

PART I

Item 1. Financial Statements

Condensed Consolidated Statement of Earnings *(unaudited)*

(US\$ millions, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenues	<i>(Note 3)</i>			
Product and service revenues	\$ 2,193	\$ 2,352	\$ 4,580	\$ 4,944
Gains (losses) on risk management, net	77	147	23	89
Sublease revenues	18	18	37	35
Total Revenues	2,288	2,517	4,640	5,068
Operating Expenses	<i>(Note 3)</i>			
Production, mineral and other taxes	89	76	172	160
Transportation and processing	413	452	832	907
Operating	237	175	480	381
Purchased product	333	692	773	1,393
Depreciation, depletion and amortization	580	419	1,146	783
Accretion of asset retirement obligation	4	4	9	9
Administrative	76	168	178	226
Total Operating Expenses	1,732	1,986	3,590	3,859
Operating Income (Loss)	556	531	1,050	1,209
Other (Income) Expenses				
Interest	105	80	203	151
Foreign exchange (gain) loss, net	(10)	25	(38)	22
Other (gains) losses, net	(5)	(11)	(9)	(14)
Total Other (Income) Expenses	90	94	156	159
Net Earnings (Loss) Before Income Tax	466	437	894	1,050
Income tax expense (recovery)	126	101	216	227
Net Earnings (Loss)	\$ 340	\$ 336	\$ 678	\$ 823
Net Earnings (Loss) per Share of Common Stock	<i>(Note 14)</i>			
Basic	\$ 1.28	\$ 1.35	\$ 2.53	\$ 3.33
Diluted	1.27	1.34	2.51	3.28
Weighted Average Shares of Common Stock Outstanding (millions)	<i>(Note 14)</i>			
Basic	266.2	249.4	267.9	246.9
Diluted	268.1	250.8	270.6	250.8

Condensed Consolidated Statement of Comprehensive Income *(unaudited)*

(US\$ millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net Earnings (Loss)	\$ 340	\$ 336	\$ 678	\$ 823
Other Comprehensive Income (Loss), Net of Tax				
Foreign currency translation adjustment	(31)	53	(107)	55
Pension and other post-employment benefit plans	(2)	(1)	(3)	(3)
Other Comprehensive Income (Loss)	(33)	52	(110)	52
Comprehensive Income (Loss)	\$ 307	\$ 388	\$ 568	\$ 875

See accompanying Notes to the unaudited Condensed Consolidated Financial Statements

Condensed Consolidated Balance Sheet *(unaudited)*

(US\$ millions)	As at June 30, 2024	As at December 31, 2023
Assets		
Current Assets		
Cash and cash equivalents	\$ 8	\$ 3
Accounts receivable and accrued revenues (net of allowances of \$5 million (2023: \$5 million))	(Note 4) 1,208	1,442
Risk management	(Notes 18, 19) 117	214
Income tax receivable	67	17
	1,400	1,676
Property, Plant and Equipment, at cost: (Note 10)		
Oil and natural gas properties, based on full cost accounting		
Proved properties	65,239	64,084
Unproved properties	1,152	1,486
Other	900	907
Property, plant and equipment	67,291	66,477
Less: Accumulated depreciation, depletion and amortization	(52,447)	(51,837)
Property, plant and equipment, net	(Note 3) 14,844	14,640
Other Assets		
Risk Management	(Notes 18, 19) 10	1,015
Deferred Income Taxes	-	53
Goodwill	(Note 3) 2,577	2,599
	(Note 3) \$ 19,809	\$ 19,987
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,872	\$ 2,209
Current portion of operating lease liabilities	85	87
Income tax payable	2	232
Risk management	(Notes 18, 19) 7	-
Current portion of long-term debt	(Note 12) 1,234	284
	3,200	2,812
Long-Term Debt (Note 12)		
Operating Lease Liabilities	804	832
Other Liabilities and Provisions	(Note 13) 141	132
Risk Management	(Notes 18, 19) 6	2
Asset Retirement Obligation	261	276
Deferred Income Taxes	216	110
	9,481	9,617
Commitments and Contingencies (Note 21)		
Shareholders' Equity		
Share capital - authorized 775 million shares of stock		
2024 issued and outstanding: 264.1 million shares (2023: 271.7 million shares)	(Note 14) 3	3
Paid in surplus	(Note 14) 8,170	8,620
Retained earnings	1,215	697
Accumulated other comprehensive income	(Note 15) 940	1,050
Total Shareholders' Equity	10,328	10,370
	\$ 19,809	\$ 19,987

See accompanying Notes to the unaudited Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Changes in Shareholders' Equity *(unaudited)*

Three Months Ended June 30, 2024 (US\$ millions)	Share Capital	Paid in Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, March 31, 2024	\$ 3	\$ 8,331	\$ 955	\$ 973	\$ 10,262
Net Earnings (Loss)	-	-	340	-	340
Dividends on Shares of Common Stock (\$0.30 per share) <i>(Note 14)</i>	-	-	(80)	-	(80)
Shares of Common Stock Purchased <i>(Note 14)</i>	-	(184)	-	-	(184)
Equity-Settled Compensation Costs	-	23	-	-	23
Other Comprehensive Income (Loss) <i>(Note 15)</i>	-	-	-	(33)	(33)
Balance, June 30, 2024	\$ 3	\$ 8,170	\$ 1,215	\$ 940	\$ 10,328

Three Months Ended June 30, 2023 (US\$ millions)	Share Capital	Paid in Surplus	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, March 31, 2023	\$ 3	\$ 7,555	\$ (655)	\$ 991	\$ 7,894
Net Earnings (Loss)	-	-	336	-	336
Dividends on Shares of Common Stock (\$0.30 per share) <i>(Note 14)</i>	-	-	(82)	-	(82)
Shares of Common Stock Purchased <i>(Note 14)</i>	-	(89)	-	-	(89)
Shares of Common Stock Issued <i>(Notes 9,14,20)</i>	-	1,169	-	-	1,169
Equity-Settled Compensation Costs	-	36	-	-	36
Other Comprehensive Income (Loss) <i>(Note 15)</i>	-	-	-	52	52
Balance, June 30, 2023	\$ 3	\$ 8,671	\$ (401)	\$ 1,043	\$ 9,316

See accompanying Notes to the unaudited Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Changes in Shareholders' Equity *(unaudited)*

Six Months Ended June 30, 2024 (US\$ millions)	Share Capital	Paid in Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 2023	\$ 3	\$ 8,620	\$ 697	\$ 1,050	\$ 10,370
Net Earnings (Loss)	-	-	678	-	678
Dividends on Shares of Common Stock (\$0.60 per share) <i>(Note 14)</i>	-	-	(160)	-	(160)
Shares of Common Stock Purchased <i>(Note 14)</i>	-	(434)	-	-	(434)
Equity-Settled Compensation Costs	-	(16)	-	-	(16)
Other Comprehensive Income (Loss) <i>(Note 15)</i>	-	-	-	(110)	(110)
Balance, June 30, 2024	\$ 3	\$ 8,170	\$ 1,215	\$ 940	\$ 10,328

Six Months Ended June 30, 2023 (US\$ millions)	Share Capital	Paid in Surplus	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, December 31, 2022	\$ 3	\$ 7,776	\$ (1,081)	\$ 991	\$ 7,689
Net Earnings (Loss)	-	-	823	-	823
Dividends on Shares of Common Stock (\$0.55 per share) <i>(Note 14)</i>	-	-	(143)	-	(143)
Shares of Common Stock Purchased <i>(Note 14)</i>	-	(328)	-	-	(328)
Shares of Common Stock Issued <i>(Notes 9,14,20)</i>	-	1,169	-	-	1,169
Equity-Settled Compensation Costs	-	54	-	-	54
Other Comprehensive Income (Loss) <i>(Note 15)</i>	-	-	-	52	52
Balance, June 30, 2023	\$ 3	\$ 8,671	\$ (401)	\$ 1,043	\$ 9,316

