SECOND INTERIM REPORT 2008

Press Release August 5, 2008

Calgary – NuVista Energy Ltd. is pleased to announce its financial and operating results for the three and six months ended June 30, 2008 as follows:

Corporate Highlights

	Three months ended June 30, 2008	Three months ended June 30, 2007	% Change	Six months ended June 30, 2008	Six months ended June 30, 2007	% Change
Financial						
($ thousands, except per share)						
Production revenue	161,794	56,832	185	258,858	110,457	134
Funds from operations (1)	89,582	30,416	194	143,016	58,227	146
Per share – basic	1.14	0.59	93	2.05	1.16	77
Per share – diluted	1.11	0.58	91	2.02	1.14	77
Net earnings	2,905	9,678	(70)	10,054	14,510	(31)
Per share – basic	0.04	0.19	(79)	0.14	0.29	(52)
Per share – diluted	0.04	0.18	(78)	0.14	0.28	(50)
Total assets				1,356,172	642,400	111
Long-term debt, net of working capital				365,282	158,154	131
Long-term debt, net of adjusted working capital (1)				338,900	158,154	115
Shareholders' equity				728,591	354,143	106
Net capital expenditures	16,213	57,624	(72)	67,114	93,572	(28)
Corporate acquisition (non-cash)	-	-	-	594,944	-	-
Weighted average common shares outstanding (thousands):						
Basic	78,830	51,405	53	69,754	50,230	39
Diluted	80,368	52,335	54	70,753	51,085	39
Operating						
(boe conversion – 6:1 basis)						
Production:						
Natural gas (mmcf/d)	113.0	69.9	62	99.2	68.1	46
Natural gas liquids (bbls/d)	2,609	417	526	1,857	313	493
Oil (bbls/d)	4,714	2,080	127	4,349	2,121	105
Total oil equivalent (boe/d)	26,153	14,147	85	22,746	13,780	65
Product prices: (2)						
Natural gas ($/mcf)	9.44	7.28	30	8.74	7.38	18
Natural gas liquids ($/bbl)	81.88	60.00	36	80.65	58.43	38
Oil ($/bbl)	91.82	48.36	90	84.95	49.36	72
Operating expenses:						
Natural gas and natural gas liquids ($/mcfe)	1.16	1.07	8	1.15	1.04	10
Oil ($/bbl)	13.76	10.83	27	12.34	13.37	(7)
Total oil equivalent ($/boe)	8.19	7.05	16	7.95	7.34	8
General and administrative expenses ($/boe)	1.52	0.98	55	1.40	0.93	51
Funds from operations netback ($/boe) (1)	37.63	23.63	59	34.55	23.35	47

NOTES:

(1) Funds from operations, funds from operations per share, funds from operations netback and adjusted working capital are not defined by GAAP in Canada and are referred to as non-GAAP measures. Funds from operations are based on cash flow from operating activities before changes in non-cash working capital and abandonment expenditures. 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. Funds from operations netback equals the total of revenues including realized commodity derivative gains/losses less royalties, transportation, general and administrative, restricted share units, interest and cash taxes calculated on a boe basis. Adjusted working capital excludes the current portion of future income tax and commodity derivative liabilities. Total boe is calculated by multiplying the daily production by the number of days in the period.

(2) Product prices include realized gains/losses on commodity derivatives.

MESSAGE TO SHAREHOLDERS

NuVista Energy Ltd. ("NuVista") is pleased to report to shareholders the financial and operating results for the three and six months ended June 30, 2008. On March 4, 2008, NuVista completed the most significant transaction in its history, the business combination with Rider Resources Ltd. ("Rider") and the associated financing with the Ontario Teachers' Pension Plan. The business combination solidifies NuVista's position as a premium intermediate oil and gas company with a five year track record of adding shareholder value, while adding a high impact deep gas exploration component to our existing shallow gas and heavy oil opportunity inventory. NuVista's Board of Directors and management are pleased with how NuVista has integrated the Rider operations, reduced debt levels and the steps taken to continue our growth as an intermediate oil and gas company.

The second quarter results include a full three months of combined operations and are therefore more representative of NuVista today than results presented in the first quarter of 2008. The accretion resulting from this business combination, coupled with increasing commodity prices, has resulted in record production levels of 26,153 boe/d for the second quarter and the highest reported funds from operations per share of $1.14 per share. Over the past six months, the outlook for commodity prices has increased dramatically with our average funds from operations netbacks increasing from the range of $20 to $25/boe to the current levels of $35 to $40/boe. The increased netbacks beyond levels originally budgeted, has resulted in NuVista achieving its debt reduction targets well ahead of schedule. With a net debt to funds from operations ratio of less than 1.0:1 at the end of the second quarter, NuVista now has significant financial flexibility to increase its capital budget to take advantage of strategic acquisition opportunities.

NUVISTA-RIDER BUSINESS COMBINATION

The business combination with Rider has resulted in NuVista becoming an intermediate natural gas focused company with both an asset base and technical teams to continue creating shareholder value through production per share and reserves per share growth. The Rider asset base is well suited to NuVista's existing business strategy which emphasizes long-term sustainability and growth based upon an acquire and develop business model in multi-zone areas with a focus on low operating costs and high working interests. The business combination added three new core areas in liquid rich, natural gas prone regions of Alberta that are characterized by high netbacks and longer reserve life production.

NuVista's production is now balanced between the west of the third and fourth meridian ("W3M/W4M"), and the west of the fifth and sixth meridian ("W5M/W6M") producing regions. NuVista is now poised for growth in these regions, both organically and through acquisitions. With the business combination, NuVista increased its undeveloped land inventory to over 730,000 acres while maintaining a high working interest of 77% in the undeveloped lands and top quartile operating costs targeting $7.75/boe. The asset base remains highly concentrated with only 300 boe/d of production outside existing core areas. The combination was completed at attractive acquisition metrics, at a time when natural gas was out of favour, and is accretive to NuVista on net asset value, reserves, production, and funds from operations on a per share basis.

Significant highlights for NuVista in the second quarter of 2008 include:

- Increased year over year production by 85% to 26,153 boe/d, with a corresponding production per share increase of 21%;
- Record funds from operations per share of $1.14 compared to $0.59 during the same period in 2007 and compared to $0.88 per share in the first quarter of 2008;
- Increased our crude oil and liquids exposure to 28% of boe production;
- Invested $16.2 million in exploration and development activities which resulted in 17 (12.9 net) wells and an overall success rate of 88%;
- Strong funds from operations allowed us to achieve our year end target ratio of net debt to funds from operations of 1:1 by June 30, 2008.

SECOND QUARTER CAPITAL PROGRAM

NuVista completed a capital expenditure program of $16.2 million during the second quarter of 2008. NuVista's capital program was lower in the second quarter due to spring break-up and scheduled turnaround activities. Approximately one third of the capital expenditures were directed towards land and seismic activities to set up our active exploration and development program for the second half of 2008. All of our capital expenditures were related to exploration and development activities including participation in 17 wells resulting in 12 gas wells, 3 oil wells, and 2 dry holes.

SECOND HALF 2008 CAPITAL PROGRAM

For the second half of 2008, NuVista has currently budgeted capital expenditures of approximately $105 million, with all of the expenditures focused on exploration and development activities. Approximately 50% of the budget will be spent in the W5M/W6M region where NuVista and Rider achieved considerable success in last winter's drilling programs. NuVista anticipates participating in approximately 25 wells in this region. The remaining 50% of capital expenditures will be focused in the W3M/W4M region which is expected to result in participation in about 80 wells. NuVista has completed over 22 wells to date in the third quarter and currently has five drilling rigs operating in Oyen, Provost, Saskatchewan, Wapiti and Pembina. NuVista will continue to monitor commodity prices and will evaluate opportunities to increase its exploration and development program and make acquisitions.

COMMODITY PRICE RISK MANAGEMENT ACTIVITIES

When NuVista announced the acquisition of Rider, NuVista took advantage of the rising natural gas price environment in February and March to hedge a significant portion of its natural gas production from April to October 2008, at a level which would allow NuVista to return financial flexibility to the balance sheet by the fourth quarter of 2008. In addition, NuVista entered into natural gas price management contracts for the period November 2008 to March 2009 as part of its ongoing price risk management program. NuVista has also hedged crude oil prices as part of its ongoing crude oil price risk management program. Subsequent to entering into these price risk management contracts, natural gas and crude oil prices have increased and as NuVista has not adopted hedge accounting, it is required to mark-to-market all financial commodity derivatives outstanding that relate to future periods. During the second quarter NuVista recorded an unrealized commodity derivatives loss of $40.0 million ($28.8 million after tax), significantly reducing second quarter earnings but not impacting funds from operations. NuVista's adjusted net earnings, excluding the impact of this unrealized loss, is $31.7 million.

FINANCIAL EXPOSURE TO SEMGROUP LP

On July 22, 2008, SemGroup LP filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code and two of SemGroup LP's Canadian subsidiaries, SemCAMS ULC and SemCanada Crude Company, filed for creditor protection under the Companies' Creditors Arrangement Act in Canada. NuVista sold natural gas to SemCAMS ULC and crude oil to SemCanada Crude Company. Nuvista has a financial exposure to these two entities totaling approximately $4.5 million. Of this amount, $2.6 million relates to sales for the month ended June 30, 2008 and $1.9 million for the period July 1 to 21, 2008. NuVista is taking steps to mitigate this financial exposure and any ongoing financial exposure. At this time we are unable to ascertain the amount of June revenues that will be recoverable but have recorded a provision in our second quarter financial statements equal to 25% of the amount owed at June 30, 2008. In the third quarter, we will reassess the recoverability of the June revenues and also assess the recoverability of the July revenues.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis ("MD&A") of financial conditions and results of operations should be read in conjunction with NuVista's interim consolidated financial statements for the three and six months ended June 30, 2008 and the audited consolidated financial statements for the year ended December 31, 2007. The following MD&A of financial condition and results of operations was prepared at and is dated, August 5, 2008. Our audited consolidated financial statements, Annual Report, Annual Information Form and other disclosure documents for 2007 are available through our filings on SEDAR at **www.sedar.com** or 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. In certain circumstances natural gas liquid volumes have been converted to thousand cubic feet equivalent ("mcfe") on the basis of one barrel of natural gas liquids to six thousand cubic feet. Boe's and mcfe's may be misleading, particularly if used in isolation. A conversion ratio of one barrel to six thousand cubic feet of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.*
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> ***Forward-looking statements –*** *Certain information set forth in this document, including management's assessment of NuVista's future plans and operations, forecast production rates, forecast funds from operations and targeted operating costs, contain forward-looking statements, which are provided to allow investors to better understand our business. 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 and services, stock market volatility, changes in environmental regulations, tax laws and royalties and the 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, except as required by law.

