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, 2012. The following MD&A of financial condition and results of operations was prepared at and is dated March 5, 2013. Our December 31, 2012 audited consolidated financial statements, Annual Information Form and other disclosure documents for 2012 are available through our filings on SEDAR at **www.sedar.com** or can be obtained from our website at **www.nuvistaenergy.com**.

> ***Basis of presentation*** *– Unless otherwise noted, the financial data presented below has been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) also known as International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The reporting and measurement currency is the Canadian dollar. Natural gas is converted to a barrel of oil equivalent (“Boe”) using six thousand cubic feet of gas to one barrel of oil. In certain circumstances natural gas liquid volumes have been converted to a thousand cubic feet equivalent (“Mcfe”) on the basis of one barrel of natural gas liquids to six thousand cubic feet of gas. Boes and Mcfes may be misleading, particularly if used in isolation. A conversion ratio of one barrel to six thousand cubic feet of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion ratio on a 6:1 basis may be misleading as an indication of value.*
>
> ***Advisory regarding forward-looking information and statements*** *– This MD&A contains forward-looking statements and forward-looking information (collectively, “forward-looking statements”) within the meaning of applicable securities laws. The use of any of the words “will”, “expects”, “believe”, “plans”, “potential” and similar expressions are intended to identify forward-looking statements. More particularly and without limitation, this MD&A contains forward looking statements, including management's assessment of: NuVista’s future focus, strategy, plans, opportunities and operations; financial risk management strategy; forecast production, production mix, drilling, development, completion and tie-in plans and results; NuVista’s planned capital budget; targeted debt level; the timing, allocation and efficiency of NuVista’s capital program and the results therefrom; NuVista’s planned divesture program; the anticipated potential and growth opportunities associated with NuVista’s asset base; forecast funds from operations; expectations regarding the review of NuVista’s borrowing base; the source of funding of capital expenditures; the objectives and focus of NuVista’s capital program and the allocation thereof; asset retirement obligations and the amount and timing of expenditures and the source of funding thereof; estimated tax pools; expectations regarding future commodity prices and netbacks; industry conditions; the costs to settle asset retirement obligations; anticipated accounting changes and the impact on NuVista’s operations and financial position and the timing of filing NuVista’s Annual Information Form. 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 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 Previous 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 and Previous 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. Trailing twelve months funds from operations is calculated as cash flow from operating activities before changes in non-cash working capital and asset retirement expenditures for the preceding twelve month period. 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 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. Operating netbacks and adjusted working capital as presented, do not have any standardized meaning prescribed by GAAP and Previous GAAP and therefore, may not be comparable with the calculation of similar measures for other entities. 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 calculated as adjusted working capital plus long-term debt. 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 pursuing a growth strategy primarily based on the successful implementation of repeatable development drilling on its condensate-rich Wapiti Montney natural gas resource play. NuVista has a disciplined approach to its' business focusing on profitability, prudently managing its financial flexibility with strong, repeatable drilling and completions execution. The common shares of NuVista trade on the Toronto Stock Exchange ("TSX") under the symbol NVA.

Operating activities – For the three months ended December 31, 2012, NuVista drilled 4 (3.0 net) wells resulting in 3 (2.0 net) natural gas wells and 1 (1.0 net) oil well. NuVista drilled 2 Montney gas wells in our Wapiti operating area, 1 (1.0 net) oil well in Oyen, and 1 non-operated Chinook gas well. NuVista operated 75% of the wells drilled and had an average working interest of 76% in the wells.

For the year ended December 31, 2012, NuVista drilled 18 (14.2 net) wells resulting in 9 (6.9 net) natural gas wells, 8 (6.3 net) oil wells, and 1 (1.0 net) dry hole for an overall success rate of 94%. NuVista operated 14 of the wells with 9 gas wells drilled in the Wapiti operating area of which 6 (5.9 net) were Montney wells, 3 heavy oil wells and 1 dry hole drilled in the Oyen operating area, 2 heavy oil wells drilled in the Provost operating area and 3 heavy oil wells drilled in the Central Saskatchewan operating area.

Production

	Three months ended December 31,			Year ended December 31,		
	2012	2011	% Change	**2012**	2011	% Change
Natural gas (Mcf/d)	**74,850**	101,327	(26)	**95,003**	104,250	(9)
Liquids (Bbls/d)	**2,939**	2,912	1	**3,201**	2,974	8
Oil (Bbls/d)	**2,278**	5,506	(59)	**3,542**	5,206	(32)
Total oil equivalent (Boe/d)	**17,692**	25,306	(30)	**22,577**	25,556	(12)

For the three months ended December 31, 2012, NuVista's average production was 17,692 Boe/d, comprised of 74.9 MMcf/d of natural gas, 2,939 Bbls/d of associated natural gas liquids ("liquids") and 2,278 Bbls/d of oil, a 30% decrease compared to the fourth quarter of 2011. The decrease in NuVista's production during the three months ended December 31, 2012 compared to the same period in 2011 was primarily due to the impact of the property dispositions of W5, Chauvin and Auburndale operating areas in 2012. These dispositions closed on October 4 and October 17 with the operating and financial results included up to these dates. Production for the three months ended December 31, 2012, excluding production from these disposed assets was 16,040 Boe/d consisting of 67.8 MMcf/d of natural gas, 2,699 Bbls/d of liquids and 2,049 Bbls/d of oil. The composition of the liquids was 45% condensate, 12% butane, 19% propane and 25% ethane.

