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") unaudited interim consolidated financial statements for the three and nine months ended September 30, 2012 and NuVista's audited consolidated financial statements for the year ended December 31, 2011. The following MD&A of financial condition and results of operations was prepared at and is dated November 7, 2012. Our December 31, 2011 audited consolidated financial statements, Annual Information Form and other disclosure documents for 2011 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") as issued by the International Accounting Standards Board ("IASB"). 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. The foregoing conversion ratios are 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 risk management strategy; forecast production and production mix, drilling, development, completions and tie-in plans, costs and results; NuVista's planned capital budget; targeted debt level; the timing, allocation and efficiency of NuVista's capital program and the results therefrom; NuVista's planned divesture program; the anticipated potential and growth opportunities associated with NuVista's asset base; forecast funds from operations; the source of funding of capital expenditures; asset retirement obligations and the amount and timing of expenditures relating to such asset retirement obligations and the source of funding thereof; NuVista's risk management strategy; expectations regarding future commodity prices, netbacks and price differentials; industry conditions; anticipated accounting changes and the impact on NuVista's operations and financial position and the timing of providing additional guidance.*

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, 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 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. Trailing twelve months funds from operations is calculated as cash flow from operating activities before changes in non-cash working capital and asset retirement expenditures for the preceding twelve month period. 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, restricted share award, 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. Thereafter tax items include, but are not limited to unrealized gains/losses on commodity derivatives, impairments and impairment reversals, goodwill impairments, gains/losses on divestures and the effect of changes in statutory income tax rate. Operating netbacks and adjusted working capital as presented, do not have any standardized meaning prescribed by GAAP and therefore, may not be comparable with the calculation of similar measures for other entities. Operating netbacks equal the total of revenues including realized commodity derivative gains/losses less royalties, transportation and operating costs. Adjusted working capital equals working capital excluding the current portion of the commodity derivative asset or liability, assets held for sale and liabilities associated with assets held for sale. Total Boe is calculated by multiplying the daily production by the number of days in the period.*

Description of business – NuVista is an oil and natural gas company pursuing a growth strategy based on the successful implementation of repeatable development drilling on its condensate-rich Wapiti Montney natural gas resource play. NuVista has a disciplined approach to business focusing on profitability, prudently managing its financial flexibility with strong, repeatable drilling and completions execution. The common shares of NuVista trade on the Toronto Stock Exchange ("TSX") under the symbol NVA.

Operating activities – For the three months ended September 30, 2012, NuVista drilled 1 (1.0 net) vertical service well in our Wapiti operating area. In addition, NuVista completed the tie-in of the fifth well of the five well pilot program and began drilling a horizontal well to further delineate its landholdings and validate licenses.

For the nine months ended September 30, 2012, NuVista drilled 14 (11.2 net) wells resulting in 7 (5.3 net) oil wells, 6 (4.9 net) natural gas wells and 1 (1.0 net) dry hole for an overall success rate of 93%. NuVista operated 11 of the wells with 2 heavy oil wells drilled in the Oyen operating area, 2 heavy oil wells drilled in the Provost operating area, 3 heavy oil wells drilled in the Central Saskatchewan operating area and 4 gas wells drilled in the Wapiti operating area.

Production

	Three months ended September 30,			Nine months ended September 30,		
	2012	2011	% Change	**2012**	2011	% Change
Natural gas (Mcf/d)	**101,762**	104,590	(3)	**101,769**	105,235	(3)
Liquids (Bbls/d)	**3,541**	2,885	23	**3,288**	2,995	10
Oil (Bbls/d)	**3,435**	5,043	(32)	**3,967**	5,105	(22)
Total oil equivalent (Boe/d)	**23,936**	25,360	(6)	**24,217**	25,640	(6)

For the three months ended September 30, 2012, NuVista's average production was 23,936 Boe/d, comprised of 101.8 MMcf/d of natural gas, 3,541 Bbls/d of associated natural gas liquids ("liquids") and 3,435 Bbls/d of oil, which is a 2% increase from average production of 23,467 Boe/d from the second quarter of 2012 and a 6% decrease compared to the third quarter of 2011. The decrease in NuVista's production during the three months ended September 30, 2012 compared to the same period in 2011 was primarily due to an increase in liquids production from new wells in the Wapiti area offset by natural declines in oil production in our Provost, Pembina and Saskatchewan areas.

NuVista's production for the nine months ended September 30, 2012 averaged 24,217 Boe/d comprised of 101.8 MMcf/d of natural gas, 3,288 Bbls/d of liquids and 3,967 Bbls/d of oil, which represents an overall 6% average decrease over the same period in 2011. The decrease in production for the nine months ended September 30, 2012 compared to the same period in 2011 is primarily due to lower capital spending and a shift in the focus of our drilling program from heavy oil wells in West Central Saskatchewan to Wapiti Montney liquids-rich natural gas wells with a longer cycle time between drilling and production dates.

Oil and liquids weighting in the third quarter of 2012 was 29% compared to 31% in the same period in 2011 and 30% in the second quarter of 2012. Of our year to date average liquids production, 67% was condensate that sells at a premium to light oil and 33% was ethane, propane and butane.

Commodity prices

Benchmark pricing

	Three months ended September 30,			Nine months ended September 30,		
	2012	2011	% Change	**2012**	2011	% Change
Natural gas – AECO (daily) ($/GJ)	**2.17**	3.47	(38)	**2.00**	3.57	(44)
Natural gas – AECO (monthly) ($/GJ)	**2.08**	3.53	(41)	**2.07**	3.55	(42)
Oil – WTI (US$/Bbl)	**92.22**	89.76	3	**96.21**	95.48	1
Oil – Edmonton Par – WTI Differential (US$/Bbl)	**(6.50)**	4.15	(257)	**(9.06)**	1.22	(843)
Oil – WCS – WTI Differential (US$/Bbl)	**(21.72)**	(17.62)	(23)	**(22.00)**	(19.34)	(14)
Exchange rate (Cdn$/US$)	**0.9948**	0.9802	1	**1.0021**	0.9780	2

Average selling prices (1)

	Three months ended September 30,			Nine months ended September 30,		
	2012	2011	% Change	**2012**	2011	% Change
Natural gas ($/Mcf)	**2.24**	3.94	(43)	**2.24**	3.96	(43)
Liquids ($/Bbl)	**52.90**	63.53	(17)	**57.27**	62.83	(9)
Oil ($/Bbl)	**74.43**	73.09	2	**73.22**	77.13	(5)

(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.