See accompanying Notes to the unaudited Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Cash Flows *(unaudited)*

(US\$ millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Operating Activities				
Net earnings (loss)	\$ 340	\$ 336	\$ 678	\$ 823
Depreciation, depletion and amortization	580	419	1,146	783
Accretion of asset retirement obligation	4	4	9	9
Deferred income taxes	(Note 7) 103	47	161	111
Unrealized (gain) loss on risk management	(Note 19) (8)	(142)	92	(160)
Unrealized foreign exchange (gain) loss	(Note 6) (5)	10	(28)	5
Foreign exchange (gain) loss on settlements	(Note 6) (5)	4	(7)	3
Other	16	21	9	(24)
Net change in other assets and liabilities	(42)	(12)	(54)	(17)
Net change in non-cash working capital	(Note 20) 37	144	(327)	366
Cash From (Used in) Operating Activities	1,020	831	1,679	1,899
Investing Activities				
Capital expenditures	(Note 3) (622)	(640)	(1,213)	(1,250)
Acquisitions	(Note 8) (5)	(15)	(195)	(214)
Corporate acquisition, net of cash acquired	(Note 9) -	(3,225)	12	(3,225)
Proceeds from divestitures	(Note 8) 2	717	4	729
Net change in investments and other	(16)	155	(10)	89
Cash From (Used in) Investing Activities	(641)	(3,008)	(1,402)	(3,871)
Financing Activities				
Net issuance (repayment) of revolving debt	(Note 12) (111)	100	350	287
Issuance of long-term debt	(Note 12) -	2,278	-	2,278
Purchase of shares of common stock	(Note 14) (184)	(89)	(434)	(328)
Dividends on shares of common stock	(Note 14) (80)	(82)	(160)	(143)
Finance lease payments and other	(1)	(1)	(30)	(72)
Cash From (Used in) Financing Activities	(376)	2,206	(274)	2,022
Foreign Exchange Gain (Loss) on Cash, Cash Equivalents and Restricted Cash Held in Foreign Currency				
	-	(3)	2	(3)
Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	3	26	5	47
Cash, Cash Equivalents and Restricted Cash, Beginning of Period	5	26	3	5
Cash, Cash Equivalents and Restricted Cash, End of Period	\$ 8	\$ 52	\$ 8	\$ 52
Cash, End of Period	\$ 6	\$ 9	\$ 6	\$ 9
Cash Equivalents, End of Period	2	43	2	43
Restricted Cash, End of Period	-	-	-	-
Cash, Cash Equivalents and Restricted Cash, End of Period	\$ 8	\$ 52	\$ 8	\$ 52

Supplementary Cash Flow Information

(Note 20)

See accompanying Notes to the unaudited Condensed Consolidated Financial Statements

1. Basis of Presentation and Principles of Consolidation

Ovintiv is in the business of the exploration for, the development of, and the production and marketing of oil, NGLs and natural gas.

The interim Condensed Consolidated Financial Statements include the accounts of Ovintiv and entities in which it holds a controlling interest. All intercompany balances and transactions are eliminated on consolidation. Undivided interests in oil and natural gas exploration and production joint ventures and partnerships are consolidated on a proportionate basis. Investments in non-controlled entities over which the Company has the ability to exercise significant influence are accounted for using the equity method.

The interim Condensed Consolidated Financial Statements are prepared in conformity with U.S. GAAP and the rules and regulations of the SEC. Pursuant to these rules and regulations, certain information and disclosures normally required under U.S. GAAP have been condensed or have been disclosed on an annual basis only. Accordingly, the interim Condensed Consolidated Financial Statements should be read in conjunction with the annual audited Consolidated Financial Statements and the notes thereto for the year ended December 31, 2023, which are included in Item 8 of Ovintiv's 2023 Annual Report on Form 10-K.

The interim Condensed Consolidated Financial Statements have been prepared following the same accounting policies and methods of computation as the annual audited Consolidated Financial Statements for the year ended December 31, 2023.

These unaudited interim Condensed Consolidated Financial Statements reflect, in the opinion of Management, all normal and recurring adjustments necessary to present fairly the financial position and results of the Company as at and for the periods presented. Interim condensed consolidated financial results are not necessarily indicative of consolidated financial results expected for the fiscal year.

2. Recent Accounting Pronouncements

Changes in Accounting Policies and Practices

On January 1, 2024, Ovintiv adopted ASU 2023-07 "Improvements to Reportable Segment Disclosures", issued by FASB. The amendments enhance annual disclosure requirements about significant segment expenses that are regularly provided to the chief operating decision maker and included within reported measures of segment profit or loss. The amendments do not change how an entity identifies its operating segments. In addition, all annual disclosures are to be presented in interim periods beginning in the first quarter of 2025. The amendments will be applied retrospectively to all prior periods presented in the annual disclosures and are not expected to have a material impact on the Company's Consolidated Financial Statements.

New Standards Issued Not Yet Adopted

As of January 1, 2025, Ovintiv will be required to adopt ASU 2023-09 "Improvements to Income Tax Disclosures". The standard requires disaggregated information about the Company's effective tax rate reconciliation as well as information on income taxes paid. The amendment requires the tabular rate reconciliation to be presented using both percentages and amounts, with additional separate disclosure for any reconciling items within certain categories equal to or greater than five percent of net earnings or loss before income tax and the applicable statutory federal income tax rate. The amendment also requires the disaggregation of income taxes paid by federal, state, and foreign jurisdictions, as well as additional disaggregated information on income taxes paid to an individual jurisdiction equal to or greater than five percent of total income taxes paid. Amendments will be applied prospectively at the date of adoption and are not expected to have a material impact on the Company's Consolidated Financial Statements.

3. Segmented Information

Ovintiv's reportable segments are determined based on the following operations and geographic locations:

- **USA Operations** includes the exploration for, development of, and production of oil, NGLs and natural gas and other related activities within the U.S. cost center.
- **Canadian Operations** includes the exploration for, development of, and production of oil, NGLs and natural gas and other related activities within the Canadian cost center.
- **Market Optimization** is primarily responsible for the sale of the Company's proprietary production. These results are reported in the USA and Canadian Operations. Market optimization activities include third-party purchases and sales of product to provide operational flexibility and cost mitigation for transportation commitments, product type, delivery points and customer diversification. These activities are reflected in the Market Optimization segment. Market Optimization sells substantially all of the Company's upstream production to third-party customers. Transactions between segments are based on market values and are eliminated on consolidation.

Corporate and Other mainly includes unrealized gains or losses recorded on derivative financial instruments. Once the instruments are settled, the realized gains and losses are recorded in the reporting segment to which the derivative instruments relate. Corporate and Other also includes amounts related to sublease rentals.

