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”) condensed interim consolidated financial statements for the three and nine months ended September 30, 2014 and audited consolidated financial statements for the year ended December 31, 2013. The following MD&A of financial condition and results of operations was prepared at and is dated October 30, 2014. Our December 31, 2013 audited consolidated financial statements, Annual Information Form and other disclosure documents for 2013 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. A conversion ratio of one barrel to six thousand cubic feet of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion ratio on a 6:1 basis may be misleading as an indication of value.*

Advisory regarding forward-looking information and statements *– This MD&A contains forward-looking statements and forward-looking information (collectively, “forward-looking statements”) within the meaning of applicable securities laws. The use of any of the words “will”, “expects”, “believe”, “plans”, “potential” and similar expressions are intended to identify forward-looking statements. More particularly and without limitation, this MD&A contains forward looking statements, including management's assessment of: NuVista’s future focus, strategy, plans, opportunities and operations; financial and commodity risk management strategy; the anticipated timing for the completion of various non-core asset dispositions; forecast production; production mix; development and delineation drilling, completion and tie-in plans and results; NuVista’s planned capital expenditures; the timing, allocation and efficiency of NuVista’s capital program and the results therefrom; anticipated funds from operations; the anticipated potential and growth opportunities associated with NuVista’s asset base; dispositions plans and the timing thereof; infrastructure development plans; planned throughput capacity; sources of funding NuVista’s capital program; asset retirement obligations and the amount and timing of expenditures relating to such asset retirement obligations and the source of funding thereof; targeted debt levels; targeted debt to annualized current quarter funds from operations; expectations regarding future commodity prices, netbacks and price differentials; industry conditions; anticipated accounting changes and their impact on NuVista’s operations and financial position. By their nature, forward-looking statements are based upon certain assumptions and are subject to numerous risks and uncertainties, some of which are beyond NuVista’s control, including the impact of general economic conditions, industry conditions, current and future commodity prices, currency and interest rates, anticipated production rates, borrowing, operating and other costs and funds from operations, the timing, allocation and amount of capital expenditures and the results therefrom, anticipated reserves and the imprecision of reserve estimates, the performance of existing wells, the success obtained in drilling new wells, the sufficiency of budgeted capital expenditures in carrying out planned activities, access to infrastructure and markets, competition from other industry participants, availability of qualified personnel or services and drilling and related equipment, stock market volatility, effects of regulation by governmental agencies including changes in environmental regulations, tax laws and royalties; the ability to access sufficient capital from internal sources and bank and equity markets; and including, without limitation, those risks considered under “Risk Factors” in our Annual Information Form. This MD&A also contains future-oriented financial information and financial outlook information (collectively, "FOFI") about our prospective results of operations and funds from operations, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth* *in above. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on FOFI and forward-looking statements. NuVista's actual results, performance or achievement could differ materially from those expressed in, or implied by, these FOFI and forward-looking statements, or if any of them do so, what benefits NuVista will derive therefrom. NuVista has included the FOFI and forward-looking statements in this MD&A in order to provide readers with a more complete perspective on NuVista's future operations and such information may not be appropriate for other purposes. NuVista disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.*

Non-GAAP measurements *– Within the MD&A, references are made to terms commonly used in the oil and natural gas industry. Management uses funds from operations to analyze operating performance and leverage. Funds from operations as presented, does not have any standardized meaning prescribed by GAAP and therefore it may not be comparable with the calculation of similar measures for other entities. Funds from operations as presented is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, per the statement of cash flows, net earnings (loss) or other measures of financial performance calculated in accordance with GAAP. All references to funds from operations throughout this MD&A are based on cash flow from operating activities before changes in non-cash working capital and asset retirement expenditures. Annualized current quarter funds from operations is calculated as cash flow from operating activities before changes in non-cash working capital and asset retirement expenditures for the current quarter, annualized for the year. Funds from operations per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of net earnings (loss) per share. Funds from operations netbacks equal total revenues including realized commodity derivative gains/losses less royalties, transportation, operating costs, general and administrative, restricted stock unit, interest expense and cash taxes. Management also uses operating netbacks to analyze operating performance and adjusted working capital to analyze leverage. Adjusted net earnings (loss) is calculated as net earnings (loss) excluding non-recurring or non-cash items that management believes reduces the comparability of the NuVista's financial performance between periods, net of tax. Thereafter tax items include, but are not limited to unrealized gains/losses on commodity derivatives, impairments and impairment reversals, goodwill impairments, gains/losses on divestures and the effect of changes in statutory income tax rate. Total revenue equals revenue including realized commodity derivative gains/losses. Operating netbacks equal the total of revenue including realized commodity derivative gains/losses less royalties, transportation and operating costs. Adjusted working capital equals working capital excluding the current portion of the commodity derivative asset or liability. Net debt is equal to bank debt net of the adjusted working capital. Total revenue, operating netbacks, adjusted net earnings, adjusted working capital and net debt as presented, do not have any standardized meaning prescribed by GAAP and therefore, may not be comparable with the calculation of similar measure for other entities. Total Boe is calculated by multiplying the daily production by the number of days in the period.*

Description of business – NuVista is an oil and natural gas company actively engaged in the exploration for and the development and production of oil and natural gas reserves. NuVista's primary focus is on the scalable and repeatable condensate-rich Montney formation in the Alberta Deep Basin. NuVista also has assets in eastern and northwest Alberta as well as northeast British Columbia. The common shares of NuVista trade on the Toronto Stock Exchange ("TSX") under the symbol NVA.

2013 Dispositions – In December 2013, NuVista sold the majority of its assets in the Saskatchewan and Provost operating area. At the time of sale, production from these assets averaged approximately 2,300 Boe/d. The impact of this disposition has been reflected in the financial statements.

Operating activities – For the three months ended September 30, 2014, NuVista drilled 7 (4.9 net) gas wells in our Wapiti operating area. For the nine months ended September 30, 2014, NuVista drilled 20 (17.9 net) wells resulting in 19 (16.9 net) natural gas wells and 1 (1 net) micro-seismic observation well for an overall success rate of 100%. NuVista operated 19 of the wells and had an average working interest of 89.7%. All 20 wells were drilled in Nuvista's Wapiti operating area resulting in 16 (14.7) Montney natural gas wells, 3 (2.2) Falher natural gas wells and 1 (1) Montney micro-seismic observation well.