NuVista markets its natural gas based on a mix of monthly and daily AECO pricing. During this uncertain natural gas price environment, NuVista has been selling the majority of its gas based on AECO monthly pricing to reduce pricing uncertainty. NuVista's average selling price for gas in the third quarter of 2012 was $2.24/Mcf compared to $3.94/Mcf for same period in 2011 and $2.00/Mcf in the second quarter of 2012. For the first nine months of 2012 the average selling price was $2.24/Mcf versus $3.96/Mcf for the same period in 2011.

The price NuVista receives for its oil production is primarily driven by the price of WTI, less a discount to Western Canada for heavier grades. NuVista's light oil sales closely match the Edmonton Par price and heavy oil sales closely match the WCS heavy oil benchmark. WTI prices were 3% higher in the third quarter of 2012 compared to the third quarter of 2011. For the first nine months of 2012 WTI prices averaged US$96.21/Bbl compared to US$95.48/Bbl over the first nine months of 2011. Realized oil prices were up 2% in the third quarter of 2012 compared to the same period of 2011 and down 5% in the first nine months versus the first nine months of 2011. The decline in realized prices in the first nine months was due to widening light oil and heavy oil discounts to WTI crude oil. NuVista's exposure to the widening heavy oil discounts in the first nine months of 2012 was mitigated by price risk management contracts that fixed the heavy oil differential at US$(13.85)/Bbl for 3,000 Bbls/d.

Natural gas liquids include condensate, butane, propane and ethane. Condensate prices are highly correlated to light oil prices and ethane prices are highly correlated to natural gas prices. Propane and butane trade at varying discounts to light oil prices depending on market conditions. NuVista realized an average price of $52.90/Bbl for liquids sales in the third quarter of 2012 representing approximately a 17% decrease over the same period of 2011. For the first three quarters of 2012, the average price was down 9% versus the same period in 2011. This decrease was primarily due to propane and butane prices weakening relative to WTI.

Revenues

	Three months ended September 30,					
($ thousands, except per unit amounts)	**2012**		2011		% Change	
Natural gas	$	$/Mcf	$	$/Mcf	$	$/Mcf
Revenue[(1)]	**20,926**	**2.24**	37,923	3.94	(45)	(43)
Realized gain (loss) on commodity derivatives	**(15)**	**-**	(281)	(0.03)	(95)	(100)
Total natural gas	**20,911**	**2.24**	37,642	3.91	(44)	(43)
Liquids	$	$/Bbl	$	$/Bbl	$	$/Bbl
Revenue	**17,231**	**52.90**	16,864	63.53	2	(17)
Realized gain (loss) on commodity derivatives	**-**	**-**	-	-	-	-
Total liquids	**17,231**	**52.90**	16,864	63.53	2	(17)
Oil	$	$/Bbl	$	$/Bbl	$	$/Bbl
Revenue	**23,521**	**74.43**	33,913	73.09	(31)	2
Realized gain (loss) on commodity derivatives	**(1,758)**	**(5.56)**	(1,163)	(2.51)	51	122
Total oil	**21,763**	**68.87**	32,750	70.58	(34)	(2)
Total	$	$/Boe	$	$/Boe	$	$/Boe
Revenue	**61,678**	**28.01**	88,700	38.02	(30)	(26)
Realized gain (loss) on commodity derivatives	**(1,773)**	**(0.81)**	(1,444)	(0.62)	23	31
Total revenue	**59,905**	**27.20**	87,256	37.40	(31)	(27)

(1) Natural gas revenue includes price risk management gains and losses on physical sale contracts. For the three months ended September 30, 2012, our physical sale contracts totaled $0.9 million loss (2011 – $0.8 million gain).

($ thousands, except per unit amounts)	Nine months ended September 30, **2012**		2011		% Change	
Natural gas	$	$/Mcf	$	$/Mcf	$	$/Mcf
Revenue[1]	**62,547**	**2.24**	113,788	3.96	(45)	(43)
Realized gain (loss) on commodity derivatives	**(1,197)**	**(0.04)**	(329)	(0.01)	264	300
Total natural gas	**61,350**	**2.20**	113,459	3.95	(46)	(44)
Liquids	$	$/Bbl	$	$/Bbl	$	$/Bbl
Revenue	**51,603**	**57.27**	51,372	62.83	-	(9)
Realized gain (loss) on commodity derivatives	**-**	**-**	-	-	-	-
Total liquids	**51,603**	**57.27**	51,372	62.83	-	(9)
Oil	$	$/Bbl	$	$/Bbl	$	$/Bbl
Revenue	**79,585**	**73.22**	107,496	77.13	(26)	(5)
Realized gain (loss) on commodity derivatives	**(2,690)**	**(2.47)**	(7,064)	(5.07)	(62)	(51)
Total oil	**76,895**	**70.75**	100,432	72.06	(23)	(2)
Total	$	$/Boe	$	$/Boe	$	$/Boe
Revenue	**193,735**	**29.20**	272,656	38.95	(29)	(25)
Realized gain (loss) on commodity derivatives	**(3,887)**	**(0.59)**	(7,393)	(1.06)	(47)	(44)
Total revenue	**189,848**	**28.61**	265,263	37.89	(28)	(24)

[1] Natural gas revenue includes price risk management gains and losses on physical sale contracts. For the nine months ended September 30, 2012, our physical sale contracts totaled $0.4 million gain (2011 – $0.8 million gain).

For the three months ended September 30, 2012, revenues including realized commodity derivative gains and losses were $59.9 million, a 31% decrease from $87.3 million for the same period in 2011 and a decrease of 2% or $58.9 million compared to the second quarter of 2012. The decrease in revenues for the three months ended September 30, 2012 compared to the same period of 2011 is primarily due to a 6% decrease in production volumes and a 27% decrease in overall realized prices. Revenues were comprised of $20.9 million of natural gas revenue, $17.2 million of liquids revenue and $21.8 million of oil revenue. The decrease in average realized commodity prices is comprised of a 43% decrease in the natural gas price to $2.24/Mcf from $3.91/Mcf, a 17% decrease in the liquids price to $52.90/Bbl from $63.53/Bbl and a 2% decrease in the oil price to $68.87/Bbl from $70.58/Bbl.

