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") 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 March 6, 2014. Our December 31, 2013 audited consolidated financial statements, Annual Information Form and other disclosure documents for 2013 will be available through our filings on SEDAR at **www.sedar.com** or can be obtained from our website at **www.nuvistaenergy.com** on or before March 31, 2014.

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 risk management strategy; forecast production; production mix; drilling and development plans; NuVista's planned capital budget; 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; forecast cashflow; the source of funding of NuVista's capital program; infrastructure development plans; plans to internally fund future growth and acceleration of its future activities; 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; expectations regarding future commodity prices, netbacks and price differentials; industry conditions; anticipated accounting changes and the impact on NuVista's operations and financial position. Statements relating to "reserves" are also deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future. By their nature, forward-looking statements are based upon certain assumptions and are subject to numerous risks and uncertainties, some of which are beyond NuVista's control, including the impact of general economic conditions, industry conditions, current and future commodity prices, currency and interest rates, anticipated production rates, borrowing, operating and other costs and funds from operations, the timing, allocation and amount of capital expenditures and the results therefrom, anticipated reserves and the imprecision of reserve estimates, the performance of existing wells, the success obtained in drilling new wells, the sufficiency of budgeted capital expenditures in carrying out planned activities, competition from other industry participants, availability of qualified personnel or services and drilling and related equipment, stock market volatility, effects of regulation by governmental agencies including changes in environmental regulations, tax laws and royalties; the ability to access sufficient capital from internal sources and bank and equity markets; and including, without limitation, those risks considered under "Risk Factors" in our Annual Information Form. We have included the above summary of assumptions and risks related to forward-looking statements provided in this MD&A in order to provide investors with a more complete perspective on our current and future operations and such information may not be appropriate for other purposes. 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.*

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, operating netbacks and adjusted working capital as presented, do not have any standardized meaning prescribed by GAAP and therefore, may not be comparable with the calculation of similar measures for other entities. 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 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, western Saskatchewan and northeast British Columbia. The common shares of NuVista trade on the Toronto Stock Exchange ("TSX") under the symbol NVA.

2013 Dispositions – Effective December 18, 2013, NuVista sold the majority of its assets in our Saskatchewan and Provost operating area. At the time of sale, production from these assets averaged approximately 1,800 Boe/d. The impact of this disposition has been reflected in the financial statements.

2012 Dispositions – On October 17, 2012, NuVista announced the closing of the disposition of three property packages for gross proceeds of $236 million ("2012 Dispositions"). The 2012 Dispositions included a large portion of NuVista's W5 natural gas assets plus certain W4 heavy oil assets. The production associated with these properties averaged 1,442 Boe/d and 6,450 Boe/d for the three and twelve months ended December 31, 2012 respectively. These transactions provided NuVista with the flexibility to fund its 2012/2013 Wapiti Montney capital program. The 2012 Dispositions had a significant impact on the comparability of NuVista's 2013 operating and financial results to 2012.

Operating activities – For the three months ended December 31, 2013, NuVista drilled 5 (5.0 net) Montney natural gas wells in our Wapiti operating area and 1 (1.0 net) oil well in our Eastern operating area.

For the twelve months ended December 31, 2013, NuVista drilled 21 (18.2 net) wells resulting in 18 (16.6 net) natural gas wells and 3 (1.6 net) oil wells for an overall success rate of 100%. NuVista operated 18 of the wells and had an average working interest of 86.5%. 18 natural gas wells were drilled in the Wapiti operating area, of which 16 (15.6 net) were Montney natural gas wells, 1 (1.0 net) was a Falher natural gas well and 1 (0.03 net) non-operated Chinook well. In addition, 1 (1.0 net) Detrital oil well was drilled in our eastern area and 2 (0.6 net) non-operated heavy oil wells were drilled in the southwest Saskatchewan area.

Production

	Three months ended December 31,			Twelve months ended December 31,		
	2013	2012	% Change	**2013**	2012	% Change
Natural gas (Mcf/d)	**73,624**	68,843	7	**71,516**	67,946	5
Condensate (Bbls/d)	**2,492**	1,251	99	**1,920**	912	111
Butane (Bbls/d)	**478**	317	51	**456**	315	45
Propane (Bbls/d)	**707**	492	44	**709**	497	43
Ethane (Bbls/d)	**743**	666	12	**801**	635	26
Oil (Bbls/d)	**1,292**	2,050	(37)	**1,471**	2,444	(40)
Subtotal (Boe/d)	**17,983**	16,250	11	**17,276**	16,127	7
2012 Dispositions (Boe/d)	**51**	1,442	(96)	**53**	6,450	(99)
Total oil equivalent (Boe/d)	**18,034**	17,692	2	**17,329**	22,577	(23)

For the fourth quarter of 2013, NuVista's average production was 18,034 Boe/d compared to 17,692 Boe/d for the fourth quarter of 2012 and 18,532 Boe/d for the third quarter of 2013. Oil and liquids weighting in the fourth quarter of 2013 was 32% compared to 31% for the same period in 2012 and 31% for the third quarter of 2013. 59% of NuVista's production volumes relate to the Wapiti operating area with Wapiti Sweet production and Wapiti Montney production accounting for 24% and 35% respectively of total company production. The majority of condensate production is associated with our Wapiti Montney production. Condensate volumes increased to 2,492 Bbls/d from 2,210 Bbls/d in the third quarter which represents 14% of total volumes.

The increase in production from the fourth quarter of 2012 was due to strong performance of new and existing Wapiti Montney wells offset by loss of production as a result of the 2012 Dispositions and production declines in non-core areas. The production growth from our Wapiti Montney wells continues to trend upwards and loss of production from 2012 Dispositions is having less impact on overall results. In particular, during the fourth quarter and twelve months of 2013, NuVista's average production increased by 11% and 7% respectively prior to the effects of the 2012 Dispositions as a result of incremental production from our Wapiti Montney condensate-rich natural gas wells. Including the 2012 Dispositions, total average production remained flat for the fourth quarter of 2013 and fell by 23% compared to the year ended December 31, 2012.

