

## 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" or the "Company") interim financial statements for the three and nine months ended September 30, 2016 and audited financial statements for the year ended December 31, 2015. The following MD&A of financial condition and results of operations was prepared at and is dated November 11, 2016. Our December 31, 2015 audited financial statements, Annual Information Form and other disclosure documents are available through our filings on SEDAR at [www.sedar.com](http://www.sedar.com) or can be obtained from our website at [www.nuvistaenergy.com](http://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 ("Mcf") 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. National Instrument 51-101 - "Standards of Disclosure for Oil and Gas Activities" includes condensate within the product type of natural gas liquids. NuVista has disclosed condensate values separate from natural gas liquids herein as NuVista believes it provides a more accurate description of NuVista's operations and results therefrom.*

### **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; production mix; the anticipated impact of the proposed Modernized Royalty Framework on NuVista's results of operations; NuVista's planned capital expenditures; the timing, allocation and efficiency of NuVista's capital program and the results therefrom; the anticipated potential and growth opportunities associated with NuVista's asset base; production guidance; future funds from operations; the timing of NuVista's next borrowing base review; asset retirement obligations and the amount and timing of such expenditures and the source of funding thereof; the scope, timing and costs of environmental remediation required in connection with the pipeline spill in Northwest Alberta; deferred taxes and NuVista's tax pools; targeted net debt to annualized current quarter funds from operations; expectations regarding future commodity prices, netbacks, future royalties, future operating costs and TOP charges, price differentials and supply; environmental compliance costs and the effect of proposed changes to environmental regulation; industry conditions and anticipated accounting changes and their impact on NuVista's operations and financial position. By their nature, forward-looking statements are based upon certain assumptions and are subject to numerous risks and uncertainties, some of which are beyond NuVista's control, including the impact of general economic conditions, industry conditions, current and future commodity prices, currency and interest rates, anticipated production rates, borrowing, operating and other costs and funds from operations, the timing, allocation and amount of capital expenditures and the results therefrom, anticipated reserves and the imprecision of reserve estimates, the performance of existing wells, the success obtained in drilling new wells, the sufficiency of budgeted capital expenditures in carrying out planned activities, access to infrastructure and markets, competition from other industry participants, availability of qualified personnel or services and drilling and related equipment, stock market volatility, effects of regulation by governmental agencies including changes*

*in environmental regulations, tax laws and royalties; the ability to access sufficient capital from internal sources and bank and equity markets; and including, without limitation, those risks considered under "Risk Factors" in our Annual Information Form. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. NuVista's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements, or if any of them do so, what benefits NuVista will derive therefrom. NuVista has included the forward-looking statements in this MD&A in order to provide readers with a more complete perspective on NuVista's future operations and such information may not be appropriate for other purposes. NuVista disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.*

*This MD&A also contains future-oriented financial information and financial outlook information (collectively, "FOFI") about NuVista's 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 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 forward-looking statements and FOFI, or if any of them do so, what benefits NuVista will derive therefrom. NuVista has included the forward-looking statements and FOFI in this press release in order to provide readers with a more complete perspective on NuVista's future operations and such information may not be appropriate for other purposes. NuVista disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.*

#### **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", "funds from operations netback", "net debt", "net debt to annualized current quarter funds from operations", "operating netback", "total revenue" and "adjusted working capital" to analyze operating performance and leverage. These terms do not have any standardized meaning prescribed by GAAP and therefore may not be comparable with the calculation of similar measures for other entities.*

*Funds from operations are based on cash flow from operating activities as per the statement of cash flows before changes in non-cash working capital, asset retirement expenditures, note receivable allowance (recovery) and environmental remediation expenses. 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, asset retirement expenditures, note receivable allowance (recovery) and environmental remediation expenses. Funds from operations per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of net loss per share. Total revenue equals oil and natural gas revenues including realized financial derivative gains/losses. Operating netback equals the total of revenues including realized financial derivative gains/losses less royalties, transportation and operating expenses calculated on a Boe basis. Funds from operations netback is operating netback less general and administrative, restricted stock units and interest expenses calculated on a Boe basis. Net debt is calculated as long-term debt plus senior unsecured notes plus adjusted working capital. Adjusted working capital is current assets less current liabilities and excludes the current portions of the financial derivative assets or liabilities, asset retirement obligations and deferred premium on flow through shares. Net debt to annualized current quarter funds from operations is net debt divided by annualized fourth quarter funds from operations.*

## Description of business

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

## Dispositions

NuVista completed various asset dispositions throughout 2015 and 2016 with substantially all of the dispositions in NuVista's non-core operating areas.

There were two minor dispositions in the third quarter of 2016 with production at the time of sale of approximately 400 Boe/d. During the second quarter of 2016, NuVista disposed of its assets in the Wapiti Sweet operating area with combined production at the time of sale of approximately 3,200 Boe/d. With the disposition of non-core properties and capital expenditures in the Wapiti Montney area over the past few years, NuVista's total production is now 96% from the Wapiti Montney.

## Drilling activity

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Wells drilled (gross)	5.0	4.0	14.0	13.0
Wells drilled (net)	5.0	4.0	14.0	13.0
Average working interest (%)	100%	100.0%	100%	100.0%

For the three months ended September 30, 2016, NuVista drilled 5.0 (5.0 net) natural gas wells with 100% success rate. For the comparable period of 2015, NuVista drilled 4.0 (4.0 net) natural gas wells with a 100.0% success rate.

For the nine months ended September 30, 2016, NuVista drilled 14.0 (14.0 net) natural gas wells with 100% success rate. For the comparable period of 2015, NuVista drilled 12.0 (12.0 net) natural gas wells and 1.0 (1.0 net) disposal well with a 100.0% success rate. All wells in 2016 and 2015 were drilled in NuVista's Wapiti Montney operating area with an average working interest of 100%.

## Production

	Three months ended September 30			Nine months ended September 30		
	2016	2015	% Change	2016	2015	% Change
Natural gas (Mcf/d)	94,024	90,373	4	85,520	92,254	(7)
Condensate & oil (Bbls/d)	7,615	4,894	56	6,641	4,804	38
Butane (Bbls/d)	648	509	27	570	481	19
Propane (Bbls/d)	538	508	6	505	558	(9)
Ethane (Bbls/d)	9	394	(98)	8	525	(98)
Subtotal (Boe/d)	24,481	21,367	15	21,977	21,744	1
Dispositions (Boe/d) <sup>(1)</sup>	417	255	64	2,635	345	664
Total production (Boe/d)	24,898	21,622	15	24,612	22,089	11
Condensate, oil & NGLs weighting <sup>(2) &amp; (3)</sup>	35%	30%		34%	29%	
Condensate & oil weighting <sup>(3)</sup>	31%	23%		28%	22%	

<sup>(1)</sup> Production from properties disposed in the current period. Prior period comparatives have not been adjusted.

(2) Natural gas liquids ("NGLs") include butane, propane and ethane.

(3) Product weighting is based on total production.