NuVista's production for the year ended December 31, 2012 averaged 22,577 Boe/d comprised of 95.0 MMcf/d of natural gas, 3,201 Bbls/d of liquids and 3,542 Bbls/d of oil, which represents an average decrease of 12% over the same period in 2011. The decrease in production for the year ended December 31, 2012 compared to the same period in 2011 is primarily due to impact of the property dispositions mentioned above, lower capital spending and unplanned and planned third-party facility outages.

Commodity prices

Benchmark pricing

	Three months ended December 31,			Year ended December 31,		
	2012	2011	% Change	**2012**	2011	% Change
Natural gas – AECO (daily) ($/GJ)	**3.05**	3.01	1	**2.26**	3.43	(34)
Natural gas – AECO (monthly) ($/GJ)	**2.90**	3.29	(12)	**2.28**	3.48	(35)
Oil – WTI (US$/Bbl)	**88.18**	94.06	(6)	**94.21**	95.12	(1)
Oil – Edmonton Par – WTI differential (US$/Bbl)	**(3.29)**	1.45	(327)	**(7.62)**	1.28	(695)
Oil – WCS – WTI differential (US$/Bbl)	**(18.11)**	(10.48)	(73)	**(21.03)**	(17.12)	(23)
Exchange rate (Cdn$/US$)	**0.9913**	1.0231	(3)	**0.9994**	0.9893	1

Average selling prices [(1)]

	Three months ended December 31,			Year ended December 31,		
	2012	2011	% Change	**2012**	2011	% Change
Natural gas ($/Mcf)	**2.79**	3.73	(25)	**2.35**	3.90	(40)
Liquids ($/Bbl)	**55.97**	68.82	(19)	**56.97**	64.31	(11)
Oil ($/Bbl)	**66.35**	85.68	(23)	**72.11**	79.41	(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 and daily AECO pricing. For the fourth quarter of 2012, the AECO daily index averaged $3.05/GJ and the monthly index averaged $2.90/GJ. This compares to $3.01/GJ and $3.29/GJ respectively for the same period of 2011. For the year, the 2012 AECO daily index was down 34% to $2.26/GJ while the monthly index was down 35% to $2.28/GJ. NuVista's average selling price for gas in the fourth quarter was $2.79/Mcf compared to $3.73/Mcf for the fourth quarter of 2011. The fourth quarter average selling price incorporates physical sale price risk management losses of $0.36/Mcf. These price risk management contracts were entered into mid-2012 when NuVista had high debt levels and the outlook for natural gas price was weak. These contracts expired in 2012. For the year of 2012, the average selling price was $2.35/Mcf compared to $3.90/Mcf for the same period in 2011.

The price NuVista receives for its oil production is primarily driven by the price of WTI, less a discount for the western Canada market. NuVista's light oil sales have historically closely matched the Edmonton Par price and heavy oil sales closely match the Western Canadian Select ("WCS") heavy oil benchmark. WTI prices were 6% lower in the fourth quarter of 2012 compared to the fourth quarter of 2011. The average 2012 WTI price was US$94.21/Bbl, down only slightly from US$95.12/Bbl in 2011. Widening heavy oil differentials and Edmonton Par differentials resulted in realized oil prices being down 23% in the fourth quarter of 2012 and down 9% for the year when compared to the same periods in 2011. NuVista's exposure to the widening heavy oil discounts was mitigated by price risk management contracts that fixed the heavy oil differential at US$(13.85)/Bbl for 3,000 Bbls/d for the first six months of 2012.

Natural gas liquids include condensate, butane, propane and ethane. In 2012, condensate prices trade at a premium to WTI oil with an average premium of US$6.79/Bbl to WTI. Butane and propane trade at varying discounts to light oil prices depending on market condition and have experienced weakness in 2012. Ethane prices are highly correlated to natural gas prices and due to plant turnarounds in 2012, were weaker than in 2011. NuVista realized an average price of $55.97/Bbl for liquids sales in the fourth quarter of 2012 representing approximately a 19% decrease over the same period last year. For the year, the realized average liquids price was down 11% to $56.97/Bbl from $64.31/Bbl in 2011. This decrease was primarily due to propane and butane prices weakening relative to WTI.

Revenues

	Three months ended December 31,					
($ thousands, except per unit amounts)	**2012**		2011		% Change	
Natural gas	$	$/Mcf	$	$/Mcf	$	$/Mcf
Revenue [(1)]	**19,242**	**2.79**	34,736	3.73	(45)	(25)
Realized gain (loss) on commodity derivatives	**(176)**	**(0.03)**	(958)	(0.10)	(82)	(70)
Total natural gas	**19,066**	**2.76**	33,778	3.63	(44)	(24)
Liquids	$	$/Bbl	$	$/Bbl	$	$/Bbl
Revenue	**15,134**	**55.97**	18,435	68.82	(18)	(19)
Realized gain (loss) on commodity derivatives	**-**	**-**	-	-	-	-
Total liquids	**15,134**	**55.97**	18,435	68.82	(18)	(19)
Oil	$	$/Bbl	$	$/Bbl	$	$/Bbl
Revenue	**13,901**	**66.35**	43,407	85.68	(68)	(23)
Realized gain (loss) on commodity derivatives	**106**	**0.51**	(2,412)	(4.76)	104	111
Total oil	**14,007**	**66.86**	40,995	80.92	(66)	(17)
Total	$	$/Boe	$	$/Boe	$	$/Boe
Revenue	**48,277**	**29.66**	96,578	41.48	(50)	(28)
Realized gain (loss) on commodity derivatives	**(70)**	**(0.04)**	(3,370)	(1.45)	(98)	(97)
Total revenue	**48,207**	**29.62**	93,208	40.03	(48)	(26)

