MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis ("MD&A") of financial conditions and results of operations should be read in conjunction with NuVista Energy Ltd.'s ("NuVista") interim financial statements for the three and six months ended June 30, 2015. The following MD&A of financial condition and results of operations was prepared at and is dated August 10, 2015. Our December 31, 2014 audited financial statements, Annual Information Form and other disclosure documents for 2014 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*** *– Unless otherwise noted, the financial data presented below has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") also known as International Financial Reporting Standards ("IFRS"). The reporting and measurement currency is the Canadian dollar. Natural gas is converted to a barrel of oil equivalent ("Boe") using six thousand cubic feet of gas to one barrel of oil. In certain circumstances natural gas liquid volumes have been converted to a thousand cubic feet equivalent ("Mcfe") on the basis of one barrel of natural gas liquids to six thousand cubic feet of gas. Boes and Mcfes may be misleading, particularly if used in isolation. A conversion ratio of one barrel to six thousand cubic feet of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion ratio on a 6:1 basis may be misleading as an indication of value.*
>
> ***Advisory regarding forward-looking information and statements*** *– This MD&A contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable securities laws. The use of any of the words "will", "expects", "believe", "plans", "potential" and similar expressions are intended to identify forward-looking statements. More particularly and without limitation, this MD&A contains forward looking statements, including management's assessment of: NuVista's future focus, strategy, plans, opportunities and operations; financial and commodity risk management strategy; future general and administrative expenses; production mix; anticipated future sales proceeds; NuVista's planned capital expenditures; the timing, allocation and efficiency of NuVista's capital program and the results therefrom; our ability to fulfil all TOP obligations; the anticipated potential and growth opportunities associated with NuVista's asset base; production guidance and anticipated production interruptions; sources of funding NuVista's capital program; asset retirement obligations and the amount and timing of expenditures relating to such asset retirement obligations and the source of funding thereof; targeted debt to annualized current quarter funds from operations; expectations regarding future commodity prices, netbacks and price differentials; industry conditions; anticipated accounting changes and their impact on NuVista's operations and financial position. By their nature, forward-looking statements are based upon certain assumptions and are subject to numerous risks and uncertainties, some of which are beyond NuVista's control, including the impact of general economic conditions, industry conditions, current and future commodity prices, currency and interest rates, anticipated production rates, borrowing, operating and other costs and funds from operations, the timing, allocation and amount of capital expenditures and the results therefrom, anticipated reserves and the imprecision of reserve estimates, the performance of existing wells, the success obtained in drilling new wells, the sufficiency of budgeted capital expenditures in carrying out planned activities, access to infrastructure and markets, competition from other industry participants, availability of qualified personnel or services and drilling and related equipment, stock market volatility, effects of regulation by governmental agencies including changes in environmental regulations, tax laws and royalties; the ability to access sufficient capital from internal sources and bank and equity markets; and including, without limitation, those risks considered under "Risk Factors" in our Annual Information Form. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. NuVista's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements, or if any of them do so, what benefits NuVista will derive therefrom. NuVista has included the forward-looking statements in this MD&A in order to provide readers with a more complete perspective on NuVista's future operations and such information may not be appropriate for other purposes. 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 the 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 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, per the statement of cash flows, net earnings (loss) or other measures of financial performance calculated in accordance with GAAP. All references to funds from operations throughout this MD&A are based on cash flow from operating activities before changes in non-cash working capital and asset retirement expenditures. Adjusted working capital equals current assets less current liabilities excluding the current portion of the commodity derivative asset or liability. Net debt is equal to bank debt net of the adjusted working capital. Annualized current quarter funds from operations is calculated as cash flow from operating activities before changes in non-cash working capital and asset retirement expenditures for the current quarter, annualized for the year. Net debt to annualized current quarter funds from operations is net debt divided by annualized current quarter funds from operations. Funds from operations per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of net earnings (loss) per share. Funds from operations netbacks equal total revenues including realized commodity derivative gains/losses less royalties, transportation, operating costs, general and administrative, restricted stock unit, interest expense and cash taxes. Management also uses operating netbacks to analyze operating performance and adjusted working capital to analyze leverage. Adjusted net earnings (loss) is calculated as net earnings (loss) excluding non-recurring or non-cash items that management believes reduces the comparability of the NuVista's financial performance between periods, net of tax. Thereafter tax items include, but are not limited to unrealized gains/losses on commodity derivatives, impairments and impairment reversals, goodwill impairments, gains/losses on divestitures and the effect of changes in statutory income tax rate. Total revenue equals revenue including realized commodity derivative gains/losses. Operating netbacks equal the total of revenue including realized commodity derivative gains/ losses less royalties, transportation and operating costs. Total revenue, operating netbacks, adjusted net earnings, adjusted working capital and net debt as presented, do not have any standardized meaning prescribed by GAAP and therefore, may not be comparable with the calculation of similar measure for other entities. Total Boe is calculated by multiplying the daily production by the number of days in the period.*

Additional GAAP measurements *– Additional GAAP measurements, which are non-GAAP measurements that are referenced in the annual financial statements, do not have a standardized meaning prescribed by GAAP and therefore may not be comparable with the calculation of similar measures for other entities. Adjusted working capital equals working capital excluding the current portion of the commodity derivative asset or liability. Net debt is equal to bank debt net of the adjusted working capital. Annualized current quarter funds from operations is calculated as current quarter cash flow from operations before asset retirement expenditures and changes in non-cash working capital, annualized for the year.*

Description of business – NuVista is an oil and natural gas company actively engaged in the exploration, development and production of oil and natural gas reserves in the Western Canadian Sedimentary Basin. NuVista's primary focus is on the scalable and repeatable condensate-rich Montney formation in the Alberta Deep Basin. The common shares of NuVista trade on the Toronto Stock Exchange ("TSX") under the symbol NVA.

Dispositions – NuVista completed various asset dispositions in 2014 and 2015. Substantially all the dispositions were within the non-core operating areas of the company.

Operating activities

($ thousands, except per unit amounts)	Three months ended June 30, 2015	2014	Six months ended June 30, 2015	2014
Wells drilled	**3**	4	**9**	13
Net wells drilled	**3**	4	**9**	13
Average working interest (%)	**100%**	100%	**100%**	100%

For the three months ended June 30, 2015, NuVista drilled 3 (3 net) natural gas wells with a 100% success rate. During the same period of 2014, NuVista drilled 4 (4 net) natural gas wells also with a 100% success rate.

For the six months ended June 30, 2015, NuVista drilled 8 (8 net) natural gas wells and 1 (1 net) planned disposal well with 100% success rate. For the comparable period of 2014, NuVista drilled 12 (12 net) natural gas wells and 1 (1 net) planned micro-seismic observation well with 100% success rate. The 9 wells in 2015 and 13 in 2014 were drilled in NuVista's Wapiti Montney operating area with an average working interest of 100%.

Production

	Three months ended June 30,			Six months ended June 30,		
	2015	2014	% Change	**2015**	2014	% Change
Natural gas (Mcf/d)	**91,052**	49,396	84	**94,597**	54,272	74
Condensate (Bbls/d)	**4,447**	1,646	170	**4,548**	2,126	114
Butane (Bbls/d)	**441**	432	2	**467**	459	2
Propane (Bbls/d)	**566**	467	21	**584**	674	(13)
Ethane (Bbls/d)	**508**	980	(48)	**592**	911	(35)
Oil (Bbls/d)	**244**	495	(51)	**251**	579	(57)
Subtotal (Boe/d)	**21,381**	12,253	74	**22,208**	13,794	61
Dispositions (Boe/d) (3)	**67**	2,240	(97)	**118**	2,354	(95)
Total production (Boe/d)	**21,448**	14,493	48	**22,326**	16,148	38
Oil & liquids weighting (1) & (2)	**29%**	31%		**29%**	33%	
Condensate weighting (2)	**21%**	12%		**20%**	14%	

(1) Liquids include condensate, butane, propane and ethane.
(2) Product weighting is based on total production.
(3) Production from properties disposed in the period.