### Production by area

	Three months ended September 30, 2016				Three months ended September 30, 2015			
	Natural gas (Mcf/d)	Condensate & oil (Bbls/d)	NGLs (Bbls/d)	Total (Boe/d)	Natural gas (Mcf/d)	Condensate & oil (Bbls/d)	NGLs (Bbls/d)	Total (Boe/d)
Wapiti Montney	90,231	7,594	1,186	<b>23,819</b>	66,271	4,601	754	16,400
Non-core	3,793	21	9	<b>662</b>	24,102	293	657	4,967
Subtotal	94,024	7,615	1,195	<b>24,481</b>	90,373	4,894	1,411	21,367
Dispositions <sup>(1)</sup>	3,352	19	(160)	<b>417</b>	884	105	3	255
Total	97,376	7,634	1,035	<b>24,898</b>	91,257	4,999	1,414	21,622
% of Total	65%	31%	4%		70%	23%	7%	

(1) Production from properties disposed in the current period. Prior period comparatives have not been adjusted.

	Nine months ended September 30, 2016				Nine months ended September 30, 2015			
	Natural gas (Mcf/d)	Condensate & oil (Bbls/d)	NGLs (Bbls/d)	Total (Boe/d)	Natural gas (Mcf/d)	Condensate & oil (Bbls/d)	NGLs (Bbls/d)	Total (Boe/d)
Wapiti Montney	81,488	6,624	1,077	<b>21,282</b>	66,650	4,371	704	16,184
Non-core	4,032	17	6	<b>695</b>	25,604	433	860	5,560
Subtotal	85,520	6,641	1,083	<b>21,977</b>	92,254	4,804	1,564	21,744
Dispositions <sup>(1)</sup>	11,731	128	551	<b>2,635</b>	1,364	111	7	345
Total	97,251	6,769	1,634	<b>24,612</b>	93,618	4,915	1,571	22,089
% of Total	65%	28%	7%		71%	22%	7%	

(1) Production from properties disposed in the current period. Prior period comparatives have not been adjusted.

### Production weighting by area

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Wapiti Montney	<b>96%</b>	76%	<b>86%</b>	73%
Non-core	<b>3%</b>	23%	<b>3%</b>	25%
Dispositions	<b>1%</b>	1%	<b>11%</b>	2%

For the three months ended September 30, 2016, NuVista's average production was 24,898 Boe/d, an increase of 15% from 21,622 Boe/d in the comparative period of 2015 due to the successful Montney drilling program. Third quarter production increased 6% from 23,451 Boe/d in the second quarter of 2016, primarily due to a 23% increase in Montney production of approximately 4,500 Boe/d as a result of new wells coming onto production, which was partially offset by the sale of approximately 3,200 Boe/d of Wapiti Sweet production that closed in June 2016. Condensate & oil volumes averaged 31% of total production for the quarter.

For the nine months ended September 30, 2016, NuVista's average production was 24,612 Boe/d, a 11% increase from 22,089 Boe/d in the comparative period of 2015. The increase is a result of the significant production increases in Montney, net of production sold in property dispositions in 2015 and 2016.

## Commodity prices

### Benchmark prices

	Three months ended September 30			Nine months ended September 30		
	2016	2015	% Change	2016	2015	% Change
Natural gas - AECO (daily) (\$/GJ)	2.20	2.75	(20)	1.75	2.62	(33)
Natural gas - AECO (monthly) (\$/GJ)	2.09	2.65	(21)	1.76	2.66	(34)
Natural gas - NYMEX (monthly) (US\$/MMbtu)	2.81	2.77	1	2.29	2.80	(18)
Natural gas - Chicago Citygate (monthly) (US\$/MMbtu)	2.76	2.83	(2)	2.32	2.98	(22)
Oil - WTI (US\$/Bbl)	44.94	46.43	(3)	41.33	51.00	(19)
Oil - Edmonton Par - (Cdn\$/Bbl)	54.68	56.17	(3)	50.00	58.53	(15)
Condensate - (Cdn\$/Bbl)	56.22	57.86	(3)	53.42	61.88	(14)
Exchange rate - (Cdn\$/US\$)	1.305	1.309	—	1.323	1.260	5

### Average selling prices <sup>(1) & (2)</sup>

	Three months ended September 30			Nine months ended September 30		
	2016	2015	% Change	2016	2015	% Change
Natural gas (\$/Mcf)	3.37	3.55	(5)	3.47	3.67	(5)
Condensate & oil (\$/Bbl)	48.73	51.59	(6)	46.79	53.59	(13)
Butane (\$/Bbl)	23.01	25.97	(11)	21.54	27.63	(22)
Propane (\$/Bbl)	(11.66)	(8.67)	—	(3.99)	(2.40)	—
Ethane (\$/Bbl)	10.98	7.45	47	4.61	8.21	(44)

<sup>(1)</sup> Prices exclude price risk management realized and unrealized gains and losses on financial derivative commodity contracts but includes gains and losses on physical sale contracts.

<sup>(2)</sup> The average liquids selling price is net of tariffs and fractionation fees.

NuVista markets its natural gas based on a mix of monthly, daily and fixed AECO pricing. As of December 1, 2015, the Company started selling approximately 20 MMcf/d of its natural gas directly into the Chicago market where it receives a higher US dollar denominated Chicago Citygate price. NuVista's average selling price for natural gas in the third quarter of 2016 was \$3.37/Mcf compared to \$3.55/Mcf for the comparative period of 2015, and \$3.25/Mcf in the second quarter of 2016. Excluding the impact of realized gains on physical sales contracts, the average selling price for natural gas in the third quarter of 2016 was \$2.51/Mcf compared to \$2.83/Mcf for the comparative period of 2015, and \$1.90/Mcf in the second quarter of 2016.

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 and oil prices averaged \$48.73/Bbl in the third quarter, a decrease of 6% from \$51.59/Bbl for the comparable period in 2015, consistent with a 3% decline in WTI prices. Butane and propane trade at varying discounts to light oil prices depending on market conditions. Propane prices continue to be impacted as a result of an oversupply in Western Canada. Propane production makes up less than 2% of the Company's total production.

## Revenues

(\$ thousands)	Three months ended September 30				
	Natural gas	Condensate & oil	NGLs <sup>(2)</sup>	2016 Total	2015 Total
Oil and natural gas revenues <sup>(1)</sup>	30,232	34,224	699	<b>65,155</b>	54,664
Realized gain (loss) on financial derivatives	469	4,854	—	<b>5,323</b>	11,306
<b>Total revenue<sup>(3)</sup></b>	<b>30,701</b>	<b>39,078</b>	<b>699</b>	<b>70,478</b>	<b>65,970</b>

<sup>(1)</sup> Natural gas revenue includes price risk management gains and losses on physical delivery sale contracts. For the three months ended September 30, 2016, our physical delivery sales contracts totaled a \$7.7 million gain (2015 – \$6.1 million gain).

<sup>(2)</sup> Includes butane, propane, and ethane.