Commodity prices

Benchmark pricing

	Three months ended December 31,			Year ended December 31,		
	2013	2012	% Change	**2013**	2012	% Change
Natural gas – AECO (daily) ($/GJ)	**3.35**	3.05	10	**3.01**	2.26	33
Natural gas – AECO (monthly) ($/GJ)	**2.99**	2.90	3	**3.00**	2.28	32
Oil – WTI (US$/Bbl)	**97.46**	88.18	11	**97.97**	94.21	4
Oil – Edmonton Par – WTI Differential (US$/Bbl)	**(14.90)**	(3.29)	353	**(7.54)**	(7.62)	(1)
Oil – WCS-WTI Differential (US$/Bbl)	**(32.20)**	(18.11)	78	**(25.20)**	(21.03)	20
Condensate – WTI Differential (US$/Bbl)	**(3.24)**	9.91	(133)	**3.72**	6.76	(45)
Exchange rate (Cdn$/US$)	**1.0498**	0.9913	6	**1.0301**	0.9994	3

Average selling prices (1)

	Three months ended December 31,			Year ended December 31,		
	2013	2012	% Change	**2013**	2012	% Change
Natural gas ($/Mcf)	**3.40**	2.79	22	**3.28**	2.35	40
Condensate ($/Bbl)	**85.26**	115.01	(26)	**93.27**	97.46	(4)
Butane ($/Bbl)	**58.34**	63.11	(8)	**58.62**	67.29	(13)
Propane ($/Bbl)	**40.51**	25.75	57	**28.16**	26.99	4
Ethane ($/Bbl)	**10.91**	4.30	154	**9.42**	7.60	24
Oil ($/Bbl)	**71.46**	66.35	8	**78.48**	72.11	9

(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 fourth quarter of 2013 was $3.40/Mcf compared to $2.79/Mcf for the same period in 2012 and $3.04/Mcf in the third quarter of 2013. For year ended 2013 the average selling price was $3.28/Mcf compared to $2.35/Mcf for the same period in 2012.

Natural gas liquids ("Liquids") include condensate, butane, propane and ethane and are priced to varying degrees based 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 $85.26/Bbl in the fourth quarter down from $97.92/Bbl in the third quarter due primarily to a decline in WTI prices. 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 two-thirds heavy oil and one-third light oil in the fourth quarter of 2013. 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 11% higher in the fourth quarter of 2013 compared to the fourth quarter of 2012. For the year ended 2013, WTI prices were up 4% to US$97.97/Bbl compared to $94.21/Bbl over the year 2012. Realized oil prices increased 8% in the fourth quarter of 2013 compared to the same period of 2012 and up 9% for the twelve months ended December 31, 2013 compared to the same period in 2012. The fourth quarter increase in realized prices was due to a combination of higher WTI prices and a weaker Canadian dollar compared to 2012.

Revenues

($ thousands)	Natural Gas	Condensate	Liquids (2)	Oil	2013 Total	2012 Total
	Three months ended December 31,					
Revenue (1)	**23,135**	**19,608**	**5,987**	**8,413**	**57,143**	48,277
Realized gain (loss) on commodity derivatives	**473**	**-**	**-**	**(1,985)**	**(1,512)**	(70)
Total revenue (3)	**23,608**	**19,608**	**5,987**	**6,428**	**55,631**	48,207

(1) Natural gas revenue includes price risk management gains and losses on physical sale contracts. For the three months ended December 31, 2013, our physical sale contracts totaled a $0.8 million gain (2012 – $2.5 million loss).
(2) Incudes butane, propane, and ethane.
(3) Refer to "Non-GAAP measurements".

($ thousands)	Natural Gas	Condensate	Liquids (2)	Oil	2013 Total	2012 Total
	Year ended December 31,					
Revenue (1)	**85,807**	**65,482**	**19,846**	**42,334**	**213,469**	242,012
Realized gain (loss) on commodity derivatives	**397**	**-**	**-**	**(7,410)**	**(7,013)**	(3,957)
Total revenue (3)	**86,204**	**65,482**	**19,846**	**34,924**	**206,456**	238,055

(1) Natural gas revenue includes price risk management gains and losses on physical sale contracts. For the year ended December 31, 2013, our physical sale contracts totaled a $1.9 million gain (2012 – $2.1 million loss).
(2) Incudes butane, propane, and ethane.
(3) Refer to "Non-GAAP measurements".

For the three months ended December 31, 2013, revenues including realized commodity derivative gains and losses were $55.6 million, a 15% increase from $48.2 million for the same period in 2012. The increase in revenues for the three months ended December 31, 2013 compared to the same period of 2012 is due to a 2% increase in production volumes primarily due to increased production from the Wapiti Montney play offset by the loss of production as a result of the 2012 Dispositions and a 16% increase in overall realized prices. Revenues were comprised of $23.6 million of natural gas revenue, $6.0 million of liquids revenue, $19.6 million of condensate revenue and $6.4 million of oil revenue. The increase in average realized commodity prices is comprised of a 22% increase in the natural gas price to $3.40/Mcf from $2.79/Mcf, a 22% increase in the liquids price to $33.58/Bbl from $27.60/Bbl, a 26% decrease in the condensate price to $85.26/Bbl from $115.01/Bbl and an 8% increase in the oil price to $71.46/Bbl from $66.35/Bbl.

For the year ended December 31, 2013, revenues including realized commodity derivative gains and losses were $206.5 million, a 13% decrease from $238.1 million for the same period in 2012. The decrease in revenues for the twelve months of 2013 compared to the same period of 2012 is primarily due to a decrease in average production offset by an increase in oil and natural gas pricing. These revenues were comprised of $86.2 million of natural gas revenue, $19.8 million of liquids revenue, $65.5 million of condensate revenue and $34.9 million of oil revenue. The increase in average realized commodity prices is comprised of a 40% increase in the natural gas price to $3.28/Mcf from $2.35/Mcf, an 11% decrease in the liquids price to $27.62/Bbl from $31.06/Bbl, a 4% decrease in the condensate price to $93.21/Bbl from $97.46/Bbl and an increase of 9% in the oil price to $78.48/Bbl from $72.11/Bbl.

Commodity price risk management

($ thousands)	Three months ended December 31, 2013			2012		
	Realized Gain (Loss)	**Unrealized Gain (Loss)**	**Total Gain (Loss)**	Realized Gain (Loss)	Unrealized Gain (Loss)	Total Gain (Loss)
Natural gas	**473**	**(993)**	**(520)**	(176)	212	36
Oil	**(1,985)**	**(2,098)**	**(4,083)**	106	(85)	21
Total gain (loss)	**(1,512)**	**(3,091)**	**(4,603)**	(70)	127	57

($ thousands)	Year ended December 31, 2013			2012		
	Realized Gain (Loss)	**Unrealized Gain (Loss)**	**Total Gain (Loss)**	Realized Gain (Loss)	Unrealized Gain (Loss)	Total Gain (Loss)
Natural gas	**397**	**107**	**504**	(1,373)	1,369	(4)
Oil	**(7,410)**	**(5,856)**	**(13,266)**	(2,584)	13,179	10,595
Total gain (loss)	**(7,013)**	**(5,749)**	**(12,762)**	(3,957)	14,548	10,591

NuVista has adopted a disciplined commodity price risk management program as part of its financial risk management strategy. The purpose of this program is to reduce volatility in 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 on August 9, 2013. 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 increased the limits for entering into natural gas basis differential contracts to 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.

