

NUVISTA ENERGY LTD.**Condensed Statements of Financial Position**
(Unaudited)

(\$Cdn thousands)	March 31	December 31
	2016	2015
Assets		
Current assets		
Cash and cash equivalents	\$ —	\$ —
Accounts receivable and prepaid expenses	29,532	29,541
Financial derivative assets (note 12)	22,096	25,770
	51,628	55,311
Financial derivative assets (note 12)	6	—
Exploration and evaluation assets (note 5)	83,128	83,291
Property, plant and equipment (note 6)	880,010	843,035
Total assets	\$ 1,014,772	\$ 981,637
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 53,273	\$ 48,643
Accrued environmental remediation liabilities (note 4)	1,283	4,790
Current portion of asset retirement obligations (note 8)	9,000	9,501
	63,556	62,934
Long-term debt (note 7)	230,622	196,733
Financial derivative liabilities (note 12)	—	14
Asset retirement obligations (note 8)	87,249	92,317
	381,427	351,998
Shareholders' equity		
Share capital (note 9)	1,140,404	1,140,170
Contributed surplus	45,595	44,576
Deficit	(552,654)	(555,107)
	633,345	629,639
Total liabilities and shareholders' equity	\$ 1,014,772	\$ 981,637

Subsequent events (notes 7,12)

Commitments (note 13)

See accompanying notes to the condensed interim financial statements.

NUVISTA ENERGY LTD.**Condensed Statements of Earnings (Loss) and Comprehensive Income (Loss)**
(Unaudited)

(\$Cdn thousands, except per share amounts)	Three months ended March 31	
	2016	2015
Revenues		
Oil and natural gas	\$ 59,720	\$ 57,927
Royalties	(3,071)	(2,839)
	56,649	55,088
Realized gain on financial derivatives (note 12)	11,465	12,269
Unrealized loss on financial derivatives (note 12)	(3,654)	(10,596)
	64,460	56,761
Expenses		
Transportation	6,358	6,713
Operating	24,558	22,861
General and administrative	4,409	5,249
Share-based compensation (note 11)	1,045	1,482
Depletion, depreciation, amortization and impairment (note 6)	23,451	25,953
Exploration and evaluation (note 5)	—	1,126
Gain on property dispositions	(367)	(489)
Note receivable recovery	(350)	—
Financing costs	2,903	2,537
	62,007	65,432
Earnings (loss) before taxes	2,453	(8,671)
Deferred income tax expense (benefit)	—	(1,012)
Net earnings (loss) and comprehensive income (loss)	\$ 2,453	\$ (7,659)
Net earnings (loss) per share (note 10)		
Basic	\$ 0.02	\$ (0.06)
Diluted	\$ 0.02	\$ (0.06)

See accompanying notes to the condensed interim financial statements.

NUVISTA ENERGY LTD.

Condensed Statements of Changes in Shareholders' Equity
(Unaudited)

(\$Cdn thousands)	Three months ended March 31	
	2016	2015
Share capital (note 9)		
Balance, January 1	\$ 1,140,170	\$ 1,029,017
Issued for cash on exercise of stock options	141	746
Contributed surplus transferred on exercise of stock options	48	256
Conversion of restricted share awards	45	—
Balance, end of period	\$ 1,140,404	\$ 1,030,019
Contributed surplus		
Balance, January 1	\$ 44,576	\$ 40,812
Share-based compensation	1,111	1,224
Transfer to share capital on exercise of stock options	(48)	(256)
Conversion of restricted share awards	(44)	—
Balance, end of period	\$ 45,595	\$ 41,780
Deficit		
Balance, January 1	\$ (555,107)	\$ (382,182)
Net earnings (loss)	2,453	(7,659)
Balance, end of period	\$ (552,654)	\$ (389,841)
Total shareholders' equity	\$ 633,345	\$ 681,958

See accompanying notes to the condensed interim financial statements.

NUVISTA ENERGY LTD.