[(1)] Natural gas revenue includes price risk management gains and losses on physical sale contracts. For the three months ended December 31, 2012, our physical sale contracts totaled a $2.5 million loss (2011 – $1.2 million gain).

	Year ended December 31,					
($ thousands, except per unit amounts)	**2012**		2011		% Change	
Natural gas	$	$/Mcf	$	$/Mcf	$	$/Mcf
Revenue [(1)]	**81,788**	**2.35**	148,523	3.90	(45)	(40)
Realized gain (loss) on commodity derivatives	**(1,373)**	**(0.04)**	(1,286)	(0.03)	7	33
Total natural gas	**80,415**	**2.31**	147,237	3.87	(45)	(40)
Liquids	$	$/Bbl	$	$/Bbl	$	$/Bbl
Revenue	**66,738**	**56.97**	69,807	64.31	(4)	(11)
Realized gain (loss) on commodity derivatives	**-**	**-**	-	-	-	-
Total liquids	**66,738**	**56.97**	69,807	64.31	(4)	(11)
Oil	$	$/Bbl	$	$/Bbl	$	$/Bbl
Revenue	**93,486**	**72.11**	150,904	79.41	(38)	(9)
Realized gain (loss) on commodity derivatives	**(2,584)**	**(1.99)**	(9,477)	(4.99)	(73)	(60)
Total oil	**90,902**	**70.12**	141,427	74.42	(36)	(6)
Total	$	$/Boe	$	$/Boe	$	$/Boe
Revenue	**242,012**	**29.29**	369,234	39.58	(34)	(26)
Realized gain (loss) on commodity derivatives	**(3,957)**	**(0.48)**	(10,763)	(1.15)	(63)	(58)
Total revenue	**238,055**	**28.81**	358,471	38.43	(34)	(25)

[(1)] Natural gas revenue includes price risk management gains and losses on physical sale contracts. For the year ended December 31, 2012, our physical sale contracts totaled a $2.1 million loss (2011 – $2.0 million gain).

For the three months ended December 31, 2012, revenues including realized commodity derivative gains and losses were $48.2 million, a 48% decrease from $93.2 million for the same period in 2011. The decrease in revenues for the three months ended December 31, 2012 compared to the same period of 2011 is due to a 30% decrease in production volumes primarily due to the disposition of assets in the fourth quarter and a 26% decrease in overall realized prices. Revenues were comprised of $19.1 million of natural gas revenue, $15.1 million of liquids revenue and $14.0 million of oil revenue. The decrease in average realized commodity prices is comprised of a 24% decrease in the natural gas price to $2.76/Mcf from $3.63/Mcf, a 19% decrease in the liquids price to $55.97/Bbl from $68.82/Bbl and a 17% decrease in the oil price to $66.86/Bbl from $80.92/Bbl.

For the year ended December 31, 2012, revenues including realized commodity derivative gains and losses were $238.1 million, a 34% decrease from $358.5 million for the same period in 2011. The decrease in revenues for the twelve months of 2012 compared to the same period of 2011 is primarily due to a decrease in average production and oil and natural gas pricing. These revenues were comprised of $80.4 million of natural gas revenue, $66.7 million of liquids revenue and $90.9 million of oil revenue. The decrease in average realized commodity prices is comprised of a 40% decrease in the natural gas price to $2.31/Mcf from $3.87/Mcf, an 11% decrease in the liquids price to $56.97/Bbl from $64.31/Bbl and a decrease of 6% in the oil price to $70.12/Bbl from $74.42/Bbl.

Commodity price risk management

	Three months ended December 31,					
($ thousands)	**2012**			2011		
	Realized Gain (Loss)	**Unrealized Gain (Loss)**	**Total Gain (Loss)**	Realized Gain (Loss)	Unrealized Gain (Loss)	Total Gain (Loss)
Natural gas	**(176)**	**212**	**36**	(958)	(220)	(1,178)
Oil	**106**	**(85)**	**21**	(2,412)	(17,477)	(19,889)
Total gain (loss)	**(70)**	**127**	**57**	(3,370)	(17,697)	(21,067)

	Year ended December 31,					
($ thousands)	**2012**			2011		
	Realized Gain (Loss)	**Unrealized Gain (Loss)**	**Total Gain (Loss)**	Realized Gain (Loss)	Unrealized Gain (Loss)	Total Gain (Loss)
Natural gas	**(1,373)**	**1,369**	**(4)**	(1,286)	(3,275)	(4,561)
Oil	**(2,584)**	**13,179**	**10,595**	(9,477)	(7,005)	(16,482)
Total gain (loss)	**(3,957)**	**14,548**	**10,591**	(10,763)	(10,280)	(21,043)

As part of our financial risk management strategy, NuVista has adopted a disciplined commodity price risk management program. The purpose of this program is to reduce volatility in our financial results, protect acquisition economics and help stabilize cash flow against the unpredictable commodity price environment. NuVista's Board of Directors has approved a price risk management limit of up to 60% of forecast production, net of royalties, using fixed price, differential, put option and costless collar contracts. To achieve NuVista's price risk management objectives, NuVista enters into both commodity derivative and physical sale contracts.