Results of Operations (For the three months ended June 30)

Segment and Geographic Information

	USA Operations		Canadian Operations		Market Optimization	
	2024	2023	2024	2023	2024	2023
Revenues						
Product and service revenues	\$ 1,421	\$ 1,181	\$ 422	\$ 468	\$ 350	\$ 703
Gains (losses) on risk management, net	31	5	38	-	-	-
Sublease revenues	-	-	-	-	-	-
Total Revenues	1,452	1,186	460	468	350	703
Operating Expenses						
Production, mineral and other taxes	85	73	4	3	-	-
Transportation and processing	126	148	260	268	27	36
Operating	205	167	26	2	6	6
Purchased product	-	-	-	-	333	692
Depreciation, depletion and amortization	498	336	76	78	-	-
Total Operating Expenses	914	724	366	351	366	734
Operating Income (Loss)	\$ 538	\$ 462	\$ 94	\$ 117	\$ (16)	\$ (31)

	Corporate & Other		Consolidated	
	2024	2023	2024	2023
Revenues				
Product and service revenues	\$ -	\$ -	\$ 2,193	\$ 2,352
Gains (losses) on risk management, net	8	142	77	147
Sublease revenues	18	18	18	18
Total Revenues	26	160	2,288	2,517
Operating Expenses				
Production, mineral and other taxes	-	-	89	76
Transportation and processing	-	-	413	452
Operating	-	-	237	175
Purchased product	-	-	333	692
Depreciation, depletion and amortization	6	5	580	419
Accretion of asset retirement obligation	4	4	4	4
Administrative	76	168	76	168
Total Operating Expenses	86	177	1,732	1,986
Operating Income (Loss)	\$ (60)	\$ (17)	556	531
Other (Income) Expenses				
Interest			105	80
Foreign exchange (gain) loss, net			(10)	25
Other (gains) losses, net			(5)	(11)
Total Other (Income) Expenses			90	94
Net Earnings (Loss) Before Income Tax			466	437
Income tax expense (recovery)			126	101
Net Earnings (Loss)			\$ 340	\$ 336

Results of Operations (For the six months ended June 30)

Segment and Geographic Information

	USA Operations		Canadian Operations		Market Optimization	
	2024	2023	2024	2023	2024	2023
Revenues						
Product and service revenues	\$ 2,883	\$ 2,367	\$ 891	\$ 1,158	\$ 806	\$ 1,419
Gains (losses) on risk management, net	55	7	60	(78)	-	-
Sublease revenues	-	-	-	-	-	-
Total Revenues	2,938	2,374	951	1,080	806	1,419
Operating Expenses						
Production, mineral and other taxes	165	153	7	7	-	-
Transportation and processing	253	295	511	535	68	77
Operating	416	337	51	31	13	13
Purchased product	-	-	-	-	773	1,393
Depreciation, depletion and amortization	987	630	148	143	-	-
Total Operating Expenses	1,821	1,415	717	716	854	1,483
Operating Income (Loss)	\$ 1,117	\$ 959	\$ 234	\$ 364	\$ (48)	\$ (64)
			Corporate & Other		Consolidated	
			2024	2023	2024	2023
Revenues						
Product and service revenues			\$ -	\$ -	\$ 4,580	\$ 4,944
Gains (losses) on risk management, net			(92)	160	23	89
Sublease revenues			37	35	37	35
Total Revenues			(55)	195	4,640	5,068
Operating Expenses						
Production, mineral and other taxes			-	-	172	160
Transportation and processing			-	-	832	907
Operating			-	-	480	381
Purchased product			-	-	773	1,393
Depreciation, depletion and amortization			11	10	1,146	783
Accretion of asset retirement obligation			9	9	9	9
Administrative			178	226	178	226
Total Operating Expenses			198	245	3,590	3,859
Operating Income (Loss)			\$ (253)	\$ (50)	1,050	1,209
Other (Income) Expenses						
Interest					203	151
Foreign exchange (gain) loss, net					(38)	22
Other (gains) losses, net					(9)	(14)
Total Other (Income) Expenses					156	159
Net Earnings (Loss) Before Income Tax					894	1,050
Income tax expense (recovery)					216	227
Net Earnings (Loss)					\$ 678	\$ 823

Intersegment Information

For the three months ended June 30,	Marketing Sales		Market Optimization Upstream Eliminations		Total	
	2024	2023	2024	2023	2024	2023
	Revenues	\$ 2,393	\$ 2,874	\$ (2,043)	\$ (2,171)	\$ 350
Operating Expenses						
Transportation and processing	156	180	(129)	(144)	27	36
Operating	6	6	-	-	6	6
Purchased product	2,247	2,719	(1,914)	(2,027)	333	692
Operating Income (Loss)	\$ (16)	\$ (31)	\$ -	\$ -	\$ (16)	\$ (31)

For the six months ended June 30,	Marketing Sales		Market Optimization Upstream Eliminations		Total	
	2024	2023	2024	2023	2024	2023
	Revenues	\$ 4,891	\$ 6,010	\$ (4,085)	\$ (4,591)	\$ 806
Operating Expenses						
Transportation and processing	326	345	(258)	(268)	68	77
Operating	13	13	-	-	13	13
Purchased product	4,600	5,716	(3,827)	(4,323)	773	1,393
Operating Income (Loss)	\$ (48)	\$ (64)	\$ -	\$ -	\$ (48)	\$ (64)

Capital Expenditures by Segment

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	USA Operations	\$ 504	\$ 502	\$ 961
Canadian Operations	117	137	250	279
Corporate & Other	1	1	2	2
	\$ 622	\$ 640	\$ 1,213	\$ 1,250

Goodwill, Property, Plant and Equipment and Total Assets by Segment

	Goodwill		Property, Plant and Equipment		Total Assets	
	As at		As at		As at	
	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023
USA Operations	\$ 1,938	\$ 1,938	\$ 13,286	\$ 13,129	\$ 16,098	\$ 16,033
Canadian Operations	639	661	1,416	1,357	2,348	2,404
Market Optimization	-	-	-	-	200	232
Corporate & Other	-	-	142	154	1,163	1,318
	\$ 2,577	\$ 2,599	\$ 14,844	\$ 14,640	\$ 19,809	\$ 19,987

4. Revenues from Contracts with Customers

The following table summarizes Ovintiv's revenues from contracts with customers.

Revenues (For the three months ended June 30)

	USA Operations		Canadian Operations		Market Optimization	
	2024	2023	2024	2023	2024	2023
Revenues from Customers						
Product revenues ⁽¹⁾						
Oil	\$ 1,192	\$ 947	\$ 4	\$ -	\$ 318	\$ 644
NGLs	176	149	271	246	3	5
Natural gas	55	86	150	223	23	49
Service revenues						
Gathering and processing	1	2	-	1	-	-
Product and Service Revenues	\$ 1,424	\$ 1,184	\$ 425	\$ 470	\$ 344	\$ 698

	Corporate & Other		Consolidated	
	2024	2023	2024	2023
Revenues from Customers				
Product revenues ⁽¹⁾				
Oil	\$ -	\$ -	\$ 1,514	\$ 1,591
NGLs	-	-	450	400
Natural gas	-	-	228	358
Service revenues				
Gathering and processing	-	-	1	3
Product and Service Revenues	\$ -	\$ -	\$ 2,193	\$ 2,352

(1) Includes revenues from production and revenues of product purchased from third parties, but excludes intercompany marketing fees transacted between the Company's operating segments.

Revenues (For the six months ended June 30)

	USA Operations		Canadian Operations		Market Optimization	
	2024	2023	2024	2023	2024	2023
Revenues from Customers						
Product revenues ⁽¹⁾						
Oil	\$ 2,373	\$ 1,798	\$ 5	\$ -	\$ 710	\$ 1,253
NGLs	364	333	505	483	11	25
Natural gas	152	241	385	678	72	129
Service revenues						
Gathering and processing	2	2	1	2	-	-
Product and Service Revenues	\$ 2,891	\$ 2,374	\$ 896	\$ 1,163	\$ 793	\$ 1,407

	Corporate & Other		Consolidated	
	2024	2023	2024	2023
Revenues from Customers				
Product revenues ⁽¹⁾				
Oil	\$ -	\$ -	\$ 3,088	\$ 3,051
NGLs	-	-	880	841
Natural gas	-	-	609	1,048
Service revenues				
Gathering and processing	-	-	3	4
Product and Service Revenues	\$ -	\$ -	\$ 4,580	\$ 4,944

(1) Includes revenues from production and revenues of product purchased from third parties, but excludes intercompany marketing fees transacted between the Company's operating segments.