For the nine months ended September 30, 2012, revenues including realized commodity derivative gains and losses were $189.8 million, a 28% decrease from $265.3 million for the same period in 2011. The decrease in revenues for the first nine months of 2012 compared to the same period of 2011 is primarily due to a decrease in production and natural gas pricing. These revenues were comprised of $61.4 million of natural gas revenue, $51.6 million of liquids revenue and $76.9 million of oil revenue. The decrease in average realized commodity prices is comprised of a 44% decrease in the natural gas price to $2.20/Mcf from $3.95/Mcf, a 9% decrease in the liquids price to $57.27/Bbl from $62.83/Bbl and a decrease of 2% in the oil price to $70.75/Bbl from $72.06/Bbl.

Commodity price risk management

($ thousands)	Three months ended September 30, **2012**			2011		
	Realized Gain (Loss)	**Unrealized Gain (Loss)**	**Total Gain (Loss)**	Realized Gain (Loss)	Unrealized Gain (Loss)	Total Gain (Loss)
Natural gas	**(15)**	**(70)**	**(85)**	(281)	(1,334)	(1,615)
Oil	**(1,758)**	**(497)**	**(2,255)**	(1,163)	6,992	5,829
Total gain (loss)	**(1,773)**	**(567)**	**(2,340)**	(1,444)	5,658	4,214

($ thousands)	Nine months ended September 30, 2012 Realized Gain (Loss)	2012 Unrealized Gain (Loss)	2012 Total Gain (Loss)	2011 Realized Gain (Loss)	2011 Unrealized Gain (Loss)	2011 Total Gain (Loss)
Natural gas	**(1,197)**	**1,157**	**(40)**	(329)	(3,056)	(3,385)
Oil	**(2,690)**	**13,264**	**10,574**	(7,064)	10,473	3,409
Total gain (loss)	**(3,887)**	**14,421**	**10,534**	(7,393)	7,417	24

NuVista has adopted 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 the financial results, protect acquisition economics and help stabilize cash flow against the unpredictable commodity price environment. NuVista's Board of Directors has approved a price risk management limit of up to 60% of forecast production, net of royalties, using fixed price, differential, put option and costless collar contracts. Both commodity derivative and physical sale contracts are entered into to achieve NuVista's price risk management objectives.

During the third quarter of 2012, the commodity price risk management program resulted in a loss of $2.3 million, consisting of realized losses of $1.8 million and unrealized losses of $0.5 million on natural gas and oil contracts. For the nine months ended September 30, 2012, the commodity price risk management program resulted in a gain of $10.5 million, consisting of realized losses of $3.9 million and unrealized gains of $14.4 million on natural gas and oil contracts. As at September 30, 2012, the mark-to-market value of the financial derivative commodity contracts was a net liability of $1.2 million.

During the three and nine months ended September 30, 2012 our physical sale contracts totaled $0.9 million in losses and $0.4 million in gains respectively. The physical sale contracts are entered into in accordance with the Company's expected requirements. During the third quarter of 2012, NuVista unwound certain commodity derivative contracts resulting in a loss of $0.8 million on oil contracts recorded as realized loss on commodity derivatives and a loss of $1.0 million on the gas physical sale contracts recorded in revenue in the statement of earnings. As at September 30, 2012, the mark-to-market value of the physical purchase and sale contracts was a loss of $3.6 million (September 30, 2011 – $1.5 million gain) and are not included in the statement of financial position as they are not considered derivative financial instruments.

(a) Financial instruments

The following is a summary of financial instruments outstanding as at September 30, 2012:

	Volume	Pricing	Premium	Remaining term
WTI crude oil contracts				
Fixed price swap	1,350 Bbls/d	Cdn $86.39/Bbl		Oct 1, 2012 - Dec 31, 2012
Fixed price swap	1,350 Bbls/d	Cdn $86.39/Bbl		Jan 1, 2013 - Mar 31, 2013
Fixed price swap(1)	850 Bbls/d	Cdn $92.77/Bbl		Apr 1, 2013 - Jun 30, 2013
Fixed price swap(2)	750 Bbls/d	Cdn $94.00/Bbl		Jul 1, 2013 - Sep 30, 2013
Fixed price swap	250 Bbls/d	Cdn $95.43/Bbl		Oct 1, 2013 - Dec 31, 2013
Fixed price swap	250 Bbls/d	Cdn $95.43/Bbl		Jan 1, 2014 - Mar 31, 2014
Put option	350 Bbls/d	Cdn $101.83/Bbl	Cdn $6.87/Bbl	Oct 1, 2012 - Dec 31, 2012
Put option	350 Bbls/d	Cdn $101.83/Bbl	Cdn $6.87/Bbl	Jan 1, 2013 - Mar 31, 2013
Put option	183 Bbls/d	Cdn $99.13/Bbl	Cdn $6.91/Bbl	Apr 1, 2013 - Jun 30, 2013
Put option	33 Bbls/d	Cdn $94.40/Bbl	Cdn $6.98/Bbl	Jul 1, 2013 - Sep 30, 2013
Costless collar	100 Bbls/d	Cdn $83.00/Bbl - $97.40/Bbl		Jan 1, 2013 - Mar 31, 2013
Costless collar	100 Bbls/d	Cdn $83.00/Bbl - $97.40/Bbl		Apr 1, 2013 - Jun 30, 2013
Costless collar	100 Bbls/d	Cdn $83.00/Bbl - $97.40/Bbl		Jul 1, 2013 - Sep 30, 2013
NYMEX natural gas contracts				
AECO differential	20,000 MMbtu/d	US $(0.59)/MMbtu		Oct 1, 2012 - Oct 31, 2012

(1) Reduced to 600 Bbls/d at Cdn $93.09/Bbl for months during the period April 1, 2013 to September 30, 2013 where the Cdn$ WTI price averages less than Cdn $65.00/Bbl.

(2) Reduced to 500 Bbls/d at Cdn $95.01/Bbl for months during the period July 1, 2013 to September 30, 2013 where the Cdn$ WTI price averages less than Cdn $65.00/Bbl.

Subsequent to September 30, 2012, the following financial instruments have been entered into:

	Volume	Pricing	Premium	Remaining term
WTI crude oil contracts				
Put option	100 Bbls/d	Cdn $92.75/Bbl	Cdn $7.65/Bbl	Nov 1, 2012 - Oct 31, 2013
Fixed price swap(1)	200 Bbls/d	Cdn $98.00/Bbl		Jul 1, 2013 - Dec 31, 2013

(1) Reduced to 0 Bbls/d for months where the Cdn$ WTI price averages less than Cdn $72.50/Bbl.