Production by area

	Three months ended June 30,					Three months ended June 30,				
	Natural gas (Mcf/d)	Condensate (Bbls/d)	NGLs (Bbls/d)	Oil (Bbls/d)	**2015 Total (Boe/d)**	Natural gas (Mcf/d)	Condensate (Bbls/d)	NGLs (Bbls/d)	Oil (Bbls/d)	2014 Total (Boe/d)
Wapiti Montney	63,949	4,163	660	2	**15,483**	16,910	1,305	349	—	4,472
Wapiti Sweet	16,450	223	815	20	**3,800**	20,201	263	1,455	2	5,087
Non-core	10,653	61	40	222	**2,098**	12,285	78	75	493	2,694
Subtotal	91,052	4,447	1,515	244	**21,381**	49,396	1,646	1,879	495	12,253
Dispositions	12	—	—	65	**67**	10,431	148	179	175	2,240
Total	91,064	4,447	1,515	309	**21,448**	59,827	1,794	2,058	670	14,493

	Six months ended June 30,					Six months ended June 30,				
	Natural gas (Mcf/d)	Condensate (Bbls/d)	NGLs (Bbls/d)	Oil (Bbls/d)	**2015 Total (Boe/d)**	Natural gas (Mcf/d)	Condensate (Bbls/d)	NGLs (Bbls/d)	Oil (Bbls/d)	2014 Total (Boe/d)
Wapiti Montney	66,843	4,254	679	—	**16,073**	22,982	1,821	604	—	6,255
Wapiti Sweet	17,123	226	906	20	**4,006**	18,768	234	1,348	3	4,713
Non-core	10,631	68	58	231	**2,129**	12,522	71	92	576	2,826
Subtotal	94,597	4,548	1,643	251	**22,208**	54,272	2,126	2,044	579	13,794
Dispositions	221	3	9	69	**118**	10,816	170	192	188	2,354
Total	94,818	4,551	1,652	320	**22,326**	65,088	2,296	2,236	767	16,148

Natural gas liquids ("NGLs") include butane, propane and ethane and are priced to varying degrees based on oil and natural gas prices.

Production weighting by area

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	2014
Wapiti Montney	**72%**	31%	**72%**	39%
Wapiti Sweet	**18%**	35%	**18%**	29%
Non-core and dispositions	**10%**	34%	**10%**	32%

For the three months ended June 30, 2015, NuVista's average production was 21,448 Boe/d compared to 14,493 Boe/d for the same period in 2014. 90% of NuVista's production volumes relate to the Wapiti operating areas with Wapiti Montney and Wapiti Sweet production accounting for 72% and 18% respectively of total company production. Condensate volumes increased by 170% to 4,447 Bbls/d from 1,646 Bbls/d in the second quarter of 2014 and were consistent with 4,651 Bbls/d in the first quarter of 2015. The majority of condensate production is associated with the Wapiti Montney area.

Second quarter total production increased by 48% compared to the comparative period of 2014. Second quarter production of 21,448 Boe/d was lower than the first quarter of 2015 of 23,215 Boe/d primarily due to planned and unplanned facility outages and ongoing pipeline restrictions on the TransCanada Nova pipeline. Wapiti Montney production averaged 15,483 Boe/d in the second quarter, a decrease of 7% from approximately 16,673 Boe/d in the first quarter of 2015 as a result of these outages.

For the six months ended June 30, 2015, NuVista's average production was 22,326 Boe/d compared to 16,148 Boe/d, which increased by 38%. The increase in production is a direct result of the significant production increase in the Wapiti Montney.

Commodity prices

Benchmark prices

	Three months ended June 30,			Six months ended June 30,		
	2015	2014	% Change	**2015**	2014	% Change
Natural gas - AECO (daily) ($/GJ)	**2.52**	4.44	(43)	**2.56**	4.93	(48)
Natural gas - AECO (monthly) ($/GJ)	**2.53**	4.43	(43)	**2.66**	4.47	(40)
Natural gas - NYMEX (monthly) (US$/MMbtu)	**2.64**	4.67	(43)	**2.81**	4.80	(41)
Oil - WTI (US$/Bbl)	**57.94**	102.99	(44)	**53.29**	100.84	(47)
Oil - Edmonton Par - (Cdn$/Bbl)	**67.64**	105.50	(36)	**59.71**	102.64	(42)
Condensate - (Cdn$/Bbl)	**71.10**	114.59	(38)	**63.89**	113.93	(44)
Exchange rate - (Cdn$/US$)	**1.229**	1.091	13	**1.235**	1.097	13

Average selling prices (1) & (2)

	Three months ended June 30,			Six months ended June 30,		
	2015	2014	% Change	**2015**	2014	% Change
Natural gas ($/Mcf)	**3.61**	4.33	(17)	**3.72**	4.42	(16)
Condensate ($/Bbl)	**62.05**	103.00	(40)	**55.14**	98.32	(44)
Butane ($/Bbl)	**26.49**	58.66	(55)	**28.55**	59.12	(52)
Propane ($/Bbl)	**(8.00)**	31.24	—	**0.34**	48.00	(99)
Ethane ($/Bbl)	**7.23**	13.58	(47)	**8.47**	14.51	(42)
Oil ($/Bbl)	**53.60**	94.98	(44)	**47.52**	91.78	(48)

(1) Prices exclude price risk management realized and unrealized gains and losses on financial derivative commodity contracts and includes gains and losses on physical sale contracts.
(2) The average liquids selling price is net of tariffs and fractionation fees.

NuVista markets its natural gas based on a mix of monthly, daily and fixed AECO pricing. NuVista's average selling price for natural gas in the second quarter of 2015 was $3.61/Mcf compared to $4.33/Mcf for the same period in 2014 and $3.83/Mcf in the first quarter of 2015.

Strong demand for condensate in Alberta results in benchmark condensate prices at Edmonton trading at a premium to Canadian light oil prices. NuVista's realized condensate prices include adjustments for pipeline tariffs to Edmonton and quality differentials. Condensate prices averaged $62.05/Bbl in the second quarter, a decrease of 40% from $103.00/Bbl in the same period in 2014, consistent with a 44% decline in WTI prices. Butane and propane trade at varying discounts to light oil prices depending on market conditions. The second quarter propane prices were severely impacted due to an over supply in Western Canada. This supply imbalance is expected to last into winter. Propane production makes up less than 3% of the company's total production for the three and six months ended June 30, 2015. Ethane prices are highly correlated to natural gas prices.

Revenues

($ thousands)	Natural gas	Condensate	NGLs [2]	Oil	**2015 Total**	2014 Total
	Three months ended June 30,					
Revenue [1]	29,889	25,118	987	1,508	**57,502**	51,734
Realized gain (loss) on commodity derivatives	32	7,728	—	400	**8,160**	(5,119)
Total revenue [3]	29,921	32,846	987	1,908	**65,662**	46,615

[1] Natural gas revenue includes price risk management gains and losses on physical sale contracts. For the three months ended June 30, 2015, our physical sale contracts totaled a $5.9 million gain (2014 – $2.6 million loss).
[2] Includes butane, propane, and ethane.
[3] Refer to "Non-GAAP measurements".

