

**NUVISTA ENERGY LTD.****Consolidated Statements of Financial Position**  
(unaudited)

(\$Cdn thousands)	June 30, 2012	December 31, 2011
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ -	\$ -
Accounts receivable and prepaids	27,274	50,350
	<b>27,274</b>	50,350
Exploration and evaluation assets (note 3)	127,437	132,398
Property, plant and equipment (note 4)	1,090,960	1,182,166
Goodwill	8,791	8,791
<b>Total assets</b>	<b>\$1,254,462</b>	<b>\$1,373,705</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 39,270	\$ 67,710
Commodity derivative liabilities (note 9)	632	9,316
	<b>39,902</b>	77,026
Long-term debt (note 5)	327,115	289,431
Compensation liabilities (note 8)	44	300
Commodity derivative liabilities (note 9)	-	6,304
Asset retirement obligations (note 6)	177,375	174,741
Deferred tax liabilities	40,981	70,355
	<b>585,417</b>	618,157
<b>Shareholders' equity</b>		
Share capital	790,332	790,340
Contributed surplus	34,228	32,165
Deficit	(155,515)	(66,957)
	<b>669,045</b>	755,548
<b>Total liabilities and shareholders' equity</b>	<b>\$1,254,462</b>	<b>\$1,373,705</b>

Commitments (note 10)

See accompanying notes to the interim consolidated financial statements.

**NUVISTA ENERGY LTD.**

**Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss)**  
(unaudited)

(\$Cdn thousands, except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
<b>Revenues</b>				
Oil and natural gas	\$ 58,201	\$95,719	\$132,057	\$183,956
Royalties	(6,300)	(14,311)	(16,462)	(26,729)
	<b>51,901</b>	81,408	<b>115,595</b>	157,227
Realized gain (loss) on commodity derivatives (note 9)	737	(2,991)	(2,114)	(5,949)
Unrealized gain on commodity derivatives (note 9)	11,399	6,584	14,988	1,759
	<b>64,037</b>	85,001	<b>128,469</b>	153,037
<b>Expenses</b>				
Operating	23,300	26,551	49,713	53,554
Transportation	2,183	2,124	3,861	4,066
General and administrative	5,690	4,478	10,956	9,388
Share-based compensation (note 8)	813	1,489	2,289	3,094
Depletion, depreciation, amortization and impairment (note 4)	138,259	39,284	172,712	77,982
Exploration and evaluation (note 3)	3,556	2,237	4,956	3,749
Gain on property dispositions (notes 3,4)	-	(26,948)	(6,791)	(28,428)
Interest	3,346	4,063	6,516	9,261
Accretion (note 6)	1,100	1,201	2,189	2,330
	<b>178,247</b>	54,479	<b>246,401</b>	134,996
<b>Earnings (loss) before taxes</b>	<b>(114,210)</b>	30,522	<b>(117,932)</b>	18,041
Deferred income tax expense (reduction)	(28,799)	8,077	(29,374)	5,186
<b>Net earnings (loss) and comprehensive income (loss)</b>	<b>\$(85,411)</b>	\$22,445	<b>\$ (88,558)</b>	\$ 12,855
<b>Net earnings (loss) per share (note 7)</b>				
Basic	\$ (0.86)	\$ 0.23	\$ (0.89)	\$ 0.13
Diluted	\$ (0.86)	\$ 0.23	\$ (0.89)	\$ 0.13

See accompanying notes to interim consolidated financial statements.

**NUVISTA ENERGY LTD.**

**Consolidated Statements of Changes in Shareholders' Equity**  
(unaudited)

(\$Cdn thousands)

<b>Six months ended June 30,</b>	<b>2012</b>	<b>2011</b>
<b>Share capital</b>		
Balance, January 1	\$ 790,340	\$ 689,757
Issued for cash	-	100,751
Dividend re-investment plan	-	771
Exercise of stock options	-	367
Share-based compensation	-	125
Share issue costs, net of deferred tax benefit of \$nil (June 30, 2011 - \$0.5 million)	(8)	(1,461)
<b>Balance, end of period</b>	<b>\$ 790,332</b>	<b>\$ 790,310</b>
<b>Contributed surplus</b>		
Balance, January 1	\$ 32,165	\$ 26,552
Share-based compensation	2,063	3,038
Exercise of stock options	-	(125)
<b>Balance, end of period</b>	<b>\$ 34,228</b>	<b>\$ 29,465</b>
<b>Retained earnings (deficit)</b>		
Balance, January 1	\$ (66,957)	\$ 76,843
Net earnings (loss) and comprehensive income (loss)	(88,558)	12,855
<b>Balance, end of period</b>	<b>\$(155,515)</b>	<b>\$ 89,698</b>
<b>Total shareholders' equity</b>	<b>\$ 669,045</b>	<b>\$909,473</b>