Condensed Statements of Cash Flows
(Unaudited)

(\$Cdn thousands)	Three months ended March 31	
	2016	2015
Cash provided by (used in)		
Operating activities		
Net earnings (loss)	\$ 2,453	\$ (7,659)
Items not requiring cash from operations:		
Depletion, depreciation, amortization and impairment	23,451	25,953
Exploration and evaluation	—	1,126
Gain on property dispositions	(367)	(489)
Share-based compensation (note 11)	899	1,153
Unrealized loss on financial derivatives	3,654	10,596
Deferred income tax expense (benefit)	—	(1,012)
Accretion (note 8)	548	649
Asset retirement expenditures (note 8)	(5,047)	(2,343)
Change in non-cash working capital	(161)	11,006
	25,430	38,980
Financing activities		
Issue of share capital, net of share issue costs	141	746
Increase in long-term debt	33,889	60,570
	34,030	61,316
Investing activities		
Property, plant and equipment expenditures	(60,775)	(100,604)
Exploration and evaluation expenditures	(418)	(6,712)
Property acquisitions	—	(600)
Proceeds on property dispositions	450	2,752
Change in non-cash working capital	1,283	4,868
	(59,460)	(100,296)
Change in cash and cash equivalents	—	—
Cash and cash equivalents, balance January 1	—	—
Cash and cash equivalents, end of period	\$ —	\$ —
Cash interest paid	\$ 1,985	\$ 1,775

See accompanying notes to the condensed interim financial statements.

NUVISTA ENERGY LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)

Three months ended March 31, 2016 with comparative figures for 2015. All tabular amounts are in thousands of Canadian dollars, except share and per share amounts, unless otherwise stated.

1. Corporate information

NuVista Energy Ltd. ("NuVista" or the "Company") is a Canadian publicly traded company incorporated in the province of Alberta. The Company is an oil and natural gas 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.

The address of the Company's head office is 3500, 700 – 2nd Street S.W., Calgary, Alberta, Canada, T2P 2W2.

2. Basis of preparation

These condensed interim financial statements (the "financial statements") have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting". These financial statements have been prepared following the same accounting policies and methods of computation as the annual financial statements for the year ended December 31, 2015. These financial statements do not include all the information required for annual financial statements and should be read in conjunction with the audited financial statements for the year ended December 31, 2015, which have been prepared in accordance with Financial Reporting Standards ("IFRS").

These financial statements were approved and authorized for issuance by the Board of Directors on May 11, 2016.

3. New accounting policies

Future accounting changes

Below is a brief description of new IFRS standards and amendments that are not yet effective and have not been applied in the preparation of these financial statements.

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 January 2016, the IASB issued IFRS 16 "Leases" which replaces IAS 17 "Leases". 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.

4. Accrued environmental remediation liabilities

	March 31, 2016	December 31, 2015
Balance, January 1	\$ 4,790	\$ —
Environmental remediation expense	—	9,300
Remediation costs incurred	(3,507)	(4,510)
Balance, end of period	\$ 1,283	\$ 4,790

During the third quarter of 2015, the Company identified a leak in a remote pipeline carrying oil emulsion in the Non-Core area of Northwest Alberta. The pipeline was immediately shut down and the Company's emergency response plan was activated. 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 year end financial statements, which is the current best estimate of the total cost of remediation. To date, \$8.0 million million has been spent. It is anticipated that majority of the remaining remediation will continue to occur throughout 2016.

5. Exploration and evaluation assets

	March 31, 2016	December 31, 2015
Balance, January 1	\$ 83,291	\$ 98,906
Additions	418	15,884
Acquisitions	—	6,323
Dispositions	—	(7,198)
Capitalized share-based compensation	223	6
Transfers to property, plant and equipment (note 6)	(804)	(20,900)
Expiries (exploration and evaluation expense)	—	(2,942)
Impairment	—	(6,788)
Balance, end of period	\$ 83,128	\$ 83,291

6. Property, plant and equipment

	March 31, 2016		December 31, 2015	
Cost				
Balance, January 1	\$	1,545,216	\$	1,355,406
Additions		60,775		257,358
Acquisitions		—		—
Dispositions		(715)		(95,913)
Change in asset retirement obligations (note 8)		(1,064)		7,465
Transfers from exploration and evaluation assets (note 5)		804		20,900
Balance, end of period	\$	1,605,016	\$	1,545,216

	March 31, 2016		December 31, 2015	
Accumulated depletion, depreciation, amortization and impairment				
Balance, January 1	\$	702,181	\$	530,291
Depletion and depreciation expense		23,451		160,901
Dispositions		(626)		(63,410)
Impairments		—		74,399
Balance, end of period	\$	725,006	\$	702,181

	March 31, 2016		December 31, 2015	
Carrying value				
Balance, January 1	\$	843,035	\$	825,115
Balance, end of period	\$	880,010	\$	843,035

7. Long-term debt

At March 31, 2016, the Company had a \$300.0 million (December 31, 2015 – \$300.0 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. For the three months ended March 31, 2016, borrowing costs averaged 3.3% (December 31, 2015 – 3.2%). 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 October 30 and April 30. During the term period, no principal payments would be required until a year after the revolving period matures.