<sup>(3)</sup> Refer to “Non-GAAP measurements”.

(\$ thousands)	Nine months ended September 30				
	Natural gas	Condensate & oil	NGLs <sup>(2)</sup>	2016 Total	2015 Total
Oil and natural gas revenues <sup>(1)</sup>	92,416	86,780	3,518	<b>182,714</b>	170,093
Realized gain (loss) on financial derivatives	1,995	22,021	—	<b>24,016</b>	31,735
<b>Total revenue<sup>(3)</sup></b>	<b>94,411</b>	<b>108,801</b>	<b>3,518</b>	<b>206,730</b>	<b>201,828</b>

<sup>(1)</sup> Natural gas revenue includes price risk management gains and losses on physical delivery sale contracts. For the nine months ended September 30, 2016, our physical delivery sales contracts totaled a \$28.3 million gain (2015 – \$16.9 million gain).

<sup>(2)</sup> Includes butane, propane, and ethane.

<sup>(3)</sup> Refer to “Non-GAAP measurements”.

For the three months ended September 30, 2016, oil and natural gas revenues were \$65.2 million, a 19% increase from \$54.7 million for the comparable period of 2015, primarily as a result of a 15% increase in production and a 4% increase in realized prices for the quarter. Oil and natural gas revenues were comprised of \$30.2 million of natural gas revenues, \$34.2 million of condensate and oil revenues, and \$0.7 million of NGL revenues.

For the nine months ended September 30, 2016, oil and natural gas revenues were \$182.7 million, a 7% increase from \$170.1 million for the comparable period of 2015, primarily as a result of a 11% increase in production offset by a 4% decrease in realized prices. Oil and natural gas revenues were comprised of \$92.4 million of natural gas revenues, \$86.8 million of condensate and oil revenues, and \$3.5 million of NGL revenues.

## Commodity price risk management

(\$ thousands)	Three months ended September 30					
	2016			2015		
	Realized gain (loss)	Unrealized gain (loss)	Total gain (loss)	Realized gain (loss)	Unrealized gain (loss)	Total gain (loss)
Natural gas	469	817	1,286	100	(2,426)	(2,326)
Condensate, oil and NGLs	4,854	(5,085)	(231)	11,206	6,059	17,265
Gain (loss) on financial derivatives	5,323	(4,268)	1,055	11,306	3,633	14,939

Nine months ended September 30

(\$ thousands)	2016			2015		
	Realized gain (loss)	Unrealized gain (loss)	Total gain (loss)	Realized gain (loss)	Unrealized gain (loss)	Total gain (loss)
Natural gas	1,995	2,184	4,179	206	(926)	(720)
Condensate, oil and NGLs	22,021	(24,126)	(2,105)	31,529	(21,654)	9,875
Gain (loss) on financial derivatives	24,016	(21,942)	2,074	31,735	(22,580)	9,155

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. In March 2016, NuVista's Board of Directors made an amendment to the terms of NuVista's commodity price risk management program to secure minimum prices for up to 70% of our net after royalty production for the first 18 month forward period and up to 60% for the following 18 month forward period. Prior to March 2016, NuVista's Board of Directors had authorized the use of fixed price, put option and costless collar contracts ("Fixed Price Contracts") for up to 60% of forecast production, net of royalties, for the first twelve month period, up to 50% for the next twelve month period, and up to 40% for the following twelve month period. In addition, the Board of Directors approved limits for entering into natural gas basis differential contracts that are the lesser of 50% of forecast natural gas production, net of royalties, or the volumes that would bring the combined natural gas basis differential contracts and natural gas Fixed Price Contracts to 100% of forecast natural gas production, net of royalties.

During the third quarter of 2016, the commodity price risk management program resulted in a gain of \$1.1 million, consisting of a realized gain of \$5.3 million and an unrealized loss of \$4.3 million on natural gas and oil contracts compared to a gain of \$14.9 million consisting of a realized gain of \$11.3 million and an unrealized gain of \$3.6 million for the comparable period of 2015.

For the nine months ended September 30, 2016 the commodity price risk management program resulted in a gain of \$2.1 million consisting of a realized gain of \$24.0 million and an unrealized loss of \$21.9 million on natural gas and oil contracts compared to a realized gain of \$31.7 million and unrealized loss of \$22.6 million for the comparative period of 2015. At September 30, 2016, the mark to market value of the financial derivative commodity contracts amounted to \$3.8 million consisting of current assets of \$1.2 million and long term assets of \$2.7 million.

Price risk management gains on our physical delivery sale contracts totaled \$7.7 million and \$28.3 million for the three and nine months ended September 30, 2016 compared to gains of \$6.1 million and \$16.9 million for comparable periods of 2015. The mark to market value of the physical delivery sale contracts at September 30, 2016 was a gain of \$14.4 million; these fair values are not recorded on the financial statements but are recognized in net earnings as settled.

(a) Financial instruments

The following is a summary of the financial derivatives as at September 30, 2016:

	<b>Volume (Bbls/d)</b>	<b>Pricing (Cdn\$/Bbl)</b>	<b>Term of contract</b>
<b>WTI crude oil sales price derivatives</b>			
Fixed price swap	3,300	\$74.81	Oct 1, 2016 - Dec 31, 2016
Fixed price swap	600	\$61.18	Jan 1, 2017 - Jun 30, 2017
Fixed price swap	500	\$61.78	Jul 1, 2017 - Sep 30, 2017
Costless collar	1,050	\$57.79 - 67.79	Oct 1, 2016 - Dec 31, 2016
Costless collar	1,550	\$58.63 - 68.22	Jan 1, 2017 - Jun 30, 2017
Costless collar	1,208	\$58.87 - 68.34	Jul 1, 2017 - Sep 30, 2017
Costless collar	400	\$60.00 - 68.90	Oct 1, 2017 - Dec 31, 2017

	<b>Volume (MMbtu/d)</b>	<b>Pricing (US\$/MMbtu)</b>	<b>Term of contract</b>
<b>NYMEX natural gas sales price derivatives</b>			
AECO-NYMEX basis	10,000	(\$0.66)	Oct 1, 2016 - Dec 31, 2016
AECO-NYMEX basis	20,000	(\$0.72)	Jan 1, 2017 - Sep 30, 2017
AECO-NYMEX basis	20,000	(\$0.71)	Oct 1, 2017 - Dec 31, 2017
AECO-NYMEX basis	10,000	(\$0.69)	Jan 1, 2018 - Sep 30, 2018
AECO-NYMEX basis	23,261	(\$0.65)	Oct 1, 2018 - Dec 31, 2018
AECO-NYMEX basis	25,000	(\$0.64)	Jan 1, 2019 - Mar 31, 2019
Fixed price swap	10,000	\$2.60	Oct 1, 2016 - Dec 31, 2016
Chicago-NYMEX basis	10,000	(\$0.01)	Oct 1, 2016 - Dec 31, 2016
Chicago-NYMEX basis	5,000	(\$0.05)	Jan 1, 2017 - Dec 31, 2017