($ thousands)	Natural gas	Condensate	NGLs [2]	Oil	**2015 Total**	2014 Total
	Six months ended June 30,					
Revenue [1]	63,861	45,428	3,387	2,753	**115,429**	120,631
Realized gain (loss) on commodity derivatives	106	19,327	—	996	**20,429**	(8,819)
Total revenue [3]	63,967	64,755	3,387	3,749	**135,858**	111,812

[1] Natural gas revenue includes price risk management gains and losses on physical sale contracts. For the six months ended June 30, 2015, our physical sale contracts totaled a $10.8 million gain (2014 – $5.8 million loss).
[2] Includes butane, propane, and ethane.
[3] Refer to "Non-GAAP measurements".

For the three months ended June 30, 2015, revenues including realized commodity derivative gains and losses were $65.7 million, a 41% increase from $46.6 million for the same period in 2014. The increase in total revenue for the three months ended June 30, 2015 compared to the same period of 2014 is primarily due to realized gains on commodity derivative contracts of $8.2 million and a 48% increase in production volumes offset by a 25% decrease in overall realized prices for the quarter. Revenues were comprised of $29.9 million of natural gas revenue, $32.8 million of condensate revenue, $1.0 million of NGL revenue and $1.9 million of oil revenue.

For the six months ended June 30, 2015, revenues including realized commodity derivative gains and losses were $135.9 million, a 22% increase from $111.8 million for the same period in 2014. The increase in revenues for the six months ended June 30, 2015 compared to the same period of 2014 is primarily due to a 38% increase in average production including dispositions which is offset by a 12% decline on a per boe basis, in oil and natural gas pricing. These revenues were comprised of $64.0 million of natural gas revenue, $64.8 million of condensate revenue, $3.4 million of liquids revenue and $3.7 million of oil revenue. The decrease in average realized commodity prices is comprised of a 16% decrease in the natural gas price to $3.72/Mcf from $4.42/Mcf, a 44% decrease in the condensate price to $55.14/Bbl from $98.32/Bbl, a 69% decrease in the liquids price, excluding condensate to $11.33/Bbl from $36.83/Bbl and a decrease of 48% in the oil price to $47.52/Bbl from $91.78/Bbl.

Commodity price risk management

($ thousands)	**2015**			2014		
	Three months ended June 30,					
	Realized gain (loss)	**Unrealized gain (loss)**	**Total gain (loss)**	Realized gain (loss)	Unrealized gain (loss)	Total gain (loss)
Natural gas	**32**	**1,559**	**1,591**	(1,226)	1,160	(66)
Condensate and NGLs	**7,728**	**(16,329)**	**(8,601)**	(2,835)	122	(2,713)
Oil	**400**	**(847)**	**(447)**	(1,058)	45	(1,013)
Total gain (loss)	**8,160**	**(15,617)**	**(7,457)**	(5,119)	1,327	(3,792)

	Six months ended June 30,					
($ thousands)	**2015**			2014		
	Realized Gain (Loss)	**Unrealized Gain (Loss)**	**Total Gain (Loss)**	Realized Gain (Loss)	Unrealized Gain (Loss)	Total Gain (Loss)
Natural gas	**106**	**1,500**	**1,606**	(2,000)	(3,017)	(5,017)
Condensate	**19,327**	**(26,352)**	**(7,025)**	(5,070)	(3,858)	(8,928)
Oil	**996**	**(1,361)**	**(365)**	(1,749)	(1,184)	(2,933)
Total gain (loss)	**20,429**	**(26,213)**	**(5,784)**	(8,819)	(8,059)	(16,878)

NuVista has a disciplined commodity price risk management program as part of its financial risk management strategy. The purpose of this program is to reduce volatility in financial results, protect acquisition economics and help stabilize cash flow against the unpredictable commodity price environment. NuVista's Board of Directors has authorized the use of fixed price, put option and costless collar contracts ("Fixed Price Contracts") for up to 60% of forecast production, net of royalties, for the first twelve month period, up to 50% for the next twelve month period, and up to 40% for the next 12 month period. In addition, the Board of Directors approved limits for entering into natural gas basis differential contracts that are the lesser of 50% of forecast natural gas production, net of royalties, or the volumes that would bring the combined natural gas basis differential contracts and natural gas Fixed Price Contracts to 100% of forecast natural gas production, net of royalties.

During the second quarter of 2015, the commodity price risk management program resulted in a loss of $7.5 million, consisting of a realized gain of $8.2 million and unrealized loss of $15.6 million on natural gas and oil contracts compared to a loss of $3.8 million consisting of a realized loss of $5.1 million and unrealized gain of $1.3 million for the same period of 2014.

For the six months ended June 30, 2015, the commodity price risk management program resulted in a loss of $5.8 million, consisting of a realized gain of $20.4 million and unrealized loss of $26.2 million on natural gas and oil contracts compared to a loss of $16.9 million consisting of a realized loss of $8.8 million and an unrealized loss of $8.1 million for the same period of 2014. At June 30, 2015, the mark to market value of the financial derivative commodity contracts amounted to $21.0 million consisting of current assets of $10.5 million and long term assets of $10.5 million.

Price risk management gain on our physical sale contracts totaled $5.9 million and $10.8 million for the three and six months ended June 30, 2015 respectively. The mark to market value of the physical sale contracts at June 30, 2015 was a gain of $30.1 million; these transactions are not recorded on the financial statements but once settled they are recognized in net earnings.

(a) Financial instruments

The following is a summary of financial instruments outstanding as at June 30, 2015:

	Volume (Bbls/d)	**Pricing (Cdn$/Bbl)**	**Premium (Cdn$/Bbl)**	**Remaining term**
WTI crude oil contracts				
Fixed price swap	3,253	$96.11		Jul 1, 2015 - Sept 30, 2015
Fixed price swap	3,201	$93.17		Oct 1, 2015 - Dec 31, 2015
Fixed price swap	2,200	$88.29		Jan 1, 2016 - Mar 31, 2016
Fixed price swap	2,200	$88.29		Apr 1, 2016 - Jun 30, 2016
Fixed price swap	1,900	$86.37		Jul 1, 2016 - Sept 30, 2016
Fixed price swap	1,900	$86.37		Oct 1, 2016 - Dec 31, 2016
Put option	200	$103.50	$4.90	Jul 1, 2015 - Sept 30, 2015

	Volume (MMbtu/d)	Pricing (US$/MMbtu)	Remaining term
NYMEX natural gas contracts			
AECO-NYMEX basis	5,000	$(0.44)	Jul 1, 2015 - Dec 31, 2015
AECO-NYMEX basis	10,000	$(0.66)	Jan 1, 2016 - Dec 31, 2016
AECO-NYMEX basis	10,000	$(0.70)	Jan 1, 2017 - Dec 31, 2017
Chicago-NYMEX basis	10,000	$(0.01)	Jan 1, 2016 - Dec 31, 2016
Chicago-NYMEX basis	5,000	$(0.05)	Jan 1, 2017 - Dec 31, 2017

Subsequent to June 30, 2015, the following financial instruments have been entered into:

	Volume (Bbls/d)	Pricing (Cdn$/Bbl)	Remaining term
WTI crude oil contracts			
Fixed price swap	300	$71.42	Jan 1, 2016 - Dec 31, 2016