The Company's revenues from contracts with customers consists of product sales including oil, NGLs and natural gas, as well as the provision of gathering and processing services to third parties. Ovintiv had no contract asset or liability balances during the periods presented. As at June 30, 2024, receivables and accrued revenues from contracts with customers were \$917 million (\$1,070 million as at December 31, 2023).

Ovintiv's product sales are sold under short-term contracts with terms that are less than one year at either fixed or market index prices or under long-term contracts exceeding one year at market index prices.

The Company's gathering and processing services are provided on an interruptible basis with transaction prices that are for fixed prices and/or variable consideration. Variable consideration received is related to recovery of plant operating costs or escalation of the fixed price based on a consumer price index. As the service contracts are interruptible, with service provided on an "as available" basis, there are no unsatisfied performance obligations remaining at June 30, 2024.

As at June 30, 2024, all remaining performance obligations are priced at market index prices or are variable volume delivery contracts. As such, the variable consideration is allocated entirely to the wholly unsatisfied performance obligation or promise to deliver units of production, and revenue is recognized at the amount for which the Company has the right to invoice the product delivered. As the period between when the product sales are transferred and Ovintiv receives payments is generally 30 to 60 days, there is no financing element associated with customer contracts. In addition, Ovintiv does not disclose unsatisfied performance obligations for customer contracts with terms less than 12 months or for variable consideration related to unsatisfied performance obligations.

5. Interest

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Interest Expense on:				
Debt	\$ 100	\$ 77	\$ 197	\$ 137
Finance leases	1	1	1	1
Other	4	2	5	13
	\$ 105	\$ 80	\$ 203	\$ 151

6. Foreign Exchange (Gain) Loss, Net

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Unrealized Foreign Exchange (Gain) Loss on:				
Translation of U.S. dollar risk management contracts issued from Canada	\$ 1	\$ (9)	\$ 7	\$ (15)
Translation of intercompany notes	(6)	19	(35)	20
	(5)	10	(28)	5
Foreign Exchange (Gain) Loss on Settlements of:				
U.S. dollar financing debt issued from Canada	1	(1)	1	(2)
U.S. dollar risk management contracts issued from Canada	1	3	1	7
Intercompany notes	(6)	5	(8)	5
Other Monetary Revaluations	(1)	8	(4)	7
	\$ (10)	\$ 25	\$ (38)	\$ 22

7. Income Taxes

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Current Tax				
United States	\$ 10	\$ 8	\$ 24	\$ 8
Canada	13	46	31	108
Total Current Tax Expense (Recovery)	23	54	55	116
Deferred Tax				
United States	77	65	135	137
Canada	26	(18)	26	(26)
Total Deferred Tax Expense (Recovery)	103	47	161	111
Income Tax Expense (Recovery)	\$ 126	\$ 101	\$ 216	\$ 227
Effective Tax Rate	27.0%	23.1%	24.2%	21.6%

Ovintiv's interim income tax expense is determined using the estimated annual effective income tax rate applied to year-to-date net earnings before income tax plus the effect of legislative changes and amounts in respect of prior periods. The estimated annual effective income tax rate is impacted by expected annual earnings, changes in valuation allowances, income tax related to foreign operations, state taxes, the effect of legislative changes, non-taxable items and tax differences on transactions, which can produce interim effective tax rate fluctuations.

8. Acquisitions and Divestitures

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Acquisitions				
USA Operations	\$ 5	\$ 15	\$ 195	\$ 208
Canadian Operations	-	-	-	6
Total Acquisitions	5	15	195	214
Divestitures				
USA Operations	(2)	(718)	(4)	(730)
Canadian Operations	-	1	-	1
Total Divestitures	(2)	(717)	(4)	(729)
Net Acquisitions & (Divestitures)	\$ 3	\$ (702)	\$ 191	\$ (515)

Acquisitions

For the three and six months ended June 30, 2024, acquisitions in the USA Operations were \$5 million and \$195 million, respectively, which primarily included property purchases in Permian with oil and liquids-rich potential.

For the three and six months ended June 30, 2023, acquisitions in the USA Operations were \$15 million and \$208 million, respectively, which primarily included property purchases in Permian and Uinta with oil and liquids-rich potential.

Divestitures

For the three and six months ended June 30, 2024, divestitures in the USA Operations were \$2 million and \$4 million respectively, which primarily included the sale of certain properties that did not complement Ovintiv's existing portfolio of assets.

For the three and six months ended June 30, 2023, divestitures in the USA Operations were \$718 million and \$730 million, respectively, which primarily included the sale of Bakken located in North Dakota for proceeds of approximately \$706 million, after closing and other adjustments.

Amounts received from the Company's divestiture transactions have been deducted from the respective U.S. and Canadian full cost pools.

9. Business Combination

Acquisition of Midland Basin Assets ("Permian Acquisition")

On June 12, 2023, Ovintiv completed a business combination to purchase all of the outstanding equity interests in seven Delaware limited liability companies ("Permian LLCs") pursuant to the purchase agreement with Black Swan Oil & Gas, LLC, PetroLegacy II Holdings, LLC, Piedra Energy III Holdings, LLC and Piedra Energy IV Holdings, LLC, which were portfolio companies of funds managed by EnCap Investments L.P. ("EnCap"). The Company paid aggregate cash consideration of approximately \$3.2 billion and issued approximately 31.8 million shares of Ovintiv common stock, representing a value of approximately \$1.2 billion. The cash portion of the consideration was funded through a combination of net proceeds from the Company's May 2023 senior notes offering, net proceeds from the sale of Bakken during the second quarter of 2023, cash on hand and proceeds from short-term borrowings. During the period from June 12, 2023 to December 31, 2023, transaction costs of approximately \$76 million were included in administrative expense.

The acquisition was strategically located in close proximity to Ovintiv's current Permian operations and added approximately 1,050 net well locations to Ovintiv's Permian inventory and approximately 65,000 net acres. The results of operations from the acquired Permian assets have been included in Ovintiv's consolidated financial statements since June 12, 2023.

Purchase Price Allocation

The Permian LLCs were accounted for under the acquisition method and as a single transaction because the purchase agreement was entered into at the same time with EnCap and in contemplation of one another to achieve an overall economic effect. The purchase price allocations represent the consideration paid and the fair values of the assets acquired, and liabilities assumed as of the acquisition date. The purchase price allocation was finalized during the first quarter of 2024.

Purchase Price Allocation

Consideration:	
Fair value of shares of Ovintiv common stock issued ⁽¹⁾	\$ 1,169
Consideration paid in cash ⁽²⁾	3,229
Total Consideration	\$ 4,398
Assets Acquired:	
Cash and cash equivalents	\$ 16
Accounts receivable and accrued revenues ⁽³⁾	202
Proved properties ⁽³⁾	3,727
Unproved properties ⁽³⁾	914
Other property, plant and equipment ⁽³⁾	17
Liabilities Assumed:	
Accounts payable and accrued liabilities ⁽³⁾	(446)
Asset retirement obligation	(28)
Other liabilities and provisions ⁽³⁾	(4)
Total Purchase Price	\$ 4,398

(1) The fair value was based on the issuance of 31.8 million shares of common stock using the NYSE price of \$36.78 on June 12, 2023.

(2) Cash consideration paid reflects final cash settlements of \$12 million which were completed during the first quarter of 2024.

(3) Since the completion of the business combination on June 12, 2023, additional information related to pre-acquisition assets and liabilities was obtained resulting in measurement period adjustments. Changes in the fair value estimates comprised an increase in accounts receivable and accrued revenues of \$22 million, an increase in proved properties of \$134 million, a decrease in unproved properties of \$227 million, a decrease in other property, plant and equipment of \$16 million, a decrease in accounts payable and accrued liabilities of \$73 million and a decrease in other liabilities and provisions of \$2 million.