For the three months ended December 31, 2012, the commodity price risk management program resulted in realized losses of $0.1 million and unrealized gains of $0.1 million on natural gas and oil contracts. For the year ended December 31, 2012, the commodity price risk management program consisted of realized losses of $4.0 million and unrealized gains of $14.5 million on natural gas and oil contracts. As at December 31, 2012, the mark-to-market value of our financial derivative commodity contracts was a net liability of $1.0 million.

There were $2.5 million and $2.1 million in price risk management losses on our physical sale contracts for the three and twelve months ended December 31, 2012 respectively. As at December 31, 2012, the mark-to-market value of our physical sale contracts was a gain of $0.7 million.

(a) Financial instruments

The following is a summary of financial instruments outstanding as at December 31, 2012:

	Volume	**Pricing (Cdn$)**	**Premium (Cdn$)**	**Remaining term**
WTI crude oil contracts				
Fixed price swap	1,550 Bbls/d	$86.82/Bbl		Jan 1, 2013 – Mar 31, 2013
Fixed price swap	1,050 Bbls/d	$92.19/Bbl		Apr 1, 2013 – Jun 30, 2013
Fixed price swap	1,350 Bbls/d	$93.57/Bbl		Jul 1, 2013 – Sep 30, 2013
Fixed price swap	817 Bbls/d	$93.92/Bbl		Oct 1, 2013 – Dec 31, 2013
Fixed price swap	450 Bbls/d	$93.61/Bbl		Jan 1, 2014 – Mar 31, 2014
Fixed price swap	200 Bbls/d	$91.33/Bbl		Apr 1, 2014 – Jun 30, 2014
Put option	450 Bbls/d	$99.81/Bbl	$7.05/Bbl	Jan 1, 2013 – Mar 31, 2013
Put option	283 Bbls/d	$96.88/Bbl	$7.17/Bbl	Apr 1, 2013 – Jun 30, 2013
Put option	183 Bbls/d	$93.16/Bbl	$7.48/Bbl	Jul 1, 2013 – Sep 30, 2013
Put option	33 Bbls/d	$92.75/Bbl	$7.65/Bbl	Oct 1, 2013 – Dec 31, 2013
Costless collar	100 Bbls/d	$83.00/Bbl-$97.40/Bbl		Jan 1, 2013 – Mar 31, 2013
Costless collar	100 Bbls/d	$83.00/Bbl-$97.40/Bbl		Apr 1, 2013 – Jun 30, 2013
Costless collar	100 Bbls/d	$83.00/Bbl-$97.40/Bbl		Jul 1, 2013 – Sep 30, 2013

Subsequent to December 31, 2012, the following financial instruments have been entered into:

	Volume	**Pricing (Cdn$)**	**Remaining term**
WTI crude oil contracts			
Fixed price swap	100 Bbls/d	$94.65/Bbl	Feb 1, 2013 – Jan 31, 2014
Fixed price swap	200 Bbls/d	$95.75/Bbl	Apr 1, 2013 – Dec 31 2013
Fixed price swap	200 Bbls/d	$93.75/Bbl	Jan 1, 2014 – Dec 31, 2014

(b) Physical purchase and sale contracts

The following is a summary of physical purchase and sale contracts outstanding as at December 31, 2012:

	Volume	**Pricing (Cdn$)**	**Premium (Cdn$)**	**Remaining term**
Natural gas contracts				
Put option	7,000 GJ/d	$3.33/GJ	$0.33/GJ	Jan 1, 2013 – Mar 31, 2013
Put option	7,000 GJ/d	$3.33/GJ	$0.33/GJ	Apr 1, 2013 – Jun 30, 2013
Put option	7,000 GJ/d	$3.33/GJ	$0.33/GJ	Jul 1, 2013 – Sep 30, 2013
Put option	5,333 GJ/d	$3.30/GJ	$0.33/GJ	Oct 1, 2013 – Dec 31, 2013
Costless collar	5,000 GJ/d	$2.60/GJ-$3.18/GJ		Jan 1, 2013 – Mar 31, 2013
Costless collar	5,000 GJ/d	$2.60/GJ-$3.18/GJ		Apr 1, 2013 – Jun 30, 2013
Costless collar	5,000 GJ/d	$2.60/GJ-$3.18/GJ		Jul 1, 2013 – Sep 30, 2013
Funded collar	10,000 GJ/d	$2.65/GJ-$3.37/GJ	$0.15/GJ	Jan 1, 2013 – Mar 31, 2013
Funded collar	10,000 GJ/d	$2.65/GJ-$3.37/GJ	$0.15/GJ	Apr 1, 2013 – Jun 30, 2013
Funded collar	5,000 GJ/d	$2.67/GJ-$3.40/GJ	$0.15/GJ	Jul 1, 2013 – Sep 30, 2013
Fixed price swap	10,000 GJ/d	$3.02/GJ		Jan 1, 2013 – Mar 31, 2013
Fixed price swap	8,333 GJ/d	$3.02/GJ		Apr 1, 2013 – Jun 30, 2013
Electricity contracts				
Fixed price	4.0 Mwh	$65.64/Mwh		Jan 1, 2013 – Dec 31, 2013