(b) Physical purchase and sale contracts

The following is a summary of physical purchase and sale contracts outstanding as at September 30, 2012:

	Volume	Pricing	Premium	Remaining term
AECO Natural gas contracts				
Fixed price swap	5,000 GJ/d	Cdn $3.41/GJ		Oct 1, 2012 - Nov 30, 2012
Fixed price swap	10,000 GJ/d	Cdn $3.02/GJ		Jan 1, 2013 - Mar 31, 2013
Fixed price swap	8,333 GJ/d	Cdn $3.02/GJ		Apr 1, 2013 - Jun 30, 2013
Costless collar	35,000 GJ/d	Cdn $1.70/GJ - $2.05/GJ		Oct 1, 2012 - Dec 31, 2012
Costless collar	5,000 GJ/d	Cdn $2.60/GJ - $3.18/GJ		Jan 1, 2013 - Mar 31, 2013
Costless collar	5,000 GJ/d	Cdn $2.60/GJ - $3.18/GJ		Apr 1, 2013 - Jun 30, 2013
Costless collar	5,000 GJ/d	Cdn $2.60/GJ - $3.18/GJ		Jul 1, 2013 - Sep 30, 2013
Funded collar	10,000 GJ/d	Cdn $2.65/GJ - $3.37/GJ	Cdn $0.15/GJ	Jan 1, 2013 - Mar 31, 2013
Funded collar	10,000 GJ/d	Cdn $2.65/GJ - $3.37/GJ	Cdn $0.15/GJ	Apr 1, 2013 - Jun 30, 2013
Funded collar	5,000 GJ/d	Cdn $2.67/GJ - $3.40/GJ	Cdn $0.15/GJ	Jul 1, 2013 - Sep 30, 2013
Electricity contracts				
Fixed price	4.0 Mwh	Cdn $65.64/Mwh		Oct 1, 2012 - Dec 31, 2013

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

Subsequent to September 30, 2012, the following physical purchase and sale contracts have been entered into:

	Volume	Pricing	Premium	Remaining term
AECO natural gas contracts				
Put option	5,000 GJ/d	Cdn $3.45/GJ	Cdn $0.35/GJ	Dec 1, 2012 - Nov 30, 2013

Royalties

	Three months ended September 30,		Nine months ended September 30,	
Royalty rates (%)	**2012**	2011	**2012**	2011
Natural gas and liquids	**11**	7	**12**	12
Oil	**14**	17	**13**	15
Weighted average rate	**12**	11	**12**	13

For the three months ended September 30, 2012, royalties were $7.3 million, 27% lower than the $10.0 million for the same period of 2011. Royalties for the nine months ended September 30, 2012 were $23.7 million, 35% lower than the $36.7 million reported for the nine months ended September 30, 2011. The decrease in royalties for the three and nine months ended September 30, 2012 compared to the same period in 2011 is largely due to lower royalty rates on new production and lower natural gas prices.

Average royalty rates by product for the three months ended September 30, 2012 were 11% for natural gas and liquids and 14% for oil compared to 7% for natural gas and liquids and 17% for oil for the same period in 2011. Average royalty rates by product for the nine months ended September 30, 2012 were 12% for natural gas and liquids and 13% for oil compared to 12% for natural gas and liquids and 15% for oil for the same period in 2011. The decrease in oil royalty rates for the three and nine months ended September 30, 2012 compared to the same periods in 2011 is primarily due to lower royalty rates incurred on new production and lower oil prices. The increase in natural gas and liquids royalty rates for the third quarter of 2012 compared to the same period of 2011 is due to gas cost allowance credits recorded in 2011. Natural gas and liquids royalty rates were consistent for the nine months ended September 30, 2012 and 2011.

Transportation – Transportation costs were $2.1 million ($0.94/Boe) for the three months ended September 30, 2012 as compared to $3.4 million ($1.45/Boe) for the same period of 2011, a decrease of 39% on a dollar basis as a result of increased trucking costs in 2011 associated with a pipeline outage in Rainbow Lake. Transportation costs were $5.9 million ($0.89/Boe) for the nine months ended September 30, 2012 compared to $7.4 million ($1.06/Boe) for the same period in 2011 due to the same reasons described for the quarter.

Operating – Operating expenses were $24.2 million ($11.00/Boe) for the three months ended September 30, 2012 as compared to $24.4 million ($10.45/Boe) for the same period of 2011. Operating expenses on a per unit basis were higher in the third quarter of 2012 than the comparable period in 2011 as a result of a 6% decrease in production volumes. For the three months ended September 30, 2012, natural gas and liquids operating expenses averaged $1.64/Mcfe and oil operating expenses were $17.93/Bbl as compared to $1.61/Mcfe and $13.69/Bbl respectively for the same period of 2011.

Operating expenses were $73.9 million ($11.14/Boe) for the nine months ended September 30, 2012 as compared to $77.9 million ($11.14/Boe) for the same period of 2011. Per unit operating costs for the nine months ended September 30, 2012 were consistent with the same period in 2011. For the nine months ended September 30, 2012, natural gas and liquids operating expenses averaged $1.68/Mcfe and oil operating expenses were $16.68/Bbl as compared to $1.71/Mcfe and $14.71/Bbl respectively for the same period of 2011.

Operating netbacks

	Three months ended September 30, 2012					
	Natural gas and liquids		Oil		Total	
($ thousands, except per unit amounts)	$	$/Mcfe	$	$/Bbl	$	$/Boe
Revenue	38,157	3.37	23,521	74.43	61,678	28.01
Realized gain (loss) on commodity derivatives	(15)	-	(1,758)	(5.56)	(1,773)	(0.81)
	38,142	3.37	21,763	68.87	59,905	27.20
Royalties	(4,040)	(0.36)	(3,229)	(10.22)	(7,269)	(3.30)
Transportation costs	(1,238)	(0.11)	(822)	(2.60)	(2,060)	(0.94)
Operating costs	(18,565)	(1.64)	(5,665)	(17.93)	(24,230)	(11.00)
Operating netback[1]	14,299	1.26	12,047	38.12	26,346	11.96

[1] Refer to “non-GAAP measurements”.

	Nine months ended September 30, 2012					
	Natural gas and liquids		Oil		Total	
($ thousands, except per unit amounts)	$	$/Mcfe	$	$/Bbl	$	$/Boe
Revenue	114,150	3.43	79,585	73.22	193,735	29.20
Realized gain (loss) on commodity derivatives	(1,197)	(0.04)	(2,690)	(2.47)	(3,887)	(0.59)
	112,953	3.39	76,895	70.75	189,848	28.61
Royalties	(13,162)	(0.40)	(10,569)	(9.72)	(23,731)	(3.58)
Transportation costs	(3,547)	(0.11)	(2,374)	(2.18)	(5,921)	(0.89)
Operating costs	(55,809)	(1.68)	(18,134)	(16.68)	(73,943)	(11.14)
Operating netback[1]	40,435	1.20	45,818	42.17	86,253	13.00

[1] Refer to “non-GAAP measurements”.