Non-GAAP measurements – *Within MD&A, references are made to terms commonly used in the oil and natural gas industry. Management uses funds from operations to analyze operating performance and leverage. Funds from operations as presented, does not have any standardized meaning prescribed by Canadian GAAP and therefore it may not be comparable with the calculation of similar measures for other entities. Funds from operations as presented is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, net income or other measures of financial performance calculated in accordance with Canadian GAAP. All references to funds from operations throughout this report are based on cash flow from operating activities before changes in non-cash working capital and abandonment expenditures. 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. Funds from operations netbacks equal total revenue including realized commodity derivative gains/losses less royalties, transportation, operating costs, general and administrative, restricted share unit, interest expense and cash taxes. Management also uses field netbacks to analyze operating performance and adjusted working capital to analyze leverage. Field netbacks and adjusted working capital as presented, do not have any standardized meaning prescribed by Canadian GAAP and therefore may not be comparable with the calculation of similar measures for other entities. Field netbacks equal the total of revenue including realized commodity derivative gains/losses less royalties, transportation and operating costs. Adjusted working capital equals working capital excluding the current portions of commodity derivative liability and future income taxes. Total boe is calculated by multiplying the daily production by the number of days in the period.*

A reconciliation of funds from operations is presented in the following table:

	For the three months ended June 30,		For the six months ended June 30,	
($ thousands)	2008	2007	2008	2007
Cash provided by operating activities	67,453	22,482	102,619	39,479
Add back:				
Asset retirement expenditures	483	155	537	465
Change in non-cash working capital	21,646	7,779	39,860	18,283
Funds from operations	89,582	30,416	143,016	58,227

Change in presentation of MD&A disclosure - natural gas liquids – *Prior to 2008, our MD&A disclosures have combined crude oil volumes and natural gas liquid volumes, as natural gas liquid volumes were not significant. With the Rider Acquisition, Nuvista has significantly increased its production of natural gas liquids and has determined that it is more appropriate in certain circumstances to include these volumes with natural gas volumes on a mcfe basis. Comparative MD&A disclosure has been restated to reflect this change. This change only impacts the classification of natural gas liquids and does not impact reported results.*

Plan of arrangement with Rider Resources Ltd.

On March 4, 2008, NuVista closed a business combination with Rider Resources Ltd. ("Rider") (the "Rider Acquisition") and a private placement financing with the Ontario Teachers' Pension Plan Board ("OTPP"). The Rider Acquisition resulted in the combination of NuVista and Rider, pursuant to which all of the issued and outstanding Rider shares were exchanged for common shares of NuVista. Rider shareholders received, for each Rider share held, 0.3540 of a NuVista share. The results of operations from the Rider assets have been included effective March 4, 2008. The three months ended June 30, 2008, is the first reported period to include a full three months of operations of the Rider assets.

Operating activities – During the second quarter of 2008, NuVista participated in 17 (12.9 net) wells, including 16 operated wells, with an average working interest of 76%. Of these wells, nine were drilled in the Oyen core area, four in the Provost core area, two in our Pembina core area and one in each of the West Central Saskatchewan and Northwest Saskatchewan core areas. The success rate of 88% in this drilling program resulted in 12 natural gas wells and three oil wells. For the six months ended June 30, 2008, NuVista drilled 36 (26.7 net) wells resulting in 19 natural gas wells and 10

oil wells. NuVista has approximately 65 wells planned for the third quarter, primarily in the Oyen, Wapiti and in our Saskatchewan core areas.

Production

For the three months ended June 30,	2008	2007	% Change
Natural gas (mcf/d)	112,979	69,897	62
Liquids (bbls/d)	2,609	417	526
Oil (bbls/d)	4,714	2,080	127
Total oil equivalent (boe/d)	26,153	14,147	85

For the six months ended June 30,	2008	2007	% Change
Natural gas (mcf/d)	99,238	68,078	46
Liquids (bbls/d)	1,857	313	493
Oil (bbls/d)	4,349	2,121	105
Total oil equivalent (boe/d)	22,746	13,780	65

For the three months ended June 30, 2008, NuVista's average production was 26,153 boe/d, comprised of 113.0 mmcf/d of natural gas, 2,609 bbls/d of natural gas liquids ("liquids") and 4,714 bbls/d of oil, which represents a 85% increase over the same period in 2007 and a 35% increase over the first quarter of 2008. During the second quarter NuVista's production was reduced due to plant turnarounds in its Wapiti and Ferrier core areas. The increase in natural gas and liquids revenue is due primarily to the inclusion of a full quarter of production from the Rider properties acquired in March 2008 and the success of our drilling program. Oil production increased for the three months ended June 30, 2008, compared to the same period in 2007, due to increased heavy oil production at our Auburndale property and in our Saskatchewan core areas, and the heavy oil production acquired in our Provost core area on January 8, 2008. Oil and liquids production as a percentage of total production on a boe basis, increased to 28% in the second quarter compared to 18% in the same period in 2007.

Production rates peaked in the month of April 2008 as significant new flush production was brought on-stream in our Wapiti core area. Production capability declined throughout the second quarter due to normal production declines associated with both our new and existing wells, and limited activity during the spring break-up period. Plant turnarounds were completed in June but NuVista continued to have shut-in production during July 2008 due to the timing and priority of bringing wells on production and continuing operational issues associated with start-up after a major turnaround at a third party facility. NuVista expects the impact of this delay and other scheduled outages to impact average third quarter production by approximately 600 boe/d. New production additions from NuVista's aggressive post spring break-up drilling program are now being connected and NuVista anticipates production to increase gradually throughout the second half of 2008 with the implementation of our capital program.

NuVista's production for the six months ended June 30, 2008 averaged 22,746 boe/d comprised of 99.2 mmcf/d of natural gas, 1,857 bbls/d of natural gas liquids ("liquids") and 4,349 bbls/d of oil, which represents a 65% increase over the same period in 2007. Production increases for the six month period, compared to the same period in 2007, are primarily due to the same reasons that production increased in the second quarter.

Revenues

For the three months ended June 30,						
($ thousands)	2008		2007		% Change	
Natural gas:	$	$/mcf	$	$/mcf	$	$/mcf
Production revenue	98,140	9.54	45,610	7.17	115	33
Realized gains (losses) on commodity derivatives	(1,026)	(0.10)	702	0.11	-	-
Total	97,114	9.44	46,312	7.28	110	30

For the three months ended June 30,						
($ thousands)	2008		2007		% Change	
Oil:	$	$/bbl	$	$/bbl	$	$/bbl
Production revenue	44,214	103.07	8,944	47.78	394	117
Realized gains (losses) on commodity derivatives	(4,828)	(11.25)	108	0.58		
Total	39,386	91.82	9,052	48.36	335	90

For the three months ended June 30,						
($ thousands)	2008		2007		% Change	
Liquids:	$	$/bbl	$	$/bbl	$	$/bbl
Production revenue	19,440	81.88	2,280	60.00	753	36
Total	19,440	81.88	2,280	60.00	753	36

For the six months ended June 30,						
($ thousands)	2008		2007		% Change	
Natural gas:	$	$/mcf	$	$/mcf	$	$/mcf
Production revenue	158,992	8.80	88,455	7.18	80	22
Realized gains (losses) on commodity derivatives	(1,026)	(0.06)	2,541	0.20	-	-
Total	157,966	8.74	90,996	7.38	74	18

For the six months ended June 30,						
($ thousands)	2008		2007		% Change	
Oil:	$	$/bbl	$	$/bbl	$	$/bbl
Production revenue	72,610	91.73	18,691	48.70	288	88
Realized gains (losses) on commodity derivatives	(5,368)	(6.78)	253	0.66	-	-
Total	67,242	84.95	18,944	49.36	255	72

For the six months ended June 30,						
($ thousands)	2008		2007		% Change	
Liquids:	$	$/bbl	$	$/bbl	$	$/bbl
Production revenue	27,256	80.65	3,311	58.43	723	38
Total	27,256	80.65	3,311	58.43	723	38

For the three months ended June 30, 2008, revenues including realized commodity derivative gains and losses were $155.9 million, a 171% increase from $57.6 million, for the same period in 2007. The increase in revenues for the three months ended June 30, 2008 compared to the same period of 2007, is primarily due to the 85% increase in production and 54% increase in realized prices. These revenues were comprised of $97.1 million of natural gas revenue, $39.4 million of oil revenue, and $19.4 million of liquids revenue. The increase in average realized commodity prices is comprised of a 30% increase in the natural gas price to $9.44/mcf from $7.28/mcf, a 90% increase in the oil price to $91.82/bbl from $48.36/bbl, and an increase of 36% in the liquids price to $81.88/bbl from $60.00/bbl. The increase in the average realized commodity price in the quarter compared to the same period in 2007 was due to significantly higher WTI crude oil and NYMEX natural gas prices that impact Edmonton Par and heavy crude oil prices and AECO natural gas prices.

For the six months ended June 30, 2008, revenues including realized commodity derivative gains and losses were $252.5 million, a 123% increase from $113.3 million, for the same period in 2007. The increase in revenues for the first six months of 2008 compared to the same period of 2007, is primarily due to the 65% increase in production and 41% increase in realized prices. These revenues were comprised of $158.0 million of natural gas revenue, $67.2 million of oil revenue, and $27.3 million of liquids revenue. The increase in average realized commodity prices is comprised of a 18% increase in the natural gas price to $8.74/mcf from $7.38/mcf, a 72% increase in the oil price to $84.95/bbl from $49.36/bbl, and an increase of 38% in the liquids price to $80.65/bbl from $58.43/bbl.