The Company used the income approach valuation technique for the fair value of assets acquired and liabilities assumed. The carrying amounts of cash, accounts receivable and accounts payable approximate their fair values due to their nature and/or short-term maturity of the instruments. The fair value of tubular inventory in other property, plant and equipment was based on the fair value approach, which utilized subsequent sales of inventory, asset listings and cost records with consideration for the relative age, condition, utilization and economic support of the inventory. The fair values of the proved properties, unproved properties and asset retirement obligation were categorized within Level 3 and were determined using relevant market assumptions, including discount rates, future commodity prices and costs, timing of development activities, projections of oil and gas reserves, and estimates to abandon and reclaim producing wells. Level 3 inputs require significant judgment and estimates to be made.

For income tax purposes, the Permian Acquisition was treated as an asset purchase, and as a result, the tax basis in the assets and liabilities reflect their allocated fair value.

10. Property, Plant and Equipment, Net

	As at June 30, 2024			As at December 31, 2023		
	Cost	Accumulated DD&A	Net	Cost	Accumulated DD&A	Net
USA Operations						
Proved properties	\$ 48,897	\$ (36,786)	\$ 12,111	\$ 47,440	\$ (35,799)	\$ 11,641
Unproved properties	1,121	-	1,121	1,449	-	1,449
Other	54	-	54	39	-	39
	50,072	(36,786)	13,286	48,928	(35,799)	13,129
Canadian Operations						
Proved properties	16,342	(14,963)	1,379	16,644	(15,332)	1,312
Unproved properties	31	-	31	37	-	37
Other	6	-	6	8	-	8
	16,379	(14,963)	1,416	16,689	(15,332)	1,357
Market Optimization	7	(7)	-	7	(7)	-
Corporate & Other	833	(691)	142	853	(699)	154
	\$ 67,291	\$ (52,447)	\$ 14,844	\$ 66,477	\$ (51,837)	\$ 14,640

USA and Canadian Operations' property, plant and equipment include internal costs directly related to exploration, development and construction activities of \$99 million, which have been capitalized during the six months ended June 30, 2024 (2023 - \$76 million).

11. Leases

The following table outlines Ovintiv's estimated future sublease income as at June 30, 2024. All subleases are classified as operating leases.

(undiscounted)	2024	2025	2026	2027	2028	Thereafter	Total
Sublease Income	\$ 25	\$ 51	\$ 51	\$ 46	\$ 41	\$ 364	\$ 578

For the three and six months ended June 30, 2024, operating lease income was \$12 million and \$26 million, respectively (2023 - \$12 million and \$24 million, respectively), and variable lease income was \$6 million and \$11 million, respectively (2023 - \$6 million and \$11 million, respectively).

12. Long-Term Debt

	As at June 30, 2024	As at December 31, 2023
U.S. Dollar Denominated Debt		
Revolving credit and term loan borrowings	\$ 634	\$ 284
U.S. Unsecured Notes:		
5.65% due May 15, 2025	600	600
5.375% due January 1, 2026	459	459
5.65% due May 15, 2028	700	700
8.125% due September 15, 2030	300	300
7.20% due November 1, 2031	350	350
7.375% due November 1, 2031	500	500
6.25% due July 15, 2033	600	600
6.50% due August 15, 2034	599	599
6.625% due August 15, 2037	390	390
6.50% due February 1, 2038	430	430
5.15% due November 15, 2041	148	148
7.10% due July 15, 2053	400	400
Total Principal	6,110	5,760
Increase in Value of Debt Acquired	19	22
Unamortized Debt Discounts and Issuance Costs	(42)	(45)
Total Long-Term Debt	\$ 6,087	\$ 5,737
Current Portion	\$ 1,234	\$ 284
Long-Term Portion	4,853	5,453
	\$ 6,087	\$ 5,737

On May 31, 2023, Ovintiv completed a public offering of senior unsecured notes of \$600 million with a coupon rate of 5.65 percent due May 15, 2025, \$700 million with a coupon rate of 5.65 percent due May 15, 2028, \$600 million with a coupon rate of 6.25 percent due July 15, 2033, and \$400 million with a coupon rate of 7.10 percent due July 15, 2053. The net proceeds of the offering, totaling \$2,278 million, were used to fund a portion of the Company's Permian Acquisition. See Note 9 for further information on the business combination.

As at June 30, 2024, the Company had outstanding commercial paper of \$384 million maturing at various dates with a weighted average interest rate of approximately 6.13 percent. As at June 30, 2024, the Company also had \$250 million drawn on its revolving credit facilities. The credit facilities are unsecured and bear interest at the lenders' U.S. base rate, Canadian prime, Bankers' Acceptances, SOFR or CORRA, plus applicable margins.

As at June 30, 2024, total long-term debt had a carrying value of \$6,087 million and a fair value of \$6,293 million (as at December 31, 2023 - carrying value of \$5,737 million and a fair value of \$5,989 million). The estimated fair value of long-term borrowings is categorized within Level 2 of the fair value hierarchy and has been determined based on market information of long-term debt with similar terms and maturity, or by discounting future payments of interest and principal at interest rates expected to be available to the Company at period end.

13. Other Liabilities and Provisions

	As at June 30, 2024	As at December 31, 2023
Finance Lease Obligations	\$ 16	\$ 20
Unrecognized Tax Benefits	36	16
Pensions and Other Post-Employment Benefits	77	74
Other	12	22
	\$ 141	\$ 132

14. Share Capital

Authorized

Ovintiv is authorized to issue 750 million shares of common stock, par value \$0.01 per share, and 25 million shares of preferred stock, par value \$0.01 per share. No shares of preferred stock are outstanding.

Issued and Outstanding

	As at June 30, 2024		As at December 31, 2023	
	Number (millions)	Amount	Number (millions)	Amount
Shares of Common Stock Outstanding, Beginning of Year	271.7	\$ 3	245.7	\$ 3
Shares of Common Stock Purchased	(9.0)	-	(9.9)	-
Shares of Common Stock Issued	1.4	-	35.9	-
Shares of Common Stock Outstanding, End of Period	264.1	\$ 3	271.7	\$ 3

On June 12, 2023, in accordance with the terms of the Permian Acquisition agreement, Ovintiv issued approximately 31.8 million shares of common stock as a component of the consideration paid to EnCap as discussed in Note 9. In conjunction with the share issuance, the Company recognized share capital of \$318 thousand and paid in surplus of \$1,169 million.

Ovintiv's Performance Share Units ("PSU") and Restricted Share Units ("RSU") stock-based compensation plans allow the Company to settle the awards either in cash or in the Company's common stock. Accordingly, Ovintiv issued 1.4 million shares of common stock during the six months ended June 30, 2024 (4.1 million shares of common stock during the twelve months ended December 31, 2023), as certain PSU and RSU grants vested during the period.

Normal Course Issuer Bid and Other Share Buybacks

During the three and six months ended June 30, 2024, the Company purchased approximately 3.6 million shares and 9.0 million shares, respectively, for total consideration of approximately \$184 million and \$434 million, respectively. Of the amounts paid during the same three and six month periods, \$36 thousand and \$90 thousand, respectively, were charged to share capital and \$184 million and \$434 million, respectively, were charged to paid in surplus.

During the three and six months ended June 30, 2023, the Company purchased approximately 2.5 million shares and 7.7 million shares, respectively, for total consideration of approximately \$89 million and \$328 million, respectively. Of the amounts paid during the same three and six month periods, \$25 thousand and \$77 thousand, respectively, were charged to share capital and \$89 million and \$328 million, respectively, were charged to paid in surplus.

For the twelve months ended December 31, 2023, the Company purchased approximately 9.9 million shares for total consideration of approximately \$426 million, of which \$99 thousand was charged to share capital and \$426 million was charged to paid in surplus.

All NCIB purchases were made in accordance with their respective programs at prevailing market prices plus brokerage fees, with consideration allocated to share capital up to the par value of the shares, with any excess allocated to paid in surplus.