Subsequent to the first quarter, NuVista requested and received an extension to its annual borrowing base redetermination until June 15, 2016. There can be no assurance that there will be no changes to the borrowing base as a result of the upcoming redetermination. The next review is scheduled for October 30, 2016.

As at March 31, 2016, the Company had drawn \$230.6 million (December 31, 2015 – \$196.7 million). The credit facility does not contain any financial covenants, but the Company is subject to various non-financial covenants under its credit facility. Compliance with these covenants is monitored on a regular basis and as at March 31, 2016, the Company was in compliance with all covenants.

8. Asset retirement obligations

The Company's asset retirement obligations 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 March 31, 2016, the estimated total undiscounted amount of cash flows required to settle the asset retirement obligations is \$145.3 million (December 31, 2015 – \$150.8 million), which is estimated to be incurred over the next 50 years. A risk-free rate of 2.0% (December 31, 2015 – 2.2%) and an inflation rate of 2.0% (December 31, 2015 – 2.0%) were used to calculate the net present value of the asset retirement obligations. A reconciliation of the asset retirement obligations is provided below:

	March 31, 2016		December 31, 2015	
Balance, January 1	\$	101,818	\$	111,307
Accretion expense		548		2,385
Liabilities incurred		610		2,926
Liabilities disposed		(6)		(10,500)
Change in estimates and discount rate		(1,674)		4,539
Liabilities settled		(5,047)		(8,839)
Balance, end of period	\$	96,249	\$	101,818
Expected to be incurred within one year		9,000		9,501
Expected to be incurred beyond one year	\$	87,249	\$	92,317

9. Share capital

Common shares

	March 31, 2016		December 31, 2015	
	Number	Amount	Number	Amount
Balance, January 1	153,310,265	\$ 1,140,170	138,676,908	\$ 1,029,017
Issued for cash on offering of common shares	—	—	11,465,000	90,000
Issued for cash on offering of flow-through common shares ⁽¹⁾	—	—	2,544,040	20,861
Issued for cash on exercise of stock options	33,457	141	609,538	2,927
Contributed surplus transferred on exercise of stock options	—	48	—	1,005
Conversion of restricted share awards	5,772	45	14,779	80
Share issue costs, net of deferred tax benefit of \$nil (2015 – \$1.2 million)	—	—	—	(3,720)
Balance, end of period	153,349,494	\$ 1,140,404	153,310,265	\$ 1,140,170

⁽¹⁾ Net of implied premium of \$1.1 million in 2015 on flow-through share price compared to trading price at announcement of equity issuance.

10. Earnings (loss) per share

The following table summarizes the weighted average common shares used in calculating net loss per share:

(thousands of shares)	Three months ended March 31	
	2016	2015
Weighted average common shares outstanding		
Basic	153,319	138,712
Diluted	153,363	138,712

11. Share-based compensation

Stock Options

The Company has established a stock option plan whereby officers, directors and employees may be granted options to purchase common shares. Options granted vest at the rate of 1/3 per year and expire 2.5 years after the vesting date. The maximum number of stock options authorized to be exercised and settled as at March 31, 2016 is 7,024,983. The following continuity table summarizes the stock option activity:

	March 31, 2016		December 31, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, January 1	6,213,614	\$ 7.14	6,378,553	\$ 7.45
Granted	—	—	1,608,305	6.22
Exercised	(33,457)	4.23	(609,538)	4.80
Forfeited	(129,156)	8.05	(307,703)	8.60
Expired	(98,472)	8.62	(856,003)	8.87
Balance, end of period	5,952,529	\$ 7.11	6,213,614	\$ 7.14
Weighted average share price on date of exercise	33,457	\$ 4.79	609,538	\$ 7.74

The following table summarizes stock options outstanding and exercisable under the plan at March 31, 2016:

Range of exercise price	Options outstanding			Options exercisable	
	Number of options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
\$3.47 to \$4.99	1,546,117	2.61	\$ 4.38	786,467	\$ 4.49
\$5.00 to \$9.99	3,845,282	2.14	7.67	2,289,438	7.16
\$10.00 to \$12.04	561,130	2.65	10.79	192,008	10.79
\$3.47 to \$12.04	5,952,529	2.31	\$ 7.11	3,267,913	\$ 6.73

The Company uses the fair value based method for the determination of the share-based compensation costs. The fair value of each option granted during the year was estimated on the date of grant using the Black-Scholes option pricing model. No options were granted during the first quarter of 2016.