Commodity price risk management

For the three months ended June 30,						
	2008			2007		
($ thousands)	Realized Gains (Losses)	Unrealized Gains (Losses)	Total Gains (Losses)	Realized Gains (Losses)	Unrealized Gains (Losses)	Total Gains (Losses)
Natural gas	(1,026)	(5,826)	(6,852)	702	2,356	3,058
Oil	(4,828)	(34,205)	(39,033)	108	1,127	1,235
Total gains (losses)	(5,854)	(40,031)	(45,885)	810	3,483	4,293

	For the six months ended June 30,					
	2008			2007		
($ thousands)	Realized Gains (Losses)	Unrealized Gains (Losses)	Total Gains (Losses)	Realized Gains (Losses)	Unrealized Gains (Losses)	Total Gains (Losses)
Natural gas	(1,026)	(9,710)	(10,736)	2,541	2,480	5,021
Oil	(5,368)	(40,065)	(45,433)	253	927	1,180
Total gains (losses)	(6,394)	(49,775)	(56,169)	2,794	3,407	6,201

As part of our financial management strategy, NuVista has adopted a disciplined commodity price risk management program. The purpose of this program is to reduce volatility in the financial results, protect acquisition economics and stabilize cash flow against the unpredictable commodity price environment. NuVista's Board of Directors has approved a price risk management limit of up to 60% of forecast production, net of royalties, for a two year period using fixed price and costless collar contracts. NuVista's Board of Directors has approved an increase to the limit of 60% for the period April 2008 to October 2008. For this period the Board has approved natural gas hedges in the amount of 70,000 gj/day.

NuVista conducts its price risk management activities through both financial commodity derivatives and physical sales contracts. While NuVista's price risk management transactions are economic hedges, NuVista does not use hedge accounting for these transactions. As a result, NuVista is required to mark-to-market all financial commodity derivatives outstanding. NuVista is not required to mark-to-market its physical sales price risk management contracts.

For the three months ended June 30, 2008, the commodity derivative price risk management program resulted in a loss of $45.9 million consisting of realized losses of $5.9 million and unrealized losses of $40.0 million. The gain of $4.3 million for 2007 consisted of $0.8 million of realized gains and $3.5 million of unrealized gains. For the six months ended June 30, 2008, the commodity derivative price risk management program resulted in a loss of $56.2 million consisting of realized losses of $6.4 million and unrealized losses of $49.8 million. The gain of $6.2 million for 2007 consisted of $2.8 million of realized gains and $3.4 million of unrealized gains.

At June 30, 2008, the mark-to-market of our financial commodity derivatives was a loss of $51.5 million and the market-to-market of our physical sales contract was a loss of $37.5 million. The significant unrealized losses in the three and six months ended June 30, 2008 are primarily due to the mark-to-market of crude oil commodity derivatives that relate to production in the second half of 2008 and in 2009. Since June 30, 2008, crude oil and natural gas prices have declined and our unrealized financial commodity derivative and physical sales contract mark-to-market losses have declined as well.

The following is a summary of commodity price risk management contracts in place as at June 30, 2008:

a) Financial commodity derivatives

As at June 30, 2008, NuVista has entered into the following crude oil price risk management contracts:

Volume	Average Price (Cdn$/bbl)	Term
500 bbls/d	CDN. $66.50 – Bow River	April 1, 2008 – December 31, 2008
750 bbls/d	CDN. $70.01 – CDN. $86.68 – WTI	July 1, 2008 – December 31, 2008
1,000 bbls/d	CDN. $64.00 – Bow River	January 1, 2009 – December 31, 2009
1,000 bbls/d	CDN. $95.01 – CDN. $110.01 - WTI	January 1, 2009 – December 31, 2009

As at June 30, 2008, NuVista has entered into the following natural gas price risk management contracts:

Volume	Average Price (Cdn$/gj)	Term
20,000 gj/d	CDN. $7.50 – $8.42 – AECO	April 1, 2008 – October 31, 2008
10,000 gj/d	CDN. $8.00 – $10.13 – AECO	November 1, 2008 – March 31, 2009

(b) Physical sale contracts

As at June 30, 2008, NuVista has entered into direct sale price risk management contracts to sell natural gas as follows:

Volume	Average Price (Cdn$/gj)	Term
50,000 gj/d	CDN. $7.27 – $7.43 – AECO	April 1, 2008 – October 31, 2008
40,000 gj/d	CDN. $8.59 – $10.38 – AECO	November 1, 2008 – March 31, 2009

Royalties

	For the three months ended June 30,		For the six months ended June 30,	
Royalty rates (%)	2008	2007	2008	2007
Natural gas and liquids	25	25	26	27
Oil	18	13	16	13
Weighted average rate	22	23	22	25

Royalties for the three months ended June 30, 2008, were $35.9 million, as compared to $13.3 million reported for the three months ended June 30, 2007. Royalties for the six months ended June 30, 2008 were $58.2 million, as compared to $27.7 million reported for the six months ended June 30, 2007. The increase in royalties results from higher revenues in both the second quarter and first half of 2008 compared to the same period in 2007.

As a percentage of revenues, the average royalty rate for the second quarter of 2008 was 22% compared to 23% for the same period of 2007. Royalty rates by product for the second quarter of 2008 were 25% for natural gas and liquids and 18% for oil compared to 25% for natural gas and liquids and 13% for oil for the same period in 2007. For the six months ended June 30, 2008, the average royalty rate as a percentage of revenue was 22% compared to 25% for the same period in 2007. Royalty rates by product were 26% for natural gas and liquids and 16% for oil compared to 27% for natural gas and liquids and 13% for oil for the same period in 2007.

Royalty rates are based on government market reference prices and not our average realized prices that includes price risk management activities. As a result, the losses from our price risk management activities included in revenue result in a higher royalty rate as a percentage of revenue if no price risk management activities had taken place. Average royalty rates in the second quarter of 2008 excluding price risk management activities were 25% for natural gas and liquids and 15% for oil.

Netbacks – The following table summarizes field netbacks by product for the three months ended June 30, 2008:

	Natural gas and liquids		Oil		Total	
($ thousands)	128.6 mmcfe/d		4,714 bbl/d		26,153 boe/d	
	$	$/mcfe	$	$/bbl	$	$/boe
Production revenues	117,580	10.04	44,214	103.07	161,794	67.98
Realized gains (losses) on commodity derivatives	(1,026)	(0.09)	(4,828)	(11.25)	(5,854)	(2.46)
	116,554	9.95	39,386	91.82	155,940	65.52
Royalties	(28,959)	(2.47)	(6,967)	(16.24)	(35,926)	(15.10)
Transportation costs	(1,499)	(0.13)	(797)	(1.85)	(2,296)	(0.96)
Operating costs	(13,580)	(1.16)	(5,901)	(13.76)	(19,481)	(8.19)
Field netbacks	72,516	6.19	25,721	59.97	98,237	41.27

The following table summarizes field netbacks by product for the six months ended June 30, 2008:

	Natural gas and liquids		Oil		Total	
($ thousands)	110.4 mmcfe/d		4,349 bbl/d		22,746 boe/d	
	$	$/mcfe	$	$/bbl	$	$/boe
Production revenues	186,248	9.27	72,610	91.73	258,858	62.53
Realized gains (losses) on commodity derivatives	(1,026)	(0.05)	(5,368)	(6.78)	(6,394)	(1.54)
	185,222	9.22	67,242	84.95	252,464	60.99
Royalties	(47,337)	(2.36)	(10,816)	(13.66)	(58,153)	(14.05)
Transportation costs	(2,439)	(0.12)	(1,298)	(1.63)	(3,737)	(0.90)
Operating costs	(23,133)	(1.15)	(9,765)	(12.34)	(32,898)	(7.95)
Field netbacks	112,313	5.59	45,363	57.32	157,676	38.09

The following table summarizes funds from operations netbacks for the three and six months ended June 30, 2008, compared to the three and six months ended June 30, 2007:

	For the three months ended June 30,					
($ thousands)	2008		2007		% Change	
	$	$/boe	$	$/boe	$	$/boe
Production revenues	161,794	67.98	56,832	44.15	185	54
Realized gains (losses) on commodity derivatives	(5,854)	(2.46)	810	0.63	(823)	(490)
	155,940	65.52	57,642	44.78	171	46
Royalties	(35,926)	(15.10)	(13,332)	(10.35)	169	46
Transportation costs	(2,296)	(0.96)	(977)	(0.76)	135	26
Operating costs	(19,481)	(8.19)	(9,076)	(7.05)	115	16
Field netbacks	98,237	41.27	34,267	26.62	187	55
General and administrative	(3,606)	(1.52)	(1,258)	(0.98)	187	55
Restricted share units	(865)	(0.36)	-	-	-	-
Interest	(4,184)	(1.76)	(2,593)	(2.01)	61	(12)
Funds from operations netbacks	89,582	37.63	30,416	23.63	1.94	0.59

	For the six months ended June 30,					
($ thousands)	2008		2007		% Change	
	$	$/boe	$	$/boe	$	$/boe
Production revenues	258,858	62.53	110,457	44.29	134	41
Realized gains (losses) on commodity derivatives	(6,394)	(1.54)	2,794	1.12	(329)	(238)
	252,464	60.99	113,251	45.41	123	34
Royalties	(58,153)	14.05	(27,741)	(11.12)	110	26
Transportation costs	(3,737)	(0.90)	(2,062)	(0.83)	81	8
Operating costs	(32,898)	(7.95)	(18,299)	(7.34)	80	8
Field netbacks	157,676	38.09	65,149	26.12	142	46
General and administrative	(5,811)	(1.40)	(2,323)	(0.93)	150	51
Restricted share units	(1,118)	(0.27)	-	-	-	-
Interest	(7,731)	(1.87)	(4,599)	(1.84)	68	2
Funds from operations netbacks	143,016	34.55	58,227	23.35	146	52

Transportation – Transportation costs were $2.3 million ($0.96/boe) for the three months ended June 30, 2008 as compared to $977,000 ($0.76/boe) for the same period of 2007. Transportation costs were $3.7 million ($0.90/boe) for the six months ended June 30, 2008 compared to $2.1 million ($0.83/boe) for the same period in 2007. The increase in transportation costs in 2008 compared to 2007 is primarily due to an increase in oil and liquids production as a percentage of overall production and their higher associated transportation costs.