Dividends

During the three months ended June 30, 2024, the Company declared and paid dividends of \$0.30 per share of common stock totaling \$80 million (2023 - \$0.30 per share of common stock totaling \$82 million).

During the six months ended June 30, 2024, the Company declared and paid dividends of \$0.60 per share of common stock totaling \$160 million (2023 - \$0.55 per share of common stock totaling \$143 million).

On July 30, 2024, the Board of Directors declared a dividend of \$0.30 per share of common stock payable on September 27, 2024, to shareholders of record as of September 13, 2024.

Earnings Per Share of Common Stock

The following table presents the calculation of net earnings (loss) per share of common stock:

(US\$ millions, except per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net Earnings (Loss)	\$ 340	\$ 336	\$ 678	\$ 823
Number of Shares of Common Stock:				
Weighted average shares of common stock outstanding - Basic	266.2	249.4	267.9	246.9
Effect of dilutive securities	1.9	1.4	2.7	3.9
Weighted Average Shares of Common Stock Outstanding - Diluted	268.1	250.8	270.6	250.8
Net Earnings (Loss) per Share of Common Stock				
Basic	\$ 1.28	\$ 1.35	\$ 2.53	\$ 3.33
Diluted	1.27	1.34	2.51	3.28

Stock-Based Compensation Plans

Shares issued as a result of awards granted from stock-based compensation plans are funded out of the common stock authorized for issuance as approved by the Company's shareholders. As at June 30, 2024, there were no changes to Ovintiv's compensation plans and the Company has sufficient common stock held in reserve for issuance in accordance with its equity-settled stock-based compensation plans.

15. Accumulated Other Comprehensive Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Foreign Currency Translation Adjustment				
Balance, Beginning of Period	\$ 924	\$ 939	\$ 1,000	\$ 937
Change in Foreign Currency Translation Adjustment	(31)	53	(107)	55
Balance, End of Period	\$ 893	\$ 992	\$ 893	\$ 992
Pension and Other Post-Employment Benefit Plans				
Balance, Beginning of Period	\$ 49	\$ 52	\$ 50	\$ 54
Amounts Reclassified from Other Comprehensive Income:				
Reclassification of net actuarial (gains) and losses to net earnings	(2)	(2)	(3)	(4)
Income taxes	-	1	-	1
Balance, End of Period	\$ 47	\$ 51	\$ 47	\$ 51
Total Accumulated Other Comprehensive Income	\$ 940	\$ 1,043	\$ 940	\$ 1,043

16. Variable Interest Entities

Veresen Midstream Limited Partnership

Veresen Midstream Limited Partnership (“VMLP”) provides gathering, compression and processing services under various agreements related to the Company’s development of liquids and natural gas production in the Montney play. As at June 30, 2024, VMLP provides approximately 1,153 MMcf/d of natural gas gathering and compression and 913 MMcf/d of natural gas processing under long-term service agreements with remaining terms ranging from seven to 21 years and have various renewal terms providing up to a potential maximum of 10 years.

Ovintiv has determined that VMLP is a variable interest entity and that Ovintiv holds variable interests in VMLP. Ovintiv is not the primary beneficiary as the Company does not have the power to direct the activities that most significantly impact VMLP’s economic performance. These key activities relate to the construction, operation, maintenance and marketing of the assets owned by VMLP. The variable interests arise from certain terms under the various long-term service agreements and include: i) a take or pay for volumes in certain agreements; ii) an operating fee of which a portion can be converted into a fixed fee once VMLP assumes operatorship of certain assets; and iii) a potential payout of minimum costs in certain agreements. The potential payout of minimum costs will be assessed in the eighth year of the assets’ service period and is based on whether there is an overall shortfall of total system cash flows from natural gas gathered and compressed under certain agreements. The potential payout amount can be reduced in the event VMLP markets unutilized capacity to third-party users. Ovintiv is not required to provide any financial support or guarantees to VMLP.

As a result of Ovintiv’s involvement with VMLP, the maximum total exposure to loss related to the commitments under the agreements is estimated to be \$1,111 million as at June 30, 2024. The estimate comprises the take or pay volume commitments and the potential payout of minimum costs. The take or pay volume commitments associated with certain gathering and processing assets are included in Note 21 under Transportation and Processing. The potential payout requirement is highly uncertain as the amount is contingent on future production estimates, pace of development and downstream transportation constraints. As at June 30, 2024, accounts payable and accrued liabilities included \$0.6 million related to the take or pay commitment.

17. Compensation Plans

As at June 30, 2024, there were no changes to Ovintiv's compensation plans and the Company has sufficient common stock held in reserve for issuance in accordance with its equity-settled stock-based compensation plans.

The Company has recognized the following share-based compensation costs:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Total Compensation Costs of Transactions Classified as Cash-Settled	\$ (3)	\$ 4	\$ 2	\$ (24)
Total Compensation Costs of Transactions Classified as Equity-Settled	24	24	48	45
Less: Total Share-Based Compensation Costs Capitalized	(8)	(5)	(14)	(13)
Total Share-Based Compensation Expense (Recovery)	\$ 13	\$ 23	\$ 36	\$ 8
Recognized in the Condensed Consolidated Statement of Earnings in:				
Operating	\$ 5	\$ 7	\$ 13	\$ 11
Administrative	8	16	23	(3)
	\$ 13	\$ 23	\$ 36	\$ 8

As at June 30, 2024, the liability for cash-settled share-based payment transactions totaled \$14 million (\$14 million as at December 31, 2023), which is recognized in accounts payable and accrued liabilities.

The following weighted average assumptions were used to determine the fair value of SAR and TSAR units outstanding:

	As at June 30, 2024		As at June 30, 2023	
	US\$ SAR Share Units	C\$ TSAR Share Units	US\$ SAR Share Units	C\$ TSAR Share Units
Risk Free Interest Rate	4.04%	4.04%	4.61%	4.61%
Dividend Yield	2.56%	2.54%	3.15%	3.21%
Expected Volatility Rate ⁽¹⁾	48.63%	45.21%	59.69%	55.88%
Expected Term	1.0 yrs	1.0 yrs	1.4 yrs	1.2 yrs
Market Share Price	US\$46.87	C\$64.13	US\$38.07	C\$50.42
Weighted Average Grant Date Fair Value	US\$40.91	C\$54.84	US\$44.87	C\$62.66

(1) Volatility was estimated using historical rates.

The following units were granted primarily in conjunction with the Company's annual grant of long-term incentive awards. The PSUs and RSUs were granted at the volume-weighted average trading price of shares of Ovintiv common stock for the five days prior to the grant date.

Six Months Ended June 30, 2024 (thousands of units)

RSUs	1,494
PSUs	582
DSUs	5

18. Fair Value Measurements

The fair values of cash and cash equivalents, accounts receivable and accrued revenues, and accounts payable and accrued liabilities approximate their carrying amounts due to the short-term maturity of those instruments. The fair values of restricted cash and marketable securities included in other assets approximate their carrying amounts due to the nature of the instruments held.

Recurring fair value measurements are performed for risk management assets and liabilities and other derivative contracts, as discussed further in Note 19. These items are carried at fair value in the Condensed Consolidated Balance Sheet and are classified within the three levels of the fair value hierarchy in the following tables.

Fair value changes and settlements for amounts related to risk management assets and liabilities are recognized in revenues and foreign exchange gains and losses according to their purpose.