	Volume (MMbtu/d)	Pricing (US$/MMbtu)	Remaining term
NYMEX natural gas contracts			
Chicago-NYMEX basis	10,000	$0.21	Dec 1, 2015 - Mar 31, 2016

(b) Physical purchase and sale contracts

The following is a summary of physical purchase and sale contracts outstanding as at June 30, 2015:

	Volume (GJ/d)	Pricing (Cdn$/GJ)	Remaining term
AECO natural gas contracts			
Costless collar	12,000	$3.46 - $3.93	Jul 1, 2015 - Sep 30, 2015
Costless collar	12,000	$3.46 - $3.93	Oct 1, 2015 - Dec 31, 2015
Costless collar	10,000	$3.45 - $3.89	Jan 1, 2016 - Mar 31, 2016
Costless collar	5,000	$3.40 - $3.85	Apr 1, 2016 - Jun 30, 2016
Costless collar	5,000	$3.40 - $3.85	Jul 1, 2016 - Sept 30, 2016
Costless collar	5,000	$3.40 - $3.85	Oct 1, 2016 - Dec 31, 2016
Fixed price swap	53,022	$3.71	Jul 1, 2015 - Sep 30, 2015
Fixed price swap	52,342	$3.69	Oct 1, 2015 - Dec 31, 2015
Fixed price swap	50,000	$3.59	Jan 1, 2016 - Mar 31, 2016
Fixed price swap	40,000	$3.53	Apr 1, 2016 - Jun 30, 2016
Fixed price swap	50,000	$3.49	Jul 1, 2016 - Sep 30, 2016
Fixed price swap	50,000	$3.49	Oct 1, 2016 - Dec 31, 2016
Fixed price swap	40,000	$3.44	Jan 1, 2017 - Mar 31, 2017
Fixed price swap	25,000	$3.43	Apr 1, 2017 - Jun 30, 2017
Fixed price swap	15,000	$3.50	Jul 1, 2017 - Sep 30, 2017
Fixed price swap	13,315	$3.50	Oct 1, 2017 - Dec 31, 2017

These physical purchase and sale contracts are not considered financial instruments and are being accounted for as they settle.

Royalties

($ thousands, except % and per Boe amounts)	Three months ended June 30, 2015	2014	Six months ended June 30, 2015	2014
Royalties	**1,847**	5,542	**4,686**	12,186
Royalties as a % of revenues	**3**	11	**4**	10
Per Boe	**0.95**	4.20	**1.16**	4.17

For the three and six months ended June 30, 2015, royalties were $1.8 million and $4.7 million respectively, 67% and 62% lower than the $5.5 million and $12.2 million for the same period of 2014. On a total dollar basis, royalties decreased by $3.7 million in the second quarter of 2015 compared to the same period in 2014 due to lower royalties in our non-core areas as a result of declining production, lower commodity prices and dispositions of higher royalty rate assets.

As a percentage of revenue, the reported average royalty rate for the three months ended June 30, 2015 was 3% compared to 11% for the comparative period of 2014 and 5% for the first quarter of 2015. Corporate royalties rates decreased in 2015 compared to 2014 due to dispositions of higher royalty rate non-core assets and lower commodity prices. Compared to the first quarter of 2015, the average royalty rate decreased as a result of Gas Cost Allowance ("GCA") credits received in the second quarter, primarily due to the construction and start up of the Bilbo compressor station in June 2014. The Wapiti areas represent 90% of production and had an average royalty rate excluding GCA of 6% for the first half of 2015.

NuVista's physical price risk management activities impact reported royalty rates as royalties are based on government market reference prices and not the Company's average realized prices that include price risk management activities.

Transportation expenses

($ thousands, except per Boe amounts)	Three months ended June 30, 2015	2014	Six months ended June 30, 2015	2014
Transportation expense	**1,228**	1,556	**7,941**	3,207
Per Boe	**0.63**	1.18	**1.97**	1.10

Transportation expenses were $1.2 million ($0.63/Boe) for the three months ended June 30, 2015 as compared to $1.6 million ($1.18/Boe) for the same period of 2014, and $6.7 million ($3.21/Boe) for the three months ended March 31, 2015. Transportation costs on a total dollar and per unit basis for the three months ended June 30, 2015 were lower compared to the same period in 2014 due to the completion of a new third party pipeline in April 2015. The third party facility modifications and pipeline construction resulted in a 82% decrease in transportation costs for the quarter compared to the first quarter of 2015.

Transportation expenses were $7.9 million ($1.97/Boe) for the six months ended June 30, 2015 compared to $3.2 million ($1.10/Boe) for the same period of 2014. Transportation costs for the first half of 2015 were higher than 2014 due to increased trucking costs associated with increased condensate production from our Wapiti Montney play. As expected, trucking costs were high during the first quarter of 2015 as condensate volumes were temporarily trucked to third party facilities for processing. Capacity restrictions at various facilities contributed to the increased cost.

Operating expenses

	Three months ended June 30,		Six months ended June 30,	
($ thousands, except per Boe amounts)	**2015**	2014	**2015**	2014
Operating expenses	**25,068**	15,116	**47,929**	32,559
Per Boe	**12.84**	11.46	**11.86**	11.14

Operating expenses were $25.1 million ($12.84/Boe) for the three months ended June 30, 2015 compared to $15.1 million ($11.46/Boe) for the same period of 2014 and $22.9 million ($10.94/Boe) for the three months ended March 31, 2015. Second quarter operating expenses on a total dollar basis were higher compared to the same period of 2014 due to a 48% increase in production, mainly driven from the Wapiti Montney play. On a per Boe basis, expenses increased 12% which includes non-recurring third party charges of $1.30/Boe. Compared to the prior quarter ended March 31, 2015, operating expenses temporarily increased on a total dollar basis with the start up and early ramp up of the Elmworth compressor station in June 2015. Costs increased 17% on a per Boe basis from $10.94/Boe to $12.84/Boe due to an 8% decrease in production volumes associated with planned third party facility outages and pipeline capacity restrictions as well as non recurring third party charges of $1.05/Boe. This includes the one time cost and volume reduction associated with the planned Keyera Simonette facility outage for maintenance.

Operating expense were $47.9 million ($11.86/Boe) for six months ended June 30, 2015 compared to $32.6 million ($11.14/Boe) for the same period of 2014. The increase year over year is as a result of the 38% increase in Montney production.

General and administrative ("G&A")

	Three months ended June 30,		Six months ended June 30,	
($ thousands, except per Boe amounts)	**2015**	2014	**2015**	2014
Gross G&A expenses	**6,132**	6,217	**12,281**	12,493
Overhead recoveries	**(129)**	(342)	**(326)**	(795)
Capitalized G&A	**(686)**	(616)	**(1,389)**	(1,322)
Net G&A expenses	**5,317**	5,259	**10,566**	10,376
Gross G&A per Boe	**3.14**	4.71	**3.04**	4.27
Net G&A per Boe	**2.72**	3.99	**2.61**	3.55

G&A, net of overhead recoveries and capitalized G&A, for the three and six months ended June 30, 2015 were $5.3 million ($2.72/Boe) and $10.6 million ($2.61/Boe) compared to $5.3 million ($3.99/Boe) and $10.4 million ($3.55/Boe) for the same period of 2014. Gross and net G&A expenses for three and six months ended June 30, 2015 on a total dollar basis compared to the prior year comparative periods are consistent but decreased on a per Boe basis as a direct result of increased production volumes. Expenses in the second quarter included organizational restructuring charges, but going forward, NuVista expects to see G&A expenses continue to decrease on both a total dollar and per Boe basis.