NuVista's Board of Directors approved amendments to its price risk management volume limits for the period March 1, 2014 to December 31, 2014. 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.

During the fourth quarter of 2013, the commodity price risk management program resulted in a loss of $4.6 million, consisting of realized losses of $1.5 million and unrealized loss of $3.1 million on natural gas and oil contracts. For the twelve months ended December 31, 2013, the commodity price risk management program resulted in a loss of $12.8 million, consisting of realized losses of $7.0 million and unrealized losses of $5.8 million on natural gas and oil contracts. As at December 31, 2013, the mark-to-market value of the financial derivative commodity contracts resulted in a current liability of $2.5 million and a long-term liability of $4.3 million.

Price risk management gains on our physical sale contracts totaled $0.8 million and $1.9 million for the three and twelve months ended December 31, 2013 respectively compared to a loss of $2.5 million and $2.1 million for the same period of 2012. 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 December 31, 2013:

	Volume	**Pricing**	**Premium**	**Remaining term**
WTI crude oil contracts				
Fixed price swap	1,983 Bbls/d	Cdn $95.45/Bbl		Jan 1, 2014 – Mar 31, 2014
Fixed price swap	2,033 Bbls/d	Cdn $93.67/Bbl		Apr 1, 2014 – Jun 30, 2014
Fixed price swap	2,267 Bbls/d	Cdn $94.70/Bbl		Jul 1, 2014 – Sep 30, 2014
Fixed price swap	2,150 Bbls/d	Cdn $94.48/Bbl		Oct 1, 2014 – Dec 31, 2014
Fixed price swap	1,750 Bbls/d	Cdn $93.97/Bbl		Jan 1, 2015 – Mar 31, 2015
Fixed price swap	1,083 Bbls/d	Cdn $95.56/Bbl		Apr 1, 2015 – Jun 30, 2015
Fixed price swap	183 Bbls/d	Cdn $96.66/Bbl		Jul 1, 2015 – Sep 30, 2015
Put option	900 Bbls/d	Cdn $100.28/Bbl	Cdn $6.35/Bbl	Jan 1, 2014 – Mar 31, 2014
Put option	700 Bbls/d	Cdn $101.89/Bbl	Cdn $6.76/Bbl	Apr 1, 2014 – Jun 30, 2014
Put option	700 Bbls/d	Cdn $101.89/Bbl	Cdn $6.76/Bbl	Jul 1, 2014 – Sep 30, 2014
Put option	500 Bbls/d	Cdn $101.30/Bbl	Cdn $7.02/Bbl	Oct 1, 2014 – Dec 31, 2014

	Volume	Pricing	Remaining term
NYMEX natural gas contracts			
NYMEX fixed price swap	4,500 Mmbtu/d	US $3.93/MMbtu	Jan 1, 2014 – Mar 31, 2014
NYMEX fixed price swap	3,676 Mmbtu/d	US $3.89/MMbtu	Apr 1, 2014 – Jun 30, 2014
NYMEX fixed price swap	2,000 Mmbtu/d	US $3.80/MMbtu	Jul 1, 2014 – Sep 30, 2014
NYMEX fixed price swap	2,000 MMbtu/d	US $3.80/MMbtu	Oct 1, 2014 – Dec 31, 2014
NYMEX-AECO basis	32,833 MMbtu/d	US $(0.57)/MMbtu	Jan 1, 2014 – Mar 31, 2014
NYMEX-AECO basis	33,333 MMbtu/d	US $(0.57)/MMbtu	Apr 1, 2014 – Jun 30, 2014
NYMEX-AECO basis	35,000 MMbtu/d	US $(0.57)/MMbtu	Jul 1, 2014 – Sep 30, 2014
NYMEX-AECO basis	35,000 MMbtu/d	US $(0.57)/MMbtu	Oct 1, 2014 – Dec 31, 2014

Subsequent to December 31, 2013, the following financial instruments have been entered into:

	Volume	Pricing	Premium US$	Remaining term
WTI crude oil contracts				
Fixed price swap	100 Bbls/d	Cdn $101.10/Bbl		Nov 1, 2014 – Oct 31, 2015
Natural gas contracts				
NYMEX-AECO basis	(5,000) MMbtu/d	US $(0.53)/MMbtu		Jun 1, 2014 – Jun 30, 2014
NYMEX costless collar	5,000 MMbtu/d	US$3.90 - $4.52/MMbtu		Oct 1, 2014 – Dec 31, 2014
NYMEX put option	5,000 MMbtu/d	US $4.55/MMbtu	$0.35/MMbtu	Mar 1, 2014 – Sep 30, 2014
NYMEX put option	5,000 MMbtu/d	US $4.50/MMbtu	$0.32/MMbtu	Mar 1, 2014 – Sep 30, 2014
NYMEX put option	5,000 MMbtu/d	US $4.64/MMbtu	$0.32/MMbtu	Mar 1, 2014 – Sep 30, 2014

(b) Physical purchase and sale contracts

The following is a summary of physical purchase and sale contracts outstanding as at December 31, 2013:

	Volume	Pricing Cdn$	Remaining term
AECO natural gas contracts			
Costless collar	23,000 GJ/d	$3.19/GJ – $3.75/GJ	Jan 1, 2014 – Mar 31, 2014
Costless collar	23,000 GJ/d	$3.19/GJ – $3.75/GJ	Apr 1, 2014 – Jun 30, 2014
Costless collar	13,000 GJ/d	$3.12/GJ – $3.64/GJ	Jul 1, 2014 – Sep 30, 2014
Costless collar	10,000 GJ/d	$3.10/GJ – $3.62/GJ	Oct 1, 2014 – Dec 31, 2014
Costless collar	1,667 GJ/d	$3.00/GJ – $3.53/GJ	Jan 1, 2015 – Mar 31, 2015
Fixed price swap	11,000 GJ/d	$3.48/GJ	Jan 1, 2014 – Mar 31, 2014
Fixed price swap	9,333 GJ/d	$3.46/GJ	Apr 1, 2014 – Jun 30, 2014
Fixed price swap	26,000 GJ/d	$3.54/GJ	Jul 1, 2014 – Sep 30, 2014
Fixed price swap	26,000 GJ/d	$3.56/GJ	Oct 1, 2014 – Dec 31, 2014
Fixed price swap	22,000 GJ/d	$3.59/GJ	Jan 1, 2015 – Mar 31, 2015
Fixed price swap	22,000 GJ/d	$3.59/GJ	Apr 1, 2015 – Jun 30, 2015
Fixed price swap	2,000 GJ/d	$3.62/GJ	Jul 1, 2015 – Sep 30, 2015