	Level 1 Quoted Prices in Active Markets	Level 2 Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total Fair Value	Netting ⁽¹⁾	Carrying Amount
As at June 30, 2024						
Risk Management Assets						
Commodity Derivatives:						
Current assets	\$ -	\$ 126	\$ -	\$ 126	\$ (10)	\$ 116
Long-term assets	-	16	-	16	(6)	10
Foreign Currency Derivatives:						
Current assets	-	1	-	1	-	1
Risk Management Liabilities						
Commodity Derivatives:						
Current liabilities	\$ -	\$ -	\$ 17	\$ 17	\$ (10)	\$ 7
Long-term liabilities	-	12	-	12	(6)	6

	Level 1 Quoted Prices in Active Markets	Level 2 Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total Fair Value	Netting ⁽¹⁾	Carrying Amount
As at December 31, 2023						
Risk Management Assets						
Commodity Derivatives:						
Current assets	\$ -	\$ 188	\$ 16	\$ 204	\$ (1)	\$ 203
Long-term assets	-	5	-	5	(1)	4
Foreign Currency Derivatives:						
Current assets	-	11	-	11	-	11
Risk Management Liabilities						
Commodity Derivatives:						
Current liabilities	\$ -	\$ 1	\$ -	\$ 1	\$ (1)	\$ -
Long-term liabilities	-	3	-	3	(1)	2
Other Derivative Contracts ⁽²⁾						
Current in accounts payable and accrued liabilities	\$ -	\$ 4	\$ -	\$ 4	\$ -	\$ 4

(1) Netting to offset derivative assets and liabilities where the legal right and intention to offset exists, or where counterparty master netting arrangements contain provisions for net settlement.

(2) Includes credit derivatives associated with certain prior years' divestitures.

The Company's Level 1 and Level 2 risk management assets and liabilities consist of commodity fixed price contracts, NYMEX three-way options, NYMEX costless collars, foreign currency swaps and basis swaps with terms to 2025. The fair values of these contracts are estimated using inputs which are either directly or indirectly observable from active markets, such as exchange and other published prices, broker quotes and observable trading activity throughout the term of the instruments.

Level 3 Fair Value Measurements

As at June 30, 2024, the Company's Level 3 risk management assets and liabilities consist of WTI costless collars and WTI three-way options with terms to 2025. The WTI three-way options are a combination of a sold call, a bought put and a sold put. The WTI costless collars are a combination of a sold call and a bought put. These contracts allow the Company to participate in the upside of commodity prices to the ceiling of the call option and provide the Company with complete (collars) or partial (three-way) downside price protection through the put options. The fair values of these contracts are determined using an option pricing model using observable and unobservable inputs such as implied volatility. The unobservable inputs are obtained from third parties whenever possible and reviewed by the Company for reasonableness.

A summary of changes in Level 3 fair value measurements for risk management positions is presented below:

	Six Months Ended June 30,	
	2024	2023
Balance, Beginning of Year	\$ 16	\$ 12
Total Gains (Losses)	(42)	48
Purchases, Sales, Issuances and Settlements:		
Purchases, sales and issuances	-	-
Settlements	9	-
Transfers Out of Level 3	-	-
Balance, End of Period	\$ (17)	\$ 60
Change in Unrealized Gains (Losses) During the Period Included in Net Earnings (Loss)	\$ (33)	\$ 48

Quantitative information about unobservable inputs used in Level 3 fair value measurements is presented below as at June 30, 2024:

	Valuation Technique	Unobservable Input	Range	Weighted Average ⁽¹⁾
Risk Management - WTI Options	Option Model	Implied Volatility	20% - 36%	23%

(1) Unobservable inputs were weighted by the relative fair value of the instruments.

A 10 percent increase or decrease in implied volatility for the WTI options would cause an approximate corresponding \$4 million (\$1 million as at December 31, 2023) increase or decrease to net risk management assets and liabilities.

19. Financial Instruments and Risk Management

A) Financial Instruments

Ovintiv's financial assets and liabilities are recognized in cash and cash equivalents, accounts receivable and accrued revenues, other assets, accounts payable and accrued liabilities, risk management assets and liabilities, long-term debt, and other liabilities and provisions.

B) Risk Management Activities

Ovintiv uses derivative financial instruments to manage its exposure to fluctuating commodity prices and foreign currency exchange rates. The Company does not apply hedge accounting to any of its derivative financial instruments. As a result, gains and losses from changes in the fair value are recognized in net earnings (loss).

Commodity Price Risk

Commodity price risk arises from the effect that fluctuations in future commodity prices may have on revenues from production. To partially mitigate exposure to commodity price risk, the Company has entered into various derivative financial instruments. The use of these derivative instruments is governed under formal policies and is subject to limits established by the Board of Directors.

Oil and NGLs - To partially mitigate oil and NGL commodity price risk, the Company uses WTI- and NGL-based contracts such as fixed price contracts, options and costless collars. Ovintiv has also entered into basis swaps to manage against widening price differentials between various production areas, products and price points.

Natural Gas - To partially mitigate natural gas commodity price risk, the Company uses NYMEX-based contracts such as fixed price contracts, options and costless collars. Ovintiv has also entered into basis swaps to manage against widening price differentials between various production areas and benchmark price points.

Foreign Exchange Risk

Foreign exchange risk arises from changes in foreign currency exchange rates that may affect the fair value or future cash flows from the Company's financial assets or liabilities. To partially mitigate the effect of foreign exchange fluctuations on future commodity revenues and expenses, the Company may enter into foreign currency derivative contracts. As at June 30, 2024, the Company has entered into \$236 million notional U.S. dollar denominated currency swaps at an average exchange rate of C\$1.3697 to US\$1, which mature monthly through the remainder of 2024.

Risk Management Positions as at June 30, 2024

	Notional Volumes	Term	Average Price	Fair Value
Oil and NGL Contracts			US\$/bbl	
Fixed Price Contracts				
Ethane Fixed Price	5.0 Mbbls/d	2024	10.28	\$ 2
WTI Three-Way Options				
Sold call / bought put / sold put	45.0 Mbbls/d	2024	86.75 / 65.00 / 50.00	(9)
Sold call / bought put / sold put	25.3 Mbbls/d	2025	85.52 / 65.00 / 50.00	(8)
WTI Costless Collars				
Sold call / bought put	5.0 Mbbls/d	2024	92.06 / 60.00	-
Basis Contracts ⁽¹⁾		2024		-
Oil and NGLs Fair Value Position				(15)
Natural Gas Contracts			US\$/Mcf	
Fixed Price Contracts				
NYMEX Fixed Price	200 MMcf/d	2024	3.62	27
NYMEX Three-Way Options				
Sold call / bought put / sold put	200 MMcf/d	2024	4.51 / 3.00 / 2.25	10
Sold call / bought put / sold put	500 MMcf/d	2025	4.54 / 3.00 / 2.25	(9)
NYMEX Costless Collars				
Sold call / bought put	400 MMcf/d	2024	4.49 / 3.00	26
Basis Contracts ⁽²⁾		2024		46
		2025		28
Natural Gas Fair Value Position				128
Foreign Currency Contracts				
Fair Value Position ⁽³⁾		2024		1
Total Fair Value Position				\$ 114

(1) Ovintiv has entered into oil differential swaps associated with Canadian condensate and WTI.

(2) Ovintiv has entered into natural gas basis swaps associated with AECO, Waha and NYMEX.

(3) Ovintiv has entered into U.S. dollar denominated fixed-for-floating average currency swaps to protect against fluctuations between the Canadian and U.S. dollars.