Production

	Three months ended September 30,			Nine months ended September 30,		
	2014	2013	% Change	**2014**	2013	% Change
Natural gas (Mcf/d)	**78,332**	68,644	14	**69,551**	62,781	11
Condensate (Bbls/d)	**3,197**	2,194	46	**2,600**	1,714	52
Butane (Bbls/d)	**525**	464	13	**538**	436	24
Propane (Bbls/d)	**443**	780	(43)	**656**	688	(5)
Ethane (Bbls/d)	**288**	715	(60)	**712**	820	(13)
Oil (Bbls/d)	**521**	645	(19)	**684**	579	18
Subtotal (Boe/d)	**18,030**	16,239	11	**16,782**	14,700	14
2013 Dispositions (Boe/d)	**-**	2,293	-	**-**	2,392	-
Total oil equivalent (Boe/d)	**18,030**	18,532	(3)	**16,782**	17,092	(2)

For the three months ended September 30, 2014, NuVista's average production was 18,030 Boe/d compared to 18,532 Boe/d for the same period in 2013. Oil and liquids weighting in the third quarter of 2014 was 28% compared to 31% for the same period in 2013. The slight decline in the third quarter liquid ratio was due to a liquids allocation issue at a third party plant which impacted NuVista's butane, propane and ethane production by approximately 350 Boe/d. This allocation issue is expected to be rectified in the fourth quarter. For the nine months ended September 30, 2014, NuVista's average production was 16,782 Boe/d compared to 17,092 Boe/d for the same period in 2013. 70% of NuVista's year to date production volumes relate to the Wapiti operating area with Wapiti Montney and Wapiti Sweet production accounting for 44% and 26% respectively of total company production. The majority of condensate production is associated with our Wapiti Montney production. Condensate volumes increased by 78% to 3,197 Bbls/d from 1,794 Bbls/d in the second quarter of 2014 which represents 18% of total volumes.

Third quarter production decreased by 3% compared to the comparative period of 2013 as a result of 2013 Dispositions. Production increased by 11% prior to factoring in the 2013 Dispositions. The increase in third quarter production to 18,030 Boe/d from 14,493 Boe/d in the second quarter was due a temporary decrease in second quarter Montney production as a result of planned and unplanned facility outages and third party operational delays. Production was back on stream and new Montney wells were drilled contributing to the increased in production during the third quarter. Montney production averaged approximately 9,400 Boe/d in the third quarter up from approximately 4,500 Boe/d in the second quarter.

For the nine months ended September 30, 2014, production increased by 14% and decreased by 2% prior to and after factoring in the 2013 Dispositions respectively. The increase in production is a direct result of 20 successful wells drilled year to date for Wapiti Montney condensate-rich natural gas wells, many of which have now begun to be brought onto production.

Production by area

	Three months ended September 30, 2014					Three months ended September 30, 2013				
	Natural Gas (Mcf/d)	Condensate (Bbls/d)	Liquids (Bbls/d)	Oil (Bbls/d)	**Total** (Boe/d)	Natural Gas (Mcf/d)	Condensate (Bbls/d)	Liquids (Bbls/d)	Oil (Bbls/d)	Total (Boe/d)
Wapiti Montney	**36,888**	**2,743**	**548**	**-**	**9,439**	21,603	1,737	558	-	5,896
Wapiti Sweet	**18,374**	**190**	**469**	**31**	**3,753**	20,282	237	1,136	66	4,819
Non-core	**23,070**	**264**	**239**	**490**	**4,838**	26,759	220	265	579	5,524
Subtotal	**78,332**	**3,197**	**1,256**	**521**	**18,030**	68,644	2,194	1,959	645	16,239
Dispositions	**-**	**-**	**-**	**-**	**-**	8,035	16	33	905	2,293
Total	**78,332**	**3,197**	**1,256**	**521**	**18,030**	76,679	2,210	1,992	1,550	18,532

	Nine months ended September 30, 2014					Nine months ended September 30, 2013				
	Natural Gas (Mcf/d)	Condensate (Bbls/d)	Liquids (Bbls/d)	Oil (Bbls/d)	**Total** (Boe/d)	Natural Gas (Mcf/d)	Condensate (Bbls/d)	Liquids (Bbls/d)	Oil (Bbls/d)	Total (Boe/d)
Wapiti Montney	**27,667**	**2,132**	**585**	**-**	**7,328**	15,288	1,170	404	-	4,122
Wapiti Sweet	**18,868**	**222**	**1,073**	**75**	**4,515**	20,128	112	1,428	69	4,963
Non-core	**23,016**	**246**	**248**	**609**	**4,939**	27,364	432	112	510	5,615
Subtotal	**69,551**	**2,600**	**1,906**	**684**	**16,782**	62,780	1,714	1,944	579	14,700
Dispositions	**-**	**-**	**-**	**-**	**-**	8,246	17	35	966	2,392
Total	**69,551**	**2,600**	**1,906**	**684**	**16,782**	71,026	1,731	1,979	1,545	17,092

Commodity prices

Benchmark pricing

	Three months ended September 30,			Nine months ended September 30,		
	2014	2013	% Change	**2014**	2013	% Change
Natural gas – AECO (daily) ($/GJ)	**3.81**	2.31	65	**4.56**	2.89	58
Natural gas – AECO (monthly) ($/GJ)	**4.00**	2.67	50	**4.31**	3.00	44
Natural gas – NYMEX (monthly) ($/GJ)	**4.06**	3.58	13	**4.55**	3.67	24
Oil – WTI (US$/Bbl)	**97.17**	105.83	(8)	**99.61**	98.14	1
Oil – Edmonton Par – (Cdn$/Bbl)	**97.01**	104.79	(7)	**100.76**	95.21	6
Condensate – (Cdn$/Bbl)	**101.74**	107.80	(6)	**109.87**	106.61	3
Exchange rate (Cdn$/US$)	**1.0893**	1.0385	5	**1.0944**	1.0236	7

Average selling prices [1]

	Three months ended September 30,			Nine months ended September 30,		
	2014	2013	% Change	**2014**	2013	% Change
Natural gas ($/Mcf)	**4.31**	3.04	42	**4.38**	3.23	36
Condensate ($/Bbl)	**92.74**	97.92	(5)	**96.01**	97.08	(1)
Butane ($/Bbl)	**51.26**	63.94	(20)	**56.54**	58.72	(4)
Propane ($/Bbl)	**27.12**	27.52	(1)	**43.25**	23.98	80
Ethane ($/Bbl)	**12.46**	11.59	8	**14.23**	8.97	59
Oil ($/Bbl)	**86.72**	94.45	(8)	**90.48**	80.44	12

[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, daily and fixed AECO pricing. NuVista's average selling price for gas in the third quarter of 2014 was $4.31/Mcf compared to $3.04/Mcf for the same period in 2013. For the nine months ended September 30, 2014, NuVista's average selling price for gas was $4.38/Mcf compared to $3.23/Mcf for the same period in 2013.

Condensate, butane, propane and ethane and are priced to varying degrees on oil and natural gas prices. Strong demand for condensate in Alberta results in benchmark condensate prices at Edmonton trading at a premium to Canadian light oil prices. NuVista's realized condensate prices include adjustments for pipeline tariffs to Edmonton and quality differentials. Condensate prices averaged $92.74/Bbl in the third quarter down from $97.92/Bbl in the comparative period of 2013. Butane and propane trade at varying discounts to light oil prices depending on market conditions. Ethane prices are highly correlated to natural gas prices.

The price NuVista receives for its oil production is primarily driven by the price of WTI, less a discount to Western Canada for WTI-Edmonton light oil and heavy oil differentials. NuVista's oil production mix was approximately 74% light oil and 26% heavy oil in the third quarter of 2014. 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 8% lower in the third quarter of 2014 compared to the third quarter of 2013. Realized oil prices decreased 7% in the third quarter of 2014 compared to the same period of 2013. The third quarter decrease in realized prices was primarily due to lower WTI prices.