Operating – Operating expenses were $19.5 million ($8.19/boe) for the three months ended June 30, 2008 as compared to $9.1 million ($7.05/boe) for the three months ended June 30, 2006. This increase resulted from the 85% increase in production volumes and a 16% increase in per unit costs. For the three months ended June 30, 2008 natural gas and natural gas liquid operating costs averaged $1.16/mcfe and oil operating expenses were $13.76/bbl as compared to $1.07/mcfe and $10.83/bbl respectively for the same period in 2007.

Operating expenses were $32.9 million ($7.95/boe) for the six months ended June 30, 2008 as compared to $18.3 million ($7.34/boe) for the six months ended June 30, 2007. This increase resulted from the 65% increase in production volumes and an 8% increase in per unit costs. For the six months ended June 30, 2008 natural gas and natural gas liquid operating expenses averaged $1.15/mcfe and oil operating expenses were $12.34/bbl as compared to $1.04/mcfe and $13.37/bbl respectively, for the same period of 2007.

The increase in per unit costs resulted primarily from higher electricity costs and the increase in oil production as a percentage of our overall production. NuVista is forecasting 2008 operating costs for the remainder of the year to average approximately $7.75/boe.

General and administrative – General and administrative expenses, net of overhead recoveries, for the three months ended June 30, 2008 were $3.6 million ($1.52/boe) compared to $1.3 million ($0.98/boe) in the same period of 2007. General and administrative expenses, net of overhead recoveries, for the six months ended June 30, 2008 were $5.8 million ($1.40/boe) as compared to $2.3 million ($0.93/boe) for the six months ended June 30, 2007. This increase in general and administrative expenses is directly attributable to the higher production base in NuVista associated with the Rider Acquisition and increased costs associated with less reliance on the Technical Services Agreement ("TSA") with Bonavista Petroleum Ltd. ("Bonavista"). Higher per unit costs reflect increased staffing costs and general cost increases experienced by the industry. For the three months ended June 30, 2008 NuVista experienced costs associated with moving to new leased premises, terminating existing NuVista and Rider office lease arrangements and integration costs associated with the Rider Acquisition. NuVista is forecasting 2008 general and administrative costs for the remainder of the year to average approximately $1.25/boe.

	For the three months ended June 30,		For the six months ended June 30,	
($ thousands)	2008	2007	2008	2007
Gross general and administrative expenses	5,384	2,473	8,947	4,939
Overhead recoveries	(1,778)	(1,215)	(3,136)	(2,616)
Net general and administrative expenses	3,606	1,258	5,811	2,323
Per boe	1.52	0.98	1.40	0.93

Bad debt provision – On July 22, 2008, SemGroup LP filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code and two of SemGroup LP's Canadian subsidiaries, SemCAMS ULC and SemCanada Crude Company, filed for creditor protection under the Companies' Creditors Arrangement Act in Canada. NuVista sold natural gas to SemCAMS ULC and crude oil to SemCanada Crude Company. Nuvista has a financial exposure to these two entities totaling approximately $4.5 million. Of this amount, $2.6 million relates to sales for the month ended June 30, 2008 and $1.9 million for the period July 1 to 21, 2008. NuVista is taking steps to mitigate this financial exposure and any ongoing financial exposure. At this time we are unable to ascertain the amount of June revenues that will be recoverable but have recorded a provision in our second quarter financial statements equal to 25% of the amount owed at June 20, 2008. In the third quarter, we will reassess the recoverability of the June revenues and assess the recoverability of the July revenues.

Stock-based compensation – NuVista recorded a stock-based compensation charge of $1.9 million for the three month period ended June 30, 2008 compared to $739,000 for the same period in 2007. For the six month period ended June 30, 2007 NuVista recorded a stock-based compensation charge of $3.1 million compared to $1.5 million for the same period in 2007. The increase in the expense in 2008 relates primarily to the institution of the Restricted Share Unit ("RSU") Incentive Plan. NuVista's Board of Directors approved a RSU Incentive Plan in January, 2008. Each RSU entitles participants to receive cash equal to the market value of the equivalent number of shares of NuVista. The RSU's become payable as they vest, typically over three years. For the three and six months ended June 30, 2008, the RSU related stock-based compensation expense was $0.9 million and $1.1 million, respectively.

Interest – For the three months ended June 30, 2008, interest expense was $4.2 million as compared to $2.6 million in the same period of 2007. For the six months ended June 30, 2008, interest expense was $7.7 million compared to $4.6 million in the same period of 2007. Higher interest costs in the second quarter and the first half of 2008 are due to higher average debt levels and higher average interest rates. Currently, our average borrowing rate is approximately 4%.

Depreciation, depletion and accretion – Depreciation, depletion and accretion expenses were $43.1 million for the second quarter of 2008 as compared to $22.1 million for the same period in 2007. The average per unit cost was $18.11/boe in the second quarter of 2008 as compared to $17.16/boe for the same period in 2007. Depreciation, depletion and accretion expenses for the six months ended June 30, 2008, were $75.8 million as compared to $41.5 million for the same period in 2007. The average per unit cost was $18.31/boe in the first half of 2008 as compared to $16.65/boe in the same period in 2007. The increase in the depreciation, depletion and accretion expenses for the three months and six months ended June 30, 2008, when compared to the same periods in 2007 was due to higher production volumes and also reflects an increase in unit costs. Per unit costs have increased in 2008 due to the higher costs associated with the Rider Acquisition and higher exploration and development costs.

Income taxes – For the three months ended June 30, 2008, the provision for income and other taxes was $1.9 million compared to $1.4 million for the same period in 2007. For the six months ended June 30, 2008, the provision for income and other taxes was $4.7 million compared to $4.1 million in the same period of 2007. The provisions for income and other taxes for the three and six months ended June 30, 2007 include a reduction of $2.3 million related to legislated reductions in income tax rates, enacted in the second quarter of 2007. For the six months ended June 30, 2008, the effective tax rate was 32% for the six months ended June 30, 2007.

Capital expenditures – Capital expenditures were $16.2 million during the second quarter of 2008 and related to exploration and development activities. This compares to $57.6 million during the second quarter of 2007, consisting of $35.1 million for acquisitions and $22.6 million for exploration and development. Capital expenditures for the six months ended June 30, 2008, were $67.1 million, consisting of $41.7 million for exploration and development spending and $25.4 million for acquisitions. This compares to $93.6 million incurred for the same period of 2007, consisting of $35.1 million of acquisitions and exploration and development spending of $58.5 million.

	For the three months ended June 30,		For the six months ended June 30,	
($ thousands)	2008	2007	2008	2007
Exploration and development				
Land and retention costs	4,451	1,228	5,123	3,116
Seismic	2,385	2,258	4,986	8,211
Drilling and completion	6,176	13,024	17,881	30,519
Facilities and equipment	2,278	5,703	12,386	15,932
Corporate and other	1,188	356	1,340	739
Subtotal	16,478	22,569	41,716	58,517
Acquisitions				
Property	(265)	35,055	25,398(1)	35,055
Subtotal	(265)	35,055	25,398	35,055
Total capital expenditures	16,213	57,624	67,114	93,572
Corporate acquisition - non-cash	-	-	594,944	-

(1) Includes a $2.6 million deposit paid in the fourth quarter of 2007

Funds from operations and net earnings – In the second quarter of 2008, funds from operations were $89.6 million ($1.14/share, basic), a 194% increase over the $30.4 million ($0.59/share, basic) for the same period in 2007. For the six months ended June 30, 2008, NuVista's funds from operations was $143.0 million ($2.05/share, basic), a 146% increase from $58.2 million ($1.16/share, basic) for the six months ended June 30, 2007. The increase in funds from operations in both the three and six months ended June 30, 2008, compared to the same periods in 2007 was primarily due to higher production volumes and commodity prices.

Net earnings decreased during the second quarter of 2008 to $2.9 million ($0.04/share, basic) from $9.7 million ($0.19/share, basic) for the same period in 2007. For the six months ended June 30, 2008, net earnings were $10.0 million ($0.14/share, basic) compared to $14.5 million ($0.29/share, basic) for the same period in 2007. The decrease in net earnings in both the three and six months ended June 30, 2008, compared to the same periods in 2007, was primarily due to the unrealized loss on commodity derivates of $28.8 million on an after tax basis.

Liquidity and capital resources – As at June 30, 2008, net bank debt, defined as the bank loan plus adjusted working capital was $338.9 million, resulting in a net debt to annualized second quarter funds from operations ratio of 1.0:1. At June 30, 2008, NuVista had a working capital deficiency of $1.3 million. Adjusted working capital excludes the current portion of the commodity derivatives mark-to-market of $36.6 million and a current future income tax asset of $10.3 million. We believe it is appropriate to exclude these amounts when determining net debt. At June 30, 2008, NuVista had approximately $86.0 million of unused bank borrowing capability based on the current line of credit of $450.0 million.

NuVista anticipates that 2008 funds from operations will provide NuVista with the flexibility to fund its planned 2008 capital program and provide for debt reduction. NuVista has achieved its targeted 2008 net debt to annualized quarterly funds from operations target of less than 1.0 times. NuVista's capital program will be monitored and adjusted based on the outlook for commodity prices and opportunities to increase capital spending.

As at August 5, 2008, there were 79.1 million common shares and 3.0 million common share purchase warrants outstanding. In addition, there were 5.4 million stock options outstanding, with an average exercise price of $14.48 per share.

Related party activities – In 2003, as part of the Plan of Arrangement with Bonavista Petroleum Ltd. ("Bonavista"), NuVista entered into a Technical Services Agreement ("TSA"). Under the TSA, Bonavista received payment for certain services provided by it to NuVista. Effective January 1, 2007, the terms of the TSA were amended to reflect the reduced level of services provided by Bonavista. On August 31, 2007, the TSA was terminated and replaced with a new services agreement that reflects the remaining ongoing services that will be provided by Bonavista. NuVista and Bonavista are considered related as two directors of NuVista, one of whom is NuVista's chairman, are also directors and officers of Bonavista and a director and an officer of NuVista are also officers of Bonavista.