Earnings Impact of Realized and Unrealized Gains (Losses) on Risk Management Positions

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Realized Gains (Losses) on Risk Management				
Commodity and Other Derivatives:				
Revenues ⁽¹⁾	\$ 69	\$ 5	\$ 115	\$ (71)
Foreign Currency Derivatives:				
Foreign exchange	(1)	(3)	(1)	(7)
Interest Rate Derivatives:				
Interest Rate ⁽²⁾	-	1	-	1
	\$ 68	\$ 3	\$ 114	\$ (77)
Unrealized Gains (Losses) on Risk Management				
Commodity and Other Derivatives:				
Revenues ⁽³⁾	\$ 8	\$ 142	\$ (92)	\$ 160
Foreign Currency Derivatives:				
Foreign exchange	(2)	9	(10)	15
	\$ 6	\$ 151	\$ (102)	\$ 175
Total Realized and Unrealized Gains (Losses) on Risk Management, net				
Commodity and Other Derivatives:				
Revenues ⁽¹⁾⁽³⁾	\$ 77	\$ 147	\$ 23	\$ 89
Foreign Currency Derivatives:				
Foreign exchange	(3)	6	(11)	8
Interest Rate Derivatives:				
Interest Rate ⁽²⁾	-	1	-	1
	\$ 74	\$ 154	\$ 12	\$ 98

- (1) Includes a realized gain of \$4 million for the three and six months ended June 30, 2024, respectively (2023 - nil, respectively), related to other derivative contracts.
- (2) The interest rate swap was executed and settled during the three months ended June 30, 2023, in relation to the senior notes issuance described in Note 12. The gain was recognized in interest expense.
- (3) There were no unrealized gains or losses related to other derivative contracts for the three or six months ended June 30, 2024 or 2023.

Reconciliation of Unrealized Risk Management Positions from January 1 to June 30

	2024		2023	
	Fair Value	Total Unrealized Gain (Loss)	Total Unrealized Gain (Loss)	Total Unrealized Gain (Loss)
Fair Value of Contracts, Beginning of Year	\$ 212			
Change in Fair Value of Contracts in Place at Beginning of Year and Contracts Entered into During the Period	12	\$ 12	\$ 98	
Settlement of Other Derivative Contracts	4			
Fair Value of Contracts Realized During the Period	(114)	(114)	77	
Fair Value of Contracts, End of Period	\$ 114	\$ (102)	\$ 175	

Risk management assets and liabilities arise from the use of derivative financial instruments and are measured at fair value. See Note 18 for a discussion of fair value measurements.

Unrealized Risk Management Positions

	As at June 30, 2024	As at December 31, 2023
Risk Management Assets		
Current	\$ 117	\$ 214
Long-term	10	4
	127	218
Risk Management Liabilities		
Current	7	-
Long-term	6	2
	13	2
Other Derivative Contract Liabilities		
Current in accounts payable and accrued liabilities	-	4
	-	4
Net Risk Management Assets (Liabilities) and Other Derivative Contracts	\$ 114	\$ 212

C) Credit Risk

Credit risk arises from the potential that the Company may incur a loss if a counterparty to a financial instrument fails to meet its obligation in accordance with agreed terms. While exchange-traded contracts are subject to nominal credit risk due to the financial safeguards established by the exchanges and clearing agencies, over-the-counter traded contracts expose Ovintiv to counterparty credit risk. Counterparties to the Company's derivative financial instruments consist primarily of major financial institutions and companies within the energy industry. This credit risk exposure is mitigated through the use of credit policies approved by the Board of Directors governing the Company's credit portfolio including credit practices that limit transactions according to counterparties' credit quality. Mitigation strategies may include master netting arrangements, requesting collateral, purchasing credit insurance and/or transacting credit derivatives. The Company executes commodity derivative financial instruments under master agreements that have netting provisions that provide for offsetting payables against receivables. Ovintiv actively evaluates the creditworthiness of its counterparties, assigns appropriate credit limits and monitors credit exposures against those assigned limits. As at June 30, 2024, Ovintiv's maximum exposure of loss due to credit risk from derivative financial instrument assets on a gross and net fair value basis was \$143 million and \$127 million, respectively, as disclosed in Note 18. The Company had no significant credit derivatives in place and held no collateral at June 30, 2024.

Any cash equivalents include high-grade, short-term securities, placed primarily with financial institutions with investment grade ratings. Any foreign currency agreements entered into are with major financial institutions that have investment grade credit ratings.

A substantial portion of the Company's accounts receivable are with customers and working interest owners in the oil and gas industry and are subject to normal industry credit risks. As at June 30, 2024, approximately 93 percent (91 percent as at December 31, 2023) of Ovintiv's accounts receivable and financial derivative credit exposures were with investment grade counterparties.

During 2015 and 2017, the Company entered into agreements resulting from divestitures, which required Ovintiv to fulfill certain payment obligations on the take or pay volume commitments assumed by the purchasers. The circumstances that would require Ovintiv to perform under the agreements included events where a purchaser failed to make payment to the guaranteed party and/or a purchaser was subject to an insolvency event. The agreements had a fair value of \$4 million as at December 31, 2023 and expired in June 2024.

20. Supplementary Information

Supplemental disclosures to the Condensed Consolidated Statement of Cash Flows are presented below:

A) Net Change in Non-Cash Working Capital

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Operating Activities				
Accounts receivable and accrued revenues	\$ 63	\$ 205	\$ 235	\$ 519
Accounts payable and accrued liabilities	(9)	(103)	(301)	(290)
Current portion of operating lease liabilities	6	(3)	(3)	9
Income tax receivable and payable	(23)	45	(258)	128
	\$ 37	\$ 144	\$ (327)	\$ 366

B) Non-Cash Activities

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Non-Cash Operating Activities				
ROU operating lease assets and liabilities	\$ (25)	\$ (40)	\$ (33)	\$ (69)
Non-Cash Investing Activities				
Property, plant and equipment accruals	\$ (17)	\$ 93	\$ (2)	\$ 92
Capitalized long-term incentives	-	-	(7)	(2)
Property additions/dispositions, including swaps	14	4	31	22
Non-Cash Financing Activities				
Common shares issued in conjunction with the Permian Acquisition (See Note 9)	\$ -	\$ (1,169)	\$ -	\$ (1,169)

21. Commitments and Contingencies

Commitments

The following table outlines the Company's commitments as at June 30, 2024:

(undiscounted)	Expected Future Payments							Total
	2024	2025	2026	2027	2028	Thereafter		
Transportation and Processing	\$ 336	\$ 669	\$ 594	\$ 498	\$ 445	\$ 2,145	\$ 4,687	
Drilling and Field Services	172	105	7	-	-	-	284	
Building Leases & Other Commitments	5	9	8	7	6	19	54	
Total	\$ 513	\$ 783	\$ 609	\$ 505	\$ 451	\$ 2,164	\$ 5,025	

Operating leases with terms greater than one year are not included in the commitments table above. The table above includes short-term leases with contract terms less than 12 months, such as drilling rigs and field office leases, as well as non-lease operating cost components associated with building leases.

Included within transportation and processing in the table above are certain commitments associated with midstream service agreements with VMLP as described in Note 16. Divestiture transactions can reduce certain commitments disclosed above.

Contingencies

Ovintiv is involved in various legal claims and actions arising in the normal course of the Company's operations. Although the outcome of these claims cannot be predicted with certainty, the Company does not expect these matters to have a material adverse effect on Ovintiv's financial position, cash flows or results of operations. Management's assessment of these matters may change in the future as these matters are subject to a number of uncertainties. For any material matters that the Company believes an unfavorable outcome is reasonably possible, the Company discloses the nature and a range of potential exposures, if reasonably estimable. If an unfavorable outcome were to occur, there exists the possibility of a material impact on the Company's consolidated net earnings or loss for the period in which the effect becomes reasonably estimable. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. Such accruals are based on the Company's information known about the matters, estimates of the outcomes of such matters and experience in handling similar matters.

During the second quarter of 2024, Ovintiv resolved a dispute related to the previous disposition of certain legacy assets. The Company expects to receive net proceeds of approximately \$150 million later in the year, at which time the Company will recognize a contingent gain within Other (gains) losses, net in its Consolidated Statement of Earnings. Ovintiv recognizes contingent gains in its Consolidated Financial Statements when the gain is realized or considered realizable.