Share-based compensation

	Three months ended June 30,		Six months ended June 30,	
($ thousands)	**2015**	2014	**2015**	2014
Stock options	**886**	1,018	**1,933**	1,571
Restricted stock units	**220**	2,727	**549**	5,333
Restricted share awards	**185**	66	**291**	160
Total	**1,291**	3,811	**2,773**	7,064

NuVista recorded a share-based compensation charge of $1.3 million for the three months ended June 30, 2015 compared to $3.8 million for the same period in 2014. For the six months ended June 30, 2015, NuVista recorded an expense of $2.8 million compared to the six months ended June 30, 2014 of $7.1 million. The share-based compensation charge relates to the amortization of the fair value of stock option awards and restricted share awards ("RSA") and the accrual for future payments under the restricted stock unit ("RSU") plan. The decrease in expense for the comparative quarters is primarily as a result of NuVista's lower share price at June 30, 2015 of $6.69 per share compared to $11.95 per share at June 30, 2014 resulting in lower RSU expense in the period.

Interest expense

	Three months ended June 30,		Six months ended June 30,	
($ thousands, except per Boe amounts)	**2015**	2014	**2015**	2014
Interest expense	**1,676**	1,362	**3,564**	2,205
Per Boe	**0.86**	1.03	**0.88**	0.75

Interest expense for the three months ended June 30, 2015 was $1.7 million ($0.86/Boe) compared to $1.4 million ($1.03/Boe) for the same period of 2014. The interest expense for the six months ended June 30, 2015 was $3.6 million ($0.88/Boe) compared to $2.2 million ($0.75/Boe) for 2014. Interest expense increased compared to the same period in 2014 due to higher debt levels for most of the first half of 2015. During the quarter, NuVista used the proceeds from the equity issuances to pay down debt. Average borrowing costs for three and six months ended June 30, 2015 were 3.1% and 3.3% respectively compared to the average borrowing costs of 3.1% and 3.2% for the comparable period of 2014. Cash paid for interest for the three and six months ended June 30, 2015 was $2.1 million and $3.8 million compared to $1.3 million and $2.1 million for the same period in 2014.

Funds from operations

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

	Three months ended June 30,		Six months ended June 30,	
($ thousands)	**2015**	2014	**2015**	2014
Cash provided by operating activities	**21,384**	11,176	**60,364**	36,422
Add back:				
Asset retirement expenditures	**1,069**	438	**3,412**	4,842
Change in non-cash working capital	**7,853**	3,439	**(3,153)**	4,682
Funds from operations(1)	**30,306**	15,053	**60,623**	45,946

(1) Refer to “Non-GAAP measurements”.

The tables below summarizes operating netbacks by area for the three months ended June 30, 2015 and 2014:

($ thousands, except per Boe amounts)	Wapiti Montney $	Wapiti Montney $/Boe	Wapiti Sweet $	Wapiti Sweet $/Boe	Non-core $	Non-core $/Boe	Corporate $	Three months ended June 30, 2015 $	Three months ended June 30, 2015 $/Boe
Revenue	41,661	29.57	5,534	15.99	4,426	22.47	5,881	**57,502**	**29.46**
Realized gain (loss) on commodity derivatives(2)	—	—	—	—	—	—	8,160	**8,160**	**4.18**
	41,661	29.57	5,534	15.99	4,426	22.47	14,041	**65,662**	**33.64**
Royalties	229	0.16	(507)	(1.47)	(1,569)	(7.96)	—	**(1,847)**	**(0.95)**
Transportation expenses	(700)	(0.50)	(317)	(0.92)	(211)	(1.07)	—	**(1,228)**	**(0.63)**
Operating expenses	(18,821)	(13.36)	(1,747)	(5.05)	(4,500)	(22.84)	—	**(25,068)**	**(12.84)**
Operating netback(1)	22,369	15.87	2,963	8.55	(1,854)	(9.40)	14,041	**37,519**	**19.22**
General and administrative(2)	—	—	—	—	—	—	(5,317)	**(5,317)**	**(2.72)**
Restricted stock units(2)	—	—	—	—	—	—	(220)	**(220)**	**(0.11)**
Interest(2)	—	—	—	—	—	—	(1,676)	**(1,676)**	**(0.86)**
Funds from operations netback(1)	22,369	15.87	2,963	8.55	(1,854)	(9.40)	6,828	**30,306**	**15.53**

(1) Refer to “Non-GAAP measurements”.
(2) Amounts not allocated by core area.

($ thousands, except per Boe amounts)	Wapiti Montney $	Wapiti Montney $/Boe	Wapiti Sweet $	Wapiti Sweet $/Boe	Non-core $	Non-core $/Boe	Corporate $	Three months ended June 30, 2014 $	Three months ended June 30, 2014 $/Boe
Revenue	22,288	54.76	13,093	28.28	19,001	42.32	(2,648)	**51,734**	**39.23**
Realized gain (loss) on commodity derivatives(2)	—	—	—	—	—	—	(5,119)	**(5,119)**	**(3.88)**
	22,288	54.76	13,093	28.28	19,001	42.32	(7,767)	**46,615**	**35.35**
Royalties	(1,051)	(2.58)	(1,697)	(3.67)	(2,794)	(6.22)	—	**(5,542)**	**(4.20)**
Transportation expenses	(637)	(1.57)	(385)	(0.83)	(534)	(1.19)	—	**(1,556)**	**(1.18)**
Operating expenses	(4,693)	(11.53)	(1,008)	(2.18)	(9,415)	(20.97)	—	**(15,116)**	**(11.46)**
Operating netback(1)	15,907	39.08	10,003	21.60	6,258	13.94	(7,767)	**24,401**	**18.51**
General and administrative(2)	—	—	—	—	—	—	(5,259)	**(5,259)**	**(3.99)**
Restricted stock units(2)	—	—	—	—	—	—	(2,727)	**(2,727)**	**(2.07)**
Interest(2)	—	—	—	—	—	—	(1,362)	**(1,362)**	**(1.03)**
Funds from operations netback(1)	15,907	39.08	10,003	21.60	6,258	13.94	(17,115)	**15,053**	**11.42**

(1)Refer to “Non-GAAP measurements”.
(2)Amounts not allocated by core area.

The tables below summarizes operating netbacks by area for the six months ended June 30, 2015 and 2014

($ thousands, except per Boe amounts)	Wapiti Montney $	Wapiti Montney $/Boe	Wapiti Sweet $	Wapiti Sweet $/Boe	Non-core $	Non-core $/Boe	Corporate $	Six months ended June 30, 2015 $	Six months ended June 30, 2015 $/Boe
Revenue	82,889	28.49	12,274	16.93	9,453	23.23	10,813	**115,429**	**28.56**
Realized gain (loss) on commodity derivatives(2)	—	—	—	—	—	—	20,429	**20,429**	**5.06**
	82,889	28.49	12,274	16.93	9,453	23.23	31,242	**135,858**	**33.62**
Royalties	(2,195)	(0.75)	(581)	(0.80)	(1,910)	(4.69)	—	**(4,686)**	**(1.16)**
Transportation expenses	(6,658)	(2.29)	(659)	(0.91)	(624)	(1.53)	—	**(7,941)**	**(1.97)**
Operating expenses	(33,904)	(11.65)	(3,567)	(4.92)	(10,458)	(25.70)	—	**(47,929)**	**(11.86)**
Operating netback(1)	40,132	13.80	7,467	10.30	(3,539)	(8.69)	31,242	**75,302**	**18.63**
General and administrative(2)	—	—	—	—	—	—	(10,566)	**(10,566)**	**(2.61)**
Restricted stock units(2)	—	—	—	—	—	—	(549)	**(549)**	**(0.14)**
Interest(2)	—	—	—	—	—	—	(3,564)	**(3,564)**	**(0.88)**
Funds from operations netback(1)	40,132	13.80	7,467	10.30	(3,539)	(8.69)	16,563	**60,623**	**15.00**

(1)Refer to "Non-GAAP measurements".

