NuVista Energy Ltd. Announces Second Quarter 2018 Financial and Operating Results

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CALGARY, Aug. 07, 2018 - NuVista Energy Ltd. (“NuVista” or the “Company”) (TSX:NVA) is pleased to announce results for the three and six months ended June 30, 2018 and provide an update on its future business plans. NuVista experienced another robust quarter with continued development drilling success. Production remained strong despite planned NGTL outages. Adjusted funds flow and netbacks improved significantly over the prior quarter as condensate proportion and pricing increased.

NuVista is continuing to deliver as planned on our 2018 drilling program. We have kept our Bilbo and Elmworth facilities essentially full during the second quarter, and we continue to push them further while making impactful progress in Gold Creek development. We possess a material position in the condensate-rich Wapiti Montney play which is delivering strong financial returns to shareholders now and is expected to do so over the long term. As our production has continued to increase at a measured pace, every area of our business is demonstrating improving efficiencies as planned. With our prudent focus on balance sheet strength, we maintain flexibility to adjust capital spending and pace of growth commensurate with the business environment while adhering to our long term value creation and profitability objectives.

Significant Operating Highlights

- Achieved second quarter 2018 production of 36,035 Boe/d, above the top of our second quarter guidance range of 34,500 – 36,000 Boe/d. This is similar to first quarter 2018 production and represents an increase of 42% as compared to the second quarter of 2017. This result is due to strong recent well performance and also the deferral of a planned midstream outage at Keyera Simonette gas plant. This had the effect of moving approximately 1,350 Boe/d of planned production downtime from the second to the third quarter. TransCanada Pipeline outages and a scheduled outage at the Elmworth Compressor occurred as planned, causing approximately 1,000 Boe/d of production restriction during the second quarter;
- Achieved adjusted funds flow of $69.5 million ($0.40/share, basic) for the second quarter, as compared to $58.7 million ($0.34/share, basic) for the prior quarter due to increased condensate ratio, favorable pricing, and the first quarter being impacted by the one-time fees associated with the placement of our $220 million senior unsecured notes. This second quarter adjusted funds flow result represents a 77% increase compared to the second quarter of 2017;
- Delivered adjusted funds flow netback of $21.19/Boe compared to $18.09/Boe and $16.98/Boe for the prior quarter and the second quarter of 2017, respectively;
- Successfully executed a very active second quarter capital program of $82.3 million, utilizing three to four drilling rigs for much of the quarter to rig-release 8.0 (7.9 net) wells in our Wapiti Montney condensate rich resource play. This was possible due to favorable weather which accelerated phasing with no change to full year 2018 capital spending plans;
- Achieved a number of new well production milestones with improving results, as detailed below;
- Achieved second quarter operating costs of $10.35/Boe, in line with expectations and first quarter operating costs, and down 3% from the second quarter of 2017;
- Delivered G&A costs in line with expectations at $1.38/Boe, a reduction of 21% from the second quarter of 2017 due to increased efficiency associated with higher production levels; and
- Exited the second quarter of 2018 with net debt of $268 million, including credit facility borrowings of $13 million versus our facility limit of $310 million. NuVista concluded the second quarter with a ratio of net debt to annualized current quarter funds from operations of 1.0x.

Gold Creek

Activity is ramping up at Gold Creek in advance of the start-up of the Wapiti SemCAMS Gold Creek gas plant in early to mid 2019 and well performance continues to exceed our expectations. The two recent extended reach (ERH), high fracture intensity wells have reached IP60 at an average of 2,440 Boe/d including 950 Bbls/d of condensate which is over double the historic average of the previous 8 wells in Gold Creek. These wells featured 4,500 and 5,000 metre open hole horizontal lateral lengths. Two additional step-out wells have

been brought online at average IP30 rates of 1,920 Boe/d including 563 Bbls/d of condensate. The condensate rates are in-line with historic averages but the total Boe/d is 40% above. One additional step-out well has been drilled in the southern end of Gold Creek and a 4-well pad has commenced drilling in advance of the Wapiti gas plant start-up.

Elmworth

Elmworth production volumes have increased as well performance continues to exceed our expectations. Two wells in the Northeast corner of the block have now reached IP90 at an average of 1,930 Boe/d which is 50% better than the historic average. Importantly, the condensate rates averaged 795 Boe/d which is 2.5 times the historic average. We will be active in this area throughout 2019.

Subsequent to the second quarter, a four well pad was successfully completed in the middle of the Elmworth block. The wells averaged 2,070 metres in length and 46 stages of fracture each. The fracture intensity of the wells was 1.8 T/m (high fracture intensity, or “HiFi”) and 2.8T/m respectively (our first very high fracture intensity well). These wells will be brought on production in August as space becomes available at the Elmworth compressor station. Also, a 6-day unplanned outage occurred in July at the SemCAMS K3 gas plant for equipment repair. This will impact third quarter production in the amount of approximately 1,000 Boe/d. The plant has been successfully re-started and we are back to full capacity.