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

Subsequent to December 31, 2013, the following physical purchase and sale contracts have been entered into:

	Volume	Pricing Cdn$	Premium Cdn$	Remaining term
Natural gas contracts				
Fixed price swap	5,000 GJ/d	$3.88/GJ		Mar 1, 2014 – May 31, 2014
Fixed price swap	2,500 GJ/d	$3.77/GJ		Mar 1, 2014 – May 31, 2014
Fixed price swap	2,500 GJ/d	$4.04/GJ		Nov 1, 2014 – Oct 31, 2015
Fixed price swap	2,500 GJ/d	$3.67/GJ		Nov 1, 2014 – Oct 31, 2015
Fixed price swap	5,000 GJ/d	$3.66/GJ		Nov 1, 2014 – Oct 31, 2015
Fixed price swap	2,500 GJ/d	$3.71/GJ		Nov 1, 2014 – Oct 31, 2015
Put option	10,000 GJ/d	$4.30/GJ	$0.28/GJ	Apr 1, 2014 – Apr 30, 2014

Royalties

	Three months ended December 31,		Year ended December 31,	
(Percentage)	**2013**	2012	**2013**	2012
Natural gas and liquids	**8**	9	**9**	11
Oil	**17**	9	**13**	13
Weighted average rate	**10**	9	**10**	12

For the three months ended December 31, 2013, royalties were $5.4 million, 24% higher than the $4.4 million for the same period of 2012. On a total dollar basis, royalties increased by $1.0 million for the fourth quarter of 2013 compared to the same period in 2012 due to higher natural gas prices and increased production from the Wapiti Montney play. Royalty rates in the fourth quarter averaged 17% up from 11% in the third quarter partially due to prior period adjustments of freehold royalties in the Milton area. Royalties for the year ended December 31, 2013 were $20.9 million compared to $28.1 million reported for the year ended December 31, 2012. On a total dollar basis, royalties decreased in 2013 compared to the prior year by $7.2 million due to decreased overall revenues as a result of the 2012 Dispositions offset by 2013 production additions being subject to crown royalty incentives.

Average royalty rates by product for the three months ended December 31, 2013 were 8% for natural gas and liquids and 17% for oil compared to 9% for natural gas and liquids and 9% for oil for the same period in 2012. As a percentage of revenue, the reported average royalty rate for the three months ended December 31, 2013 was 10% compared to 9% for the comparative period of 2012. Average royalty rates by product for the year ended December 31, 2013 were 9% for natural gas and liquids and 13% for oil compared to 11% for natural gas and liquids and 13% for oil for the same period in 2012. As a percentage of revenue, the reported average royalty rate for the year ended December 31, 2013 was 10% compared to 12% for 2012.

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 $18.5 million ($11.16/Boe) for the three months ended December 31, 2013 compared to $18.4 million ($11.29/Boe) for the three months ended December 31, 2012 and $19.4 million ($11.37/Boe) for the three months ended September 30, 2013. For the three months ended December 31, 2013, natural gas and liquids operating expenses averaged $1.67/Mcfe and oil operating expenses were $26.31/Bbl as compared to $1.78/Mcfe and $15.53/Bbl respectively for the same period of 2012. Fourth quarter operating expenses on a total dollar basis were relatively consistent compared to the same period of 2012, however decreased on a per unit basis due to increased production mainly driven from the Wapiti Montney play. As compared to the third quarter of 2013, fourth quarter operating expenses on a per unit basis, decreased due to lower fixed costs and increased production mainly from the Wapiti Montney play.

Operating expenses were $74.0 million ($11.70/Boe) for the year ended December 31, 2013 as compared to $92.3 million ($11.17/Boe) for the year ended December 31, 2012. On a total dollar basis, operating costs decreased by 20% in 2013 due primarily to reduced operating costs as a result of the 2012 Dispositions completed in the fourth quarter of 2012 offset by an increase in processing and emulsion trucking costs due to higher production volumes from our Wapiti Montney play. The increase on a per unit basis is due to higher overall costs due to the fixed cost nature of many of our operating costs, an increase in processing and trucking costs from our Wapiti Montney play and a 23% decrease in production volumes. For the year ended December 31, 2013, natural gas and liquids operating expenses averaged $1.78/Mcfe and oil operating expenses were $22.65/Bbl as compared to $1.87/Mcfe and $11.00/Bbl respectively for the same period of 2012.

Transportation – Transportation costs were $1.8 million ($1.10/Boe) for the three months ended December 31, 2013 as compared to $1.3 million ($0.81/Boe) for the same period of 2012. Transportation costs were $6.9 million ($1.09/Boe) for the year ended December 31, 2013 compared to $7.2 million ($0.88/Boe) for the same period in 2012. Transportation costs, on a per unit basis, for the three and twelve months ended December 31, 2013 were higher compared to the same period in 2012 due to increased trucking costs associated with increased liquids production from our Wapiti Montney play.

Funds from operations – For the three months ended December 31, 2013, NuVista's funds from operations were $21.5 million ($0.17/share, basic), a 32% increase from $16.3 million ($0.15/share, basic) for the three months ended December 31, 2012. For the year ended December 31, 2013, NuVista's funds from operations were $75.3 million ($0.63/share, basic), a slight decrease from $75.7 million ($0.75/share, basic) for the same period of 2012. Funds from operations for the three months ended December 31, 2013 were higher compared with the same period in 2012 due to increased oil and natural gas prices and production volumes.