See accompanying notes to the interim consolidated financial statements.

**NUVISTA ENERGY LTD.**

**Consolidated Statements of Cash Flows**  
(unaudited)

(\$Cdn thousands)	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Net earnings (loss)	\$ (85,411)	\$ 22,445	\$ (88,558)	\$ 12,855
Items not requiring cash from operations:				
Depletion, depreciation, amortization and impairment	138,259	39,284	172,712	77,982
Exploration and evaluation	3,556	2,237	4,956	3,749
Gain on property dispositions	-	(26,948)	(6,791)	(28,428)
Share-based compensation	777	1,251	2,061	2,347
Unrealized gain on commodity derivatives	(11,399)	(6,584)	(14,988)	(1,759)
Deferred income tax expense (reduction)	(28,799)	8,077	(29,374)	5,186
Accretion	1,100	1,201	2,189	2,330
Asset retirement expenditures	(1,056)	(236)	(11,880)	(3,634)
Change in non-cash working capital	5,909	(4,631)	8,570	(10,938)
	<b>22,936</b>	<b>36,096</b>	<b>38,897</b>	<b>59,690</b>
<b>Financing activities</b>				
Issue of share capital, net of share issue costs	(8)	1,138	(8)	99,158
Increase (repayment) in long-term debt	9,151	(58,582)	37,684	(140,792)
Dividends paid	-	-	-	(3,667)
	<b>9,143</b>	<b>(57,444)</b>	<b>37,676</b>	<b>(45,301)</b>
<b>Investing activities</b>				
Property, plant and equipment expenditures	(15,048)	(13,695)	(60,658)	(50,187)
Property acquisitions	-	-	(1,016)	(62)
Proceeds on property dispositions	-	37,194	9,163	37,194
Exploration and evaluation expenditures	(3,757)	(1,305)	(9,994)	(4,528)
Change in non-cash working capital	(13,274)	(846)	(14,068)	3,194
	<b>(32,079)</b>	<b>21,348</b>	<b>(76,573)</b>	<b>(14,389)</b>
Change in cash and cash equivalents	-	-	-	-
Cash and cash equivalents, beginning of period	-	-	-	-
<b>Cash and cash equivalents, end of period</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Cash interest paid	\$ 3,593	\$ 4,130	\$ 7,026	\$ 9,989

See accompanying notes to interim consolidated financial statements.

**NUVISTA ENERGY LTD.**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
(unaudited)

For the three and six months ended June 30, 2012 with comparative figures for 2011. 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 publicly traded company incorporated under the laws of Alberta. The Company is an oil and natural gas company actively engaged in the exploration for and the development and production of oil and natural gas reserves.

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

**2. Basis of preparation**

These interim consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, “Interim Financial Reporting”. These interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the annual consolidated financial statements for the year ended December 31, 2011. These interim consolidated financial statements do not include all the information required for annual financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2011, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

These interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on August 9, 2012.

**3. Exploration and evaluation assets**

	<b>June 30, 2012</b>	December 31, 2011
Balance, January 1	<b>\$132,398</b>	\$141,852
Additions	<b>9,994</b>	24,833
Acquisitions	<b>1,009</b>	3,754
Dispositions	<b>(228)</b>	(655)
Capitalized share-based compensation	<b>(119)</b>	-
Transfers to property, plant and equipment	<b>(10,661)</b>	(13,138)
Expiries (exploration and evaluation expense)	<b>(4,952)</b>	(13,848)
Unsuccessful exploration and evaluation costs	<b>(4)</b>	(10,400)
Balance, end of period	<b>\$127,437</b>	\$132,398