Subsequent to September 30, 2016 the following is a summary of financial derivatives that have been entered into:

	<b>Volume (Bbls/d)</b>	<b>Pricing (Cdn\$/Bbl)</b>	<b>Term of contract</b>
<b>WTI crude oil sales price derivatives</b>			
Costless collar	400	\$64.60 - 73.74	Jan 1, 2017 - Dec 31, 2017

(b) Physical delivery sales contracts

The following is a summary of the physical delivery sales contracts as at September 30, 2016:

	Volume (GJ/d)	Pricing (Cdn\$/GJ)	Term of contract
<b>AECO natural gas physical delivery sales contracts</b>			
Costless collar	5,000	\$3.40 - 3.85	Oct 1, 2016 - Dec 31, 2016
Fixed price swap	59,500	\$3.40	Oct 1, 2016 - Dec 31, 2016
Fixed price swap	52,500	\$3.27	Jan 1, 2017 - Mar 31, 2017
Fixed price swap	37,500	\$3.20	Apr 1, 2017 - Jun 30, 2017
Fixed price swap	27,500	\$3.16	Jul 1, 2017 - Sep 30, 2017
Fixed price swap	22,500	\$3.21	Oct 1, 2017 - Dec 31, 2017
Fixed price swap	2,500	\$2.85	Jan 1, 2018 - Sep 30, 2018
Fixed price swap	842	\$2.85	Oct 1, 2018 - Dec 31, 2018

Subsequent to September 30, 2016 the following is a summary of physical delivery sales contracts that have been entered into:

	Volume (GJ/d)	Pricing (Cdn\$/GJ)	Term of contract
<b>AECO natural gas physical delivery sales contracts</b>			
Fixed price swap	10,000	\$2.93	Jan 1, 2017 - Dec 31, 2017

**Royalties**

(\$ thousands, except % and per Boe amounts)	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Gross royalties	3,467	3,680	9,807	11,509
Gas cost allowance ("GCA")	(2,828)	(2,845)	(8,899)	(5,988)
Net royalties	639	835	908	5,521
Gross royalty % excluding physical delivery sales contracts <sup>(1)</sup>	6.0	7.6	6.4	7.5
Gross royalty % including physical delivery sales contracts	5.3	6.7	5.4	6.8
Net royalties per Boe	0.28	0.42	0.13	0.92

<sup>(1)</sup> Calculated as gross royalties as a % of oil and natural gas revenues excluding gains (losses) on physical delivery sales contracts.

For the three months ended September 30, 2016, gross royalties excluding GCA credits were \$3.5 million, 6% lower than the \$3.7 million for the comparable period of 2015. For the nine months ended September 30, 2016, gross royalties excluding GCA adjustments were \$9.8 million, 14.8% lower than the \$11.5 million for the comparative period of 2015. On a gross dollar basis, royalties have decreased in 2016 compared to 2015 due to lower commodity prices, increased Montney production and the increased number of wells that qualify for royalty incentive programs, declining high royalty rate production in our non-core areas, and dispositions of higher royalty rate assets. Wapiti Montney represents 96% of production and has a historical average gross royalty rate of 6%.

The Company also receives GCA from the Crown, which reduces royalties to account for expenses incurred by NuVista to process and transport the Crown's portion of natural gas production. For the nine months ended

September 30, 2016, the 48.6% increase in GCA credits received is primarily due to GCA credits related to the construction and startup of the Elsworth compressor station in June 2015 and increased production through the Bilbo compressor station throughout 2015 and the first half of 2016.

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.

In 2016, the provincial government of Alberta announced the key highlights of a proposed Modernized Royalty Framework ("MRF") that will be effective on January 1, 2017. These highlights include a permanent structure providing a 5% royalty during the pre-payout period of conventional crude oil, natural gas, and NGL resources, then a higher royalty rate after the payout period. The payout period is governed by a revenue minus cost structure which focuses upon cost reduction and efficiency while staying nearly neutral on the average rate of return for any given play when compared to the prior royalty framework. Mature wells still receive reduced royalties, and there are no changes to the royalty structure of wells drilled prior to 2017 for a 10-year period from the royalty program's implementation date. The changes are not currently expected to have a material impact on NuVista's results of operations.

### **Transportation expenses**

(\$ thousands, except per Boe amounts)	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Transportation expense	<b>5,480</b>	2,053	<b>16,250</b>	9,994
Per Boe	<b>2.39</b>	1.03	<b>2.41</b>	1.66

For the three and nine months ended September 30, 2016, transportation expenses were \$5.5 million (\$2.39/Boe) and \$16.3 million (\$2.41/Boe) respectively as compared to \$2.1 million (\$1.03/Boe) and \$10.0 million (\$1.66/Boe) for the comparable periods of 2015, and \$4.4 million (\$2.07/Boe) for the three months ended June 30, 2016. Compared to the second quarter, transportation expenses increased as a result of unplanned downstream third party outages resulting in a higher volume of condensate being trucked than pipelined.

Transportation expenses on a total dollar and per Boe basis increased from the comparable periods in 2015 due to the start of a 3 year gas transportation agreement with Alliance Pipeline effective December 1, 2015 to transport gas from Alberta to Chicago. This higher transportation charge is offset by higher gas sales price realizations, and is partially offset by transportation expenses which decreased from the prior year due to an increase in condensate production flowing through a third party liquids pipeline.

### **Operating expenses**

(\$ thousands, except per Boe amounts)	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Operating expenses	<b>25,904</b>	25,233	<b>71,079</b>	73,162
Per Boe	<b>11.31</b>	12.68	<b>10.54</b>	12.13

For the three and nine months ended September 30, 2016, operating expenses were \$25.9 million (\$11.31/Boe) and \$71.1 million (\$10.54/Boe) respectively, compared to \$25.2 million (\$12.68/Boe) and \$73.2 million (\$12.13/Boe) for the comparable periods of 2015, and \$20.6 million (\$9.66/Boe) for the three months ended June 30, 2016.

Operating expenses for both the three and nine months ended September 30, 2016 were lower on a per Boe basis than the comparative periods of 2015 due to increased facility utilization, a decrease in processing costs primarily as a result of the increased number of wells on production with higher condensate yields, and a reduction of costs as compared to the comparative periods in 2015 which had costs associated with the startup of the Elsworth compressor station.

Compared to the prior quarter ended June 30, 2016, operating expenses on a per Boe basis increased by 17% as a result of the sale of the Wapiti Sweet assets in the second quarter of 2016 which had lower operating costs per Boe than Wapiti Montney and other non-core areas, and also increased take or pay (TOP) commitments. For the three months ended September 30, 2016, operating expenses included TOP commitments that amounted to \$0.81/Boe, compared to \$0.11/Boe in the second quarter of 2016. These TOP costs are expected to be gradually eliminated through 2017 as growing production volumes increase to fulfill the newly available capacity.