Bilbo

At Bilbo we have been very active drilling throughout the second quarter. A three well pad has successfully been drilled and completed. The average length of these wells is 2,370 metres and they were completed with an average of 40 stages. These wells will be brought on production in August. An additional five well pad is currently being drilled. The Lower Montney well at Bilbo continues to perform very well, reaching an IP180 at 826 Boe/d including 431 Bbls/d condensate. This condensate rate is 10% higher than the historic average of all Bilbo wells which is extremely encouraging. Four recent Middle-Montney wells have reached IP90 at Bilbo at an average of 1,540 Boe/d including 630 Bbls/d of condensate. These volumes are approximately 15% higher than the historic average for Bilbo.

We continue to focus on first year capital efficiency, condensate proportion, recycle ratio, and striving for half-cycle payouts below one year as primary measures of economic well performance.

Commodity Price Risk Management Continues to Benefit NuVista

NuVista continues to benefit from the discipline of our strong hedging program during this period of volatile commodity prices. This has been a challenging summer for AECO, with spot natural gas prices under pressure due to temporary restrictions in pipeline and compressor station capacity on the Alberta NGTL system. We are pleased to report that there was virtually no impact to NuVista pricing as a result of these restrictions and price reductions. We currently possess hedges which in aggregate cover 68% of remaining 2018 projected liquids production at a floor WTI price of C$70.47/Bbl, and 72% of remaining 2018 projected gas production at a price of C$2.67/Mcf. Both of these percentage figures relate to production net of royalty volumes. Due to our fixed price hedges, basis hedges, and our export pipeline volumes, NuVista has less than 1% of our natural gas volumes exposed to spot AECO prices in 2018.

2018 Outlook: Annual Guidance Reaffirmed

As previously stated, production for the third quarter of 2018 is expected to be impacted by 2,350 Boe/d due to the deferral of the planned Keyera Simonette gas plant outage into the third quarter, and also the unplanned SemCAMS K3 gas plant outage which occurred in July. Based on this downtime, our updated annual production guidance for 2018 can be tightened from the range of 35,000 – 40,000 Boe/d to 36,000 – 38,000 Boe/d. Underlying production outside of outage periods is proceeding at planned levels with run rates over 37,500 Boe/d. Previous adjusted funds flow guidance for 2018 of $210 - $240 million is increased to $240 - $260 million as a result of higher condensate proportions and favorable strip pricing[1]. Our 2018 capital plan remains unchanged, expecting to reach the upper portion of our guidance range of $270 - $310 million.

Given top quality assets and a management team focused upon relentless improvement, NuVista will continue to optimize well results, improve margins, and grow our production profitably toward our goal of 60,000 Boe/d. We would like to thank our staff, contractors, and suppliers for their continued dedication and delivery, and we thank our board of directors and our shareholders for their guidance and support as we build an ever more valuable future for NuVista.

Please note that our corporate presentation is being updated and will be available at www.nuvistaenergy.com on or before August 8, 2018. NuVista’s second quarter 2018 condensed interim financial statements and notes to the financial statements and management’s discussion and analysis will be filed on SEDAR (www.sedar.com) under NuVista Energy Ltd. on or before August 8, 2018 and can also be accessed on NuVista’s website.
[1] Strip pricing assumptions for 2H 2018: WTI $US 69.00/Bbl, NYMEX Gas $US 2.85/MMBTU, CAD:USD 1.31 FX

Corporate Highlights

	Three months ended June 30			Six months ended June 30		
($ thousands, except per share and $/Boe)	2018	2017	% Change	2018	2017	% Change
FINANCIAL						
Petroleum and natural gas revenues	137,131	79,401	73	261,887	163,637	60
Adjusted funds flow [1]	69,472	39,318	77	128,203	82,572	55
Per share - basic	0.40	0.23	74	0.74	0.48	54
Per share - diluted	0.40	0.23	74	0.73	0.48	52
Net earnings	6,322	25,767	(75)	28,693	64,084	(55)
Per share - basic	0.04	0.15	(73)	0.16	0.37	(57)
Per share - diluted	0.04	0.15	(73)	0.16	0.37	(57)
Total assets				1,328,717	1,107,004	20
Capital expenditures	82,322	69,250	19	197,542	176,662	12
CAPITAL STRUCTURE						
Adjusted working capital deficit [1]				39,927	21,873	83
Long-term debt (credit facility)				13,103	93,082	(86)
Senior unsecured notes				215,414	67,399	220
Total net debt [1]				268,444	182,354	47
Long-term debt (credit facility) capacity				310,000	235,000	32
End of period common shares o/s - basic				174,881	173,242	1
OPERATING						
Daily Production						
Natural gas (MMcf/d)	128.3	91.6	40	130.5	95.6	37
Condensate (Bbls/d)	11,758	8,682	35	11,537	8,519	35
NGLs (Bbls/d) [2]	2,893	1,501	93	2,781	1,629	71
Total (Boe/d)	36,035	25,454	42	36,067	26,089	38
Condensate & NGLs weighting	41 %	40 %		40 %	39 %	
Condensate weighting	33 %	34 %		32 %	33 %	
Average selling prices [3] [4]						
Natural gas ($/Mcf)	3.37	3.72	(9)	3.43	3.74	(8)
Condensate ($/Bbl)	81.99	57.26	43	77.94	60.29	29
NGLs ($/Bbl)	38.19	23.53	62	35.87	21.00	71
Netbacks ($/Boe)						
Petroleum and natural gas revenues	41.82	34.28	22	40.12	34.65	16
Realized gain (loss) on financial derivatives	(2.72)	0.51	—	(2.18)	0.26	—
Royalties	(1.31)	(1.02)	28	(0.94)	(1.07)	(12)
Transportation expenses	(3.36)	(3.13)	7	(3.13)	(2.82)	11
Operating expenses	(10.35)	(10.66)	(3)	(10.19)	(10.69)	(5)
Operating netback [1]	24.08	19.98	21	23.68	20.33	16
Adjusted funds flow netback [1]	21.19	16.98	25	19.65	17.48	12