#### 4. Property, plant and equipment

	June 30, 2012	December 31, 2011
<b>Cost</b>		
Balance, January 1	\$1,663,035	\$1,487,032
Additions	60,658	137,333
Acquisitions	7	4,524
Dispositions	(4,872)	(29,438)
Change in asset retirement obligations (note 6)	14,403	50,446
Transfers from exploration and evaluation assets	10,661	13,138
Balance, end of period	<b>\$1,743,892</b>	<b>\$1,663,035</b>

	June 30, 2012	December 31, 2011
<b>Accumulated depletion, depreciation, amortization and impairment</b>		
Balance, January 1	\$ 480,869	\$ 184,783
Depletion, depreciation and amortization	66,571	159,499
Dispositions	(649)	(11,120)
Impairments	106,141	147,707
Balance, end of period	<b>\$ 652,932</b>	<b>\$ 480,869</b>

	June 30, 2012	December 31, 2011
<b>Net book value</b>		
Balance, January 1	\$1,182,166	\$1,302,249
Balance, end of period	<b>\$1,090,960</b>	<b>\$1,182,166</b>

At June 30, 2012, the Company identified indicators of impairment in its four natural gas Cash Generating Units ("CGUs") in Northern and Eastern Alberta and in Saskatchewan. For the six months ended June 30, 2012, the Company recognized an impairment charge of \$106.1 million (December 31, 2011 – \$147.7 million) which has been included as depletion, depreciation, amortization and impairment expense on the statement of earnings. The recoverable amount was based on expected future cash flows from proved and probable reserves using a pre-tax discount rate of 10% (2011 – 10%). The following benchmark reference prices, as forecasted by the independent external reserves evaluator were used:

##### Benchmark reference price forecasts

	2012	2013	2014	2015	2016	2017	2018	2019	2020	Thereafter
WTI (US\$/Bbl) <sup>(1)(2)</sup>	85.00	90.00	95.00	100.00	100.00	100.00	101.35	103.38	105.45	+2%/yr
AECO (Cdn\$/MMbtu) <sup>(1)(2)</sup>	2.87	3.44	3.90	4.36	4.82	5.28	5.68	5.80	5.91	+2%/yr

<sup>(1)</sup> Price forecast, effective July 1, 2012.

<sup>(2)</sup> 2012 pricing represents the remaining six months of the year.

#### 5. Long-term debt

As at June 30, 2012 the Company had a \$380 million (December 31, 2011 – \$440 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. The Company completed the annual review of its borrowing base on April 30, 2012 with its lenders and the lenders approved a request for a revolving extendible credit facility with a maximum borrowing amount of \$380 million. During the term period, no principal payments would be required until April 29, 2014. As at June 30, 2012, the Company had drawn \$327.1 million (December 31, 2011 – \$289.4 million).

## 6. 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 June 30, 2012, the estimated total undiscounted amount of cash flows required to settle the Company's asset retirement obligations is \$267.3 million (December 31, 2011 – \$276.3 million), which is estimated to be incurred over the next 51 years. A period end risk-free rate of 2.33% (December 31, 2011 – 2.49%) and an inflation rate of 2% (December 31, 2011 – 2%) were used to calculate the net present value of the asset retirement obligations. The increase in the change in estimates is primarily due to a decrease in the risk-free rate. A reconciliation of the asset retirement obligations is provided below:

	June 30, 2012	December 31, 2011
Balance, January 1	\$174,741	\$128,259
Accretion expense	2,189	4,659
Liabilities incurred	9,522	7,501
Liabilities acquired	-	2,498
Liabilities disposed	(2,079)	(2,070)
Change in estimates	4,882	41,014
Liabilities settled	(11,880)	(7,120)
Balance, end of period	<b>\$177,375</b>	<b>\$174,741</b>

## 7. Earnings per share

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

(thousands of shares)	Three months ended		Six months ended	
	2012	2011	2012	2011
Weighted average common shares outstanding				
Basic	<b>99,513</b>	99,450	<b>99,513</b>	95,570
Diluted	<b>99,513</b>	99,495	<b>99,513</b>	95,619

For the three and six months ended June 30, 2012 all stock options (three and six months ended June 30, 2011 – 5,803,817 and 6,630,681) and all restricted share awards (three and six months ended June 30, 2011 – nil and nil) were excluded from the calculation of diluted earnings per share as these options and awards were anti-dilutive.