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

	Three months ended December 31,		Year ended December 31,	
($ thousands)	**2013**	2012	**2013**	2012
Cash provided by operating activities	**30,150**	19,236	**83,262**	58,521
Add back:				
Asset retirement expenditures	**1,027**	1,473	**8,809**	13,807
Change in non-cash working capital	**(9,644)**	(4,431)	**(16,765)**	3,344
Funds from operations[1]	**21,533**	16,278	**75,306**	75,672

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

The table below summarizes operating netbacks by product for the three months ended December 31, 2013:

	Natural gas and liquids		Oil		**2013 Total**		2012 Total	
($ thousands, except per unit amounts)	$	$/Mcfe	$	$/Bbl	**$**	**$/Boe**	$	$/Boe
Revenue	48,730	5.27	8,413	71.46	**57,143**	**34.44**	48,277	29.66
Realized gain (loss) on commodity derivatives	473	0.05	(1,985)	(16.86)	**(1,512)**	**(0.91)**	(70)	(0.04)
	49,203	5.32	6,428	54.60	**55,631**	**33.53**	48,207	29.62
Royalties	(3,982)	(0.43)	(1,466)	(12.45)	**(5,448)**	**(3.28)**	(4,388)	(2.70)
Transportation costs	(1,584)	(0.17)	(242)	(2.06)	**(1,826)**	**(1.10)**	(1,323)	(0.81)
Operating costs	(15,426)	(1.67)	(3,097)	(26.31)	**(18,523)**	**(11.16)**	(18,383)	(11.29)
Operating netback[1]	28,211	3.05	1,623	13.78	**29,834**	**17.99**	24,113	14.82
General and administrative[2]	-	-	-	-	**(5,887)**	**(3.55)**	(5,172)	(3.18)
Restricted stock units[2]	-	-	-	-	**(1,501)**	**(0.90)**	(749)	(0.46)
Interest[2]	-	-	-	-	**(913)**	**(0.55)**	(1,914)	(1.18)
Funds from operations netback[1]	-	-	-	-	**21,533**	**12.99**	16,278	10.00

[1] Refer to "Non-GAAP measurements".
[2] Amounts not allocated by product.

The following table summarizes operating netbacks by product for the year ended December 31, 2013:

($ thousands, except per unit amounts)	Natural gas and liquids		Oil		**2013 Total**		2012 Total	
	$	$/Mcfe	$	$/Bbl	**$**	**$/Boe**	$	$/Boe
Revenue	171,135	4.93	42,334	78.48	**213,469**	**33.75**	242,012	29.29
Realized gain (loss) on commodity derivatives	397	0.01	(7,410)	(13.74)	**(7,013)**	**(1.11)**	(3,957)	(0.48)
	171,532	4.94	34,924	64.74	**206,456**	**32.64**	238,055	28.81
Royalties	(15,546)	(0.45)	(5,403)	(10.02)	**(20,949)**	**(3.31)**	(28,119)	(3.40)
Transportation costs	(5,339)	(0.15)	(1,581)	(2.93)	**(6,920)**	**(1.09)**	(7,244)	(0.88)
Operating costs	(61,808)	(1.78)	(12,219)	(22.65)	**(74,027)**	**(11.70)**	(92,326)	(11.17)
Operating netback(1)	88,839	2.56	15,721	29.14	**104,560**	**16.54**	110,366	13.36
General and administrative(2)	-	-	-	-	**(20,462)**	**(3.24)**	(21,339)	(2.58)
Restricted stock units(2)	-	-	-	-	**(4,776)**	**(0.76)**	(1,398)	(0.17)
Interest(2)	-	-	-	-	**(4,016)**	**(0.63)**	(11,957)	(1.45)
Funds from operations netback(1)	-	-	-	-	**75,306**	**11.91**	75,672	9.16

(1) Refer to "Non-GAAP measurements".
(2) Amounts not allocated by product.

General and administrative

($ thousands, except per unit amounts)	Three months ended December 31, **2013**	2012	Year ended December 31, **2013**	2012
Gross general and administrative expenses	**6,648**	5,876	**23,831**	25,623
Overhead recoveries	**(761)**	(704)	**(3,369)**	(4,284)
Net general and administrative expenses	**5,887**	5,172	**20,462**	21,339
Per Boe	**3.55**	3.18	**3.24**	2.58

General and administrative expenses, net of overhead recoveries, for the three months ended December 31, 2013 were $5.9 million ($3.55/Boe) compared to $5.2 million ($3.18/Boe) in the same period of 2012. The increase in 2013 fourth quarter costs is due primarily to severance payments related to the fourth quarter asset disposition.

General and administrative expenses, net of overhead recoveries, for the year ended December 31, 2013 were $20.5 million ($3.24/Boe) as compared to $21.3 million ($2.58/Boe) for the year ended December 31, 2012. Net general and administrative expenses decreased on a total dollar basis for the twelve months ended December 31, 2013 compared to the same period in 2012 as lower staff levels reduced employee related costs and a decrease in office rent in 2013. This was offset by reduced operating recoveries realized in 2013 due to the 2012 Dispositions. Capital recoveries were also down as the majority of NuVista exploration and development projects are 100% owned by NuVista.

Share-based compensation

($ thousands)	Three months ended December 31, **2013**	2012	Year ended December 31, **2013**	2012
Stock options	**978**	880	**3,975**	3,292
Restricted stock units	**1,501**	749	**4,776**	1,398
Restricted share awards	**165**	148	**630**	662
Total	**2,644**	1,777	**9,381**	5,352

NuVista recorded a share-based compensation charge of $2.6 million for the three months ended December 31, 2013 compared to $1.8 million for the same period in 2012. For the year ended December 31, 2013, NuVista recorded a share-based compensation charge of $9.4 million compared to $5.4 million for the same period in 2012. The share-based compensation charge relates to the amortization of the fair value of stock option awards and restricted share awards and the accrual for future payments under the restricted stock unit incentive plan.

Interest – Interest expense for the three months ended December 31, 2013 was $0.9 million ($0.55/Boe) compared to $1.9 million ($1.18/Boe) for the same period of 2012. For the year ended December 31, 2013, interest expense was $4.0 million ($0.63/Boe) compared to $12.0 million ($1.45/Boe) in the same period of 2012. Interest expense for the year ended December 31, 2013 decreased compared to the same period in 2012 due to lower debt levels and decreased margins incurred in 2013. For the three months ended December 31, 2013, borrowing costs averaged 3.3% compared to 4.6% in the same period of 2012. Cash paid for interest for the three and twelve months ended December 31, 2013 was $1.0 million (2012 – $1.8 million) and $4.0 million (2012 – $11.4 million) respectively.

Depletion, depreciation, amortization and impairment

	Three months ended December 31,		Year ended December 31,	
($ thousands, except per unit amounts)	**2013**	2012	**2013**	2012
Depletion of oil and gas assets	**18,788**	20,471	**78,228**	112,101
Depreciation of fixed assets	**1,469**	1,192	**4,767**	7,274
Impairment charges (reversals)	**(6,436)**	70,108	**(6,436)**	213,058
Total DD&A and impairment (reversals)	**13,821**	91,771	**76,559**	332,433
DD&A rate per Boe, excluding impairment (reversals)	**12.21**	13.31	**13.12**	14.45

Depletion, depreciation and amortization ("DD&A") expenses excluding impairments (reversals) were $20.3 million for the fourth quarter of 2013 as compared to $21.7 million for the same period in 2012. The average per unit cost was $12.21/Boe in the fourth quarter of 2013 as compared to $13.31/Boe for the same period in 2012. DD&A expenses, excluding impairments (reversals) for the twelve months ended December 31, 2013 were $83.0 million as compared to $119.4 million for the same period in 2012. DD&A expense in the fourth quarter and year ended December 31, 2013 decreased from the same period in 2012 due primarily to the 2012 Dispositions and prior asset impairments.