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

Subsequent to December 31, 2012, the following physical purchase and sale contracts have been entered into:

	Volume	**Pricing (Cdn$)**	**Remaining term**
Natural gas contracts			
Costless collar	5,000 GJ/d	$3.00/GJ - $3.53/GJ	Feb 1, 2013 – Jan 31, 2015
Fixed price swap	3,000 GJ/d	$2.98/GJ	Apr 1, 2013 – Dec 31, 2013
Costless collar	5,000 GJ/d	$3.20/GJ - $3.70/GJ	Jan 1, 2014 – Dec 31, 2014

Royalties

	Three months ended December 31,		Year ended December 31,	
(Percentage)	**2012**	2011	**2012**	2011
Natural gas and liquids	**9**	6	**11**	11
Oil	**9**	8	**13**	13
Weighted average rate	**9**	7	**12**	12

For the three months ended December 31, 2012, royalties were $4.4 million, 33% lower than the $6.5 million for the same period of 2011. Royalties for the year ended December 31, 2012 were $28.1 million compared to $43.2 million reported for the year ended December 31, 2011. On a total dollar basis, the decrease in royalties for three and twelve months ended December 31, 2012 is largely due to decreased overall revenues and 2012 production additions being subject to crown royalty incentives.

Average royalty rates by product for the three months ended December 31, 2012 were 9% for natural gas and liquids and 9% for oil compared to 6% for natural gas and liquids and 8% for oil for the same period in 2011. As a percentage of revenue, the reported average royalty rate for the three months ended December 31, 2012 was 9% compared to 7% for the comparative period of 2011. Average royalty rates by product for the year ended

December 31, 2012 were 11% for natural gas and liquids and 13% for oil which is consistent with the same period in 2011. As a percentage of revenue, the reported average royalty rate for the year ended December 31, 2012 was 12% consistent with the comparative period of 2011.

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. For the year ended December 31, 2012 there were $2.1 million in physical price risk management gains included in revenue, compared to $2.0 million for the same period in 2011.

Transportation – Transportation costs were $1.3 million ($0.81/Boe) for the three months ended December 31, 2012 as compared to $3.0 million ($1.30/Boe) for the same period of 2011. Transportation costs were $7.2 million ($0.88/Boe) for the year ended December 31, 2012 compared to $10.5 million ($1.12/Boe) for the same period in 2011. On a total dollar basis, transportation costs for the three months ended December 31, 2012 were lower compared to the same period in 2011 due to the sale of properties in the fourth quarter of 2012.

Operating – Operating expenses were $18.4 million ($11.29/Boe) for the three months ended December 31, 2012 as compared to $25.8 million ($11.06/Boe) for the three months ended December 31, 2011 and $24.2 million ($11.00/Boe) for the three months ended September 30, 2012. For the three months ended December 31, 2012, natural gas and liquids operating expenses averaged $1.78/Mcfe and oil operating expenses were $15.53/Bbl as compared to $1.69/Mcfe and $14.41/Bbl respectively for the same period of 2011. As compared to the third quarter of 2012, fourth quarter operating expenses, on a total dollar basis, decreased due to the sale of properties in the fourth quarter of 2012 which were partially offset by higher costs to operate in the winter months.

Operating expenses were $92.3 million ($11.17/Boe) for the year ended December 31, 2012 as compared to $103.7 million ($11.12/Boe) for the year ended December 31, 2011. On a total dollar basis, operating costs decreased 11% in 2012 partially due to the property dispositions completed in the fourth quarter of 2012. The increase on a per unit basis is primarily due to higher overall costs due to the fixed cost nature of many of our operating costs and lower production volumes. Managing operating costs continues to be a key focus as we shift to typically higher value and higher cost oil and liquids-rich natural gas production. For the year ended December 31, 2012, natural gas and liquids operating expenses averaged $1.87/Mcfe and oil operating expenses were $11.00/Bbl as compared to $1.70/Mcfe and $14.63/Bbl respectively for the same period of 2011.