Revenues

	Three months ended September 30,					
($ thousands)	Natural Gas	Condensate	Liquids [2]	Oil	**2014 Total**	2013 Total
Revenue [1]	**31,077**	**27,277**	**3,912**	**4,160**	**66,426**	60,420
Realized loss on commodity derivatives	**(1,264)**	**(2,364)**	**-**	**(379)**	**(4,007)**	(3,423)
Total revenue [3]	**29,813**	**24,913**	**3,912**	**3,781**	**62,419**	56,997

	Nine months ended September 30,					
($ thousands)	Natural Gas	Condensate	Liquids [2]	Oil	**2014 Total**	2013 Total
Revenue [1]	**83,192**	**68,133**	**18,828**	**16,904**	**187,057**	156,326
Realized loss on commodity derivatives	**(3,264)**	**(7,434)**	**-**	**(2,128)**	**(12,826)**	(5,501)
Total revenue [3]	**79,928**	**60,699**	**18,828**	**14,776**	**174,231**	150,825

(1) Natural gas revenue includes price risk management gains and losses on physical sale contracts. For the three and nine months ended September 30, 2014, our physical sale contracts totaled a loss of $1.6 million and $7.4 million respectively (three and nine months ended September 2013 – gains of $1.5 million and $1.1 million respectively).
(2) Incudes butane, propane, and ethane.
(3) Refer to "Non-GAAP measurements".

For the three months ended September 30, 2014, revenues including realized commodity derivative gains and losses were $62.4 million, a 10% increase from $57.0 million for the same period in 2013. The increase in revenues for the three months ended September 30, 2014 compared to the same period of 2013 is due to a 13% increase in overall realized prices offset by 3% decrease in production volumes. Revenues were comprised of $29.8 million of natural gas, $24.9 million of condensate, $3.9 million of liquids and $3.8 million of oil revenue. The increase in average realized commodity prices is comprised of a 42% increase in the natural gas price to $4.31/Mcf from $3.04/Mcf, a 11% increase in the liquids price, excluding condensate to $33.85/Bbl from $30.49/Bbl, a 5% decrease in the condensate price to $92.74/Bbl from $97.92/Bbl and a 8% decrease in the oil price to $86.72/Bbl from $94.45/Bbl.

For the nine months ended September 30, 2014, revenues including realized commodity derivative gains and losses were $174.2 million, a 16% increase from $150.8 million for the same period in 2013. The increase in revenues for the first nine months of 2014 compared to the same period of 2013 is primarily due to 18% increase in overall realized prices offset by 2% decrease in production volumes. These revenues were comprised of $79.9

million of natural gas revenue, $60.7 million of condensate revenue, $18.8 million in liquids revenue and $14.8 million of oil revenue. The increase in average realized commodity prices is comprised of a 36% increase in the natural gas price to $4.38/Mcf from $3.23/Mcf, a 41% increase in the liquids price, excluding condensate to $36.17/Bbl from $25.66/Bbl, a 1% decrease in the condensate price to $96.01/Bbl from $97.08/Bbl and a 12% increase in the oil price to $90.48/Bbl from $80.44/Bbl.

Commodity price risk management

	Three months ended September 30,					
($ thousands)		**2014**			2013	
	Realized Gain (Loss)	**Unrealized Gain (Loss)**	**Total Gain (Loss)**	Realized Gain (Loss)	Unrealized Gain (Loss)	Total Gain (Loss)
Natural gas	**(1,264)**	**1,776**	**512**	-	865	865
Condensate	**(2,364)**	**8,968**	**6,604**	(2,012)	(413)	(2,425)
Oil	**(379)**	**1,441**	**1,062**	(1,411)	(290)	(1,701)
Total gain (loss)	**(4,007)**	**12,185**	**8,178**	(3,423)	162	(3,261)

	Nine months ended September 30,					
($ thousands)		**2014**			2013	
	Realized Gain (Loss)	**Unrealized Gain (Loss)**	**Total Gain (Loss)**	Realized Gain (Loss)	Unrealized Gain (Loss)	Total Gain (Loss)
Natural gas	**(3,264)**	**(1,241)**	**(4,505)**	(76)	1,099	1,023
Condensate	**(7,434)**	**5,110**	**(2,324)**	(2,912)	(1,815)	(4,727)
Oil	**(2,128)**	**257**	**(1,871)**	(2,513)	(1,942)	(4,455)
Total gain (loss)	**(12,826)**	**4,126**	**(8,700)**	(5,501)	(2,658)	(8,159)

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

The revised limits authorize the use of put options for up to 100% for forecast gas production, net of royalties, with certain maximum cost limits for the period of March 1, 2014 to December 31, 2014.

During the third quarter of 2014, the commodity price risk management program resulted in a gain of $8.2 million, consisting of a realized loss of $4.0 million and unrealized gain of $12.2 million on natural gas and oil contracts compared to a realized loss of $3.4 million and unrealized gain of $0.2 million for the same period of 2013. For the nine months ended September 30, 2014, the commodity price risk management program resulted in a loss of $8.7 million, consisting of a realized loss of $12.8 million and unrealized gain of $4.1 million on natural gas and oil contracts compared to a realized loss of $5.5 million and an unrealized loss of $2.7 million for the same period of 2013.

Price risk management loss on our physical sale contracts totaled $1.6 million and $7.4 million for the three and nine months ended September 30, 2014 respectively. The physical sale contracts are entered into the normal course of business.

(a) Financial instruments

The following is a summary of financial instruments outstanding as at September 30, 2014:

	Volume (Bbls/d)	Pricing (Cdn$/Bbl)	Premium (Cdn$/Bbl)	Remaining term
WTI crude oil contracts				
Fixed price swap	2,715	$95.86		Oct 1, 2014 – Dec 31, 2014
Fixed price swap	2,900	$96.90		Jan 1, 2015 – Mar 31, 2015
Fixed price swap	2,567	$98.51		Apr 1, 2015 – Jun 30, 2015
Fixed price swap	2,103	$100.05		Jul 1, 2015 – Sep 30, 2015
Fixed price swap	1,551	$100.14		Oct 1, 2015 – Dec 31, 2015
Fixed price swap	800	$99.08		Jan 1, 2016 – Jun 30, 2016
Fixed price swap	500	$98.25		Jul 1, 2016 – Dec 31, 2016
Put option	800	$102.51	$6.19	Oct 1, 2014 – Dec 31, 2014
Put option	300	$104.52	$4.82	Jan 1, 2015 – Jun 30, 2015
Put option	200	$103.50	$4.90	Jul 1, 2015 – Sep 30, 2015

	Volume (MMbtu/d)	Pricing (US$/MMbtu)	Remaining term
NYMEX natural gas contracts			
NYMEX costless collar	5,000	$3.90 – $4.52	Oct 1, 2014 – Dec 31, 2014
NYMEX fixed price swap	2,000	$3.80	Oct 1, 2014 – Dec 31, 2014
NYMEX-AECO basis	35,000	$(0.57)	Oct 1, 2014 – Dec 31, 2014
NYMEX-AECO basis	5,000	$(0.44)	Jan 1, 2015 – Dec 31, 2015

Subsequent to September 30, 2014, the following financial instruments have been entered into:

	Volume (Bbls/d)	Pricing (Cdn$/Bbl)	Remaining term
WTI crude oil contracts			
Fixed price swap	100	$94.22	Jan 1, 2015 – Dec 31, 2015
Fixed price swap	250	$88.50	Jul 1, 2015 – Dec 31, 2015
Fixed price swap	250	$94.05	Jul 1, 2015 – Dec 31, 2016

	Volume (MMbtu/d)	Pricing (US$/MMbtu)	Remaining term
NYMEX natural gas contracts			
NYMEX-AECO basis	5,000	$(0.61)	Jan 1, 2016 – Dec 31, 2016

(b) Physical purchase and sale contracts

The following is a summary of physical purchase and sale contracts outstanding as at September 30, 2014:

	Volume (GJ/d)	Pricing (Cdn$/GJ)	Remaining term
AECO natural gas contracts			
Costless collar	12,000	$3.17 – $3.70	Oct 1, 2014 – Dec 31, 2014
Costless collar	3,722	$3.27 – $3.86	Jan 1, 2015 – Mar 31, 2015
Costless collar	2,000	$3.50 – $4.15	Apr 1, 2015 – Jun 30, 2015
Costless collar	12,000	$3.46 – $3.93	Jul 1, 2015 – Dec 31, 2015
Costless collar	10,000	$3.45 – $3.89	Jan 1, 2016 – Mar 31, 2016
Costless collar	5,000	$3.40 – $3.85	Apr 1, 2016 – Dec 31, 2016
Fixed price swap	38,799	$3.63	Oct 1, 2014 – Dec 31, 2014
Fixed price swap	46,000	$3.73	Jan 1, 2015 – Jun 30, 2015
Fixed price swap	36,000	$3.79	Jul 1, 2015 – Sep 30, 2015
Fixed price swap	25,712	$3.82	Oct 1, 2015 – Dec 31, 2015
Fixed price swap	10,000	$3.67	Jan 1, 2016 – Dec 31, 2016

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

Subsequent to September 30, 2014, the following physical purchase and sale contracts have been entered into:

	Volume (GJ/d)	Pricing (Cdn$/GJ)	Remaining term
Natural gas contracts			
Fixed price swap	2,000	$3.58	Jan 1, 2015 – Dec 31, 2015
Fixed price swap	4,000	$3.63	Jan 1, 2015 – Apr 30, 2015
Fixed price swap	5,000	$3.58	Jul 1, 2015 – Mar 31, 2016
Fixed price swap	5,000	$3.75	Nov 1, 2015 – Mar 31, 2016
Fixed price swap	3,000	$3.51	Jun 1, 2015 – Dec 31, 2015
Fixed price swap	5,000	$3.58	Oct 1, 2015 – Dec 31, 2016

Royalties

	Three months ended September 30,				Nine months ended September 30,			
	2014		2013		**2014**		2013	
($ thousands)	$	%	$	%	$	%	$	%
Natural gas and liquids	**4,675**	**8**	4,098	9	**14,195**	**8**	11,563	9
Oil	**876**	**21**	1,441	11	**3,542**	**21**	3,938	12
Weighted average rate	**5,551**	**8**	5,539	9	**17,737**	**9**	15,501	10

For the three months ended September 30, 2014, royalties were $5.6 million, consistent with the $5.5 million for the same period of 2013. Royalties for the nine months ended September 30, 2014 were $17.7 million, 14% higher than the $15.5 million reported for the nine months ended September 30, 2013. Royalties, on a total dollar basis, for the first nine months of 2014 were higher than the comparative period of 2013 as a result of increases in oil and natural gas prices.

Average royalty rates by product for the three months ended September 30, 2014 were 8% for natural gas and liquids and 21% for oil compared to 9% for natural gas and liquids and 11% for oil for the same period in 2013. The increase in 2014 oil royalty rates resulted from the sale of low royalty rate heavy oil wells in Saskatchewan as part of the 2013 Dispositions. NuVista's remaining oil properties incur a significantly higher royalty rate. As a percentage of revenue, the reported average royalty rate for the three and nine months ended September 30, 2014 was 8% and 9% respectively, which is similar to rates of 9% and 10% incurred respectively for the same period of 2013.

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

Operating – Operating expenses were $19.5 million ($11.75/Boe) for the three months ended September 30, 2014 compared to $19.4 million ($11.37/Boe) for the same period in 2013. Third quarter operating expenses on a total dollar basis remained consistent with the same period of 2013. Third quarter operating expenses were higher compared to the second quarter operating expenses of $15.1 million ($11.46/Boe) due to increased production from the Wapiti Montney wells and the associated variable costs incurred and start-up costs associated with the new compressor station.

Operating expenses were $52.0 million ($11.36/Boe) for the nine months ended September 30, 2014 compared to $55.5 million ($11.90/Boe) for the same period in 2013. Operating expenses decreased for the first nine months of 2014 compared to the same period in 2013 due to a 2% decrease in production volumes as a result of the 2013 Dispositions offset by operating costs incurred for new Wapiti Montney wells. Per unit operating expenses for the nine months ended September 30, 2014 were lower than the comparative period as properties associated with the 2013 Dispositions had higher fixed costs.

Transportation – Transportation costs were $2.4 million ($1.44/Boe) for the three months ended September 30, 2014 as compared to $2.6 million ($1.53/Boe) for the same period of 2013. Transportation costs, on a total dollar basis, for the three months ended September 30, 2014 were slightly lower compared to the same period in 2013 due to lower production in the quarter as a result of the 2013 Dispositions which was offset by the increased trucking costs associated with increased liquids production from our Wapiti Montney play.

Transportation costs were $5.6 million ($1.22/Boe) for the nine months ended September 30, 2014 as compared to $5.1 million ($1.09/Boe) for the same period of 2013. Overall, transportation costs have increased for the first nine months of 2014 due to increased transportation rates and volumes.

General and administrative

	Three months ended September 30,		Nine months ended September 30,	
($ thousands except per unit amounts)	**2014**	2013	**2014**	2013
Gross general and administrative expenses	**5,917**	5,450	**17,089**	17,183
Overhead recoveries	**(210)**	(1,134)	**(1,006)**	(2,608)
Net general and administrative expenses	**5,707**	4,316	**16,083**	14,575
Per Boe	**3.44**	2.53	**3.51**	3.12

General and administrative expenses, net of overhead recoveries, for the three months ended September 30, 2014 were $5.7 million ($3.44/Boe) compared to $4.3 million ($2.53/Boe) in the same period of 2013. General and administrative expenses, net of overhead recoveries, for the nine months ended September 30, 2014 were $16.1 million ($3.51/Boe) compared to $14.6 million ($3.12/Boe) in the same period of 2013. Third quarter and year to date September 30, 2014 general and administrative expenses, net of overhead recoveries on a total dollar basis increased by 32% and 10% respectively compared to the same period of 2013 due to increased employee related costs and lower overhead recoveries as a greater percentage of NuVista's operations are 100% operated.