At December 31, 2013, NuVista reviewed and adjusted its cash generating units ("CGUs") as a result of changes to the Company's oil and gas property mix and focus areas. The Wapiti Montney play has grown in significance in terms of assets and cashflow. As a result, the Wapiti Montney play has been separated into its own CGU. Certain natural gas CGUs remained unchanged and insignificant remaining oil CGUs were aggregated due to similarities in operational, management and monitoring product composition and cash inflows.

An impairment test was performed on certain of NuVista's CGUs at December 31, 2013 due to reserve revisions at January 1, 2014. NuVista recognized an impairment reversal, net of depletion, of $6.0 million (2012 – $nil impairment reversals) related to our Wapiti Montney CGU which has been included as depletion, depreciation, amortization and impairment expense on the statement of earnings. The recoverable amount was estimated using a fair value less cost to sell 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 NuVista's independent external reserves report.

At December 31, 2012, NuVista performed an impairment test due to indicators of impairment of declining prices and downward reserve revisions for certain of its natural gas CGUs. Total impairment charge for 2012 was $213.1 million which was included as depletion, depreciation, amortization and impairment expenses on the statement of earnings. Included in that amount was an impairment loss of $36.8 million related to the 2012 Dispositions. 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% based on NuVista's independent external reserves report.

Goodwill – Goodwill was recorded from various business acquisitions and was determined based on the excess of total consideration paid less the fair value of the assets and liabilities acquired. IFRS standards require that the goodwill balance be assessed for impairment at least annually or more frequently if events or changes in circumstances indicate that the balance might be impaired. As a result of the property disposition completed in December 2013, the remaining goodwill balance was eliminated.

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 December 31, 2013, NuVista recorded an ARO of $106.3 million as compared to $147.8 million as at December 31, 2012. The decrease in ARO was due to the disposition of liabilities associated with the sale of the Saskatchewan and Provost areas. The liability has been discounted using a risk free discount rate of 3.2% at December 31, 2013 (2012 – 2.4%). At December 31, 2013, the estimated total undiscounted amount of cash flow required to settle NuVista's ARO was $179.1 million (2012 – $218.1 million). The majority of the costs are expected to be incurred between 2014 and 2032. Actual ARO expenditures for the three and twelve months ended December 31, 2013 were $1.0 million (2012 – $1.5 million) and $8.8 million (2012 – $13.8 million) respectively.

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

	Three months ended December 31,		Year ended December 31,	
($ thousands)	**2013**	2012	**2013**	2012
Exploration and development				
Land and retention costs	**6,390**	108	**8,333**	828
Seismic	**824**	922	**3,867**	4,000
Drilling and completion	**52,515**	22,546	**151,458**	70,783
Facilities and equipment	**20,106**	5,576	**59,831**	39,753
Corporate and other	**176**	42	**900**	258
Subtotal	**80,011**	29,194	**224,389**	115,622
Property acquisitions	**-**	-	**2,183**	1,016
Net capital expenditures before dispositions	**80,011**	29,194	**226,572**	116,638

Capital expenditures were $80.0 million during the fourth quarter of 2013, consisting entirely of exploration and development spending. This compares to $29.2 million incurred for the same period of 2012, consisting entirely of exploration and development spending. Capital expenditures for the twelve months ended December 31, 2013 were $226.6 million, consisting of $224.4 million of exploration and development spending and $2.2 million of property acquisitions. This compares to $116.6 million incurred for the same period of 2012, consisting of $115.6 million of exploration and development spending and $1.0 million of property acquisitions. The majority of the capital expenditures in the fourth quarter were spent on oil and liquids-rich natural gas projects.

Acquisitions and dispositions – For the year ended December 31, 2013, there were minor property acquisitions of $2.2 million compared to $1.0 million for the comparative period of 2012. For the three and twelve months ended December 31, 2013, NuVista sold non-core properties for proceeds before adjustments of $30.2 million and $42.6 million respectively. Net proceeds after adjustments were $17.9 million and $30.3 million for the quarter and year ended December 31, 2013 respectively.

Income taxes – For the three months ended December 31, 2013, the provision for income and other taxes was a benefit of $13.5 million compared to a benefit of $16.0 million for the same period in 2012. For the year ended December 31, 2013, the provision for income and other taxes was a benefit of $15.3 million compared to a benefit of $59.5 million in the same period of 2012. The decrease in benefit for the year ended December 31, 2013 compared to 2012 is primarily attributable to the decrease in the net loss after adjusting for non-deductible tax items in the periods.

Tax pools

At December 31, 2013, NuVista had approximately $756 million (2012 – $641 million) of estimated tax pools available for deduction against future years' taxable income.

	Available balance	Maximum annual deduction
($ thousands)	**2013**	%
Canadian exploration expense	**168,000**	100%
Canadian development expense	**264,000**	30% declining balance
Canadian oil and natural gas property expense	**95,000**	10% declining balance
Undepreciated capital cost	**148,000**	25% declining balance
Non-capital losses	**75,000**	100%
Other	**6,000**	various rates
Total federal tax pools	**756,000**	
Additional Alberta tax pools	**8,000**	100%

Net earnings – For the three months ended December 31, 2013, net loss totaled $47.4 million ($0.38/share, basic) compared to a net loss of $59.0 million ($0.56/share, basic) for the same period in 2012. NuVista's net loss for year ended December 31, 2013 was $61.1 million ($0.51/share, basic) compared to a net loss of $195.2 million ($1.93/share, basic) in the same period in 2012. The net loss for the year ended December 31, 2013 is mostly attributable to the loss on property dispositions of $55.5 million recognized in 2013 and realized and unrealized losses on derivatives of $7.0 million and $5.7 million respectively. These losses were offset by deferred income tax benefit of $15.3 million for the year ended December 31, 2013.