For the third quarter of 2012, operating netback was $14.3 million ($1.26/Mcfe) for natural gas and liquids and $12.0 million ($38.12/Bbl) for oil compared to an operating netback of $31.1 million ($2.77/Mcfe) for natural gas and liquids and $18.4 million ($39.65/Bbl) for oil in the same period of 2011. For the nine months ended September 30, 2012, operating netback was $40.4 million ($1.20/Mcfe) for natural gas and liquids and $45.8 million ($42.17/Bbl) for oil compared to an operating netback of $83.3 million ($2.48/Mcfe) for natural gas and liquids and $59.9 million ($43.00/Bbl) for oil in the same period of 2011. The decrease in operating netback for natural gas and liquids was due to the significant decreases in natural gas prices.

General and administrative

	Three months ended September 30,		Nine months ended September 30,	
($ thousands except per unit amounts)	**2012**	2011	**2012**	2011
Gross general and administrative expenses	**6,060**	6,201	**19,747**	18,396
Overhead recoveries	**(849)**	(1,725)	**(3,580)**	(4,532)
Net general and administrative expenses	**5,211**	4,476	**16,167**	13,864
Per Boe	**2.37**	1.92	**2.44**	1.98

General and administrative expenses, net of overhead recoveries, for the three months ended September 30, 2012 were $5.2 million ($2.37/Boe) compared to $4.5 million ($1.92/Boe) in the same period of 2011. General and administrative expenses, net of overhead recoveries, for the nine months ended September 30, 2012 were $16.2 million ($2.44/Boe) as compared to $13.9 million ($1.98/Boe) for the nine months ended September 30, 2011. The increase in general and administrative expenses for the third quarter of 2012 compared to same period in 2011 was primarily due to lower capital recoveries on account of lower capital expenditures.

Share-based compensation

	Three months ended September 30,		Nine months ended September 30,	
($ thousands)	**2012**	2011	**2012**	2011
Stock options	**693**	1,265	**2,412**	3,612
Restricted stock units	**421**	(254)	**649**	493
Restricted share awards	**172**	-	**514**	-
Total	**1,286**	1,011	**3,575**	4,105

NuVista recorded a share-based compensation charge of $1.3 million for the three months ended September 30, 2012 compared to $1.0 million for the same period in 2011. For the nine months ended September 30, 2012, NuVista recorded a share-based compensation charge of $3.6 million compared to $4.1 million for the same period in 2011. The decrease for 2012 was primarily due to new options granted at a lower share price and a lower number of units outstanding as a result of a large number of units forfeited in the period. The share-based compensation charge relates to the amortization of the fair value of stock option awards and restricted share awards, and the accrual for future payments under the restricted stock unit incentive plan.

Interest – Interest expense for the three months ended September 30, 2012 was $3.5 million ($1.60/Boe) compared to $4.0 million ($1.72/Boe) for the same period of 2011. For the nine months ended September 30, 2012, interest expense was $10.0 million ($1.51/Boe) compared to $13.3 million ($1.90/Boe) in the same period of 2011. For the three months ended September 30, 2012, borrowing costs averaged 4.1% compared to 4.2% in the same period of 2011. Interest expense for the nine months ending September 30, 2012 decreased compared to the same period in 2011 due to lower average debt levels and lower average borrowing rate in 2012. Currently, NuVista's average borrowing rate is approximately 4.6%. Cash paid for interest for the three and nine months ended September 30, 2012 was $3.5 million (September 30, 2011 - $3.7 million) and $10.6 million (September 30, 2011 - $13.7 million) respectively.

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

	Three months ended September 30,		Nine months ended September 30,	
($ thousands except per Boe amounts)	**2012**	2011	**2012**	2011
Depletion of oil and gas assets[1]	**28,550**	34,432	**91,631**	103,177
Depreciation of fixed assets	**2,591**	4,941	**6,081**	14,178
Impairment charges	**36,809**	-	**142,950**	-
Total DD&A and impairment	**67,950**	39,373	**240,662**	117,355
DD&A rate per Boe excluding impairment charges	**14.14**	16.88	**14.73**	16.77

[1] Includes depletion of the capitalized portion of the asset retirement obligations that were capitalized to the property, plant and equipment balance and are being depleted over the life of the reserves.

Depletion, depreciation and amortization ("DD&A") expenses excluding impairments were $31.1 million ($14.14/Boe) for the third quarter of 2012 as compared to $39.4 million ($16.88/Boe) for the same period in 2011. Depreciation and depletion expenses for the nine months ended September 30, 2012 were $97.7 million ($14.73/Boe) as compared to $117.4 million ($16.77/Boe) for the same period in 2011. The decrease in the DD&A expense for the three and nine months ended September 30, 2012 was mainly due to a decrease in production volumes during the period and the decrease in the per unit depletion rate in 2012. Per unit costs in 2012 decreased from the same period in 2011 primarily due to the impairment of property, plant and equipment of $106.1 million in the second quarter of 2012.

In September 2012, the Company entered into an agreement to dispose of certain oil and natural gas properties. The net cash proceeds of $227.5 million represent the fair value less costs to sell of these assets and accordingly, the Company recorded a goodwill impairment of $5.0 million and property, plant and equipment impairment of $36.8 million during the quarter. The carrying value of these assets, after impairment, has been classified as "assets held for sale", and the associated liabilities relating to asset retirement obligations of $33.3 million and cash deposits of $23.2 million have been reclassified to current liabilities. The disposition of these assets was completed subsequent to September 30, 2012.

Goodwill – Goodwill was recorded from various business acquisitions and was determined based on the excess of total consideration paid less the fair value of the assets and liabilities acquired. IFRS standards require that the goodwill balance be assessed for impairment at least annually or more frequently if events or changes in circumstances indicate that the balance might be impaired. For the quarter ended September 30, 2012, a goodwill impairment charge of $5.0 million was recorded on assets held for sale.

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 September 30, 2012, NuVista recorded an ARO of $182.2 million, with $148.9 million classified as long-term and $33.3 million associated with assets held for sale have been reclassified to current liabilities, compared to $174.7 million as at December 31, 2011. The overall increase is due to a decrease in the risk free discount rate to 2.32% at September 30, 2012 from 2.49% at December 31, 2011 and an increase in cost estimates. At September 30, 2012, the estimated total undiscounted amount of cash flow required to settle NuVista's ARO is $271.9 million (December 31, 2011 – $276.3 million), which is estimated to be incurred over the next 51 years. The majority of the costs are expected to be incurred between 2013 and 2032.