Share-based compensation

($ thousands)	Three months ended September 30, 2014	2013	Nine months ended September 30, 2014	2013
Stock options	**701**	923	**2,271**	2,997
Restricted stock units	**398**	805	**5,731**	3,275
Restricted share awards	**7**	149	**168**	465
Total	**1,106**	1,877	**8,170**	6,737

NuVista recorded a share-based compensation charge of $1.1 million for the three months ended September 30, 2014 compared to $1.9 million for the same period in 2013. For the nine months ended September 30, 2014, NuVista recorded a share-based compensation charge of $8.2 million compared to $6.7 million for the same period in 2013. The increase in the nine months ending September 30, 2014 expense compared to the same period of 2013 is primarily a result of the settled restricted stock units in the second quarter of 2014 and the growth in NuVista's share price to $10.43 as at September 30, 2014 compared to $6.71 for the same period of 2013. This increase was slightly offset by increased forfeitures of stock options and RSUs in the period. The share-based compensation charge relates to the amortization of the fair value of stock option awards and restricted share awards as well as the accrual for future payments under the restricted stock unit incentive plan.

Interest – Interest expense for the three and nine months ended September 30, 2014 was $1.6 million ($0.94/Boe) and $3.8 million ($0.82/Boe) compared to $1.2 million ($0.69/Boe) and $3.1 million ($0.67/Boe) for the same period of 2013. For the three months ended September 30, 2014, borrowing costs averaged 3.4% compared to 3.3% in the same period of 2013. Interest expense for the three and nine months ended September 31, 2014 increased due to higher average debt levels. Cash paid for interest for the three and nine months ended September 30, 2014 were $1.6 million and $3.7 million respectively (September 30, 2013 – $1.1 million and $3.0 million respectively).

Funds from operations (1) – For the three months ended September 30, 2014, NuVista's funds from operations were $27.3 million (0.20/share, basic), a 18% increase from $23.2 million ($0.20/share, basic) for the same period in 2013 and a 82% increase from $15.1 million ($0.11/share, basic) from the second quarter of 2014. Higher third quarter cash flows were mainly due to higher realized natural gas prices compared to the third quarter of 2013 and increased production volumes of 24% compared to the second quarter of 2014.

For the nine months ended September 30, 2014, NuVista's funds from operations were $73.3 million ($0.54/share, basic), a 36% increase from $53.8 million ($0.45/share, basic) for the same period in 2013. Funds from operations for the nine months ended September 30, 2014 were higher compared with the same period in 2013 due to higher realized oil and natural gas prices in the first nine months of 2014 offset by a small decrease in production volumes compared to 2013.

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

($ thousands)	Three months ended September 30, 2014	2013	Nine months ended September 30, 2014	2013
Cash provided by operating activities	**18,456**	38,645	**54,878**	53,112
Add back:				
Asset retirement expenditures	**1,282**	1,554	**6,124**	7,782
Change in non-cash working capital	**7,588**	(17,038)	**12,270**	(7,121)
Funds from operations(1)	**27,326**	23,161	**73,272**	53,773

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

The table below summarizes operating netbacks by product for the three months ended September 30, 2014:

($ thousands, except per unit amounts)	Natural gas and liquids[1] $	Natural gas and liquids[1] $/Mcfe	Oil $	Oil $/Bbl	**2014** $	**2014** $/Boe	2013 $	2013 $/Boe
Revenue	**62,266**	**6.44**	**4,160**	**86.72**	**66,426**	**40.05**	60,420	35.44
Realized gain (loss) on commodity derivatives	**(3,628)**	**(0.38)**	**(379)**	**(7.90)**	**(4,007)**	**(2.42)**	(3,423)	(2.01)
	58,638	**6.06**	**3,781**	**78.82**	**62,419**	**37.63**	56,997	33.43
Royalties	**(4,675)**	**(0.48)**	**(876)**	**(18.26)**	**(5,551)**	**(3.35)**	(5,539)	(3.25)
Transportation costs	**(2,259)**	**(0.23)**	**(134)**	**(2.79)**	**(2,393)**	**(1.44)**	(2,609)	(1.53)
Operating costs	**(18,207)**	**(1.88)**	**(1,276)**	**(26.60)**	**(19,483)**	**(11.75)**	(19,391)	(11.37)
Operating netback[2]	**33,497**	**3.47**	**1,495**	**31.17**	**34,992**	**21.09**	29,458	17.28
General and administrative[3]					**(5,707)**	**(3.44)**	(4,316)	(2.53)
Restricted stock units[3]					**(398)**	**(0.24)**	(805)	(0.47)
Interest[3]					**(1,561)**	**(0.94)**	(1,176)	(0.69)
Funds from operations netback[2]					**27,326**	**16.47**	23,161	13.59

[1] Includes natural gas, liquids and condensate.
[2] Refer to "Non-GAAP measurements".
[3] Amounts not allocated by product.

The table below summarizes operating netbacks by product for the nine months ended September 30, 2014:

($ thousands, except per unit amounts)	Natural gas and liquids[1] $	Natural gas and liquids[1] $/Mcfe	Oil $	Oil $/Bbl	**2014** $	**2014** $/Boe	2013 $	2013 $/Boe
Revenue	**170,153**	**6.45**	**16,904**	**90.48**	**187,057**	**40.83**	156,326	33.50
Realized gain (loss) on commodity derivatives	**(10,698)**	**(0.41)**	**(2,128)**	**(11.39)**	**(12,826)**	**(2.80)**	(5,501)	(1.18)
	159,455	**6.04**	**14,776**	**79.09**	**174,231**	**38.03**	150,825	32.32
Royalties	**(14,195)**	**(0.54)**	**(3,542)**	**(18.96)**	**(17,737)**	**(3.87)**	(15,501)	(3.32)
Transportation costs	**(4,990)**	**(0.19)**	**(610)**	**(3.27)**	**(5,600)**	**(1.22)**	(5,094)	(1.09)
Operating costs	**(48,048)**	**(1.82)**	**(3,994)**	**(21.38)**	**(52,042)**	**(11.36)**	(55,504)	(11.90)
Operating netback[2]	**92,222**	**3.49**	**6,630**	**35.48**	**98,852**	**21.58**	74,726	16.01
General and administrative[3]					**(16,083)**	**(3.51)**	(14,575)	(3.12)
Restricted stock units[3]					**(5,731)**	**(1.25)**	(3,275)	(0.70)
Interest[3]					**(3,766)**	**(0.82)**	(3,103)	(0.67)
Funds from operations netback[2]					**73,272**	**16.00**	53,773	11.52

[1] Includes natural gas, liquids and condensate.
[2] Refer to "Non-GAAP measurements".
[3] Amounts not allocated by product.

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

	Three months ended September 30,		Nine months ended September 30,	
($ thousands except per Boe amounts)	**2014**	2013	**2014**	2013
Depletion of oil and gas assets	**19,815**	21,776	**56,184**	59,440
Depreciation of fixed assets	**1,587**	1,154	**4,820**	3,298
Total DD&A	**21,402**	22,930	**61,004**	62,738
Impairment charges	**-**	-	**15,751**	-
Total DD&A and impairment	**21,402**	22,930	**76,755**	62,738
DD&A rate per Boe, excluding impairment	**12.90**	13.45	**13.32**	13.45

Depletion, depreciation and amortization ("DD&A") expenses excluding impairments were $21.4 million for the third quarter of 2014 as compared to $22.9 million for the same period in 2013. Depletion, depreciation and amortization expenses excluding impairments were $61.0 million for the nine months ending September 30, 2014 compared to $62.7 million for the same period in 2013. The average per unit cost for the three and nine months ended September 30, 2014 was $12.90/Boe and $13.32/Boe respectively as compared to $13.45/Boe and $13.45/Boe for the same period in 2013. DD&A expense excluding impairment for the third quarter of 2014 decreased from the same period in 2013 primarily due to a slight decrease in production volumes for the quarter.