(2)Amounts not allocated by area.

($ thousands, except per Boe amounts)	Wapiti Montney $	Wapiti Montney $/Boe	Wapiti Sweet $	Wapiti Sweet $/Boe	Non-core $	Non-core $/Boe	Corporate $	Six months ended June 30, 2014 $	Six months ended June 30, 2014 $/Boe
Revenue	59,950	52.96	25,242	29.59	41,209	43.93	(5,770)	**120,631**	**41.27**
Realized gain (loss) on commodity derivatives(2)	—	—	—	—	—	—	(8,819)	**(8,819)**	**(3.02)**
	59,950	52.96	25,242	29.59	41,209	43.93	(14,589)	**111,812**	**38.25**
Royalties	(3,036)	(2.68)	(3,246)	(3.81)	(5,904)	(6.29)	—	**(12,186)**	**(4.17)**
Transportation expenses	(1,657)	(1.46)	(690)	(0.81)	(860)	(0.92)	—	**(3,207)**	**(1.10)**
Operating expenses	(11,590)	(10.24)	(2,437)	(2.86)	(18,532)	(19.76)	—	**(32,559)**	**(11.14)**
Operating netback(1)	43,667	38.58	18,869	22.11	15,913	16.96	(14,589)	**63,860**	**21.84**
General and administrative(2)	—	—	—	—	—	—	(10,376)	**(10,376)**	**(3.55)**
Restricted stock units(2)	—	—	—	—	—	—	(5,333)	**(5,333)**	**(1.82)**
Interest(2)	—	—	—	—	—	—	(2,205)	**(2,205)**	**(0.75)**
Funds from operations netback(1)	43,667	38.58	18,869	22.11	15,913	16.96	(32,503)	**45,946**	**15.72**

(1) Refer to "Non-GAAP measurements".

(2) Amounts not allocated by area.

For the three months ended June 30, 2015, NuVista's funds from operations were $30.3 million ($0.21/share, basic), an increase of 101% from $15.1 million ($0.11/share, basic) for the three months ended June 30, 2014 and remained consistent with $30.3 million ($0.22/share, basic) from the first quarter of 2015.

For the six months ended June 30, 2015, funds from operations were $60.6 million ($0.42/share, basic) compared to $45.9 million ($0.34/share,basic) for same period of 2014. For the three and six months ended June 30, 2015 funds from operations were higher compared with the same period in 2014 due primarily to higher production levels, lower royalty costs and greater realized gains on derivatives. These gains were offset by higher transportation and operational costs as well as lower realized oil and natural gas prices.

Depletion, depreciation, amortization ("DD&A") and impairment

	Three months ended June 30,		Six months ended June 30,	
($ thousands, except per Boe amounts)	**2015**	2014	**2015**	2014
Depletion of oil and gas assets	**22,030**	16,314	**45,385**	36,368
Depreciation of fixed assets	**3,040**	1,641	**5,638**	3,234
Impairment charges	**9,981**	15,751	**9,981**	15,751
Total DD&A and Impairment charges	**35,051**	33,706	**61,004**	55,353
DD&A rate per Boe excluding impairment charges	**12.84**	13.62	**12.63**	13.55

DD&A excluding impairment charges were $25.1 million for the second quarter of 2015 as compared to $18.0 million for the same period in 2014. The average per unit cost was $12.84/Boe in the second quarter of 2015 as compared to $13.62/Boe for the same period in 2014. DD&A expense excluding impairment charges for the three and six months ended June 30, 2015 increased compared to the same period in 2014 primarily due to increased production in the period. The decrease in DD&A excluding impairment charges per Boe was primarily due to the significant increase in reserves and an impairment expense of $43.4 million recorded at December 31, 2014 resulting in a lower DD&A rate per Boe in 2015.

In June 2015, the Company signed an agreement to dispose of certain non-core natural gas properties in the Kirkwall area held within the Company's Shallow Gas cash generating unit ("CGU"). At June 30, 2015 these properties were classified as assets held for sale as it was highly probable that their carrying value would be received through a sales transaction rather than through continuing use. The cash proceeds, before closing adjustments, are expected to be $3.8 million. An impairment test was performed, however, did not result in an impairment charge for this CGU. The recoverable amount was estimated using a value in use calculation based on expected future cash flows generated from proved and probable reserves using a pre-tax discount rate of 15%, based on internal reserves report. Subsequent to the impairment test, the carrying amount of the property, plant and equipment was transferred to assets held for sale and were measured at fair value less cost to sell, resulting in an impairment charge of $10.0 million.

In June 2014, certain oil and gas assets were reclassified as assets held for sale. Upon reclassifying these assets to assets held for sale, the Company recorded an impairment loss of $15.8 million.

Asset retirement obligations – Asset retirement obligations ("ARO") 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, 2015, NuVista recorded an ARO of $100.5 million as compared to $111.3 million as at December 31, 2014. Current ARO associated with the asset held for sale at June 30, 2015 was $8.8 million. The liability was discounted using a risk free discount rate of 2.3% at June 30, 2015 (December 31, 2014 – 2.3%). At June 30, 2015, the estimated total undiscounted amount of cash flow required to settle NuVista's ARO was $165.1 million (December 31, 2014 – $172.6 million). The majority of the costs are expected to be incurred between 2016 and 2033. Actual ARO expenditures for the three and six months ended June 30, 2015 were $1.1 million and $3.4 million respectively (June 30, 2014 – $0.4 million and $4.8 million).

There are uncertainties related to asset retirement obligations and the impact on the financial statements could be material as the eventual timing and expected costs to settle these obligations could differ from our estimates. The main factors that could cause expected costs to differ are changes to laws, regulations, reserve estimates, costs and technology. Any reclamation or abandonment expenditures will generally be funded from cash flow from operating activities.

Capital expenditures

	Three months ended June 30,		Six months ended June 30,	
($ thousands)	**2015**	2014	**2015**	2014
Exploration and development				
Land and retention costs	**70**	1,012	**127**	4,587
Seismic	**1,198**	1,149	**7,777**	2,580
Drilling and completion	**36,807**	37,416	**85,222**	103,878
Facilities and equipment	**15,619**	22,262	**67,869**	77,170
Corporate and other	**65**	—	**80**	193
Capital expenditures	**53,759**	61,839	**161,075**	188,408

Capital expenditures were $53.8 million during the second quarter of 2015, consisting of exploration and development spending compared to $61.8 million incurred for the same period of 2014. NuVista completed 6 wells in the second quarter 2015 for a cost of $14.1 million compared to 5 wells competed for the same period of 2014 for $17.2 million. For the six months ended June 30, 2015 NuVista has completed 10 wells for a cost of $33.3 million compared to 10 wells for $42.9 million for the same period of 2014. Substantially all of the capital expenditures in the second quarter were spent on liquids-rich natural gas projects in our Wapiti Montney play. NuVista spent $41.2 million during the first six months of 2015 constructing a compressor station in the Elmworth area with ultimate through-put capacity of 80 MMcf/d of raw gas and 4,000 Bbls/d of condensate. This compressor station was brought on line in June.