## 8. 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. The summary of stock option transactions is as follows:

	June 30, 2012		December 31, 2011	
	Number of options	Weighted Average exercise price	Number of options	Weighted Average exercise price
Balance, January 1	7,288,599	\$10.51	7,515,098	\$12.29
Granted	266,150	3.95	2,460,385	7.72
Exercised	-	-	(49,608)	7.94
Forfeited	(1,321,595)	11.32	(1,645,462)	11.84
Expired	(468,371)	13.55	(991,814)	14.98
Balance, end of period	5,764,783	\$ 9.78	7,288,599	\$10.51
Weighted average share price on date of exercise	-	\$ -	49,608	\$ 9.61

The following table summarizes stock options outstanding and exercisable under the plan at June 30, 2012:

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
\$2.90 to \$9.99	3,084,201	3.3	\$ 7.54	885,155	\$ 8.78
\$10.00 to \$14.99	2,259,369	1.8	11.64	1,730,916	11.74
\$15.00 to \$17.63	421,213	1.2	16.14	376,713	16.02
\$2.90 to \$17.63	5,764,783	2.5	\$ 9.78	2,992,784	\$11.41

For the six months ended June 30, 2012, share-based compensation of \$1.7 million (June 30, 2011 – \$2.3 million) was recorded in net earnings and (\$0.1) million (June 30, 2011 – \$0.7 million) was capitalized.

### Restricted stock units

The Company has in place a Restricted Stock Unit (“RSU”) Incentive Plan for employees and officers. Each RSU entitles participants to receive cash equal to the market value of the equivalent number of shares of the Company. All RSUs granted vest and become payable two years after the date the RSUs are issued.

The RSU 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 period. The following table summarizes the change in the number of RSUs:

	June 30, 2012	December 31, 2011
Balance, January 1	478,868	452,931
Settled	(133,866)	(131,649)
Granted	1,500	252,240
Forfeited	(52,382)	(94,654)
Balance, end of period	294,120	478,868



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

	<b>June 30, 2012</b>	December 31, 2011
Balance, January 1	<b>\$1,242</b>	\$1,532
Change in accrued compensation liabilities	<b>(341)</b>	(290)
Balance, end of period	<b>\$ 901</b>	\$1,242
Compensation liabilities – current (included in accounts payable and accrued liabilities)	<b>\$ 857</b>	\$ 942
Compensation liabilities – non-current	<b>\$ 44</b>	\$ 300

For the six months ended June 30, 2012, cash payments of \$0.5 million (June 30, 2011 – \$0.6 million) were made relating to the RSU Incentive Plan. For the six months ended June 30, 2012, the Company recorded compensation expense related to RSUs of (\$0.2) million (June 30, 2011 – \$0.2 million) and capitalized (\$0.1) million (June 30, 2011 – \$0.1 million) with a corresponding change recorded in compensation liabilities.

#### Restricted share awards

In November 2011, the Company established a Restricted Share Award (“RSA”) Incentive Plan for employees and officers which entitle the employee to receive one common share for each RSA granted upon vesting. The RSAs will vest within two years from the date of grant. The RSA Incentive Plan was approved by the shareholders at the Annual General Meeting on May 10, 2012.

The fair values of RSAs are 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. 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. For the six months ended June 30, 2012, the Company recorded compensation expense related to RSAs of \$0.3 million (June 30, 2011 - \$nil) and capitalized \$0.1 million (June 30, 2011 - \$nil) with a corresponding offset recorded in contributed surplus.

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

	<b>June 30, 2012</b>	December 31, 2011
Balance, January 1	<b>237,050</b>	-
Settled	-	-
Granted	<b>44,000</b>	237,050
Forfeited	<b>(38,475)</b>	-
Balance, end of period	<b>242,575</b>	237,050