For the three months ended June 30, 2008, NuVista paid Bonavista $0.4 million (2007 - $0.2 million) in fees relating to general and administrative services provided by Bonavista, and NuVista charged Bonavista management fees for jointly owned partnerships totaling $0.3 million (2007 - $0.3 million). In addition, during the second quarter of 2008, Bonavista charged NuVista $63,000 (2007 - $62,500) for costs that are outside of the new services agreement relating to NuVista's share of direct charges from third parties.

For the six months ended June 30, 2008, NuVista paid Bonavista $0.8 million (2007 - $0.7 million) in fees relating to general and administrative services provided by Bonavista, and NuVista charged Bonavista management fees for jointly owned partnerships totaling $0.6 million (2007 - $0.6 million). In addition Bonavista charged NuVista $72,000 (2007 - $0.6 million) for costs that are outside of the new services agreement relating to NuVista's share of direct charges from third parties. As at June 30, 2008, the amount receivable from Bonavista was $2.9 million.

Contractual obligations and commitments – NuVista enters into many contractual obligations as part of conducting day-to–day business. As NuVista continues to spend money as part of its capital program we will draw on our bank facility and will have the related contractual obligation. In the event that NuVista's credit facility is not extended at any time before the maturity date, the loan balance of outstanding will become payable on the maturity date which is March 4, 2010.

The following is a summary of NuVista's contractual obligations and commitments as at June 30, 2008:

	Total	2008	2009	2010	2011	Thereafter
Transportation	$ 1,027	$ 426	$ 444	$ 123	$ 34	$ -
Office lease	9,076	1,199	2,055	2,055	2,055	1,712
Total commitments	$ 10,103	$ 1,625	$ 2,499	$ 2,178	$ 2,089	$ 1,712

Quarterly financial information – The following table highlights NuVista's performance for the eight quarterly reporting periods from September 30, 2006 to June 30, 2008:

	2008		**2007**				**2006**	
	June 30	March 31	December 31	September 30	June 31	March 31	December 31	September 30
Production (boe/d)	26,153	19,339	14,251	13,590	14,147	13,409	12,612	12,577
($ thousands, except per share amounts)								
Production revenue	161,794	97,064	53,790	48,138	56,832	54,822	49,195	47,530
Net earnings	2,905	7,150	11,063	754	9,678	4,832	5,765	4,082
Net earnings per share:								
Basic	0.04	0.12	0.21	0.01	0.19	0.10	0.12	0.08
Diluted	0.04	0.12	0.21	0.01	0.18	0.10	0.12	0.08

NuVista has seen growth in quarterly production volumes over the prior eight quarters except for a slight decline experienced in the quarter ended September 30, 2007. This decline was primarily due to plant turnarounds that occurred during the summer months. Over the prior eight quarters, quarterly revenue has been in a range of $47.5 million to $161.8 million with revenue influenced by production volumes and natural gas prices in the quarter. Production volumes and revenues increased significantly in the quarter ended June 30, 2008, primarily due to increased production volumes associated with the Rider Acquisition and higher commodity prices. Net earnings have been in a range of $0.8 million to $11.1 million primarily influenced by production volumes and natural gas prices but also higher operating costs, depletion, depreciation and accretion and unrealized losses on commodity derivatives. Net earnings were higher in the second and the fourth quarter of 2007 due to the recognition of reductions in corporate income tax rates.

Critical accounting estimates – The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Certain accounting policies are critical to understanding the financial condition and results of operations of NuVista.

(a) ***Proved oil and natural gas reserves –*** Proved oil and natural gas reserves, as defined by the Canadian Securities Administrators in National Instrument 51-101 with reference to the Canadian Oil and Natural Gas Evaluation Handbook, are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

An independent reserve evaluator using all available geological and reservoir data as well as historical production data has prepared NuVista's oil and natural gas reserve estimates. Estimates are reviewed and revised as appropriate. Revisions occur as a result of changes in prices, costs, fiscal regimes, reservoir performance or a change in the Company's development plans. The effect of changes in proved oil and natural gas reserves on the financial results and position of the Company is described below.

(b) ***Depreciation and depletion expense –*** NuVista uses the full cost method of accounting for exploration and development activities whereby all costs associated with these activities are capitalized, whether successful or not. The aggregate of capitalized costs, net of certain costs related to unproved properties, and estimated future development costs is amortized using the unit-of-production method based on estimated proved reserves. Changes in estimated proved reserves or future development costs have a direct impact on depreciation and depletion expense. Certain costs related to unproved properties and major development projects may be excluded from costs subject to depletion until proved reserves have been determined or their value is impaired. These properties are reviewed quarterly to determine if proved reserves should be assigned, at which point they would be included in the depletion calculation, or for impairment, for which any writedown would be charged to depreciation and depletion expense.

(c) ***Full cost accounting ceiling test –*** The carrying value of property, plant and equipment is reviewed at least annually for impairment. Impairment occurs when the carrying value of the assets is not recoverable by the future undiscounted cash flows. The cost recovery ceiling test is based on estimates of proved reserves, production rates, petroleum and natural gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements could be material. Any impairment would be charged as additional depletion and depreciation expense.

(d) ***Asset retirement obligation –*** The asset retirement obligations are estimated based on existing laws, contracts or other policies. The fair value of the obligation is based on estimated future costs for abandonments and reclamations discounted at a credit adjusted risk free rate. The costs are included in property, plant and equipment and amortized over its useful life. The liability is adjusted each reporting period to reflect the passage of time, with the accretion charged to earnings and for revisions to the estimated future cash flows. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements could be material.

(e) ***Income taxes –*** The determination of income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded.

Update on regulatory matters

(a) On October 25, 2007, the Government of Alberta announced the New Alberta Royalty Framework ("NRF") which proposes changes to the current royalty regime in Alberta effective January 1, 2009. The proposed NRF includes new royalty formulas for conventional oil and natural gas that will operate on sliding scales that are determined by commodity prices and well productivity. On April 10, 2008, the Government of Alberta provided some further clarification on the NRF and introduced two new royalty programs related to the development of deep oil and natural gas reserves. Substantial legislative, regulatory and systems updates will be introduced before the changes become fully effective in 2009. NuVista continues to monitor the impact of the NRF on its business plan and does not expect a significant impact at this time.

(b) On April 18, 2008, the Canadian Securities Administrators published the notice and request for comments for the proposed repeal and replacement of Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings. The proposed changes would include the requirement to provide certification of the effectiveness of internal controls over financial reporting for years ending after December 15, 2008. On July 11, 2008, the Canadian Securities Administrators issued Staff Notice 52-322 recommending securities commissions proceed with the December 15, 2008 effective date. The Company is developing plans to test the operating effectiveness of internal controls over financial reporting and provide the required certification.

Update on accounting policies and financial reporting matters

(a) ***Capital disclosures –*** Effective January 1, 2008, the Company adopted the new CICA accounting standard Section 1535, Capital Disclosures. Section 1535 specifies the disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what it manages as capital, any externally imposed capital requirements, and the consequences of non-compliance. Refer to note 8 of the consolidated financial statements.

(b) ***Financial instruments –*** Effective January 1, 2008, the Company adopted the new CICA accounting standard Section 3862, Financial Instruments Disclosures and Section 3863, Financial Instrument Presentation. These Sections require the Company to increase disclosure on the nature, extent and risk arising from the financial instruments and how the entity manages those risks. Refer to note 9 of the consolidated financial statements.

(c) ***Goodwill –*** The CICA issued the new accounting standard Section 3064 Goodwill and Intangible Assets replacing Section 3062, Goodwill and Other Intangible Assets. This new Section will be effective on January 1, 2009. This Section applies to goodwill subsequent to initial recognition and establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This new standard is not expected to have a material impact on NuVista's consolidated financial statements.

(d) ***International financial reporting standards ("IFRS") –*** In February 2008, the Canadian Accounting Standards Board confirmed January 1, 2011 as the effective date for the requirement to report under IFRS with comparative periods 2010 converted as well. Canadian generally accepted accounting principles as we currently know them, will cease to exist for all publicly reporting entities. Currently, the application of IFRS to the oil and gas industry in Canada requires considerable clarification. The Canadian Securities Administrators are in the process of examining changes to securities rules as a result of this initiative. We are currently assessing the impact of IFRS on our results of operations, financial position and disclosures and developing an implementation plan.

Internal control reporting

NuVista's President and Chief Executive Officer ("CEO") and Vice President, Finance and Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting as defined in Multilateral Instrument 52-109. NuVista's CEO and CFO have designed disclosure controls and procedures, or caused them to be designed under their supervision, to provide reasonable assurance that information to be disclosed by NuVista is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. The CEO and CFO have also designed internal controls over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. During the quarter ended June 30, 2008, there have been no changes to NuVista's internal controls over financial reporting that have materially, or are reasonably likely to, materially affect the internal controls over financial reporting. During the quarter, management completed integration of Rider's internal controls over financial reporting into NuVista's internal control environment.

Because of their inherent limitations, disclosure controls and procedures and internal controls over financial reporting may not prevent or detect misstatements, error or fraud. Control systems, no matter how well conceived or operated, can provide only reasonable, not absolute assurance, that the objectives of the control system are met.

Assessment of business risks

The following are the primary risks associated with the business of NuVista. These risks are similar to those affecting others in the conventional oil and natural gas sector. NuVista's financial position and results of operations are directly impacted by these factors:

Operational risk associated with the production of oil and natural gas:

- Reserve risk with respect to the quantity and quality of recoverable reserves;
- Market risk relating to the availability of transportation systems to move the product to market;
- Commodity risk as crude oil and natural gas prices fluctuate due to market forces;
- Financial risk such as volatility of the Canadian/US dollar exchange rate, interest rates and debt service obligations;
- Environmental and safety risk associated with well operations and production facilities;
- Changing government regulations relating to royalty legislation, income tax laws, incentive programs, operating practices and environmental protection relating to the oil and natural gas industry; and
- Continued participation of NuVista's lenders.