Acquisitions and dispositions – For the three months ended June 30, 2015, there were no acquisitions compared to $4.8 million in the same period for 2014. During the second quarter of 2015, NuVista sold minor assets for proceeds after closing adjustments of $7.4 million resulting in a gain on dispositions of $0.1 million.

For six months ended June 30, 2015 there were undeveloped land acquisitions of $0.6 million and $4.8 million for the same period of 2014. For the first half of 2015, proceeds from non-core property dispositions were $10.1 million compared to $8.6 million for the six months ended June 30, 2014.

Subsequent to June 30, 2015, NuVista closed a sale of non-core properties in Kirkwall for proceeds of $3.8 million. The non-core assets associated to this sale produced approximately 280 Boe/d.

Income taxes – For the three and six months ended June 30, 2015, the provision for income and other taxes was a benefit of $1.5 million and $2.6 million respectively compared to a benefit of $3.1 million and $3.7 million for the same period in 2014. The decrease in benefit for the second quarter of 2015 compared to 2014 is primarily attributable to the increase in the enacted tax rate in the quarter up to 12% in Alberta compared to 10% for the same period in 2014. This was offset by adjusting for non-deductible tax items offset by the impact of flow-through share renunciations in the period.

Net loss – For the three months ended June 30, 2015, net loss totaled $21.4 million ($0.14/share, basic) compared to a net loss of $11.8 million ($0.09/share, basic) for the same period in 2014. For the six months ended June 30, 2015, net loss totaled $29.0 million compared to $16.2 million. The increase in net loss for the period is primarily due to lower realized commodity prices, unrealized losses on derivatives, impairment on asset held for sale and higher operating costs associated with higher production levels. Theses losses was partially offset by realized gains on derivatives of $20.4 million and a deferred income tax benefit of $2.6 million for the six months ended June 30, 2015.

Adjusted net earnings (loss) – The table below summarizes adjusted net earnings (loss) for the three and six months ended June 30, 2015 and 2014:

	Three months ended June 30,		Six months ended June 30,	
($ thousands)	**2015**	2014	**2015**	2014
Net loss	**(21,357)**	(11,837)	**(29,016)**	(16,195)
Add (deduct):				
Unrealized loss on commodity derivatives, after tax	**11,400**	(993)	**19,135**	6,032
Impairment of property, plant and equipment, after tax	**7,286**	11,790	**7,286**	11,790
Gain on dispositions, after tax	**(84)**	(4,469)	**(441)**	(4,469)
Adjusted net earnings (loss)(1) & (2)	**(2,755)**	(5,509)	**(3,036)**	(2,842)
Per basic and diluted share	**(0.02)**	(0.04)	**(0.02)**	(0.02)

(1) Refer to "Non-GAAP measurements".

(2) Six months ended June 30, 2015 values will equal sum of the quarter as a result of change in tax rate in the quarter from 25% to 27% as a result of the Alberta provincial rate increasing by 2% in June 2015 and became effective July 1, 2015.

Liquidity and capital resources

($ thousands)	**June 30, 2015**	December 31, 2014
Common shares outstanding	**153,232**	138,677
Share price(1)	**6.69**	7.41
Total market capitalization	**1,025,122**	1,027,597
Adjusted working capital deficit(2)	**15,990**	11,801
Long-term debt	**153,427**	171,969
Debt, net of adjusted working capital ("Net debt")	**169,417**	183,770
Annualized current quarter funds from operations(2)	**121,224**	146,812
Net debt to annualized current quarter funds from operations(2)	**1.4**	1.3

(1) Represents the closing price on the Toronto Stock Exchange on June 30, 2015 and December 31, 2014.
(2) Refer to the "Non-GAAP measurements".

As at June 30, 2015, net debt was $169.4 million, resulting in a net debt to annualized current quarter funds from operations of 1.4x. NuVista's long term strategy is to maintain a net debt to annualized current quarter funds from operations ratio of less than 1.5x. However, in periods of volatile and lower commodity prices, NuVista is willing to work to target a net debt to annualized current quarter funds from operations of less than 2x. The actual ratio may fluctuate on a quarterly basis above or below target due to a number of factors including facility outages, commodity prices and the timing of acquisitions and dispositions. At June 30, 2015, NuVista had an adjusted working capital deficit of $16.0 million. Adjusted working capital is current assets less current liabilities excluding the current portion of the fair value of the commodity derivative assets of $10.5 million, asset held for sale of $12.6 million and liabilities associated with assets held for sale of $8.8 million. The company believes it is appropriate to exclude these amounts when assessing financial leverage. At June 30, 2015, NuVista had drawn $153.4 million on its credit facility leaving $146.6 million of unused bank borrowing capacity based on the current committed credit facility of $300.0 million.

At June 30, 2015 NuVista had a $300.0 million (December 31, 2014 - $300.0 million) extendible revolving term credit facility available from a syndicate of Canadian chartered banks. In April 2015, NuVista completed the annual review of its borrowing base with its lenders and the lenders approved a revolving extendible credit facility with a maximum borrowing base of $300.0 million as a result of increased producing reserves offset by reduced forecast commodity prices used by the banks. 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 borrowing margin. The credit facility is secured by a first floating charge debenture, general assignment of book debts and NuVista's oil and natural gas properties and equipment. The credit facility has a 364-day revolving period and is subject to an annual review by the lenders, at which time a lender can extend the revolving period or can request conversion to a one year term loan. During the revolving period, a review of the maximum borrowing amount occurs semi-annually on or before October 31 and April 30. The revolving period matures on April 29, 2016. During the term period, no principal payments would be required until a year after the revolving period matures. As such, the credit facility is classified as long-term. NuVista is subject to various non-financial covenants under its credit facility. Compliance with these covenants is monitored on a regular basis and as at June 30, 2015, NuVista was in compliance with all covenants.

In April 2015, NuVista issued common and flow-through shares for gross proceeds of $112.0 million. Pursuant to a public offering, 11.5 million common shares were issued at $7.85 per share and 2.3 million common shares were issued on a flow-through basis in respect of Canadian Development expenses (“CDE”) at a price of $8.65 per share. In addition, NuVista also completed a private offering of 0.2 million common shares on a flow-through basis in respect of CDE expenses at a price of $8.65 per share. Under the terms of the flow-through share agreements, the Company is committed to spend $22.0 million on qualifying CDE prior to December 31, 2015. The proceeds from the offering were used to reduce bank debt and fund NuVista's capital program. As of June 30, 2015, NuVista has fulfilled its commitment to spend $22.0 million of CDE on qualifying expenditures.

NuVista plans to monitor its 2015 business plan and adjust its capital program in the context of commodity prices and debt levels. NuVista plans to finance its 2015 capital program with funds from operating activities, any proceeds from divestitures, available bank lines and proceeds from the equity financing completed in April, 2015.

In September 2014, pursuant to a private placement, NuVista issued 2.4 million common shares on a flow-through basis in respect of Canadian exploration expenses (“CEE”) and CDE at a price of $13.19 and $11.99 per share respectively for gross proceeds of $29.4 million. As at December 31, 2014, NuVista had fully spent the $17.7 million qualifying CDE and as at June 30, 2015, NuVista had fully spent the $11.7 million CEE on qualifying expenditures.