Operating netbacks – The table below summarizes operating netbacks by product for the three months ended December 31, 2012:

	Natural gas and liquids		Oil		Total	
($ thousands, except per unit amounts)	$	$/Mcfe	$	$/Bbl	$	$/Boe
Revenue	34,376	4.04	13,901	66.35	48,277	29.66
Realized gain (loss) on commodity derivatives	(176)	(0.02)	106	0.51	(70)	(0.04)
	34,200	4.02	14,007	66.86	48,207	29.62
Royalties	(3,149)	(0.37)	(1,239)	(5.91)	(4,388)	(2.70)
Transportation costs	(943)	(0.11)	(380)	(1.81)	(1,323)	(0.81)
Operating costs	(15,130)	(1.78)	(3,253)	(15.53)	(18,383)	(11.29)
Operating netback[1]	14,978	1.76	9,135	43.61	24,113	14.82

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

The following table summarizes operating netbacks by product for the year ended December 31, 2012:

	Natural gas and liquids		Oil		Total	
($ thousands, except per unit amounts)	$	$/Mcfe	$	$/Bbl	$	$/Boe
Revenue	148,526	3.55	93,486	72.11	242,012	29.29
Realized gain (loss) on commodity derivatives	(1,373)	(0.03)	(2,584)	(1.99)	(3,957)	(0.48)
	147,153	3.52	90,902	70.12	238,055	28.81
Royalties	(16,311)	(0.39)	(11,808)	(9.11)	(28,119)	(3.40)
Transportation costs	(4,490)	(0.11)	(2,754)	(2.12)	(7,244)	(0.88)
Operating costs	(78,066)	(1.87)	(14,260)	(11.00)	(92,326)	(11.17)
Operating netback[1]	48,286	1.15	62,080	47.89	110,366	13.36

[1] Refer to “Non-GAAP measurements”.

General and administrative

	Three months ended December 31,		Year ended December 31,	
($ thousands, except per unit amounts)	**2012**	2011	**2012**	2011
Gross general and administrative expenses	**5,876**	7,531	**25,623**	25,927
Overhead recoveries	**(704)**	(1,626)	**(4,284)**	(6,158)
Net general and administrative expenses	**5,172**	5,905	**21,339**	19,769
Per Boe	**3.18**	2.54	**2.58**	2.12

General and administrative expenses, net of overhead recoveries, for the three months ended December 31, 2012 were $5.2 million ($3.18/Boe) compared to $5.9 million ($2.54/Boe) in the same period of 2011. The decrease in 2012 fourth quarter costs is due primarily to lower salary, severance and consulting fees in the quarter offset by lower capital and operating recoveries. Operating recoveries were lower due to the property dispositions made in the fourth quarter of 2012. Capital recoveries are down as the majority of NuVista exploration and development projects are 100% owned by NuVista.

General and administrative expenses, net of overhead recoveries, for the year ended December 31, 2012 were $21.3 million ($2.58/Boe) as compared to $19.8 million ($2.12/Boe) for the year ended December 31, 2011. The increase in net general and administrative expenses for the twelve months ended December 31, 2012 compared to the same period in 2011 is primarily due to lower recoveries in 2012. Recoveries are down on a year over year basis for the same reasons noted above.

Share-based compensation

	Three months ended December 31,		Year ended December 31,	
($ thousands)	**2012**	2011	**2012**	2011
Stock options	**880**	1,358	**3,292**	4,970
Restricted stock units	**749**	224	**1,398**	717
Restricted share awards	**148**	194	**662**	194
Total	**1,777**	1,776	**5,352**	5,881

NuVista recorded a share-based compensation charge of $1.8 million for the three months ended December 31, 2012 compared to $1.8 million for the same period in 2011. For the year ended December 31, 2012, NuVista recorded a share-based compensation charge of $5.4 million compared to $5.9 million for the same period in 2011. 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, 2012 was $1.9 million ($1.18/Boe) compared to $3.3 million ($1.43/Boe) for the same period of 2011. For the year ended December 31, 2012, interest expense was $12.0 million ($1.45/Boe) compared to $16.6 million ($1.78/Boe) in the same period of 2011. Interest expense for the year ended December 31, 2012 decreased compared to the same period in 2011 due to lower debt levels and increased margins incurred in 2012. For the three months ended December 31, 2012, borrowing costs averaged 4.6% compared to 3.7% in the same period of 2011. Cash paid for interest for the three and twelve months ended December 31, 2012 was $1.8 million (2011 – $3.4 million) and $11.4 million (2011 – $17.1 million) respectively.

Depletion, depreciation, amortization and impairment

	Three months ended December 31,		Year ended December 31,	
($ thousands, except per unit amounts)	**2012**	2011	**2012**	2011
Depletion of oil and gas assets	**20,471**	36,994	**112,101**	140,171
Depreciation of fixed assets	**1,192**	5,150	**7,274**	19,328
Impairment charges	**70,108**	147,707	**213,058**	147,707
Total DD&A and impairment	**91,771**	189,851	**332,433**	307,206
DD&A rate per Boe, excluding impairment	**13.31**	18.10	**14.45**	17.10

Depletion, depreciation and amortization (“DD&A”) expenses excluding impairments were $21.7 million for the fourth quarter of 2012 as compared to $42.1 million for the same period in 2011. The average per unit cost was $13.31/Boe in the fourth quarter of 2012 as compared to $18.10/Boe for the same period in 2011. DD&A expenses, excluding impairments for the twelve months ended December 31, 2012 were $119.4 million as compared to $159.5 million for the same period in 2011. DD&A expense in the fourth quarter and year ended December 31, 2012 decreased from the same period in 2011 due primarily to the asset dispositions and prior asset impairments.