In June 2014, NuVista planned to dispose of certain non-core oil and natural gas properties in Northwest Alberta held within the Company's North Gas cash generating unit ("CGU") and Oil CGU. An impairment test was performed and did not result in an impairment charge for these CGUs. The recoverable amount was estimated using a value in use calculation based on expected future cash flows generated from proved and probable reserves using a pre-tax discount rate of 10% to 12%, based on internal reserves report. Subsequent to the impairment test, the carrying amount of the property, plant and equipment was transferred to assets held for sale and were measured at fair value less cost to sell, resulting in an impairment of $15.8 million.

Asset retirement obligations – Asset retirement obligations ("ARO") are based on estimated costs to reclaim and abandon ownership interests in oil and natural gas assets including well sites, gathering systems and processing facilities. At September 30, 2014, NuVista recorded an ARO of $97.6 million as compared to $106.3 million as at December 31, 2013. Current ARO associated with assets held for sale at September 30, 2014 was $26.5 million (December 31, 2013 – $nil). The liability was discounted using a risk free discount rate of 2.7% at September 30, 2014 (December 31, 2013 – 3.2%). The increase in estimates of $21.0 million for the nine months ended September 30, 2014, was primarily due to our annual update of costs estimates and the decrease in the risk-free rate. At September 30, 2014, the estimated total undiscounted amount of cash flow required to settle NuVista's ARO was $150.7 million after dispositions and assets held for sale (December 31, 2013 – $179.1 million). The majority of the costs are expected to be incurred between 2014 and 2032. Actual ARO expenditures for the three and nine months ended September 30, 2014 were $1.3 million and $6.1 million respectively (September 30, 2013 – $1.6 million and $7.8 million).

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

Capital expenditures

($ thousands)	Three months ended September 30, 2014	2013	Nine months ended September 30, 2014	2013
Exploration and development				
Land and retention costs	**82**	44	**4,669**	1,943
Seismic	**1,157**	941	**3,737**	3,043
Drilling and completion	**41,011**	35,328	**144,889**	98,943
Facilities and equipment	**13,351**	8,048	**90,521**	39,725
Corporate	**231**	265	**424**	724
Capital expenditures	**55,832**	44,626	**244,240**	144,378

Capital expenditures were $55.8 million during the third quarter of 2014, consisting of exploration and development spending compared to $44.6 million incurred for the same period of 2013. Capital expenditures were $244.2 million during the first nine months of 2014 compared to $144.4 million incurred for the same period of 2013. The majority of the capital expenditures incurred were spent on liquids-rich natural gas projects in the Wapiti area. Facilities costs included $54.6 million for NuVista's new 100% owned compressor station. This compressor station has an ultimate through-put capacity of 80 MMcf/d of raw gas and 8,000 Bbls/d of condensate and became operational in June of 2014.

Acquisitions and dispositions – For the three and nine months ended September 30, 2014, $5.4 million and $10.2 million respectively were incurred on minor acquisitions compared to $0.1 million and $2.2 million respectively for the three and nine months ended September 30, 2013. For the first nine months of 2014, proceeds received on minor property dispositions were $12.2 million compared to $12.4 million for the comparative period of 2013. A loss on sale of $10.0 million was recognized during the third quarter of 2014 and a loss of $4.1 million has been recorded year to date for 2014.

Subsequent to September 30, 2014, NuVista signed two non-core asset sales agreements including NuVista's non-core Northeast British Columbia natural gas and Wapiti Cardium assets. The expected closing date for these transactions is November 6th. The assets are currently producing approximately 1,400 Boe/d and have been sold for gross cash proceeds of $49.0 million plus 3.5 net sections of Wapiti Montney undeveloped land rights.

Income taxes – For the three and nine months ended September 30, 2014, the provision for income and other taxes was a expense of $2.9 million and a recovery of $0.8 million respectively compared to a recovery of $0.8 million and $1.8 million respectively for the same period in 2013. The increase in expense for the quarter ended September 30, 2014 compared to 2013 is primarily attributable the increase in the net income after adjusting for non-deductible tax items in the period and additional flow-through share renunciations in the quarter.

Net earnings (loss) – For the three months ended September 30, 2014, net loss totaled $0.2 million ($nil/share, basic) compared to a net loss of $2.3 million ($0.02/share, basic) for the same period in 2013. For the nine months ended September 30, 2014, net loss totaled $16.4 million ($0.12/share, basic) compared to a net loss of $13.7 million ($0.12/share, basic) for the same period in 2013. The net loss for the third quarter of 2014 is mostly attributable to the increase in revenues as well as the increase in unrealized gains on derivatives of $12.2 million. These gains were offset by a loss on disposition of $10.0 million as well as a deferred income tax expense of $2.9 million for the quarter ended September 30, 2014.

Adjusted net earnings (loss) (1) – The table below summarizes adjusted net earnings (loss) for the three and nine months ended September 30, 2014:

	Three months ended September 30,		Nine months ended September 30,	
($ thousands)	**2014**	2013	**2014**	2013
Net loss	**(208)**	(2,295)	**(16,403)**	(13,739)
Add (deduct):				
Unrealized (gain) loss on commodity derivatives, after tax	**(9,120)**	(121)	**(3,088)**	1,989
Impairment of property, plant and equipment, after tax	**-**	-	**11,790**	-
(Gain) loss on property dispositions, after tax	**7,516**	-	**3,048**	(4,137)
Adjusted net loss(1)	**(1,812)**	(2,416)	**(4,653)**	(15,887)
Per basic share	**(0.01)**	(0.02)	**(0.03)**	(0.13)
Per diluted share	**(0.01)**	(0.02)	**(0.03)**	(0.13)

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

Liquidity and capital resources

($ thousands)	**September 30, 2014**	December 31, 2013
Common shares outstanding	**138,366**	134,991
Share price(1)	**10.43**	7.14
Total market capitalization	**1,443,157**	963,836
Adjusted working capital (surplus) deficit(2)	**17,160**	47,495
Long-term debt	**169,758**	-
Debt, net of adjusted working capital ("Net Debt")	**186,918**	47,495
Annualized current quarter funds from operations(2)	**109,304**	86,132
Net debt to annualized current quarter funds from operations	**1.7x**	0.6x

(1) Represents the closing price on the Toronto Stock Exchange on September 30, 2014 and December 31, 2013.
(2) Refer to the "Non-GAAP measurements".

As at September 30, 2014, debt net of adjusted working capital was $186.9 million, resulting in a net debt to the annualized current quarter funds from operations ratio of 1.7x. NuVista anticipates that its debt to annualized current quarter funds from operations target of 1.5x will be met by year end. NuVista's strategy is to target a net debt to annualized current quarter funds from operations of less than 1.5x, while considering other qualitative factors. The actual ratio may fluctuate on a quarterly basis above or below target due to a number of factors including facility outages, commodity prices and the timing of acquisitions and dispositions. At September 30, 2014, NuVista had an adjusted working capital deficit of $17.2 million. Adjusted working capital is current assets less current liabilities excluding the current portion of the fair value of the commodity derivative liabilities of $3.8 million, current ARO liabilities of $26.5 million and assets held for sale of $25.8 million. We believe it is appropriate to exclude these amounts when assessing financial leverage. At September 30, 2014, NuVista had drawn $169.8 million on its credit facility leaving $70.2 million of unused bank borrowing capacity based on the current committed credit facility of $240 million.