### **General and administrative expenses ("G&A")**

(\$ thousands, except per Boe amounts)	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Gross G&A expenses	<b>4,920</b>	5,451	<b>17,289</b>	17,731
Overhead recoveries	<b>(92)</b>	(113)	<b>(360)</b>	(438)
Capitalized G&A	<b>(1,133)</b>	(512)	<b>(4,361)</b>	(1,901)
Net G&A expenses	<b>3,695</b>	4,826	<b>12,568</b>	15,392
Gross G&A per Boe	<b>2.15</b>	2.74	<b>2.56</b>	2.94
Net G&A per Boe	<b>1.61</b>	2.43	<b>1.86</b>	2.55

As a result of continued focus on the Wapiti Montney and disposition of non-core properties, NuVista has been able to realize greater efficiencies and gross G&A expenses have trended lower. G&A, net of overhead recoveries and capitalized G&A, for the three and nine months ended September 30, 2016 was \$3.7 million (\$1.61/Boe) and \$12.6 million (\$1.86/Boe) compared to \$4.8 million (\$2.43/Boe) and \$15.4 million (\$2.55/Boe) for the comparable periods of 2015. Net G&A expenses for the three and nine months ended September 30, 2016 on a total dollar basis compared to the prior year comparative period is lower due to decreased gross G&A expenses and an increase in capitalized G&A expenses as a result of a change in estimated G&A expense related to capital activity. On a per Boe basis, costs have decreased due to the increased production in the period combined with the decrease in net G&A expenses.

### **Share-based compensation expense**

(\$ thousands)	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Stock options	<b>688</b>	987	<b>1,930</b>	2,920
Restricted stock units	<b>8</b>	(102)	<b>499</b>	447
Director deferred share units	<b>435</b>	—	<b>435</b>	—
Restricted share awards	<b>329</b>	208	<b>856</b>	499
Total	<b>1,460</b>	1,093	<b>3,720</b>	3,866

NuVista recorded a share-based compensation charge of \$1.5 million and \$3.7 million for the three and nine months ended September 30, 2016, compared to \$1.1 million and \$3.9 million for the comparable periods in 2015. The share-based compensation charge relates to the amortization of the fair value of stock option awards and restricted share awards ("RSA") and accruals for future payments under the restricted stock unit ("RSU") plan and Director Deferred Share Unit ("DSU") plan. The deferred share unit plan was approved by shareholders at NuVista's Annual General Meeting in May 2016. The increase in share-based compensation expense for the three months ended September 30, 2016, compared to the comparable period of 2015 is a result of share-based compensation expenses recognized for the new grants under the new DSU plan. During the second quarter of 2016, all outstanding RSUs became fully vested and the balance of the expense was recognized in the period. The September 30, 2016 closing price per share was \$6.76 compared to \$5.05 for September 30, 2015.

## Interest expense

(\$ thousands, except per Boe amounts)	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Interest on bank indebtedness	1,042	1,303	5,810	4,867
Interest on senior unsecured notes	2,038	—	2,038	—
Interest expense	3,080	1,303	7,848	4,867
Per Boe	1.34	0.65	1.16	0.81

Interest expense for the three months ended September 30, 2016 was \$3.1 million (\$1.34/Boe) compared to \$1.3 million (\$0.65/Boe) for the same period of 2015. Interest expense for the three months ended September 30, 2016 increased compared to the same period in 2015 due to higher debt levels and higher average borrowing costs. Average borrowing costs on bank indebtedness for the three and nine months ended September 30, 2016 were 3.2% and 3.3% respectively, compared to average borrowing costs of 3.1% and 3.2% for the comparable period of 2015.

Interest on the \$70.0 million senior unsecured notes for the three and nine months ended September 30, 2016 is for the quarterly interest installment and accrued interest to the end of the period. Interest is accrued on the carrying value at the effective interest rate of 11.0%.

## Funds from operations

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

(\$ thousands)	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Cash provided by operating activities	22,701	22,454	74,027	82,818
Add back:				
Environmental remediation expense	—	8,000	—	8,000
Asset retirement expenditures	1,978	2,143	7,606	5,555
Note receivable recovery	—	—	(350)	—
Change in non-cash working capital	6,558	(775)	15,860	(3,928)
Funds from operations <sup>(1)</sup>	31,237	31,822	97,143	92,445

<sup>(1)</sup> Refer to "Non-GAAP measurements".

The tables below summarize operating netbacks for the three months ended September 30, 2016 and 2015:

(\$ thousands, except per Boe amounts)	Three months ended September 30, 2016		Three months ended September 30, 2015	
	\$	\$/Boe	\$	\$/Boe
Oil and natural gas revenues <sup>(1)</sup>	65,155	28.45	54,664	27.48
Realized gain on financial derivatives	5,323	2.32	11,306	5.68
	<b>70,478</b>	<b>30.77</b>	65,970	33.16
Royalties	(639)	(0.28)	(835)	(0.42)
Transportation expenses	(5,480)	(2.39)	(2,053)	(1.03)
Operating expenses	<b>(25,904)</b>	<b>(11.31)</b>	(25,233)	(12.68)
Operating netback <sup>(2)</sup>	<b>38,455</b>	<b>16.79</b>	37,849	19.03
General and administrative	(3,695)	(1.61)	(4,826)	(2.43)
Restricted stock units & deferred share units	(443)	(0.19)	102	0.05
Interest expense	(3,080)	(1.34)	(1,303)	(0.65)
Funds from operations netback <sup>(2)</sup>	<b>31,237</b>	<b>13.65</b>	31,822	16.00

<sup>(1)</sup> Includes price risk management gains of \$7.7 million (2015 - \$6.1 million gain) on physical delivery sales contracts.

<sup>(2)</sup> Refer to "Non-GAAP measurements".

The tables below summarize operating netbacks for the nine months ended September 30, 2016 and 2015:

(\$ thousands, except per Boe amounts)	Nine months ended September 30, 2016		Nine months ended September 30, 2015	
	\$	\$/Boe	\$	\$/Boe
Oil and natural gas revenues <sup>(1)</sup>	182,714	27.09	170,093	28.21
Realized gain on financial derivatives	24,016	3.56	31,735	5.26
	<b>206,730</b>	<b>30.65</b>	201,828	33.47
Royalties	(908)	(0.13)	(5,521)	(0.92)
Transportation expenses	(16,250)	(2.41)	(9,994)	(1.66)
Operating expenses	<b>(71,079)</b>	<b>(10.54)</b>	(73,162)	(12.13)
Operating netback <sup>(2)</sup>	<b>118,493</b>	<b>17.57</b>	113,151	18.76
General and administrative	(12,568)	(1.86)	(15,392)	(2.55)
Restricted stock units & deferred share units	(934)	(0.14)	(447)	(0.07)
Interest expense	(7,848)	(1.16)	(4,867)	(0.81)
Funds from operations netback <sup>(2)</sup>	<b>97,143</b>	<b>14.41</b>	92,445	15.33

<sup>(1)</sup> Includes price risk management gains of \$28.3 million (2015 - \$16.9 million gain) on physical delivery sales contracts.