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.

Income taxes – For the three months ended September 30, 2012, the provision for income and other taxes was a recovery of $14.1 million compared to an expense of $1.0 million for the same period in 2011. For the nine months ended September 30, 2012, the provision for income and other taxes was a recovery of $43.5 million compared to an expense of $6.2 million in the same period of 2011. The recovery for the three and nine months ended September 30, 2012 was primarily attributable to the impairment of the net book value of property, plant and equipment recorded in the quarter ended September 30, 2012.

Capital expenditures

	Three months ended September 30,		Nine months ended September 30,	
($ thousands)	**2012**	2011	**2012**	2011
Exploration and development				
Land and retention costs	**267**	381	**720**	2,183
Seismic	**691**	1,454	**3,078**	4,353
Drilling and completion	**8,274**	38,504	**48,237**	79,514
Facilities and equipment	**6,436**	7,075	**34,177**	19,237
Corporate and other	**108**	267	**216**	178
Subtotal	**15,776**	47,681	**86,428**	105,465
Alberta drilling incentive credits	-	-	**-**	(3,070)
Subtotal	**15,776**	47,681	**86,428**	102,395
Property acquisitions	**-**	1,589	**1,016**	1,651
Net capital expenditures	**15,776**	49,270	**87,444**	104,046

Capital expenditures were $15.8 million during the third quarter of 2012, consisting entirely of exploration and development spending. This compares to $49.3 million incurred on exploration and development spending for the third quarter of 2011. The majority of the capital expenditures in the third quarter were spent on oil and liquids-rich natural gas projects. Capital expenditures for the nine months ended September 30, 2012 were $87.4 million, consisting of $86.4 million of exploration and development spending and $1.0 million of property acquisitions. This compares to $104.0 million incurred for the same period of 2011, consisting of $102.4 million (net of drilling credits) of exploration and development spending and $1.6 million of property acquisitions.

In September 2012, the Company entered into an agreement to dispose of certain oil and natural gas properties for net cash proceeds of $227.5 million. The disposition of these assets was completed subsequent to September 30, 2012.

Net earnings (loss) – For the three months ended September 30, 2012, net loss totaled $47.6 million ($0.48/share, basic) compared to net earnings of $1.8 million ($0.02/share, basic) for the same period in 2011. NuVista's net loss for the nine months ended September 30, 2012 was $136.2 million ($1.37/share, basic) compared to net earnings of $14.7 million ($0.15/share, basic) in the same period in 2011. The net loss for the period ended September 30, 2012 was attributable to lower oil and natural gas prices and an impairment expense recorded in the period.

Adjusted net earnings (loss) – The table below summarizes adjusted net earnings (loss) for the three and nine months ended September 30, 2012 compared to September 30, 2011:

	Three months ended September 30,		Nine months ended September 30,	
($ thousands)	**2012**	2011	**2012**	2011
Net earnings (loss)	**(47,600)**	1,807	**(136,158)**	14,662
Add (deduct):				
Unrealized gain on commodity derivatives, after tax	**423**	(4,224)	**(10,768)**	(5,536)
Impairment of property, plant and equipment, after tax	**27,485**	-	**106,740**	-
Gain on divestitures, after tax	**-**	(1,818)	**(5,071)**	(23,022)
Adjusted net loss [(1)]	**(19,692)**	(4,235)	**(45,257)**	(13,896)
Per basic share	**(0.20)**	(0.04)	**(0.45)**	(0.14)
Per diluted share	**(0.20)**	(0.04)	**(0.45)**	(0.14)

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

Funds from operations – For the three months ended September 30, 2012, NuVista's funds from operations were $17.2 million ($0.17/share, basic), a 58% decrease from $41.3 million ($0.41/share, basic) for the three months ended September 30, 2011. For the nine months ended September 30, 2012, funds from operations were $59.4 million ($0.60/share, basic), a 49% decrease from $115.6 million ($1.19/share, basic) in the same period of 2011. Funds from operations for the three and nine months ended September 30, 2012 were lower compared with the same period in 2011 primarily due to lower oil and natural gas prices and lower production levels during the period.

Funds from operations for the three months ended September 30, 2012 decreased 5% from funds from operations of $18.1 million ($0.18/share, basic) for the three months ended June 30, 2012. This decrease was primarily due to a further decrease in natural gas prices and lower production levels in the third quarter.

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

	Three months ended September 30,		Nine months ended September 30,	
($ thousands)	**2012**	2011	**2012**	2011
Cash provided by operating activities	**388**	37,787	**39,285**	97,477
Add back:				
Asset retirement expenditures	**454**	995	**12,334**	4,629
Change in non-cash working capital	**16,345**	2,508	**7,775**	13,446
Funds from operations[(1)]	**17,187**	41,290	**59,394**	115,552

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

The table below summarizes funds from operations netbacks for the three months ended September 30, 2012 compared to the three months ended September 30, 2011:

	Three months ended September 30,					
($ thousands, except per unit amounts)	**2012**		2011		% Change	
	$	$/Boe	$	$/Boe	$	$/Boe
Revenue	**61,678**	**28.01**	88,700	38.02	(30)	(26)
Realized gain (loss) on commodity derivatives	**(1,773)**	**(0.81)**	(1,444)	(0.62)	23	31
	59,905	**27.20**	87,256	37.40	(31)	(27)
Royalties	**(7,269)**	**(3.30)**	(9,965)	(4.27)	(27)	(23)
Transportation	**(2,060)**	**(0.94)**	(3,373)	(1.45)	(39)	(35)
Operating costs	**(24,230)**	**(11.00)**	(24,392)	(10.45)	(1)	5
Operating netback[1]	**26,346**	**11.96**	49,526	21.23	(47)	(44)
General and administrative	**(5,211)**	**(2.37)**	(4,476)	(1.92)	16	23
Restricted stock units	**(421)**	**(0.19)**	254	0.11	266	273
Interest	**(3,527)**	**(1.60)**	(4,014)	(1.72)	(12)	(7)
Funds from operations netback[1]	**17,187**	**7.80**	41,290	17.70	(58)	(56)

[1] Refer to "non-GAAP measurements".