NuVista seeks to mitigate these risks by:

- Acquiring properties with established production trends to reduce technical uncertainty as well as undeveloped land with development potential;
- Maintaining a low cost structure to maximize product netbacks and reduce impact of commodity price cycles;
- Diversifying properties to mitigate individual property and well risk;
- Maintaining product mix to balance exposure to commodity prices;
- Conducting rigorous reviews of all property acquisitions;

- Monitoring pricing trends and developing a mix of contractual arrangements for the marketing of products with creditworthy counterparties;
- Maintaining a hedging program to hedge commodity prices and foreign exchange currency rates with creditworthy counterparties;
- Ensuring strong third-party operators for non-operated properties;
- Adhering to NuVista's safety program and keeping abreast of current operating best practices;
- Keeping informed of proposed changes in regulations and laws to properly respond to and plan for the effects that these changes may have on our operations;
- Carrying industry standard insurance to cover losses; and
- Establishing and maintaining adequate cash resources to fund future abandonment and site restoration costs.

OUTLOOK

NuVista continues to believe in the long term favourable outlook for natural gas prices due to the improving supply and demand fundamentals and the relative valuation of natural gas compared to crude oil, although this will be partially offset by higher royalties in 2009 and beyond. The current market strip pricing, should it materialize, will result in an increase of 40% to 50% in funds from operations netbacks in 2009, compared to 2007, even after giving effect to the New Royalty Framework in Alberta. With the successful integration of the Rider assets, NuVista now has eight core areas with shallow natural gas, deep natural gas and heavy oil and high working interest multi-horizon opportunities. NuVista will continue to pursue growth through its exploration and development program and complementary acquisitions that meet its criteria.

For 2008, NuVista's Board of Directors has approved a capital program, in addition to the business combination with Rider, of $175 million. With the recent increase in commodity prices, the acquisition market has become increasingly competitive. As a result, NuVista has reallocated the remaining capital for 2008 to exploration and development activities. For the second half of 2008, the exploration and development program will see NuVista participating in approximately 25 wells in the W5M/W6M region and over 80 wells in the W3M/W4M region. In light of the current commodity price environment and increased financial flexibility in its business model, NuVista will continue to look for ways to expand its capital program. NuVista's capital program for the second half of 2008 is well underway. Since July 1, 2008, NuVista has participated in 22 wells with an 83% success rate. New production additions from this capital program are currently being connected and the implementation of our capital program is forecast to result in a gradual increase in production throughout the second half of 2008. NuVista anticipates a 2008 exit production rate of approximately 27,000 boe/d.

NuVista's financial and operating results for 2008 include the business combination of Rider effective March 4, 2008. NuVista is currently forecasting 2008 average production of 24,300 boe/d to 24,800 boe/d and is forecasting combined production of 26,000 - 26,500 boe/d for the second half of 2008. Production for the third quarter of 2008 will be reduced by approximately 600 boe/d due to known scheduled turnarounds in July at our Pembina crude oil facility, a scheduled TCPL outage in September in eastern Alberta, and continued downtime at a third party operated Wapiti facility in July and August due to a slower than expected return to full production after a major turnaround. Based on current commodity price assumptions of $8.80/mcf for AECO natural gas and US$115/bbl for WTI, and incorporating price risk management contracts, NuVista is forecasting funds from operations of $320 to $335 million. NuVista is targeting operating costs to average approximately $7.75/boe for the second half of 2008. NuVista is forecasting to exit 2008 with a year end ratio of net debt to fourth quarter annualized funds from operation of approximately 0.7:1.

In July of 2008, NuVista celebrated its fifth anniversary as an exploration and production company. Five years ago NuVista made a promise to its stakeholders to deliver profitable per share growth in a financially prudent and sustainable manner. Nuvista has delivered on its promise of providing stakeholders with compounded annualized growth of 30% in production per share and 40% in reserves per share and cash flow per share over a five year period. The results are due to a team effort and NuVista wants to express its appreciation for the extraordinary commitment received from the entire NuVista team.

NuVista has delivered on its promise by continuing to focus on what we do best, acquiring, optimizing, exploiting and growing assets which other companies may not be focusing on. The completion of the business combination with Rider on March 4, 2008, is an example of this. The business combination creates a premium intermediate natural gas focused company with a track record of meeting expectations, prudent capital management, profitable per share growth and a disciplined approach to continue to deliver results by doing what we do best.

NuVista will continue to focus on its core strategy of cost control and applying the expertise of its technical staff to its current operating regions, through both the exploration and development program and strategic acquisitions. The execution of these strategies will enable NuVista to continue to grow its production and funds from operations on a per share basis consistently and profitably. NuVista has the team, land base and prospect generation ability to continue to create value for shareholders. NuVista is poised for continued growth and is well positioned to post strong operational and

financial results for the balance of 2008 and beyond. NuVista remains unwavering in its commitment to enhance shareholder value over the long-term in a diligent and prudent manner by accessing the broad depth and expertise of its team.

Sincerely,

Alex G. Verge
President & CEO
August 5, 2008

Robert F. Froese
Vice-President, Finance & CFO

NUVISTA ENERGY LTD.

Consolidated Balance Sheets

($ thousands)	June 30, 2008	December 31, 2007
(unaudited)		
Assets		
Current assets		
Cash and cash equivalents	**$ 5,593**	$ -
Accounts receivable and prepaids (note 3)	**71,729**	30,463
Future income taxes	**10,259**	-
	87,581	30,463
Oil and natural gas properties and equipment	**1,189,258**	598,263
Goodwill	**79,333**	54,439
	$ 1,356,172	$ 683,165
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 52,201**	$ 31,972
Commodity derivative liability (note 9)	**36,641**	1,704
	88,842	33,676
Bank loan (note 6)	**364,021**	177,109
Commodity derivative liability (note 9)	**14,863**	-
Other liabilities (note 7)	**713**	-
Asset retirement obligations (note 5)	**40,518**	26,574
Future income taxes	**118,624**	75,514
Shareholders' equity		
Share capital, warrants and contributed surplus (note 7)	**593,474**	245,212
Accumulated other comprehensive income (note 7)	**-**	17
Retained earnings	**135,117**	125,063
	728,591	370,292
	$ 1,356,172	$ 683,165

See accompanying notes to consolidated financial statements.

NUVISTA ENERGY LTD.

Consolidated Statements of Earnings, Comprehensive Income and Retained Earnings

($ thousands)	**Three months ended June 30, 2008**	**Three months ended June 30, 2007**	**Six months ended June 30, 2008**	**Six months ended June 30, 2007**
(unaudited)				
Revenues				
Production	**$ 161,794**	$ 56,832	$ 258,858	$ 110,457
Royalties	**(35,926)**	(13,322)	(58,153)	(27,741)
Realized gains (losses) on commodity derivatives	**(5,854)**	810	(6,394)	2,794
Unrealized gains (losses) on commodity derivatives	**(40,031)**	3,483	(49,775)	3,407
	79,983	47,803	144,536	88,917
Expenses				
Operating	**19,481**	9,076	32,898	18,299
Transportation	**2,296**	977	3,737	2,062
General and administrative	**3,606**	1,258	5,811	2,323
Bad debt provision (note 3)	**661**	-	661	-
Interest	**4,184**	2,593	7,731	4,599
Stock-based compensation (note 7)	**1,890**	739	3,148	1,462
Depreciation, depletion and accretion	**43,091**	22,085	75,792	41,524
	75,209	36,728	129,778	70,269
Earnings before income and other taxes	**4,774**	11,075	14,758	18,648
Future income taxes	**1,869**	1,397	4,704	4,138
Net earnings	**2,905**	9,678	10,054	14,510
Other comprehensive income				
Amortization of fair value of financial instruments (note 7)	**-**	(63)	(17)	(813)
Comprehensive income	**2,905**	9,615	10,037	13,697
Retained earnings, beginning of period	**132,212**	103,568	125,063	98,736
Retained earnings, end of period	**$ 135,117**	$ 113,246	$ 135,117	$ 113,246
Net earnings per share – basic	**$ 0.04**	$ 0.19	$ 0.14	$ 0.29
Net earnings per share – diluted	**$ 0.04**	$ 0.18	$ 0.14	$ 0.28

See accompanying notes to the consolidated financial statements.

NUVISTA ENERGY LTD.

Consolidated Statements of Cash Flows

($ thousands)	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
(unaudited)				
Cash provided by (used in)				
Operating Activities				
Net earnings	**$ 2,905**	$ 9,678	$ 10,054	$ 14,510
Items not requiring cash from operations				
Depreciation, depletion and accretion	**43,091**	22,085	75,792	41,524
Stock-based compensation	**1,025**	739	2,030	1,462
Bad debt provision	**661**	-	661	-
Unrealized losses on commodity derivatives	**40,031**	(3,483)	49,775	(3,407)
Future income taxes	**1,869**	1,397	4,704	4,138
Asset retirement expenditures	**(483)**	(155)	(537)	(465)
Increase in non-cash working capital items	**(21,646)**	(7,779)	(39,860)	(18,283)
	67,453	22,482	102,619	39,479
Financing Activities				
Issue of share capital and warrants, net of share issuance costs	**4,260**	39,734	89,074	40,444
Increase (decrease) in long-term debt	**(51,267)**	(12,313)	184,867	8,069
Repayment of long-term debt	**-**	-	(303,538)	-
	(47,007)	27,421	(29,597)	48,513
Investing Activities				
Oil and natural gas properties and equipment	**(16,478)**	(22,221)	(41,716)	(57,930)
Transaction costs on Rider acquisition	**-**	-	(4,130)	-
Property acquisition	**265**	(34,890)	(22,798)	(34,890)
Deposit on capital acquisition	**-**	3,608	-	-
Decrease in non-cash working capital items	**475**	3,600	1,215	4,828
	(15,738)	(49,903)	(67,429)	(87,992)
Change in cash and cash equivalents	**4,708**	-	5,593	-
Cash and cash equivalents, beginning of period	**885**	-	-	-
Cash and cash equivalents, end of period	**$ 5,593**	$ -	$ 5,593	$ -

See accompanying notes to consolidated financial statements.