<sup>(2)</sup> Refer to "Non-GAAP measurements".

For the three months ended September 30, 2016, NuVista's funds from operations were \$31.2 million (\$0.20/share, basic), compared to \$31.8 million (\$0.21/share, basic) for the comparable period of 2015 and \$35.6 million (\$0.20/share, basic) in the second quarter of 2016. The lower funds from operations in the third quarter were as a result of lower realized gains on derivatives, higher transportation costs and higher interest expenses relating to the senior unsecured note, offset by increased revenues due to the increased production in 2016.

For the nine months ended September 30, 2016, funds from operations were \$97.1 million (\$0.63/share, basic) compared to \$92.4 million (\$0.63/share, basic) for the comparable period of 2015. Funds from operations were higher than the comparable period of 2015 primarily due to higher production levels, lower royalty, operating and

general and administrative costs, offset by lower realized oil and natural gas pricing and realized gains on derivatives, and higher transportation and interest expenses.

### **Environmental remediation expense**

During the third quarter of 2015, NuVista identified a leak in a remote pipeline carrying oil emulsion in its non-core area of Northwest Alberta. The pipeline was immediately shut down and NuVista's emergency response plan was activated. In cooperation with local governmental regulators, first nation bands and with the assistance of qualified consultants, NuVista immediately commenced remediation and restoration activities. The Company's insurers have been notified and are currently evaluating to determine if this is an insurable event. The Company recorded \$9.3 million in environmental remediation expense in the December 31, 2015 financial statements which is the current best estimate of the total cost of remediation. To date, \$8.3 million has been spent with \$1.0 million remaining as accrued environmental remediation liabilities. It is anticipated that the majority of the remaining remediation will continue to occur throughout 2016 and 2017.

The provision for accrued environmental remediation liability contains significant estimates and judgments about the scope, timing and costs of the work that will be required. The assumptions and estimates used are based on current information and are subject to revision in the future as further information becomes available to the Company.

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

(\$ thousands, except per Boe amounts)	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Depletion of oil and gas assets	22,081	26,123	62,219	71,508
Depreciation of fixed assets	3,845	3,360	11,223	8,998
DD&A expense	25,926	29,483	73,442	80,506
DD&A rate per Boe	11.32	14.82	10.89	13.35
Property, plant and equipment impairment expense	—	55,460	—	65,441
E&E impairment expense	—	6,788	—	6,788
Total Impairment expense	—	62,248	—	72,229
<b>Total DD&amp;A and impairment expense</b>	<b>25,926</b>	<b>91,731</b>	<b>73,442</b>	<b>152,735</b>

DD&A expense was \$25.9 million for the third quarter of 2016 as compared to \$29.5 million for the comparable period in 2015. The average per unit cost was \$11.32/Boe in the third quarter of 2016 as compared to \$14.82/Boe for the comparable period in 2015 and \$11.28/Boe in the second quarter of 2016.

The Wapiti Montney DD&A rate per Boe for three and nine months ended September 30, 2016 was \$11.31/Boe and \$11.36/Boe compared to \$15.59/Boe and \$13.83/Boe for the comparable periods of 2015, and \$11.62/Boe in the second quarter of 2016.

### **Exploration and evaluation**

Exploration and evaluation expense for both the three and nine months ended September 30, 2016 was \$nil and \$0.4 million compared to \$0.6 million and \$2.7 million respectively in the comparable period of 2015. Exploration and evaluation expense relates to land expiries of assets held as exploration and evaluation assets.

### **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, 2016, NuVista has an ARO balance of \$87.8 million as compared to \$101.8 million as at December 31, 2015. The liability was discounted using a risk free discount rate of 1.7% at September 30, 2016 (December 31, 2015 – 2.2%). At September 30, 2016, the estimated total undiscounted amount of cash flow required to settle NuVista’s ARO was \$130.7 million (December 31, 2015 – \$150.8 million). The majority of the costs are expected to be incurred between 2017 and 2037. The decrease in ARO in the nine months ended September 30, 2016 is primarily a result of the disposition of Wapiti Sweet assets in the second quarter of 2016, in addition to NuVista’s ongoing abandonment program. Actual ARO expenditures for the three and nine months ended September 30, 2016 were \$2.0 million and \$7.6 million respectively compared to \$2.1 million and \$5.6 million for the comparable periods of 2015.

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		Nine months ended September 30	
	2016	2015	2016	2015
Exploration and evaluation assets and property plant and equipment				
Land and retention costs	563	887	645	1,014
Geological and geophysical	1,225	864	4,542	8,641
Drilling and completion	32,269	45,435	98,558	130,657
Facilities and equipment	9,261	12,585	29,491	80,454
Corporate and other	—	118	40	198
Capital expenditures	43,318	59,889	133,276	220,964

Capital expenditures for the three and nine months ended September 30, 2016 were \$43.3 million and \$133.3 million respectively, 28% and 40% lower than the \$59.9 million and \$221.0 million for the comparative periods of 2015. The majority of capital expenditures in the third quarter of 2016 was \$32.3 million (74%) relating to drilling and completion and \$9.3 million (21%) on facility and equipment, primarily related to bringing wells on production. Substantially all capital expenditures in 2016 were spent on liquids-rich natural gas projects in our Wapiti Montney core area. Capital expenditures for the three months ended September 30, 2016 are lower than the comparable period of 2015 primarily due to reduced service industry costs and improved drilling and completion methods, resulting in lower drilling and completion costs. Third quarter capital expenditures were lower than anticipated due to the effect of continued wet weather delaying drilling, completion and tie-in projects.

Capital expenditures for the nine months ended September 30, 2016 are lower than the comparative period of 2015 as a result of reduced industry service costs and improved drilling and completion methods, as well as the construction of a compressor station at Elmworth within the Wapiti Montney core area during the second quarter of 2015. This compressor station was brought on line in June 2015 with ultimate through-put capacity of 80 MMcf/d of raw gas and 4,000 Bbls/d of condensate.

### **Acquisitions and dispositions**

For the three and nine months ended September 30, 2016, there were undeveloped land acquisitions of \$nil and \$1.0 million compared to \$nil and \$0.6 million in the comparative periods of 2015.

For the three months ended September 30, 2016, total proceeds from non-core property dispositions was \$4.0 million, resulting in a gain on dispositions of \$0.8 million. For the comparable period of 2015, NuVista sold minor assets for proceeds of \$3.8 million, resulting in a gain on dispositions of \$1.3 million.

For the nine months ended September 30, 2016, total proceeds from the sale of assets in in the Wapiti Sweet operating area as well as various non-core property dispositions were \$73.9 million, compared to \$13.9 million in the comparable period of 2015.

#### ***Note receivable allowance (recovery)***

In December 2013, NuVista disposed of assets in a non-core operating area for cash proceeds and a \$5.0 million note receivable, payable in 3 years with yearly interest payment terms. NuVista recognized a valuation allowance of \$5.2 million at December 31, 2015, valuing the note receivable at nil as a result of uncertainty on collection from the counterparty. In the first quarter of 2016, NuVista agreed to and collected a settlement amount of \$0.4 million from the counterparty.