At September 30, 2014 NuVista had a $240 million extendible revolving term credit facility available from a syndicate of Canadian chartered banks. At December 31, 2013, NuVista had a $240 million credit facility with a maximum borrowing amount of $220 million. In April 2014, NuVista's borrowing base under the credit facility was increased to $240 million. Borrowing under the credit facility may be made by prime loans, bankers' acceptances and/or US libor advances. These advances bear interest at the bank's prime rate and/or at money market rates plus a borrowing margin. The credit facility is secured by a first floating charge debenture, general assignment of book debts and the NuVista's oil and natural gas properties and equipment. The credit facility has a 364-day revolving period and is subject to an annual review by the lenders, at which time a lender can extend the revolving period or can request conversion to a one year term loan. During the revolving period, a review of the maximum borrowing amount occurs semi-annually on or before October 31 and April 30.

NuVista completed the semi-annual review of its borrowing base in October 2014 with its lenders and the lenders approved a revolving extendible credit facility with a maximum borrowing base of $300 million. During the term period, no principal payments would be required until a year after the revolving period matures or April 27, 2015. As such, the credit facility is classified as long-term.

NuVista plans to monitor its 2014 business plan and adjust its capital program in the context of commodity prices and debt levels. NuVista plans to finance its 2014 capital program with funds from operating activities, divestures and available bank lines.

As at September 30, 2014, there were 138.4 million common shares outstanding. In addition, there were 6.2 million stock options with an average exercise price of $7.35 per option, 0.9 million restricted stock units and 0.01 million restricted share awards outstanding. As of October 17, 2014, there were 138.5 million common shares, 6.0 million options, 0.9 million RSUs and 0.01 million restricted share awards outstanding.

In September 2014, 60,338 common shares were cancelled in connection with the Plan of Arrangement involving Rider Resources Ltd. which was completed in March 2008.

In September 2014, NuVista issued, pursuant to a private placement, 2.4 million common shares on a flow-through basis in respect of Canadian Exploration Expenses (“CEE”) and Canadian Development Expenses (“CDE”) at a price of $13.19 and $11.99 per share respectively for gross proceeds of $29.4 million. The implied premium on the flow-through common shares was determined to be $3.6 million on the date of issue and was recorded as other liabilities. Under the terms of the flow-through share agreements, NuVista is committed to spend approximately $17.7 million on qualifying CDE prior to December 31, 2014 and $11.7 million on qualifying CEE prior to December 31, 2015. As at September 31, 2014, NuVista had spent $8.9 million leaving $8.8 million to be spent on the qualifying CDE prior to December 31, 2014 and $11.7 million on qualifying CEE prior to December 31, 2015.

In November 2013, pursuant to a public offering, NuVista issued 11.0 million common shares at $7.10 per share for gross proceeds of $78.1 million.

In October 2013, pursuant to a public offering, NuVista issued 3.2 million common shares on a flow-through basis in respect of CEE at a price of $8.00 per share for gross proceeds of $25.6 million. Concurrent with the public offering, NuVista also completed a private offering of 0.254 million common shares on a flow-through basis in respect of CEE expenses at a price of $8.00 per share and 1.675 million common shares on a flow-through basis in respect of CDE at a price of $7.20 per share for gross proceeds of $14.1 million. The implied premium on the flow-through common shares was determined to be $6.1 million on the date of issue and was recorded as other liabilities. Under the terms of the flow-through share agreements, NuVista was committed to spend approximately $12.1 million on qualifying CDE prior to December 31, 2013 and $27.6 million on qualifying CEE prior to December 31, 2014. As at December 31, 2013, NuVista had fully spent the qualifying CDE amount. As at September 30, 2014, NuVista had spent $23.0 million leaving $4.6 million to be spent on qualifying CEE prior to December 31, 2014.

Contractual obligations and commitments – NuVista enters into contract obligations as part of conducting business. The following is a summary of NuVista’s contractual obligations and commitments as at June 30, 2014:

($ thousands)	**Total**	2014	2015	2016	2017	2018	Thereafter
Transportation and processing	**453,660**	4,158	29,639	46,140	49,599	48,968	275,156
Office lease	**11,459**	922	3,688	3,702	3,147	-	-
Flow-through common shares	**25,141**	13,474	11,667	-	-	-	-
Total commitments	**490,260**	18,554	44,994	49,842	52,746	48,968	275,156

During the third quarter of 2014, NuVista entered into an agreement with a company for the transportation and processing of an additional 30 MMcf/d of raw gas from the condensate rich Wapiti Montney play for a period of 10 years. This agreement expanded the capacity to 77 MMcf/d and the total value of this contract, included under transportation and processing commitments, was valued at $180.6 million.

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

Quarterly financial information – The following table highlights NuVista's performance for the eight quarterly reporting periods from December 31, 2013 to September 30, 2014:

($ thousands, except	2014			2013				2012
per share amounts)	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Production (Boe/d)	**18,030**	14,493	17,823	18,034	18,532	17,799	14,903	17,692
Revenue	**66,426**	51,734	68,897	57,143	60,420	54,158	41,748	48,277
Net earnings (loss)	**(208)**	(11,837)	(4,358)	(47,405)	(2,295)	(7,383)	(4,061)	(59,042)
Net earnings (loss)								
Per basic share	**-**	(0.09)	(0.03)	(0.38)	(0.02)	(0.06)	(0.03)	(0.56)
Per diluted share	**-**	(0.09)	(0.03)	(0.38)	(0.02)	(0.06)	(0.03)	(0.56)

NuVista has seen production volumes in a range of 14,493 Boe/d to 18,532 Boe/d for the last eight quarters. Over the prior eight quarters, quarterly revenue has been in a range of $41.7 million to $68.9 million with revenue primarily influenced by production volumes, commodity prices, capital expenditures and property dispositions. Net losses have been in a range of a net loss of $0.2 million to net loss of $59.0 million with earnings primarily influenced by impairments, gains and losses from disposal of assets, production volumes, commodity prices and realized and unrealized gains and losses on commodity derivatives.

Critical accounting estimates – Management is required to make estimates, judgements, and assumptions in applying its accounting policies which have a significant impact on the financial results of NuVista. These estimates and assumptions are subject to change based on experience and new information. Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate is made. Critical accounting estimates are also those estimates which, where a different estimate could have been used or where changes in the estimate that are reasonably likely to occur, would have a material impact on NuVista's financial condition, changes in financial condition or financial performance. Critical accounting estimates are reviewed annually by the Audit Committee of the Board of Directors. A detailed description of NuVista's critical accounting estimates is provided in the Critical Accounting Estimates section of NuVista's December 31, 2013 annual MD&A.