NUVISTA ENERGY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2008.

The unaudited consolidated financial statements of NuVista Energy Ltd. ("Nuvista" or "the Company") 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, 2007, except as noted below. The consolidated financial statements for the three and six months ended June 30, 2008, should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2007. Certain amounts have been reclassified to conform with the current year's presentation. All tabular amounts are in thousands, except per share amounts, unless otherwise stated.

1. Adoption of new accounting policies

(a) Capital disclosures

Effective January 1, 2008, the Company adopted the new CICA accounting standard Section 1535, Capital Disclosures. Section 1535 specifies the disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what it manages as capital, any externally imposed capital requirements, and the consequences of non-compliance. Refer to note 8, Capital risk management.

(b) Financial instruments

Effective January 1, 2008, the Company adopted the new CICA accounting standard Section 3862, Financial Instruments Disclosures and Section 3863, Financial Instrument Presentation. These Sections require the Company to increase disclosure on the nature, extent and risk arising from the financial instruments and how the entity manages those risks. Refer to note 9, Risk management activities.

(c) Restricted share units

The Company has established a Restricted Share Unit ("RSU") Incentive Plan for employees, and officers. Compensation expense associated with the RSU is determined based on the intrinsic value, considered to be the market value, at each reporting period which is recognized in earnings over the vesting period with a corresponding increase or decrease in liabilities.

2. Future accounting changes

(a) The CICA issued the new accounting standard, Section 3064 Goodwill and Intangible Assets replacing Section 3062, Goodwill and Other Intangible Assets. This new Section will be effective on January 1, 2009. This Section applies to goodwill subsequent to initial recognition and establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This new standard is not expected to have a material impact on the Company's consolidated financial statements.

(b) International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed January 1, 2011 as the effective date for the requirement to report under International Financial Reporting Standards ("IFRS") with comparative 2010 periods converted as well. Canadian generally accepted accounting principles as we currently know them, will cease to exist for all public reporting entities. Currently, the application of IFRS to the oil and gas industry in Canada requires considerable clarification. The Canadian Securities Administrators are in the process of examining changes to securities rules as a result of this initiative. The Company is currently assessing the impact of IFRS on the results of operations, financial position and disclosures.

3. Accounts receivable provision

On July 22, 2008, SemGroup LP filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code and two of SemGroup LP's Canadian subsidiaries, SemCAMS ULC and SemCanada Crude Company, filed for creditor protection under the Companies' Creditors Arrangement Act in Canada. NuVista sold natural gas to SemCAMS ULC and crude oil to SemCanada Crude Company and has a financial exposure to these two entities totaling $2.6 million at June 30, 2008. At this time we are unable to ascertain the amount of June revenues that will be recoverable but have recorded a provision in our second quarter financial statements equal to 25% owned at June 30, 2008.

4. Acquisitions

Business combination

In March 2008, the Company completed the acquisition of all of the issued and outstanding common shares of Rider Resources Ltd. ("Rider") for net consideration of $260.3 million. The purchase price was based on Rider shareholders receiving 0.3540 common shares of the Company for each Rider share owned. The Company issued approximately 19.8 million common shares in exchange for 56.0 million common shares of Rider. The acquisition was accounted for using the purchase method. Operating results for Rider have been consolidated with the results of the Company effective from March 4, 2008, the date of acquisition. The preliminary allocation of the net purchase price is subject to change as actual amounts are determined. The preliminary allocation of the net purchase price to assets acquired and liabilities assumed based on their fair values was as follows:

	Amount
Purchase price:	
19.8 million NuVista common shares issued	$ 256,195
Transaction costs	4,130
	260,325
Allocation of purchase price:	
Property, plant and equipment	594,944
Working capital (deficiency)	(14,911)
Bank loan	(288,901)
Financial instrument	(19,251)
Asset retirement obligations	(8,505)
Future income taxes	(27,945)
Goodwill	24,894
	$ 260,325

5. Asset retirement obligations

Total asset retirement obligations are based on estimated costs to reclaim and abandon ownership interests in oil and natural gas assets including well sites, gathering systems and processing facilities. At June 30, 2008, the estimated total undiscounted amount of cash flows required to settle the Company's asset retirement obligations is $159.9 million (2007 - $143.3 million), which will be incurred over the next 51 years. The majority of the costs will be incurred between 2010 and 2036. A credit-adjusted risk-free rate of 8% (2007 - 8%) and an inflation rate of 2% (2007 - 2%) were used to calculate the fair value of the asset retirement obligations.

A reconciliation of the asset retirement obligations is provided below:

	June 30, 2008	December 31, 2007
Balance, beginning of period	$ 26,574	$ 22,683
Accretion expense	1,144	1,841
Liabilities incurred	4,832	2,429
Liabilities acquired (see note 4)	8,505	166
Change in assumptions	-	1,044
Liabilities settled	(537)	(1,589)
Balance, end of period	$ 40,518	$ 26,574

6. Bank loan

On March 4, 2008, the Company increased the revolving credit facility to $450 million (2007 - $210 million). Borrowing under the credit facility may be made by prime loans, bankers' acceptances and/or US libor advances. These advances bear interest at the bank's prime rate and/or at money market rates plus a stamping fee. The credit facility is secured by a first floating charge debenture, general assignment of book debts and the Company's oil and natural gas properties and equipment. The credit facility is subject to an annual review by the lenders, at which time a lender can request conversion to a one year term loan. Under the term period, no principal payments would be required until March 4, 2010. As such, this credit facility is classified as a long-term liability. Cash paid for interest was $5.0 million for the three months ended June 30, 2008, (2007 - $2.4 million) and for the six months ended was $7.2 million (2007 - $4.4 million)

7. Shareholders' equity

(a) Share capital, warrants and contributed surplus

	June 30, 2008	December 31, 2007
Share capital	583,774	$ 240,245
Warrants	3,454	-
Contributed surplus	6,246	4,967
Total	593,474	$ 245,212

(b) Authorized

Unlimited number of voting Common Shares and 1,200,000 Class B Performance Shares.

(c) Common shares issued

	June 30, 2008		December 31, 2007	
	Number	Amount	Number	Amount
Balance, beginning of period	52,704	$ 240,245	49,015	$ 194,027
Issued for cash	6,000	80,546	2,750	39,875
Issued on Rider acquisition	19,844	256,195	-	-
Conversion of Class B Performance Shares	-	-	231	3
Exercise of stock options	485	5,374	708	4,991
Stock-based compensation	-	1,596	-	2,788
Cost associated with shares issued, net of future tax benefit	-	(182)	-	(1,439)
Balance, end of period	79,033	$ 583,774	52,704	$ 240,245

On March 4, 2008, the Company issued 6.0 million units of NuVista ("Unit") at a price of $14.00 per Unit for gross proceeds of $84.0 million by way of a private placement. Each Unit consists of one common share and one-half of a warrant.

(d) Warrants

	June 30, 2008	
	Number	Amount
Balance, beginning of period	-	$ -
Issued	3,000	3,454
Balance, end of period	3,000	$ 3,454

At June 30, 2008, there were 3.0 million common share purchase warrants outstanding. Each warrant entitles the holder thereof to acquire, subject to adjustment, one common share for $15.50, prior to March 4, 2009. The Company has estimated a fair value of $3,454,000 for the warrants using a Black – Scholes pricing model. The pricing model used the following parameters: a risk free interest rate of 3.76%; an expected life of 1 year; and a volatility of 30%.

(e) Contributed surplus

	June 30, 2008	December 31, 2007
	Amount	Amount
Balance, beginning of period	$ 4,967	$ 3,747
Stock-based compensation	2,875	4,008
Conversion of Class B Performance Shares and exercise of stock options	(1,596)	(2,788)
Balance, end of period	$ 6,246	$ 4,967

(f) Accumulated other comprehensive income

	June 30, 2008	December 31, 2007
	Amount	Amount
Balance, beginning of period	$ 17	$ -
Transition adjustment for discontinuance of hedge accounting, net of tax	-	905
Reclassification to net earnings during the period, net of tax	(17)	(888)
Balance, end of period	$ -	$ 17

(g) Per share amounts

During the three months ended June 30, 2008, there were 78,829,785 (2007 – 51,404,983) weighted average shares outstanding. On a diluted basis, there were 80,368,214 (2007 – 52,334,905) weighted average shares outstanding after giving effect for dilutive stock options. For the six months ended June 30, 2008, there were 69,753,816 weighted average shares outstanding and 70,752,811 weighted average shares outstanding on a dilutive basis. The number of anti-dilutive options totaled 221,209 at June 30, 2008 (2007 – 337,701). In addition, there were 3.0 million warrants outstanding at June 30, 2008, which were anti-dilutive.

(h) Stock options

The Company has established a stock option plan whereby officers, directors, employees and service providers may be granted options to purchase common shares. Options granted vest at the rate of 25% per year and expire two years after the date of vesting to a maximum term of six years. The total stock options outstanding plus the Class B Performance Shares cannot exceed 10% of the outstanding common shares. The summary of stock options transactions is as follows:

	June 30, 2008		December 31, 2007	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance, beginning of period	4,046,400	$ 13.46	3,653,711	$ 11.94
Granted	1,916,960	15.83	1,373,100	14.38
Exercised	(485,075)	11.34	(707,961)	6.35
Forfeited	(50,575)	14.47	(272,450)	14.34
Balance, end of period	5,427,710	$ 14.48	4,046,400	$ 13.46

The Company uses the fair value based method for the determination of the stock-based compensation costs. The fair value of each option granted was estimated on the date of grant using the Black-Scholes option pricing model. In the pricing model, the risk free interest rate was 4.5%; average volatility of 33%; an expected life of 4.5 years; an estimated forfeiture rate of 10%; and dividends of nil. The weighted average fair value of stock options granted for the six months ended June 30, 2008, was $5.26 per option (2007 - $4.61 per option).

(i) Restricted share units ("RSU")

In January 2008, the Board of Directors approved a RSU Incentive Plan for employees and officers. Each RSU entitles participants to receive cash equal to the market value of the equivalent number of shares of the Company. The RSU's become payable as they vest over their lives, typically three years.