#### ***Income taxes***

For the three and nine months ended September 30, 2016, the provision for income taxes was a benefit of \$1.6 million compared to an expense of \$9.5 million and \$6.9 million for the comparable periods of 2015. The Company derecognized its deferred income tax asset of \$9.4 million to \$nil during the third quarter of 2015 with no change for December 31, 2015 and September 30, 2016, as a result of projected future cash flows at the current commodity prices forecasts being less than the Company's total tax pools.

#### ***Net earnings (loss)***

For the three months ended September 30, 2016, net earnings totaled \$2.1 million (\$0.01/share, basic) compared to a net loss of \$74.8 million (\$0.49/share, basic) for the comparable period in 2015. For the nine months ended, September 30, 2016, net loss totaled \$2.8 million (\$0.02/share, basic) compared to a net loss of \$103.9 million (\$0.71/share, basic) for the comparable period of 2015. The decrease in net loss for the current period is primarily a result of lower unrealized losses on commodity derivatives and DD&A expense.

#### ***Liquidity and capital resources***

On June 22, 2016, the Company issued \$70 million of 9.875% senior unsecured notes ("Notes") with a 5 year term by way of private placement. Proceeds net of discount and costs amounted to \$66.9 million. Interest is payable in equal quarterly installments in arrears. The Notes are fully and unconditionally guaranteed as to the payment of principal and interest, on a senior unsecured basis by the Company. There are no maintenance financial covenants.

The Notes are non callable by the Company prior to the two and a half year anniversary of the closing date. At any time on or after December 22, 2018, the Company may redeem all or part of the Notes at the redemption prices set forth in the table below plus any accrued and unpaid interest:

12 month period ended:	Percentage
December 22, 2019	104.938%
December 22, 2020	102.469%
December 22, 2021	100.000%

If a change of control occurs at any time prior to June 22, 2017, each holder of the Notes will have the right to require the Company to purchase all or any part of that holder's Notes for an amount in cash equal to 110% of the aggregate principle repurchased plus accrued and unpaid interest. If a change of control occurs after June 22, 2017, each holder of Notes will have the right to require the Company to purchase all or any part of that holder's Notes for an amount in cash equal to 101% of the aggregate principle repurchased plus accrued and unpaid interest.

In June 2016, NuVista completed the annual review of its borrowing base with its lenders and the lenders approved a revolving extendible credit facility with a maximum borrowing base of \$200.0 million, a reduction from \$300.0 million, primarily as a result of the impact of a lower commodity price outlook, the Wapiti Sweet asset disposition, and the impact of senior unsecured notes issued June 22, 2016. Borrowing under the credit facility may be made by prime loans, bankers' acceptances and/or US libor advances. These advances bear interest at the bank's prime rate and/or at money market rates plus a borrowing margin. The credit facility is secured by a first floating charge debenture, general assignment of book debts and NuVista's oil and natural gas properties and equipment. The credit facility has a 364-day revolving period and is subject to an annual review by the lenders, at which time a lender can extend the revolving period or can request conversion to a one year term loan. During the revolving period, a review of the maximum borrowing amount occurs semi-annually on October 31 and April 30. During the term period, no principal payments would be required until a year after the revolving period matures. As such, the credit facility is classified as long-term. The credit facility does not contain any financial covenants but NuVista is subject to various industry standard non-financial covenants under its credit facility. Compliance with these covenants is monitored on a regular basis and as at September 30, 2016, NuVista was in compliance with all covenants.

During the third quarter, NuVista requested and received an extension of the renewal date of the credit facility from October 31, to on or before November 30, 2016 from the banking syndicate to allow for the inclusion of new well production data in the semi-annual borrowing base redetermination.

In June 2016, pursuant to a private placement, the Company issued 3.3 million common shares on a flow-through basis in respect of Canadian Development expenses ("CDE") at a price of \$6.65 per share for gross proceeds of \$21.6 million. Under the terms of the flow-through share agreements, the Company is committed to spend approximately \$21.6 million on qualifying CDE prior to December 31, 2016. As of September 30, 2016, NuVista has fulfilled its commitment to spend \$21.6 million on qualifying CDE.

The following is a summary of net debt to annualized current quarter funds from operations at September 30, 2016:

(\$ thousands)	September 30, 2016	December 31, 2015
Common shares outstanding	157,268	153,310
Share price <sup>(1)</sup>	6.76	4.07
Total market capitalization	1,063,132	623,972
Adjusted working capital deficit <sup>(2)</sup>	18,497	23,892
Senior unsecured notes	67,038	—
Long-term debt	79,248	196,733
Debt, net of adjusted working capital ("Net debt")	164,783	220,625
Annualized current quarter funds from operations <sup>(2)</sup>	124,948	130,176
Net debt to annualized current quarter funds from operations <sup>(2)</sup>	1.3	1.7

<sup>(1)</sup> Represents the closing price on the Toronto Stock Exchange on September 30, 2016 and December 31, 2015.

<sup>(2)</sup> Refer to the "Non-GAAP measurements".

As at September 30, 2016, net debt was \$164.8 million, resulting in a net debt to annualized current quarter funds from operations ratio of 1.3x. NuVista's long term strategy is to maintain a net debt to annualized current quarter funds from operations ratio of less than 1.5x. However, in periods of volatile and lower commodity prices, NuVista is willing to work to target a net debt to annualized current quarter funds from operations ratio of around 2x. The actual ratio may fluctuate on a quarterly basis above or below target due to a number of factors including facility outages, commodity prices and the timing of acquisitions and dispositions. At September 30, 2016, NuVista had an adjusted working capital deficit of \$18.5 million. Adjusted working capital is current assets less current liabilities excluding the current portion of the fair value of the financial derivative assets of \$1.2 million. The Company believes it is appropriate to exclude these amounts when assessing financial leverage. At September 30, 2016, NuVista had drawn \$79.2 million on its credit facility and had outstanding letters of credit of \$16.9 million which reduce the credit

available on the credit facility, leaving \$103.9 million of unused bank borrowing capacity based on the current committed credit facility of \$200.0 million.

Subsequent to September 30, 2016, NuVista entered into a bought deal equity financing in which the Company issued 15.1 million common shares at a price of \$6.85/share for gross proceeds of \$103.5 million.

NuVista plans to monitor its 2016 and 2017 business plan and adjust its capital program in the context of commodity prices and debt levels. NuVista plans to finance its 2016 and 2017 capital program with funds from operating activities, any proceeds from divestitures, the aforementioned financing, and available bank lines.

As at September 30, 2016, there were 157.3 million common shares outstanding. In addition, there were 6.0 million stock options with an average exercise price of \$7.16 per option and 542 thousand RSAs outstanding.