Restricted Stock Units

The Company has a Restricted Stock Unit ("RSU") Plan for employees and officers. Each RSU entitles participants to receive cash equal to the trading price of the equivalent number of shares of the Company. All RSUs granted vest and become payable within three years after the date the RSUs are issued.

The compensation expense was calculated using the fair value method based on the trading price of the Company's shares at the end of each reporting year. The following table summarizes the change in the number of RSUs:

	March 31, 2016	December 31, 2015
Balance, January 1	145,665	501,110
Settled	(21,081)	(343,647)
Granted	—	—
Forfeited	(5,249)	(11,798)
Balance, end of period	119,335	145,665

The following table summarizes the change in compensation liability relating to RSUs:

	March 31, 2016	December 31, 2015
Balance, January 1	\$ 463	\$ 2,057
Change in accrued compensation liabilities	70	(1,594)
Balance, end of period	\$ 533	\$ 463
Compensation liabilities – current (included in accounts payable and accrued liabilities)	\$ 533	\$ 463

Restricted Share Awards

The Company has a Restricted Share Award ("RSA") Plan for employees and officers which entitle the employee to receive one common share for each RSA granted upon vesting. RSA grants vest within three years from the date of grant. The maximum number of common shares reserved for issuance under the RSA plan is 1,650,000 of which 1,252,418 remain to be issued.

The fair value of RSAs is determined based on the weighted average trading price of the five days preceding the grant date. This fair value is recognized as share-based compensation expense over the vesting period with a corresponding increase to contributed surplus. The amount of the compensation expense is reduced by an estimated forfeiture rate determined at the date of the grant and updated each period. Upon vesting of the RSAs and settlement in common shares, the previously recognized value in contributed surplus will be recorded as an increase to share capital.

The following table summarizes the change in the number of RSAs:

	March 31, 2016	December 31, 2015
Balance, January 1	385,142	138,181
Settled	(5,772)	(14,779)
Granted	—	275,850
Forfeited	(11,393)	(14,110)
Balance, end of period	367,977	385,142

The following table summarizes share-based compensation relating to stock options, RSUs and RSAs:

	Three months ended March 31							
	2016				2015			
	Stock options	RSU	RSA	Total	Stock options	RSU	RSA	Total
Share-based compensation	\$ 641	\$ 58	\$ 258	\$ 957	\$ 1,047	\$ 233	\$ 106	\$ 1,386
RSU cash paid	—	88	—	88	—	96	—	96
Share-based compensation expense	\$ 641	\$ 146	\$ 258	\$ 1,045	\$ 1,047	\$ 329	\$ 106	\$ 1,482
Gross capitalized share-based compensation	\$ 108	\$ 11	\$ 104	\$ 223	\$ 66	\$ 41	\$ 5	\$ 112
RSU cash paid	—	—	—	—	—	(172)	—	(172)
Net capitalized share-based compensation	\$ 108	\$ 11	\$ 104	\$ 223	\$ 66	\$ (131)	\$ 5	\$ (60)

12. Risk management activities

(a) Financial instruments

The Company's financial instruments recognized on the statement of financial position consists of cash and cash equivalents, accounts receivable and prepaid expenses, financial derivative contracts, accounts payable and accrued liabilities, accrued environmental remediation liabilities, compensation liabilities and long-term debt. The carrying value of the long-term debt approximates its fair value as it bears interest at market rates. Except for the financial derivative contracts and compensation liabilities, which are recorded at fair value, carrying values reflect the current fair value of the Company's financial instruments due to their short-term maturities. The estimated fair values of recognized financial instruments have been determined based on quoted market prices when available, or third-party models and valuation methodologies that use observable market data.

The Company classifies fair value measurements according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Company's cash and cash equivalents are classified as Level 1 and financial derivative contracts as Level 2. The Company uses third party models and valuation methodologies to determine the fair value of financial derivative contracts. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level.