For the six months ended June 30, 2008, the Company recorded compensation expense of $1.1 million and capitalized $0.3 million to property, plant and equipment with a corresponding offset recorded in liabilities. The compensation expense was based on the trading price of the Company's shares on June 30, 2008.

The following table summarizes the change in RSU for the six months ended June 30, 2008:

	June 30, 2008
	Number
Balance, beginning of period	-
Granted	352,693
Forfeited	(1,220)
Balance, end of period	351,473

The following table summarizes the change in compensation liability relating to the RSU's:

		June 30, 2008
		Amount
Balance, beginning of period	$	-
Change in liabilities during the period		1,454
Balance, end of period	$	1,454
Current portion of compensation liability (included in accounts payable and accrued liabilities)	$	741
Long-term portion of compensation liability	$	713

8. Capital risk management

The Company's objectives when managing capital are: (i) to deploy capital to provide an appropriate return on investment to its shareholders; (ii) to maintain financial flexibility in order to preserve its ability to meet financial obligations; and (iii) to maintain a capital structure that provides financial flexibility to execute on strategic opportunities.

The Company's strategy is designed and formulated to maintain a flexible capital structure consistent with the objectives as stated above and to respond to changes in economic conditions and the risk characteristics of the underlying assets. The Company considers its capital structure to include share capital, bank loan, and working capital. In order to maintain or adjust its capital structure, the Company may issue new shares, raise debt, refinance existing debt and adjust capital spending.

A key measure the Company utilizes in evaluating its capital structure is the ratio of net debt to annualized funds from operations. The ratio is calculated as net debt, defined as outstanding bank loan plus or minus working capital, divided by cash flow from operations before asset retirement expenditures and changes in non-cash working capital for the most recent calendar quarter. The Company's strategy is to maintain a net debt to annualized funds from operations ratio of less than 2.0:1. At June 30, 2008, the Company had a ratio of net debt to annualized funds from operations of 1.0:1 (2007 - 1.3:1).

The Company's share capital is not subject to external restrictions; however the credit facility borrowing commitment is based on the lender's semi-annual review of the Company's petroleum and natural gas reserves. There were no changes to the Company's approach to capital management during the quarter.

9. Risk management activities

(a) Financial instruments

The Company's financial instruments recognized in the consolidated balance sheet consist of cash and cash equivalents, accounts receivable, financial derivative contracts, substantially all current liabilities, and bank loan. Unless otherwise noted, 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 the Company's assessment of available market information and appropriate methodologies, through comparisons to similar instruments, or third party quotes.

(i) As at June 30, 2008, the Company has entered into the following crude oil contracts:

Volume	Average Price (Cdn$/bbl)	Term
500 bbls/d	CDN. $66.50 – Bow River	April 1, 2008 – December 31, 2008
750 bbls/d	CDN. $70.01 – CDN. $86.68 – WTI	July 1, 2008 – December 31, 2008
1,000 bbls/d	CDN. $64.00 – Bow River	January 1, 2009 – December 31, 2009
1,000 bbls/d	CDN. $95.01 – CDN. $110.01 – WTI	January 1, 2009 – December 31, 2009

As at June 30, 2008, the Company has entered into the following natural gas contracts:

Volume	Average Price (Cdn$/gj)	Term
20,000 gj/d	CDN. $7.50 – $8.42 – AECO	April 1, 2008 – October 31, 2008
10,000 gj/d	CDN. $8.00 – $10.13 – AECO	November 1, 2008 – March 31, 2009

As at June 30, 2008, the mark to market value of the financial instruments was a loss of $51.5 million.

(ii) Physical sale contracts

As at June 30, 2008, the Company has entered into direct sale natural gas contracts as follows:

Volume	Average Price (Cdn$/gj)	Term
50,000 gj/d	CDN. $7.27 – $7.43 – AECO	April 1, 2008 – October 31, 2008
40,000 gj/d	CDN. $8.59 – $10.38 – AECO	November 1, 2008 – March 31, 2009

(b) 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 obligation. 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 venture partners and oil and natural gas sales with petroleum and natural gas marketers. The Company mitigates its credit risk by entering into contracts with established counterparties and reviewing its exposure to individual counterparties on a regular basis.

As at June 30, 2008, the accounts receivable balance was $47.2 million of which $2.9 million of accounts receivable were past due. The Company considers all amounts greater than 90 days past due. These past due accounts receivable are considered to be collectible. When determining whether past due accounts are uncollectible, the Company factors in the past credit history of the counterparties. As at June 30, 2008, the Company had an allowance for doubtful accounts of $0.7 million (see Note 3).

The carrying amount of accounts receivable and cash and cash equivalents represents the maximum credit exposure risk to the Company. The Company did not have accounts receivable balances owing from counterparties that constituted more than 10% of the total revenue during the six months ended June 30, 2008.

(c) 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 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 June 30, 2008, are as follows:

	2008	2009	2010	2011	Thereafter
Accounts payable and accrued liabilities	$ 51,460	$ 741	$ -	$ -	$ -
Commodity derivative liability	36,641	$ 14,863	-	-	-
Bank loan	-	-	364,021	-	-
Other liabilities		-	642	71	-
Total	$ 88,101	$ 15,604	$ 364,663	$ 71	$ -

(d) 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 objective of market risk management is to manage the Company's exposure to these risks to within acceptable parameters, while optimizing returns.

(i) Commodity price risk

The Company is engaged in exploration, development and production activities in Canada and as a result has exposure to commodity price risk. Commodity price risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices are impacted by global economic, political and environmental factors which affect the levels of supply and demand. The Company sells all of its crude oil, natural gas and natural gas liquids in Canada with sales prices denominated in Canadian dollars.

The Company has adopted a disciplined commodity price risk management program as part of its overall financial management strategy. The Board of Directors has a commodity price risk management limit of up to a maximum of 60% of forecast production volumes, net of royalties. For the period April 2008 to October 2008, the Board has approved an increase to the limit for natural gas contracts up to 70,000 gj/day. The Company manages the risks associated with changes in commodity prices through the use of various financial derivative and physical delivery sales contracts. The price risk management contracts are considered economic hedges and the change in the fair value of these contracts is offset by an equal and opposite change in the fair value of the Company's future cash flows.

(ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Company is 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. The Company manages this exposure through its commodity price risk management.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument 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. If interest rates had been 0.5% higher, the impact to net earnings after tax for the three and six months ended June 30, 2008, would have been $0.5 million and $0.4 million respectively due to higher interest expense. Conversely, if interest rates had been 0.5% lower, an equal and opposite impact would have occurred to net earnings. The Company had no interest rate swap or financial contracts in place as at or during the six months ended June 30, 2008.

10. Relationship with Bonavista Petroleum Ltd.

In 2003, as part of the Plan of Arrangement with Bonavista Petroleum Ltd. ("Bonavista"), NuVista entered into a Technical Services Agreement ("TSA"). Under the TSA, Bonavista received payment for certain services provided by it to NuVista. Effective January 1, 2007, the terms of the TSA were amended to reflect the reduced level of services provided by Bonavista. On August 31, 2007, the TSA was terminated and replaced with a new services agreement that reflects the remaining ongoing services that will be provided by Bonavista. NuVista and Bonavista are considered related as two directors of NuVista, one of whom is NuVista's chairman, are also directors and officers of Bonavista and a director and an officer of NuVista are also officers of Bonavista.

For the three months ending June 30, 2008, NuVista paid Bonavista $0.4 million (2007 - $0.2 million) in fees relating to general and administrative services provided by Bonavista. In 2008, NuVista charged Bonavista management fees for jointly owned partnerships totaling $0.3 million (2007 - $0.3 million). In addition, during the second quarter of 2008, Bonavista charged NuVista $63,000 (2007 - $62,500) for costs that are outside of the new services agreement relating to NuVista's share of direct charges from third parties.

For the six months ending June 30, 2008, NuVista paid Bonavista $0.8 million (2007 - $0.7 million) in fees relating to general and administrative services provided by Bonavista. In 2008, NuVista charged Bonavista management fees for jointly owned partnerships totaling $0.6 million (2007 - $0.6 million). In addition Bonavista charged NuVista $72,000 (2007 - $0.6 million) for costs that are outside of the new services agreement relating to NuVista's share of direct charges from third parties. As at June 30, 2008, the amount receivable from Bonavista was $2.9 million.

11. Commitments

The following is a summary of the Company's contractual obligations and commitments as at June 30, 2008:

	Total	2008	2009	2010	2011	Thereafter
Transportation	$ 1,027	$ 426	$ 444	$ 123	$ 34	$ -
Office lease	9,076	1,199	2,055	2,055	2,055	1,712
Total commitments	$ 10,103	$ 1,625	$ 2,499	$ 2,178	$ 2,089	$ 1,712

Corporate Information

Directors
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 H. Woitas, Range Royalty Management Ltd.
Grant A. Zawalsky, Burnet, Duckworth & Palmer LLP
Craig W. Stewart, Director

Officers
Keith A. MacPhail, Chairman
Alex G. Verge, President and CEO
Robert F. Froese, Vice President, Finance and CFO
D. Chris McDavid, Vice President, Operations
Daniel B. McKinnon, Vice President, Engineering
Kevin J. Christie, Vice President, Exploration
Steven J. Dalman, Vice President, Business Development
Glenn A. Hamilton, Corporate Secretary

Auditors
KPMG LLP
Chartered Accountants
Calgary, Alberta

Legal Counsel
Burnet, Duckworth & Palmer LLP

Bankers
Canadian Imperial Bank of Commerce
Bank of Montreal
Royal Bank of Canada
Toronto-Dominion Bank
Bank of Nova Scotia
Alberta Treasury Branches
Union Bank of California, Canada Branch
Calgary, Alberta

Registrar and Transfer Agent
Valiant Trust Company
Calgary, Alberta

Engineering Consultants
GLJ Petroleum Consultants Ltd.
Calgary, Alberta

Stock Exchange Listing
Toronto Stock Exchange
Trading Symbol "NVA"

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