At June 30, 2012, NuVista identified indicators of impairment relating to natural gas prices in its four natural gas cash generating units (“CGUs”) in Northern and Eastern Alberta and in Saskatchewan. An impairment charge of $106.1 million was recognized which has been included as depletion, depreciation, amortization and impairment expenses on the statement of earnings. 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% (2011 – 10%), based on NuVista’s independent external reserves report.

At September 30, 2012, NuVista recorded the dispositions of certain oil and natural gas properties in the W5, Auburndale and Chauvin areas that closed in the fourth quarter as assets held for sale. As part of this process Property, Plant and Equipment impairments of $36.8 million and Goodwill impairments of $5.0 million were recognized in the third quarter. These dispositions closed on October 4, 2012 and October 17, 2012 for cash consideration of $227.5 million net of transaction costs and final adjustments.

An impairment test was performed on certain of NuVista’s CGUs at December 31, 2012 due to downward reserve revisions at January 1, 2013. NuVista recognized an impairment charge of $70.1 million (2011 – $147.7 million) related to two oil CGUs in Northwest Alberta and Saskatchewan and one gas CGU in Saskatchewan which has been included as depletion, depreciation, amortization and impairment expense on the statement of earnings. 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% (2011 – 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. An annual impairment test was performed on December 31, 2012. The carrying value of the CGU (including goodwill) was compared to the recoverable amount of the CGU based on the discounted cash flows from oil and natural gas proved and probable reserves using third party forecast prices and a pre-tax discount rate of 10%. This methodology resulted in a goodwill impairment charge of $0.4 million to earnings for the year ended December 31, 2012 related to a natural gas CGU located in Northwest Saskatchewan.

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, 2012, NuVista recorded an ARO of $147.8 million as compared to $174.7 million as at December 31, 2011. The decrease is due to the associated ARO disposed as a result of the property dispositions made in the fourth quarter of 2012 offset by increases due to a decrease in the risk free discount rate to 2.4% at December 31, 2012 from 2.5% at December 31, 2011 and increases in cost estimates. At December 31, 2012, the estimated total undiscounted amount of cash flow required to settle NuVista's ARO is $218.1 million (2011 – $267.3 million), which is estimated to be incurred over the next 51 years. The majority of the costs are expected to be incurred between 2013 and 2030.

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 cash flows 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.

Income taxes – For the three months ended December 31, 2012, the provision for income and other taxes was a recovery of $16.0 million compared to a recovery of $42.6 million for the same period in 2011. For the year ended December 31, 2012, the provision for income and other taxes was a recovery of $59.5 million compared to a recovery of $36.4 million in the same period of 2011. The increase in recovery for the year ended December 31, 2012 compared to a recovery in 2011 is primarily attributable to a decrease in income after adjusting for non-deductible tax items in the periods.

Capital expenditures

	Three months ended December 31,		Year ended December 31,	
($ thousands)	**2012**	2011	**2012**	2011
Exploration and development				
Land and retention costs	**108**	627	**828**	2,810
Seismic	**922**	3,016	**4,000**	7,369
Drilling and completion	**22,546**	40,592	**70,783**	120,106
Facilities and equipment	**5,576**	8,628	**39,753**	27,865
Corporate and other	**42**	256	**258**	434
Subtotal	**29,194**	53,119	**115,622**	158,584
Alberta drilling incentive credits	**-**	1,792	**-**	(1,278)
Subtotal	**29,194**	54,911	**115,622**	157,306
Property acquisitions	**-**	2,873	**1,016**	4,524
Net capital expenditures before dispositions	**29,194**	57,784	**116,638**	161,830

Capital expenditures were $29.2 million during the fourth quarter of 2012, consisting entirely of exploration and development spending. This compares to $57.8 million incurred for the same period of 2011, consisting of $54.9 million of exploration and development spending and a $2.9 million minor property acquisition. Capital expenditures for the twelve months ended December 31, 2012 were $116.6 million, consisting of $115.6 million of exploration and development spending and $1.0 million of property acquisitions. This compares to $161.8 million incurred for the same period of 2011, consisting of $157.3 million of exploration and development spending and $4.5 million of property acquisitions. NuVista sold properties in the W5, Auburndale and Chauvin areas for proceeds of $227.5 million net of transaction costs and final adjustments, during the fourth quarter of 2012. The majority of the capital expenditures in the fourth quarter were spent on oil and liquids-rich natural gas projects.

Tax pools

At December 31, 2012, NuVista had approximately $641 million (2011 – $836 million) of estimated tax pools available for deduction against future years' taxable income.

	Available balance	Maximum annual deduction
($ thousands)	**2012**	%
Canadian exploration expense	**73,000**	100%
Canadian development expense	**242,000**	30% declining balance
Canadian oil and natural gas property expense[1]	**26,000**	10% declining balance
Undepreciated capital cost	**148,000**	25% declining balance
Non-capital losses	**152,000**	100%
Total federal tax pools	**641,000**	
Additional Alberta tax pools	**8,000**	100%

[1] The tax pools presented above reflect the application of partnership deferral rules. There is a deferral of partnership income of $138.8 million in the income tax calculation for the year ended December 31, 2012.

