\$ 30,626	\$ 16,982	\$ 57,891	\$ 32,777
Royalties, net of Alberta Royalty Tax Credit	(6,842)	(3,342)	(12,943)	(7,375)
Transportation	(663)	(340)	(1,328)	(679)
	23,121	13,300	43,620	24,723
Expenses:				
Operating	3,748	1,676	7,115	3,289
General and administrative	338	153	645	302
Interest	406	78	688	129
Stock-based compensation	303	246	584	478
Depreciation, depletion and accretion	8,048	3,487	15,242	6,717
	12,843	5,640	24,274	10,915
Income before income and other taxes	10,278	7,660	19,346	13,808
Income and other taxes	3,943	3,120	7,426	5,536
Net income	6,335	4,540	11,920	8,272
Retained earnings, beginning of period	29,531	9,356	23,946	5,624
Retained earnings, end of period	\$ 35,866	\$ 13,896	\$ 35,866	\$ 13,896
Net income per share – basic	\$ 0.16	\$ 0.12	\$ 0.29	\$ 0.22
Net income per share – diluted	\$ 0.15	\$ 0.12	\$ 0.28	\$ 0.21

Consolidated Statements of Cash Flows

(thousands)

	Three Months ended June 30,		Six Months ended June 30,	
	2005	2004	2005	2004
(unaudited)				
Cash provided by (used in):				
Operating Activities:				
Net income	\$ 6,335	\$ 4,540	\$ 11,920	\$ 8,272
Items not requiring cash from operations:				
Depreciation, depletion and accretion	8,048	3,487	15,242	6,717
Stock-based compensation	303	246	584	478
Future income taxes	3,809	3,095	7,178	5,500
Funds from operations	18,495	11,368	34,924	20,967
Asset retirement expenditures	(70)	(13)	(72)	(36)
Increase in non-cash working capital items	(16,095)	(1,681)	(17,877)	(3,607)
	2,330	9,674	16,975	17,324
Financing Activities:				
Issue (Repurchase) of share capital	58	-	79	(7)
Increase (Decrease) in bank loan	11,028	1,272	32,735	803
	11,086	1,272	32,814	796
Investing Activities:				
Oil and natural gas properties and equipment additions	(13,416)	(11,048)	(49,789)	(18,222)
Proceeds on disposal of oil and natural gas properties and equipment	-	102	-	102
	(13,416)	(10,946)	(49,789)	(18,120)
Decrease in cash	-	-	-	-
Cash, beginning of period	-	-	-	-
Cash, end of period	\$ -	\$ -	\$ -	\$ -

NUVISTA ENERGY LTD.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2005.

The unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"), using the same accounting policies as those set out in note 1 to the consolidated financial statements for the year ended December 31, 2004. These interim consolidated financial statements are incremental to these consolidated financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2004. Certain amounts have been reclassified to conform with the current year's presentation.

1. Asset retirement obligations:

A reconciliation of the asset retirement obligations is provided below:

	Six Months ended June 30,	
	2005	2004
(thousands)		
Balance, beginning of period	5,990	3,027
Accretion expense	288	103
Liabilities incurred	317	138
Liabilities acquired	1,353	-
Liabilities settled	(72)	(36)
Balance, end of period	7,876	3,232

2. Bank loan:

In June 2005, NuVista and its lenders agreed to amend the Company's bank loan facility to increase the maximum borrowing to \$80 million. All other terms and conditions of the bank loan facility remain unchanged.

3. Share capital:

For the six months ended June 30, 2005, there were 353,000 options granted with an average exercise price of \$11.20/share and an estimated fair value of \$2.68/share using the Black-Scholes option pricing model. As at June 30, 2005, there were 40,568,145 common shares and 874,878 Class B Performance Shares outstanding. In addition, there were 2,032,436 stock options outstanding, with an average exercise price of \$7.58/share as at June 30, 2005.

4. Hedging activities:

a) Financial instruments:

As at June 30, 2005, NuVista has hedged by way of costless collars the following crude oil:

Volume	Average Price	Term
250 bbls/d	US\$40.00 - US\$55.00 – WTI	July 1, 2005 – September 30, 2005
250 bbls/d	US\$35.00 - US\$57.25 – WTI	October 1, 2005 – December 31, 2005
400 bbls/d	CDN\$33.58 – CDN\$41.39 – Bow River	March 1, 2005 – December 31, 2005
250 bbls/d	CDN\$60.00 - CDN\$75.00 – WTI	January 1, 2006 – March 31, 2006
250 bbls/d	CDN\$61.00 - CDN\$75.00 – WTI	April 1, 2006 – June 30, 2006

As at June 30, 2005, the market deficiency of these financial instruments was approximately \$938,000.

b) Physical purchase contracts:

As at June 30, 2005, NuVista has entered into direct sale costless collars to sell natural gas as follows:

Volume	Average Price (Cdn \$/gj)	Term
10,000 gj/d	\$ 6.13 - \$ 9.06 – AECO	April 1, 2005 – October 31, 2005
5,000 gj/d	\$ 6.50 - \$ 10.70 – AECO	November 1, 2005 – March 31, 2006
5,000 gj/d	\$ 6.13 - \$ 9.53 – AECO	April 1, 2006 – October 31, 2006

5. Subsequent events:

On August 4, 2005, the Company completed the acquisition of certain natural gas weighted properties in northwestern Saskatchewan for a total purchase price of approximately \$150.0 million. Included in accounts receivable as at June 30, 2005 is \$15.5 million as a deposit on this acquisition. In connection with the financing of this acquisition, NuVista completed the issuance of 7.5 million common shares at \$13.60/share for gross proceeds of \$102 million and agreed with its lenders to amend the Company's bank loan facility to increase the maximum borrowing to \$130 million.

CORPORATE INFORMATION

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Keith A. MacPhail,

Chairman

W. Peter Comber,

Barrantagh Investment Management Inc.

Pentti O. Karkkainen,

KERN Partners

Ronald J. Poelzer,

Bonavista Energy Trust

Alex G. Verge,

President and CEO

Clayton M. Woitas,

Profico Energy Management Ltd.

Grant A. Zawalsky,

Burnet, Duckworth & Palmer LLP

MANAGEMENT

Keith A. MacPhail,

Chairman

Alex G. Verge,

President and CEO

Glenn A. Hamilton,

Vice President and CFO

Steven J. Dalman,

Engineering Manager

D. Chris McDavid,

Production Manager

Patrick Miles,

Exploration Manager

Gordon Timm,

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AUDITORS

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Chartered Accountants

Calgary, Alberta

BANKERS

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Bank of Montreal

Royal Bank of Canada

Toronto-Dominion Bank

Calgary, Alberta

ENGINEERING CONSULTANTS

Gilbert Laustsen Jung Associates Ltd.

Calgary, Alberta

LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP

Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

Valiant Trust Company

Calgary, Alberta

STOCK EXCHANGE LISTING

Toronto Stock Exchange

Trading Symbol "NVA"