The table below summarizes funds from operations netbacks for the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011:

	Nine months ended September 30,					
($ thousands, except per unit amounts)	**2012**		2011		% Change	
	$	$/Boe	$	$/Boe	$	$/Boe
Revenue	**193,735**	**29.20**	272,656	38.95	(29)	(25)
Realized gain (loss) on commodity derivatives	**(3,887)**	**(0.59)**	(7,393)	(1.06)	(47)	(44)
	189,848	**28.61**	265,263	37.89	(28)	(24)
Royalties	**(23,731)**	**(3.58)**	(36,694)	(5.24)	(35)	(32)
Transportation	**(5,921)**	**(0.89)**	(7,439)	(1.06)	(20)	(16)
Operating costs	**(73,943)**	**(11.14)**	(77,946)	(11.14)	(5)	-
Operating netback[1]	**86,253**	**13.00**	143,184	20.45	(40)	(36)
General and administrative	**(16,167)**	**(2.44)**	(13,864)	(1.98)	17	23
Restricted stock units	**(649)**	**(0.10)**	(493)	(0.07)	32	43
Interest	**(10,043)**	**(1.51)**	(13,275)	(1.90)	(24)	(21)
Funds from operations netback[1]	**59,394**	**8.95**	115,552	16.50	(49)	(46)

[1] Refer to "non-GAAP measurements".

Liquidity and capital resources

($ thousands)	**September 30, 2012**	December 31, 2011
Common shares outstanding	**99,602**	99,513
Share price[1]	**4.52**	5.24
Total market capitalization	**450,201**	521,448
Adjusted working capital (surplus) deficit[2]	**(6,508)**	17,360
Bank debt	**320,750**	289,431
Debt, net of adjusted working capital ("Net Debt")	**314,242**	306,791
Trailing 12 months funds from operations[2]	**107,861**	164,019
Net debt to trailing 12 months funds from operations	**2.9**	1.9

[1] Represents the closing price on the TSX on September 30, 2012 and December 31, 2011.
[2] Refer to the "non-GAAP measurements".

As at September 30, 2012, debt net of adjusted working capital was $314.2 million, resulting in a net debt to the trailing twelve months funds from operations ratio of 2.9:1. NuVista's strategy is to target a net debt to trailing twelve months funds from operations of less than 2.0:1. The actual ratio may fluctuate on a quarterly basis above or below target due to a number of factors including commodity prices and the timing of acquisitions and dispositions. At September 30, 2012, NuVista had an adjusted working capital surplus of $6.5 million. Adjusted working capital excludes the current portion of the fair value of the commodity derivative liabilities of $1.2 million and liabilities associated with assets held for sale of $33.3 million. We believe it is appropriate to exclude these amounts when assessing financial leverage. At September 30, 2012, NuVista had drawn $320.8 million on the credit facility leaving $59.2 million of unused bank borrowing capacity based on the current credit facility of $380 million.

Improving NuVista's financial flexibility and reducing debt levels continues to be a priority in 2012. On September 10, 2012 NuVista announced the proposed disposition of three property packages for gross proceeds of $236 million which were completed by October 17, 2012. Subsequent to the closing of the dispositions on October 17, 2012, NuVista's long-term debt was approximately $120 million.

As of September 30, 2012, NuVista had a $380 million extendible revolving term credit facility available from a syndicate of Canadian chartered 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 determination of the maximum borrowing amount occurs semi-annually on approximately October 31. NuVista completed the semi-annual review of its borrowing base in October 2012 with its lenders and the lenders approved a request for a revolving extendible credit facility with a maximum borrowing amount of $240 million as a result of the asset disposition. During the term period, no principal payments would be required until April 29, 2014. As such, this credit facility is classified as long-term.

As at September 30, 2012, there were 99.6 million common shares outstanding. In addition, there were 7.0 million stock options, 0.9 million restricted stock units and 0.3 million restricted share awards outstanding, with an average exercise price of $8.39 per option. As of October 31, 2012, there were 99.6 million common shares, 0.9 million restricted stock units and 0.3 million restricted share awards outstanding.

Contractual obligations and commitments – NuVista enters into various contractual obligations as part of conducting business. The following is a summary of NuVista's contractual obligations and commitments as at September 30, 2012:

	Total	2012	2013	2014	2015	2016	Thereafter
Transportation	**$ 27,756**	$2,000	$ 6,421	$ 6,708	$5,734	$4,332	$2,561
Office lease	**18,657**	882	3,667	3,645	3,645	3,719	3,099
Physical power	**2,875**	575	2,300	-	-	-	-
Long-term debt [(1)]	**320,750**	-	320,750	-	-	-	-
Total commitments	**$370,038**	$3,457	$333,138	$10,353	$9,379	$8,051	$5,660

[(1)] A new credit facility agreement was entered into in October 30, 2012. No principal payment would be required until April 29, 2014.

Off "balance sheet" arrangements – NuVista has certain lease arrangements 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 December 31, 2010 to September 30, 2012:

	2012			2011				2010
($ thousands, except per share amounts)	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Production (Boe/d)	23,936	23,467	25,250	25,306	25,360	25,488	26,078	28,165
Revenue	61,678	58,201	73,856	96,578	88,700	95,719	88,237	89,552
Net earnings (loss)	(47,600)	(85,411)	(3,147)	(158,462)	1,807	22,445	(9,590)	(20,965)
Net earnings (loss)								
Per basic share	(0.48)	(0.86)	(0.03)	(1.59)	0.02	0.23	(0.10)	(0.24)
Per diluted share	(0.48)	(0.86)	(0.03)	(1.59)	0.02	0.23	(0.10)	(0.24)

NuVista has seen production volumes in a range of 23,467 Boe/d to 28,165 Boe/d for the last eight quarters. NuVista's production volumes have decreased slightly over the five quarters primarily due to production declines and scheduled and unscheduled third party facility outages. Over the prior eight quarters, quarterly revenue has been in a range of $58.2 million to $96.6 million with revenue primarily influenced by production volumes and commodity prices. Net earnings have been in a range of a net loss of $158.5 million to net earnings of $22.4 million with earnings primarily influenced by impairments, gains and losses from disposal of assets, commodity prices, realized and unrealized gains and losses on commodity derivatives and production volumes.

Critical accounting estimates – Management is required to make judgements, assumptions and estimates in applying its accounting policies which have significant impact on the financial results of NuVista. The following outline the accounting policies involving the use of estimates that are critical to understanding the financial condition and results of operations of NuVista.

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

An independent reserve evaluator using all available geological and reservoir data as well as historical production data has prepared NuVista's oil and natural gas reserve estimates. Estimates are reviewed and revised as appropriate. Revisions occur as a result of changes in prices, costs, fiscal regimes, reservoir performance or a change in NuVista's development plans.