As at June 30, 2015, there were 153.2 million common shares outstanding. In addition, there were 6.2 million stock options with an average exercise price of $7.63 per option, 0.3 million RSUs and 0.2 million RSAs outstanding. As of July 31, 2015, there were 153.3 million common shares, 6.1 million options, 0.3 million RSUs and 0.2 million RSAs outstanding.

Contractual obligations and commitments – NuVista enters into contract obligations as part of conducting business. The following is a summary of NuVista’s contractual obligations and commitments as at June 30, 2015:

($ thousands)	**Total**	2015	2016	2017	2018	2019	Thereafter
Transportation and processing	**571,139**	17,814	55,132	65,819	66,217	59,743	306,414
Office lease	**8,868**	1,877	3,813	3,178	—	—	—
Purchase contracts	**7,911**	5,143	2,768	—	—	—	—
Total commitments	**587,918**	24,834	61,713	68,997	66,217	59,743	306,414

Off “balance sheet” arrangements – NuVista has certain lease arrangements, all of which are reflected in the contractual obligations and commitments table, which were entered into in the normal course of operations. All leases have been treated as operating leases whereby the lease payments are included in operating expenses or general and administrative expenses depending on the nature of the lease.

Quarterly financial information – The following table highlights NuVista's performance for the eight quarterly reporting periods from September 30, 2013 to June 30, 2015:

($ thousands, except	**2015**		2014				2013	
per share amounts)	**Jun 30**	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Production (Boe/d)	**21,448**	23,215	23,165	18,030	14,493	17,823	18,034	18,532
Revenue	**57,502**	57,927	72,050	66,426	51,734	68,897	57,143	60,420
Net loss	**(21,357)**	(7,659)	(42,478)	(208)	(11,837)	(4,358)	(47,405)	(2,295)
Net loss								
Per basic and diluted share	**(0.14)**	(0.06)	(0.31)	—	(0.09)	(0.03)	(0.38)	(0.02)

NuVista's production volumes over the past eight quarters have been increasing significantly with substantially all of the company's capital expenditures allocated to Wapiti Montney and successful drilling performance in that area. Total company production increases have been partially offset with non-core property dispositions. Over the prior eight quarters, quarterly revenue has been in a range of $51.7 million to $72.1 million with revenue primarily influenced by production volumes, commodity prices and property dispositions. Net losses have been in a range of a net loss of $47.4 million to net loss of $0.2 million with earnings primarily influenced by impairments, gains and losses from disposal of assets, production volumes, commodity prices and realized and unrealized gains and losses on commodity derivatives.

Update on regulatory matters

Environmental – There are no new material environmental initiatives impacting NuVista at this time.

Update on financial reporting matters

Future accounting changes

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers", which replaces IAS 18, "Revenue" and IAS 11, "Construction Contracts". The standard is required to be adopted retrospectively or using a modified transition approach. The current effective date is January 2017, however the IASB has proposed to defer to January 2018 with earlier adoption permitted. NuVista is currently evaluating the impact this standard may have on the financial statements.

In July 2014, the IASB issued IFRS 9, "Financial Instruments" to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial asset and liabilities with a single model that has only two classification categories: amortized cost and fair value. As of January 1, 2018, NuVista will be required to adopt the standard. NuVista is evaluating the impact this standard may have on the financial statements.

Disclosure controls and internal controls over financial 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 National 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 required to be disclosed by NuVista in its interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and is accumulated and communicated to NuVista's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure. The CEO and CFO have concluded, based on their evaluation as of the end of the period covered by the interim filings that the Company's disclosure controls and procedures are effective to provide reasonable assurance that material information related to NuVista, is made known to them by others within the Company.

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 NuVista's financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that: (a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of NuVista; (b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with GAAP, and that receipts and expenditures of NuVista are being made only in accordance with authorizations of management and directors of NuVista; and (c) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of NuVista's assets that could have a material effect on the annual financial statements. NuVista has designed its internal controls over financial reporting based on the framework in "Internal Control Over Financial Reporting – Guidance for Smaller Public Companies" issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992). During the quarter ended June 30, 2015, 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.

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

Assessment of business risks

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

- Operational risk associated with the production of oil and natural gas;
- Reserves risk with respect to the quantity and quality of recoverable reserves;
- Commodity risk as crude oil and natural gas prices and differentials fluctuate due to market forces;
- Financial risk such as volatility of the Cdn/US dollar exchange rate, interest rates and debt service obligations;
- Risk associated with the re-negotiation of NuVista's credit facility and the continued participation of NuVista's lenders;
- Market risk relating to the availability of transportation systems to move the product to market;
- 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
- Labour risks related to availability, productivity and retention of qualified personnel.

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 price risk management program to manage commodity prices and foreign exchange currency rates risk and transacting 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;
- Establishing and maintaining adequate cash resources to fund future abandonment and site restoration costs;
- Closely monitoring commodity prices and capital programs to manage financial leverage; and
- Monitoring the bank and equity markets to understand how changes in the capital market may impact NuVista's business plan.

Information regarding risk factors associated with the business of NuVista and how NuVista seeks to mitigate these risks will be contained in our Annual Information Form under the Risk Factors Section for the year ended December 31, 2014.

OUTLOOK

NuVista has elected to maintain our 2015 capital budget unchanged in the range of $270 to $290 million. Spending for the second half of 2015 is expected to be approximately 40% of the annual total. We remain flexible to scale spending up or down further depending on industry conditions. In this low commodity price environment we are witnessing a significant reduction in service costs. We have experienced 10-20% reductions on many drilling and completions costs since resuming operations following spring breakup, and we expect this trend to carry into 2016 as we continue to realize the efficiencies of working on a play of this scale. As we move towards the fall budget period, our continued emphasis will be on cost efficient and profitable growth while maintaining balance sheet strength and flexibility in order to act on any additional opportunities that may come our way throughout the year. Given the tremendous success experienced in the Wapiti Montney play over the past few years, we are confident that we possess one of the most profitable liquids rich natural gas plays in North America and expect this to continue to lead to years of continued profitable growth and value creation.

Subsequent to the information in our press release issued Friday, August 7th, we have received an update from Alliance Pipeline on the continuing outage affecting production for many operators. The pipeline has been shut in entirely, causing the need to shut down the remainder of production from our 3-36 Bilbo compressor station. The total daily production impact to NuVista is currently a curtailment of approximately 13,000 Boe/d. Alliance currently estimates that they may be able to restore production onto the pipeline by Wednesday, August 12th. If this were to occur, then the total production impact to NuVista's third quarter volumes will be approximately 1,000 Boe/d.

We anticipate production in the range of 21,250 to 22,000 Boe/d for the third quarter of 2015 inclusive of the assumption of an impact of -1,000 Boe/d due to the Alliance outage. For the fourth quarter of 2015, we anticipate production in the range of 23,250 to 24,000 Boe/d. The Nova/TCPL issues have also already been accounted for in this guidance, and have been imputed to impact each of the third and fourth quarters by 1,500 Boe/d, with the issues being alleviated in mid fourth quarter as our next tranche of increased firm TCPL/Nova capacity comes into effect as part of our long term growth plan.

There is no change to our 2015 annual production guidance range of 22,500 to 24,000 Boe/d despite the significant outages in downstream takeaway capacity, and the sale of assets in 2015 with associated production of approximately 350 Boe/d. However we anticipate that as a result of the downstream issues noted, annual production will be near the lower end of the guidance range.