## 9. Risk management activities

### (a) Risk management contracts

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

	Volume	Pricing	Premium	Remaining term
<b>WTI crude oil contracts</b>				
Fixed price swap	2,350 Bbls/d	Cdn \$84.67/Bbl		Jul 1, 2012 - Sep 30, 2012
Fixed price swap	2,350 Bbls/d	Cdn \$84.67/Bbl		Oct 1, 2012 - Dec 31, 2012
Fixed price swap	1,350 Bbls/d	Cdn \$86.39/Bbl		Jan 1, 2013 - Mar 31, 2013
Fixed price swap <sup>(1)</sup>	600 Bbls/d	Cdn \$91.66/Bbl		Apr 1, 2013 - Jun 30, 2013
Fixed price swap <sup>(2)</sup>	500 Bbls/d	Cdn \$93.29/Bbl		Jul 1, 2013 - Sep 30, 2013
Put option	750 Bbls/d	Cdn \$106.70/Bbl	Cdn \$6.64/Bbl	Jul 1, 2012 - Sep 30, 2012
Put option	250 Bbls/d	Cdn \$104.80/Bbl	Cdn \$6.83/Bbl	Oct 1, 2012 - Dec 31, 2012
Put option	250 Bbls/d	Cdn \$104.80/Bbl	Cdn \$6.83/Bbl	Jan 1, 2013 - Mar 31, 2013
Put option	83 Bbls/d	Cdn \$104.80/Bbl	Cdn \$6.83/Bbl	Apr 1, 2013 - Jun 30, 2013
<b>NYMEX natural gas contracts</b>				
AECO differential	20,000	US \$(0.59)/MMbtu		Jul 1, 2012 - Oct 31, 2012

<sup>(1)</sup> Reduced to 350 Bbls/d at Cdn \$91.42/Bbl for months during the period April 1, 2013 to June 30, 2013 where the Cdn\$ WTI price averages less than Cdn \$65.00/Bbl.

<sup>(2)</sup> Reduced to 250 Bbls/d at Cdn \$94.58/Bbl for months during the period July 1, 2013 to September 30, 2013 where the Cdn\$ WTI price averages less than Cdn \$65.00/Bbl.

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

	Volume	Pricing	Premium	Remaining term
<b>WTI crude oil contracts</b>				
Put option	100 Bbls/d	Cdn \$94.40/Bbl	Cdn \$6.98/Bbl	Aug 1, 2012 - Jul 31, 2013

The following is a reconciliation of movement in the fair value of unrealized commodity risk management contracts:

	June 30, 2012	December 31, 2011
Fair value of contracts, January 1	\$(15,620)	\$ (5,340)
Change in the fair value of contracts in the period	12,874	(21,043)
Fair value of contracts realized in the period	2,114	10,763
Fair value of contracts, end of period	\$ (632)	\$(15,620)
Commodity derivative liabilities – current	\$ (632)	\$ (9,316)
Commodity derivative liabilities – long term	\$ -	\$ (6,304)

(b) Physical purchase and sale contracts

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

	<b>Volume</b>	<b>Pricing</b>	<b>Remaining term</b>
<b>Natural gas contracts</b>			
AECO fixed price swap	5,000 GJ/d	Cdn \$3.41/GJ	Jul 1, 2012 - Nov 30, 2012
AECO fixed price swap	10,000 GJ/d	Cdn \$3.02/GJ	Jan 1, 2013 - Mar 31, 2013
AECO fixed price swap	8,333 GJ/d	Cdn \$3.02/GJ	Apr 1, 2013 - Jun 30, 2013
Costless Collar	55,000 GJ/d	Cdn \$1.70/GJ - \$2.04/GJ	Jul 1, 2012 - Dec 31, 2012
<b>Electricity contracts</b>			
Fixed price	4.0 Mwh	Cdn \$65.64/Mwh	Jul 1, 2012 - Dec 31, 2013

## 10. Commitments

The following is a summary of the Company's contractual obligations and commitments as at June 30, 2012:

	<b>Total</b>	2012	2013	2014	2015	2016	Thereafter
Transportation	<b>\$ 22,973</b>	\$2,471	\$ 5,221	\$5,396	\$4,563	\$ 3,600	\$1,722
Office lease	<b>19,442</b>	1,667	3,667	3,645	3,645	3,719	3,099
Physical power	<b>3,450</b>	1,150	2,300	-	-	-	-
Long-term debt	<b>327,115</b>	-	327,115	-	-	-	-
Total commitments	<b>\$372,980</b>	\$5,288	\$338,303	\$9,041	\$8,208	\$7,319	\$4,821