Adjusted net earnings (loss) – The table below summarizes adjusted net earnings (loss) for the three months ended and year ended December 31, 2013 compared December 31, 2012:

	Three months ended December 31,		Year ended December 31,	
($ thousands)	**2013**	2012	**2013**	2012
Net earnings (loss)	**(47,405)**	(59,042)	**(61,144)**	(195,200)
Add (deduct):				
Unrealized (gain) loss on commodity derivatives, after tax	**2,314**	(95)	**4,303**	(10,863)
Impairment (reversals) of property, plant and equipment, after tax	**(4,817)**	52,462	**(4,817)**	159,202
Goodwill impairments, after tax	**-**	355	**-**	4,070
(Gain) loss on divestitures, after tax	**45,663**	(4,600)	**41,525**	(9,671)
Adjusted net earnings (loss)[1]	**(4,245)**	(10,920)	**(20,133)**	(52,462)
Per basic share	**(0.03)**	(0.10)	**(0.17)**	(0.52)
Per diluted share	**(0.03)**	(0.10)	**(0.17)**	(0.52)

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

Liquidity and capital resources

($ thousands)	**2013**	2012
Common shares outstanding	**134,991**	118,618
Share price(1)	**7.14**	5.87
Total market capitalization	**963,836**	696,288
Adjusted working capital (surplus) deficit(2)	**47,495**	10,496
Long-term debt	**-**	19,892
Debt, net of adjusted working capital ("Net Debt")	**47,495**	30,388
Annualized current quarter funds from operations(2)	**86,132**	65,112
Net debt to annualized current quarter funds from operations	**0.6x**	0.5x

(1) Represents the closing price on the Toronto Stock Exchange on December 31.
(2) Refer to the "Non-GAAP measurements".

As at December 31, 2013, debt net of adjusted working capital was $47.5 million, resulting in a net debt to the annualized current quarter funds from operations ratio of 0.6:1. NuVista's strategy is to target a net debt to annualized current quarter funds from operations of less than 1.5:1. The actual ratio may fluctuate on a quarterly basis above or below target due to a number of factors including commodity prices and the timing of acquisitions and dispositions. At December 31, 2013, NuVista had an adjusted working capital deficit of $47.5 million. Adjusted working capital is current assets less current liabilities excluding the current portion of the fair value of the commodity derivative liabilities of $2.5 million. We believe it is appropriate to exclude this amount when assessing financial leverage. At December 31, 2013, NuVista had not drawn on its credit facility leaving $220 million of unused bank borrowing capacity based on the current committed credit facility of $240 million.

As at December 31, 2013, the Company had a $240 million (December 31, 2013 – $240 million) extendible revolving term credit facility available from a syndicate of Canadian chartered banks. Borrowing under the credit facility may be made by prime loans, bankers' acceptances and/or US libor advances. These advances bear interest at the bank's prime rate and/or at money market rates plus a borrowing margin. The credit facility is secured by a first floating charge debenture, general assignment of book debts and the Company'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. The lenders extended the semi-annual review which was completed in November 2013. The maximum borrowing amount was determined to be $220 million with a commitment of $240 million. During the term period, no principal payments would be required until April 29, 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 and available bank lines.

As at December 31, 2013, there were 135.0 million common shares outstanding. In addition, there were 7.1 million stock options with an average exercise price of $7.36 per option and 1.2 million restricted share awards outstanding. As of February 21, 2014, there were 7.1 million common shares and 1.2 million restricted share awards outstanding.

In November 2013, the Company issued 11.0 million common shares at $7.10 per share for gross proceeds of $78.1 million.

In October 2013, the Company issued, pursuant to a public offering, 3.2 million common shares on a flow-through basis in respect of Canadian exploration expenses ("CEE") at a price of $8.00 per share for gross proceeds of $25.6 million. Concurrent with the public offering, the Company 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 Canadian development expenses ("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, the Company is 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, the Company had fully spent the qualifying CDE amount and spent $1.1 million on the qualifying CEE amount.

In 2012, the Company issued 4.24 million common shares and 13.06 million common shares at $4.90 per share for combined gross proceeds of $84.8 million. The Company also issued 1.7 million flow-through common shares at $5.89 per share for gross proceeds of $10.0 million. The implied premium on the flow-through common shares was determined to be $1.7 million or $0.99 per share on the date of issue and was recorded as other liabilities. As at December 31, 2012, the Company had spent $2.0 million on eligible expenditures and had an obligation to spend $8.0 million on qualified exploration and development expenditures by December 31, 2013. As at June 30, 2013, the Company had fully spent the 2012 flow-through offering.

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 December 31, 2013:

	Total	2014	2015	2016	2017	2018	Thereafter
Transportation and processing	**$183,586**	$12,980	$17,448	$21,908	$19,960	$17,566	$93,724
Office lease	**14,225**	3,688	3,688	3,702	3,147	-	-
Flow-through common shares	**26,559**	26,559	-	-	-	-	-
Total commitments	**$224,370**	$43,227	$21,136	$25,610	$23,107	$17,566	$93,724

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.

Annual financial information **–** The following table highlights selected annual financial information for the years ended December 31, 2013, 2012 and 2011:

($ thousands, except per share amounts)	**2013**	2012	2011
Production revenue	**213,469**	242,012	369,234
Net loss	**(61,144)**	(195,200)	(143,800)
Per share – basic	**(0.51)**	(1.93)	(1.47)
Per share – diluted	**(0.51)**	(1.93)	(1.47)
Balance sheet information			
Total assets	**905,711**	878,174	1,373,705
Long-term debt	**-**	19,892	289,431
Shareholders' equity	**707,795**	656,061	755,548

Quarterly financial information – The following table highlights NuVista's performance for the eight quarterly reporting periods from March 31, 2012 to December 31, 2013:

($ thousands, except	2013				2012			
per share amounts)	**Dec 31**	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Production (Boe/d)	**18,034**	18,532	17,799	14,903	17,692	23,936	23,467	25,250
Revenue	**57,143**	60,420	54,158	41,748	48,277	61,678	58,201	73,856
Net earnings (loss)	**(47,405)**	(2,295)	(7,383)	(4,061)	(59,042)	(47,600)	(85,411)	(3,147)
Net earnings (loss)								
Per basic share	**(0.38)**	(0.02)	(0.06)	(0.03)	(0.56)	(0.48)	(0.86)	(0.03)
Per diluted share	**(0.38)**	(0.02)	(0.06)	(0.03)	(0.56)	(0.48)	(0.86)	(0.03)

NuVista has seen production volumes in a range of 14,903 Boe/d to 25,250 Boe/d for the last eight quarters. NuVista's production volumes have declined to 14,903 Boe/d due to the 2012 Dispositions and lower levels of capital spending. Over the prior eight quarters, quarterly revenue has been in a range of $41.8 million to $73.9 million with revenue primarily influenced by production volumes, commodity prices in the quarter and property dispositions. Net earnings have been in a range of a net loss of $85.4 million to net loss of $2.3 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 judgements, assumptions and estimates in applying its accounting policies which have significant impact on the financial results of NuVista. The following outline the accounting policies involving the use of estimates that are critical to understanding the financial condition and results of operations of NuVista.