(b) Financial assets and financial liabilities subject to offsetting

The following is a summary of the Company's financial assets and financial liabilities that are subject to offsetting:

	March 31, 2016			December 31, 2015		
	Gross financial assets	Gross financial liabilities	Net financial assets	Gross financial assets	Gross financial liabilities	Net financial assets
Current assets (liabilities)	\$ 22,304	\$ (208)	\$ 22,096	\$ 26,000	\$ (230)	\$ 25,770
Long-term assets (liabilities)	149	(143)	6	2	(16)	(14)
Net position	\$ 22,453	\$ (351)	\$ 22,102	\$ 26,002	\$ (246)	\$ 25,756

(c) Risk management contracts

The following is a summary of the financial derivatives as at March 31, 2016:

	Volume (Bbls/d)	Pricing (Cdn\$/Bbl)	Term of contract
WTI crude oil sales price derivatives			
Fixed price swap	3,280	\$79.50	Apr 1, 2016 - Jun 30, 2016
Fixed price swap	3,050	\$75.92	Jul 1, 2016 - Dec 31, 2016
Fixed price swap	100	\$58.15	Jan 1, 2017 - Jun 30, 2017

	Volume (MMbtu/d)	Pricing (US\$/MMbtu)	Term of contract
Nymex natural gas sales price derivative			
AECO-NYMEX basis	10,000	(\$0.66)	Apr 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	6,685	(\$0.68)	Oct 1, 2018 - Dec 31, 2018
Chicago-NYMEX basis	10,000	(\$0.01)	Apr 1, 2016 - Dec 31, 2016
Chicago-NYMEX basis	5,000	(\$0.05)	Jan 1, 2017 - Dec 31, 2017
Nymex fixed price swap	10,000	\$2.60	Apr 1, 2016 - Dec 31, 2016

Subsequent to March 31, 2016, the following financial derivatives have been entered into:

	Volume (MMbtu/d)	Pricing (US\$/MMbtu)	Term of contract
NYMEX natural gas sales price derivatives			
AECO-NYMEX basis	20,000	\$0.62	Nov 1, 2018 - Mar 31, 2019

The following is a reconciliation of movement in the fair value of financial derivative contracts:

	March 31, 2016	December 31
Fair value of contracts, beginning of year	\$ 25,756	\$ 47,211
Change in the fair value of contracts in the period	7,811	21,346
Fair value of contracts realized in the period	(11,465)	(42,801)
Fair value of contracts, end of year	\$ 22,102	\$ 25,756
financial derivative assets – current	\$ 22,096	\$ 25,770
financial derivative assets – long term	\$ 6	\$ (14)

(d) Physical delivery sales contracts

The following is a summary of the physical delivery sales contracts as at March 31, 2016:

	Volume (GJ/d)	Pricing (Cdn\$/GJ)	Term of contract
AECO natural gas physical delivery sales contracts			
Costless Collar	5,000	\$3.40 - \$3.85	Apr 1, 2016 - Dec 31, 2016
Fixed Price Swap	54,808	\$3.26	Apr 1, 2016 - Jun 30, 2016
Fixed Price Swap	69,500	\$3.22	Jul 1, 2016 - Sep 30, 2016
Fixed Price Swap	69,500	\$3.23	Oct 1, 2016 - Dec 31, 2016
Fixed Price Swap	50,000	\$3.30	Jan 1, 2017 - Mar 31, 2017
Fixed Price Swap	35,000	\$3.23	Apr 1, 2017 - Jun 30, 2017
Fixed Price Swap	25,000	\$3.20	Jul 1, 2017 - Sep 30, 2017
Fixed Price Swap	20,000	\$3.26	Oct 1, 2017 - Dec 31, 2017
Fixed Price Swap	2,500	\$2.85	Jan 1, 2018 - Oct 31, 2018
Fixed Price Swap	842	\$2.85	Oct 1, 2018 - Dec 31, 2018

13. Commitments

The following is a summary of the Company's commitments as at March 31, 2016:

	Total	2016	2017	2018	2019	2020	Thereafter
Transportation and processing	\$ 537,994	\$ 42,163	\$ 64,983	\$ 65,625	\$ 59,516	\$ 56,260	\$ 249,447
Office lease	6,230	2,951	3,279	—	—	—	—
Drilling rig contracts	4,735	3,383	1,352	—	—	—	—
Total commitments	\$ 548,959	\$ 48,497	\$ 69,614	\$ 65,625	\$ 59,516	\$ 56,260	\$ 249,447