SHARE TRADING STATISTICS						
High	9.89	7.73	28	9.89	7.73	28
Low	6.69	5.91	13	6.69	5.52	21
Close	9.12	6.55	39	9.12	6.55	39
Average daily volume	557,730	531,576	5	537,425	505,910	6

(1) See "Non-GAAP measurements".
(2) Natural gas liquids ("NGLs") include butane, propane and ethane.
(3) Product prices exclude realized gains/losses on financial derivatives.
(4) The average condensate and NGLs selling price is net of pipeline tariffs and fractionation fees.

Basis of presentation
Unless otherwise noted, the financial data presented in this news release 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.

Advisories Regarding Oil And Gas Information

BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

"IP30", “IP60”, “IP90” and “IP180” is defined as the estimated average producing day rate over the initial first 30, 60, 90, and 180 days of production, respectively. Any references in this news release to such initial production rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter. Readers are cautioned not to place reliance on such rates in calculating the aggregate production for us.

Advisory regarding forward-looking information and statements

This news release 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”, “may”, “expects”, “believe”, “plans”, “potential”, “continue”, “guidance”, and similar expressions are intended to identify forward-looking statements. More particularly and without limitation, this news release contains forward looking statements, including management's assessment of: NuVista’s future focus, strategy, plans, opportunities and operations; future financial returns to shareholders; NuVista’s 60,000 Boe/d growth plan; drilling plans; the timing of the startup of the new SemCAMS Wapiti Gas Plant; the impact of the Keyera Simonette and SemCAMS gas plant outage; financial and commodity risk management strategy; NuVista’s planned capital expenditures; the timing, allocation and efficiency of NuVista’s capital program and the results therefrom; the anticipated potential and growth opportunities associated with NuVista’s asset base; future drilling results; initial production rates and well performance; 2018 annual production guidance and adjusted funds flow. 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 adjusted funds flow, the timing, allocation and amount of capital expenditures and the results therefrom, anticipated reserves and resources and the imprecision of reserve and resource 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 news release 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.

Future Oriented Financial Information

This news release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about NuVista's prospective results of operations and adjusted funds flow, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth above. 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 FOFI. NuVista’s actual results, performance or achievement could differ materially from those expressed in, or implied by, these FOFI, or if any of them do so, what benefits NuVista will derive therefrom. NuVista has included the FOFI 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 FOFI statements, whether as a result of new information, future events or otherwise, except as required by law.

Non-GAAP measurements

Within the news release, references are made to terms commonly used in the oil and natural gas industry. Management uses "adjusted funds flow", "adjusted funds flow per share", "adjusted funds flow netback", "net debt", "total net debt", "net debt to annualized current quarter adjusted funds flow", "operating netback" and "adjusted working capital deficit". These terms do not have any standardized meaning prescribed by GAAP and therefore may not be comparable with the calculation of similar measures for other entities. These terms are used by management to analyze operating performance on a comparable basis with prior periods and to analyze the liquidity of NuVista. For more details on non-GAAP measures, including a reconciliation to GAAP measures, refer to our Management’s Discussion and Analysis.

Adjusted funds flow is based on cash provided by operating activities as per the statement of cash flows before changes in non-cash working capital, asset retirement expenditures, note receivable allowance (recovery) and environmental remediation expenses (recovery). Adjusted funds flow 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 or other measures of financial performance calculated in accordance with GAAP.

Adjusted funds flow per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of net earnings per share. Total revenue equals oil and natural gas revenues including realized financial derivative gains/losses. Operating netback equals the total of revenues including realized financial derivative gains/losses less royalties, transportation and operating expenses calculated on a Boe basis. Adjusted funds flow netback is operating netback less general and administrative, deferred share units, and interest expense calculated on a Boe basis. Net debt is calculated as long-term debt plus senior unsecured notes plus adjusted working capital. Adjusted working capital is current assets less current liabilities and excludes the current portions of the financial derivative assets or liabilities, asset retirement obligations and deferred premium on flow through shares. Net debt to quarterly annualized adjusted funds flow is net debt divided by annualized first quarter adjusted funds flow.

FOR FURTHER INFORMATION CONTACT:

Jonathan A. Wright Ross L. Andreachuk Mike J. Lawford
President and CEO VP, Finance and CFO Chief Operating Officer

(403) 538-8501 (403) 538-8539 (403) 538-1936

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