Update on regulatory matters

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

Update on financial reporting matters

Changes in accounting policies

IFRS Interpretations Committee ("IFRIC") 21, "Levies" is effective January 1, 2014. It clarifies the recognition requirements concerning a liability to pay a levy imposed by a government, other than an income tax. The interpretation clarifies that the obligating event which gives rise to a liability is the activity that triggers the payment of the levy in accordance with the relevant legislation. The adoption of this standard does not have a material impact on the NuVista's financial statements.

IAS 32, "Financial Instruments: Presentation" was amended to provide further criteria on the legal right and intention to offset financial assets and financial liabilities. NuVista has adopted the amended IAS 32 in its financial statements for the annual period beginning January 1, 2014. The adoption of this standard does not have any impact on the NuVista's financial statements.

Future accounting changes

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

Disclosure controls and internal controls over financial reporting

NuVista's President and Chief Executive Officer ("CEO") and Vice President, Finance and Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting as defined in National Instrument 52-109. NuVista's CEO and CFO have designed disclosure controls and procedures, or caused them to be designed under their supervision, to provide reasonable assurance that information required to be disclosed by NuVista in its interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and is accumulated and communicated to NuVista's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure. The CEO and CFO have concluded, based on their evaluation as of the end of the period covered by the interim filings that the Company's disclosure controls and procedures are effective to provide reasonable assurance that material information related to NuVista, is made known to them by others within the Company.

The CEO and CFO have also designed internal controls over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of NuVista's financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that: (a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of NuVista; (b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of the 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 prevention 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") in 1992. During the quarter ended September 30, 2014, there have been no changes to NuVista's internal controls over financial reporting that have materially or are reasonably likely to materially affect the internal controls over financial reporting.

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

Assessment of business risks

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

- Operational risk associated with the production of oil and natural gas;
- Operational risk associated with the timing of start-up of facilities (NuVista's and third parties) and the impact of unplanned outages;
- Reserves risk with respect to the quantity and quality of recoverable reserves;

- Commodity risk as crude oil and natural gas prices and differentials fluctuate due to market forces;
- Financial risk such as volatility of the Cdn/US dollar exchange rate, interest rates and debt service obligations;
- Risk associated with the re-negotiation of NuVista's credit facility and the continued participation of NuVista's lenders;
- Market risk relating to the availability of transportation systems to move the product to market;
- Environmental and safety risk associated with well operations and production facilities;
- Changing government regulations relating to royalty legislation, income tax laws, incentive programs, operating practices and environmental protection relating to the oil and natural gas industry; and
- Labour risks related to availability, productivity and retention of qualified personnel.

NuVista seeks to mitigate these risks by:

- Acquiring properties with established production trends to reduce technical uncertainty as well as undeveloped land with development potential;
- Maintaining a low cost structure to maximize product netbacks and reduce impact of commodity price cycles;
- Diversifying properties to mitigate individual property and well risk;
- Maintaining product mix to balance exposure to commodity prices;
- Conducting rigorous reviews of all property acquisitions;
- Monitoring pricing trends and developing a mix of contractual arrangements for the marketing of products with creditworthy counterparties;
- Maintaining a price risk management program to manage commodity prices and foreign exchange currency rates risk and transacting with creditworthy counterparties;
- Ensuring strong third-party operators for non-operated properties;
- Adhering to NuVista's safety program and keeping abreast of current operating best practices;
- Keeping informed of proposed changes in regulations and laws to properly respond to and plan for the effects that these changes may have on our operations;
- Carrying industry standard insurance to cover losses;
- Establishing and maintaining adequate cash resources to fund future abandonment and site restoration costs;
- Closely monitoring commodity prices and capital programs to manage financial leverage; and
- Monitoring the bank and equity markets to understand how changes in the capital market may impact NuVista's business plan.

Information regarding risk factors associated with the business of NuVista and how NuVista seeks to mitigate these risks is contained in our Annual Information Form for the year ended December 31, 2013 under "Risk Factors".

OUTLOOK

NuVista's production has increased from 20,000 Boe/d in September to over 23,500 Boe/d currently. This represents 21,500 Boe/d net of the previously announced asset divestitures which are being effected in the fourth quarter. Capital expenditures for 2014 will be approximately $310 to $320 million, in line with original guidance. Production for the fourth quarter of 2014 is expected to average 21,000 to 22,500 Boe/d net of announced divestitures. This meets or slightly exceeds the middle of the previously announced guidance range of 20,000 to 23,000 Boe/d despite absorbing the effect of year-to-date divestitures with associated production of 2,200 Boe/d. We also reaffirm our full year production guidance of 17,750 to 18,500 Boe/d for 2014 and continue to expect to have approximately 32 Montney wells online by year end, up from 16 at the start of 2014. For 2014, funds from operations are anticipated to be in the range of $110 to $120 million based on current strip commodity prices.

Our 2015 capital expenditure program has now been finalized and meets five strategic goals:

- To continue development drilling in our Bilbo block and ramp up production in the new Bilbo facilities;
- To replace, through Montney development spending, the production of 2,200 Boe/d from assets recently sold;
- To build another large compressor station in our Elmworth (North) block of the same size and design as our successful Bilbo station. This will ultimately underpin significant 2015 to 2017 Elmworth facility capacity

growth of another 80 MMcf/d and 4,800 Bbl/d of condensate. This capacity growth represents a tripling of our facility capacity as compared to first quarter 2014. With the addition of the Elmworth compressor station, total NuVista Montney facility capacity will reach over 40,000 Boe/d by mid 2016;

- To continue the successful development drilling program in our Elmworth block; and
- To continue our single-rig Wapiti Montney rolling delineation and land continuation program.

The Board of Directors of NuVista has approved our 2015 capital expenditure program at a range of $340 to $380 million, only slightly above 2014 spend levels. This includes up to $275 million for development and delineation drilling, completions, and tie-ins of approximately 29 wells; $55 million for the Elmworth block compressor station and trunk pipelines; and up to $40 million for long-term permanent water supply, treatment, and disposal facilities as well as land, seismic, and overheads. This program allows us to balance short-term growth while continuing to lay the important foundational items for significant long-term growth. We also intend to continue our asset rationalization program with the same annual target of $25 to $50 million in 2015 divestiture proceeds to assist in funding our profitable Wapiti Montney growth. NuVista has significant flexibility and opportunity to accelerate the Wapiti program as 2015 progresses, however given the current commodity price uncertainty, we have elected to take a conservative approach while we closely monitor future drilling results in addition to the commodity price environment.

We expect 2015 NuVista production to be in the range of 23,500 to 25,000 Boe/d, which represents a 35% increase from absolute 2014 reported average production, or a 50% increase after adjusting for announced 2014 asset dispositions with associated production of 2,200 Boe/d. We expect 2015 funds from operations in the range of $180 to $200 million at current strip prices, or approximately 65% higher than 2014 funds from operations.

Looking beyond 2015, our plans remain flexible depending on market conditions. At a level of capital spending similar to 2015, sustained annual production growth of 20% to 25% per year is achievable. In the case of accelerated capital spending beyond 2015, NuVista is confident in our capability to deliver annual production growth of 30% to 35% in the 2016 to 2018 period. Both capital pace options are underpinned by firm service agreements already in place through 2017, or into 2018 in the case of flat capital spending levels. We will continue to set annual capital programs which are commensurate with a strong balance sheet while delivering excellent growth in the context of the ever changing external environment.