(b) ***Exploration and evaluation assets*** – The costs of drilling exploratory wells are initially capitalized as exploration and evaluation ("E&E") assets pending the evaluation of commercial reserves. Commercial reserves are defined as the existence of proved and probable reserves which are determined to be technically feasible and commercially viable to extract. Reserves may be considered commercially producible if management has the intention of developing and producing them based on factors such as project economics, quantities of reserves, expected production techniques, unsuccessful drilling results and estimated production costs and capital expenditures. Once a judgment is made that the reserves are commercially viable, an impairment test is performed prior to the transfer to property, plant and equipment.

(c) ***Development and production assets*** – Once an oil and gas property is transferred to property, plant and equipment, all subsequent development costs are capitalized.

(d) ***Depletion, depreciation, amortization and impairment*** – Property, plant and equipment is measured at cost less accumulated depletion, depreciation, amortization and impairment losses. The net carrying value of property, plant and equipment and estimated future development costs is depleted using the unit-of-production method based on estimated proved and probable reserves. Changes in estimated proved and probable reserves or future development costs have a direct impact in the calculation of depletion expense.

NuVista is required to use judgment when designating the nature of oil and gas activities as exploration and evaluation assets or development and production assets within property, plant and equipment. Exploration and evaluation assets and development and production assets are aggregated into CGUs based on their ability to generate largely independent cash flows. The allocation of NuVista's assets into CGUs requires significant judgment with respect to use of shared infrastructure, existence of active markets for NuVista's products and the way in which management monitors operations.

Exploration and evaluation expenditures relating to activities to explore and evaluate oil and natural gas properties are initially capitalized and include costs associated with the acquisition of licenses, technical services and studies, seismic acquisition, exploration drilling and testing, directly attributable overhead and administration expenses, and costs associated with retiring the assets. Exploration and evaluation assets are carried forward until technical feasibility and commercial viability of extracting a mineral resource is determined. Technical feasibility and commercial viability of extracting a mineral resource is considered to be determined when proved and/or probable reserves are determined to exist. E&E assets are tested for impairment when facts and circumstances suggest that the carrying amount of E&E assets may exceed their recoverable amount, by comparing the relevant costs to the fair value of CGUs, aggregated at the segment level. The determination of the fair value of CGUs requires the use of assumptions and estimates including quantities of recoverable reserves, production quantities, future commodity prices and development and operating costs. Changes in any of these assumptions, such as a downward revision in reserves, decrease in commodity prices or increase in costs, could impact the fair value.
NuVista assesses property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset or group of assets may not be recoverable. If any such indication of impairment exists, NuVista performs an impairment test related to the specific CGU. The determination of fair value of CGUs requires the use of assumptions and estimates including quantities of recoverable reserves, production quantities, future commodity prices and development and operating costs. Changes in any of these assumptions, such as a downward revision in reserves, decrease in commodity prices or increase in costs, could impact the fair value.

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

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

(g) ***Financial instruments*** – NuVista utilizes financial instruments to manage the exposure to market risks relating to commodity prices. Fair values of derivative contracts fluctuate depending on the underlying estimate of future commodity prices and foreign currency exchange rates.

(h) ***Goodwill*** – Goodwill is recorded on a business combination when the total purchase consideration exceeds the fair value of the net identifiable assets and liabilities of the acquired entity. The goodwill balance is allocated to the individual CGUs that are expected to benefit from the synergies of the business combination. Goodwill is not amortized, however it must be assessed for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. To assess for impairment, the carrying amount of each CGU is compared to the recoverable amount. If the carrying amount exceeds the recoverable amount, the associated goodwill is written down with an impairment recognized in net earnings. Goodwill impairments are not reversed. The recoverable amount is the greater of the fair value less costs to sell and its value in use. Fair value less costs to sell is derived by estimating the discounted future net cash flows for the CGU. Discounted future net cash flows are based on forecasted commodity prices and costs over the expected economic life of the proved and probable reserves and discounted using market-based rates. A downward revision in reserves estimates could result in the recognition of a goodwill impairment charge to net earnings.

Update on regulatory matters

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

Internal control reporting

NuVista's President and Chief Executive Officer ("CEO") and Vice President, Finance and Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting as defined in 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 annual filings, 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 include controls and procedures designed to ensure that information required to be disclosed by NuVista in its annual filings, interim filings or other reports filed or submitted under securities legislation 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 consolidated 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 prevßention or timely detection of unauthorized acquisition, use or disposition of NuVista's assets that could have a material effect on the interim consolidated 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 ("COSO"). During the quarter ended September 30, 2012, 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; the CEO and CFO have concluded that the internal controls over financial reporting are effective.

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 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 is contained in our Annual Information Form for the year ended December 31, 2011 under the Risk Factors Section.

OUTLOOK

NuVista's average production guidance for 2012 is between 22,000 Boe/d and 22,500 Boe/d with fourth quarter production forecast between 16,500 Boe/d and 17,000 Boe/d. This forecast incorporates the property dispositions that were completed in October 2012. Funds from operations for 2012 are forecast at approximately $70 million based on a forecast AECO natural gas price of $2.47/Mcf, WTI oil price of US$94.00/Bbl and incorporating our price risk management contracts. Capital spending for the year is forecast at approximately $120 million.

For 2013, our Board has approved a first half capital budget of up to $90 million to primarily fund a two drilling rig capital program for the Wapiti Montney play. This capital program is expected to be funded from cash flow, bank debt and property dispositions. The second half 2013 capital budget will be determined based on the outlook for commodity prices, drilling success and well performance. NuVista expects production for the first half of 2013 to remain relatively flat as the Montney production growth from two rigs is forecast to begin in the third quarter of 2013 after spring breakup and the start-up of key new field trunk pipeline tie-ins. NuVista forecasts production for the fourth quarter of 2013 to average approximately 10% higher than fourth quarter 2012 production volumes.

NuVista's landholdings and resources in the condensate-rich Wapiti Montney play provide NuVista with the potential to grow and create significant long-term shareholder value through the phased development of this play. The profitability of this play is expected to improve significantly over time as NuVista reduces drilling costs, optimizes well completions and accesses the lower cost transportation and processing associated with increased economies of scale. Over the next few months, with additional production data from our Wapiti wells and more clarity on the outlook for natural gas prices, we expect to provide more details on our future growth plans beyond the first half of 2013. With a talented and motivated workforce and a business strategy focused on discipline, execution and profitability we look forward to updating you on the progress in this value creation process.