### ***Contractual obligations and commitments***

NuVista enters into contract obligations as part of conducting business. The following is a summary of NuVista's contractual obligations and commitments as at September 30, 2016:

(\$ thousands)	<b>Total</b>	2016	2017	2018	2019	2020	Thereafter
Transportation and processing <sup>(1)</sup>	<b>490,290</b>	14,008	63,341	62,302	56,143	52,910	241,586
Office lease	<b>4,263</b>	984	3,279	—	—	—	—
Drilling rig contracts	<b>2,768</b>	1,132	1,636	—	—	—	—
<b>Total commitments</b>	<b>497,321</b>	16,124	68,256	62,302	56,143	52,910	241,586

<sup>(1)</sup> Certain of the transportation and processing commitments are secured by outstanding letters of credit totaling \$16.5 million at September 30, 2016 (December 31, 2015 - \$nil)

Subsequent to September 30, 2016, the Company entered into a commitment for firm natural gas processing of 120 MMcf/d. Processing capacity will be added in three incremental steps of 40 MMcf/d, commencing in 2019, 2020, and 2021 respectively.

### ***Off "balance sheet" arrangements***

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

### ***Quarterly financial information***

The following table highlights NuVista's performance for the eight quarterly reporting periods from September 30, 2014 to September 30, 2016:

(\$ thousands, except per share amounts)	2016				2015			
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Production (Boe/d)	<b>24,898</b>	23,451	25,484	23,355	21,622	21,448	23,215	23,165
Oil and natural gas revenues	<b>65,155</b>	57,840	59,720	55,592	54,664	57,502	57,927	72,050
Net earnings (loss)	<b>2,079</b>	(7,320)	2,453	(69,072)	(74,837)	(21,357)	(7,659)	(42,478)
Net earnings (loss)								
Per basic and diluted share	<b>0.01</b>	(0.05)	0.02	(0.45)	(0.49)	(0.14)	(0.06)	(0.31)
Funds from operations	<b>31,237</b>	35,619	30,288	32,544	31,822	30,306	30,317	36,703
Per basic and diluted share	<b>0.20</b>	0.23	0.20	0.21	0.21	0.20	0.22	0.26

NuVista's production volumes over the past six quarters have been increasing significantly with substantially all of the Company's capital expenditures allocated to Wapiti Montney and successful drilling and production performance in that area. Total Company production increases have been partially offset with property dispositions. Over the prior eight quarters, quarterly revenue has been in a range of \$54.7 million to \$72.1 million with revenue primarily influenced by production volumes and commodity prices. Net earnings (losses) have been in a range of a net loss of \$74.8 million to net earnings of \$2.5 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 financial derivatives.

### ***Update on regulatory matters***

#### ***Environmental***

In the fourth quarter of 2015, the provincial government of Alberta released its Climate Leadership Plan which will impact all consumers and businesses that contribute to carbon emissions in Alberta. This plan includes imposing carbon pricing that is applied across all sectors, starting at \$20 per tonne on January 1, 2017 and moving to \$30 per tonne on January 1, 2018, the phase-out of coal-fired power generation by 2030, a cap on oil sands emissions production of 100 megatonnes, and a 45 per cent reduction in methane emissions by the oil and gas sector by 2025. NuVista expects the Climate Leadership Plan to increase the cost of operating its properties and is currently evaluating the expected impact of this plan on its results of operations.

The oil and natural gas industry is currently subject to environmental regulations pursuant to a variety of federal, provincial, and local laws and regulation. Environmental legislation provides for, among other things, restrictions and prohibitions on emissions, releases or spills of various substances produced in association with oil and natural gas operations. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, as well as larger fines and environmental liability. No assurance can be given that the application of environmental laws to the business and operations of NuVista will not result in a limitation of production or a material increase in the costs of operating, development, or exploration activities or otherwise adversely affect NuVista's financial condition, results of operations, or prospects.

NuVista utilizes monitoring and reporting programs, as well as inspections and audits for environmental, health, and safety performance that are designed to provide assurance that environmental and regulatory standards are met. In the event of unknown or unforeseeable environmental impacts arising from its operations, NuVista may be subject to remedial and litigation costs. Contingency plans are in place for a timely response to environmental events and for the utilization of remediation/reclamation strategies to restore the environment in the event of such impacts.

Given the evolving nature of climate change discussion, the regulation of emissions of greenhouse gases ("GHGs") and potential federal and provincial GHG commitments, NuVista is unable to predict the impact on its operations and financial condition at this time. It is possible that NuVista could face increases in operating and capital costs in order to comply with augmented greenhouse gas emissions legislation.

Further information regarding environmental and climate change regulations and current provincial royalty and incentive programs are contained in our Annual Information Form for the year ended December 31, 2015 under the Industry Conditions section.

### ***Update on financial reporting matters***

#### ***Future accounting changes***

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers", which replaces IAS 18, "Revenue" and IAS 11, "Construction Contracts". The standard is now effective January 1, 2018 and is required to be adopted retrospectively or using a modified transition approach. The Company will be required to adopt this standard and is currently evaluating the impact this standard may have on the financial statements.

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

In October 2015, the IASB voted on the effective date of IFRS 16 "Leases" which replaces IAS 17 "Leases". The IASB is expected to issue the standard. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying for IFRS 15 "Revenue from Contracts with Customers". IFRS 16 will be applied by NuVista on January 1, 2019 and the Company is currently evaluating the impact of the 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 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.

The CEO and CFO have also designed internal controls over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of NuVista's financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- (a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of NuVista;
- (b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with GAAP, and that receipts and expenditures of NuVista are being made only in accordance with authorizations of management and directors of NuVista; and
- (c) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of NuVista's assets that could have a material effect on the annual financial statements.

NuVista has designed its internal controls over financial reporting based on the Committee of Sponsoring Organizations of the Treadway Commission (2013). During the quarter ended September 30, 2016, 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 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, fracturing regulations 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 are contained in our Annual Information Form under the Risk Factors Section for the year ended December 31, 2015.

### **2016 and 2017 Outlook**

Production for the fourth quarter of 2016 is anticipated in the range of 23,500 to 24,500 Boe/d, including downtime of 650 Boe/d associated with maintenance which was executed by Pembina and Alliance Pipelines, and Keyera Simonette gas plant in October. Capital spending for 2016 was previously announced in the range of \$200 - \$215 million. Our guidance for funds from operations for 2016 is \$125 - \$130 million. This assumes fourth quarter benchmark pricing of US\$46.00/Boe WTI and C\$2.60/GJ AECO natural gas on average, with a USD/CAD exchange rate of 1.33.

For 2017, our guidance remains as previously announced with capital spending anticipated in the range of \$260 - \$300 million and production expected in the range of 28,000 - 31,000 Boe/d despite the planned 5 year cycle maintenance outages at the Simonette and K3 gas plants in 2017 causing a total negative annualized impact of approximately 3,000 Boe/d, primarily in the second and third quarter. Based on our 2017 capital spending plans, the fourth quarter of 2017 is targeted to average 32,500 - 35,000 Boe/d after the mid 2017 plant maintenance work is complete, an increase of 40% from fourth quarter 2016.