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

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

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

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

Exploration and evaluation expenditures relating to activities to explore and evaluate oil and natural gas properties are initially capitalized and include costs associated with the acquisition of licenses, technical services and studies, seismic acquisition, exploration drilling and testing, directly attributable overhead and administration expenses, and costs associated with retiring the assets. Exploration and evaluation assets are carried forward until technical feasibility and commercial viability of extracting a mineral resource is determined. Technical feasibility and commercial viability of extracting a mineral resource is considered to be determined when proved and/or probable reserves are determined to exist. E&E assets are tested for impairment when facts and circumstances suggest that the carrying amount of E&E assets may exceed their recoverable amount, by comparing the relevant costs to the fair value of CGUs, aggregated at the segment level. The determination of the fair value of CGUs requires the use of assumptions and estimates including quantities of recoverable reserves, production quantities, future commodity prices and development and operating costs. Changes in any of these assumptions, such as a downward revision in reserves, decrease in commodity prices or increase in costs, could impact the fair value.

NuVista assesses property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset or group of assets may not be recoverable. If any such indication of impairment exists, NuVista performs an impairment test related to the specific CGU. The determination of fair value of CGUs requires the use of assumptions and estimates including quantities of recoverable reserves, production quantities, future commodity prices and development and operating costs. Changes in any of these assumptions, such as a downward revision in reserves, decrease in commodity prices or increase in costs, could impact the fair value.

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

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

Update on regulatory matters

Environmental – 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 greenhouse gases ("GHGs") and potential federal and provincial GHG commitments, NuVista is currently 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, current provincial royalty and incentive programs are contained in our Annual Information Form for the year ended December 31, 2013, to be filed on SEDAR by March 30, 2014, under the Industry Conditions section.

Update on financial reporting matters

Changes in accounting policies

As of January 1, 2013, the Company was required to adopt the following standards as issued by the IASB. The adoption of these standards did not have any impact on our results of operations and financial position but additional disclosures have been provided.

- IFRS 10, “Consolidated Financial Statements” – the IASB issued IFRS 10 which replaces Standing Interpretations Committee 12, “Consolidation – Special Purpose Entities” and the consolidation requirements of IAS 27, “Consolidated and Separate Financial Statements”. The new standard eliminates the current risk and rewards approach and established control as the single basis for determining the consolidation of an entity.

- IFRS 11, “Joint Arrangements” – the IASB issued IFRS 11 to replace IAS 31, “Interest in Joint Ventures”. The new standard redefines joint operations and joint ventures and requires joint operations to be proportionately consolidated and joint ventures to equity accounted. Under IAS 31, joint ventures could be proportionately accounted.

- IFRS 12, “Disclosure of Interests in Other Entities” – IFRS 12 outlines the required disclosures for interests in subsidiaries and joint arrangements. The new disclosures require information that will assist financial statement users to evaluate the nature, risks and financial effects associated with an entity’s interests in subsidiaries and joint arrangements.

- IFRS 13, “Fair Value Measurement” – the IASB issued IFRS 13 which provides a common definition of fair value, establishes a framework for measuring fair value under IFRS and enhances the disclosures required for fair value measurements. The standard applies where fair value measurements are required and does not require new fair value measurements.

- Amendments to IAS 32, “Financial Instruments: Presentation” clarify the current requirement for offsetting financial instruments. The amendments to IFRS 7, “ Financial Instruments: Disclosures” develop common disclosure requirements for financial assets and financial liabilities that are offset in the financial statements, or that are subject to enforceable master netting arrangements or similar agreements.

Future accounting changes

The IASB has undertaken a three-phase project, 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. Portions of this standard remain in development and the full impact of the standard on the Company’s consolidated financial statements will not be known until the evaluation is complete.

In May 2013, the IASB issued amendments to IAS 36, “Impairment of Assets” which reduce the circumstances in which the recoverable amount of CGUs is required to be disclosed and clarifies the disclosure required when an impairment loss has been recognized or reversed in the period. The amendments are required to be adopted retrospectively for fiscal years beginning January 1, 2014, with earlier adoption permitted. These amendments will be applied by the Company on January 1, 2014 and will only impact the disclosures in the notes to 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 annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by NuVista in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to NuVista's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure. The CEO and CFO have concluded, based on their evaluation as of the end of the period covered by the annual 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 annual consolidated financial statements or 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 and year ended December 31, 2013, 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 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 will be contained in our Annual Information Form under the Risk Factors Section for the year ended December 31, 2013.

OUTLOOK

2014 is the year where NuVista will enter full development mode in the Wapiti Montney resource play. We have increased our capital budget in 2014 compared to 2013, to the range of $240 million to $260 million with a commensurate increase in rig count to three rigs for most of the year. The capital will be focused approximately 90% in the Wapiti area, with approximately 80% of that in the condensate rich Bilbo development block. We expect to drill and complete 16 to 18 horizontal wells in the year, complete and start up the Bilbo compressor station, and begin delivering to the Keyera Simonette plant late in the second quarter of 2014. This new infrastructure will provide the capacity for significant growth over the next few years.

Our entrance rate in 2014 after the previously announced December divestitures was approximately 16,500 Boe/d. Production for 2014 is expected to be in the range of 17,500 to 18,500 Boe/d. Behind pipe capacity is continuing to build in order to accommodate the ramp in infrastructure capacity later in the year, with fourth quarter production expected in the range of 20,000 to 21,000 Boe/d. Cash flows for 2014 are expected in the range of $130 million to $140 million based on current strip prices of $4.50/GJ AECO for natural gas and US$98/Bbl for WTI.

Looking beyond 2014, we are excited about our ability to drive and internally fund significant growth with an increased pace of drilling and significant facility capacity. For 2015, we anticipate annual production of approximately 23,000 Boe/d which, at $3.50/GJ AECO gas and US$85/Bbl WTI oil prices, would drive cash flow to approximately $170 million.

With corporate netbacks and production rising quickly, and efficiencies continuing to be built into every aspect of our Wapiti Montney play, NuVista is confident to continue accelerating the pace of activity in the future. We will continue to work with area midstreamers to provide an ever-increasing facility capacity to underpin long-term profitable growth. We would like to thank our shareholders for their continued support, and our exceptionally dedicated and talented staff for their significant contributions to the bright future we are delivering together.

Please refer to the corporate presentation on our website which will be updated on or before the end of March 10, 2014 to include further details and context regarding the information in this press release.