Net earnings – For the three months ended December 31, 2012, net loss totaled $59.0 million ($0.56/share, basic) compared to net loss of $158.5 million ($1.59/share, basic) for the same period in 2011. NuVista's net loss for year ended December 31, 2012 was $195.2 million ($1.93/share, basic) compared to a net loss of $143.8 million ($1.47/share, basic) in the same period in 2011. The net loss for the year ended December 31, 2012 is attributable to the oil and gas impairment charge of $213.1 million and goodwill impairment charge of $5.4 million recognized in 2012 as a result of lower natural gas prices offset by a gain on property dispositions of $12.9 million and deferred income tax recoveries of $59.5 million.

Adjusted net earnings (loss) – The table below summarizes adjusted net earnings (loss) for the three months ended and year ended December 31, 2012 compared December 31, 2011:

	Three months ended December 31,		Year ended December 31,	
($ thousands)	**2012**	2011	**2012**	2011
Net earnings (loss)	**(59,042)**	(158,462)	**(195,200)**	(143,800)
Add (deduct):				
Unrealized (gain) loss on commodity derivatives, after tax	**(95)**	12,972	**(10,863)**	7,535
Impairment of property, plant and equipment, after tax	**52,462**	108,269	**159,202**	108,269
Goodwill impairments, after tax	**355**	18,903	**4,070**	18,903
(Gain) loss on divestitures, after tax	**(4,600)**	(1,647)	**(9,671)**	(24,273)
Adjusted net earnings (loss)[1]	**(10,920)**	(19,965)	**(52,462)**	(33,366)
Per basic share	**(0.10)**	(0.20)	**(0.52)**	(0.34)
Per diluted share	**(0.10)**	(0.20)	**(0.52)**	(0.34)

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

Funds from operations – For the three months ended December 31, 2012, NuVista's funds from operations were $16.3 million ($0.15/share, basic), a 66% decrease from $48.5 million ($0.49/share, basic) for the three months ended December 31, 2011. For the year ended December 31, 2012, NuVista's funds from operations were $75.7 million ($0.75/share, basic), a 54% decrease from $164.0 million ($1.68/share, basic) in the same period of 2011. Funds from operations for the three months ended December 31, 2012 were lower compared with the same period in 2011 due to lower oil and natural gas prices and lower production volumes.

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

	Three months ended December 31,		Year ended December 31,	
($ thousands)	**2012**	2011	**2012**	2011
Cash provided by operating activities	**19,236**	62,791	**58,521**	160,268
Add back:				
Asset retirement expenditures	**1,473**	2,491	**13,807**	7,120
Change in non-cash working capital	**(4,431)**	(16,815)	**3,344**	(3,369)
Funds from operations[1]	**16,278**	48,467	**75,672**	164,019

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

The table below summarizes funds from operations netbacks for the three months ended December 31, 2012 compared to the three months ended December 31, 2011:

	Three months ended December 31,					
($ thousands, except per unit amounts)	**2012**		2011		% Change	
	$	$/Boe	$	$/Boe	$	$/Boe
Revenue	**48,277**	**29.66**	96,578	41.48	(50)	(28)
Realized gain (loss) on commodity derivatives	**(70)**	**(0.04)**	(3,370)	(1.45)	(98)	(97)
	48,207	**29.62**	93,208	40.03	(48)	(26)
Royalties	**(4,388)**	**(2.70)**	(6,501)	(2.79)	(33)	(3)
Transportation	**(1,323)**	**(0.81)**	(3,016)	(1.30)	(56)	(38)
Operating costs	**(18,383)**	**(11.29)**	(25,758)	(11.06)	(29)	2
Operating netback[1]	**24,113**	**14.82**	57,933	24.88	(58)	(40)
General and administrative	**(5,172)**	**(3.18)**	(5,905)	(2.54)	(12)	25
Restricted stock units	**(749)**	**(0.46)**	(224)	(0.10)	234	360
Interest	**(1,914)**	**(1.18)**	(3,337)	(1.43)	(43)	(17)
Funds from operations netback[1]	**16,278**	**10.00**	48,467	20.81	(66)	(52)

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

The table below summarizes funds from operations netbacks for the year ended December 31, 2012 compared to the year ended December 31, 2011:

	Year ended December 31,					
($ thousands, except per unit amounts)	**2012**		2011		% Change	
	$	$/Boe	$	$/Boe	$	$/Boe
Revenue	**242,012**	**29.29**	369,234	39.58	(34)	(26)
Realized gain (loss) on commodity derivatives	**(3,957)**	**(0.48)**	(10,763)	(1.15)	(63)	(58)
	238,055	**28.81**	358,471	38.43	(34)	(25)
Royalties	**(28,119)**	**(3.40)**	(43,195)	(4.63)	(35)	(27)
Transportation	**(7,244)**	**(0.88)**	(10,455)	(1.12)	(31)	(21)
Operating costs	**(92,326)**	**(11.17)**	(103,704)	(11.12)	(11)	-
Operating netback[1]	**110,366**	**13.36**	201,117	21.56	(45)	(38)
General and administrative	**(21,339)**	**(2.58)**	(19,769)	(2.12)	8	22
Restricted stock units	**(1,398)**	**(0.17)**	(717)	(0.08)	(95)	(113)
Interest	**(11,957)**	**(1.45)**	(16,612)	(1.78)	(28)	(19)
Funds from operations netback[1]	**75,672**	**9.16**	164,019	17.58	(54)	(48)

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

Liquidity and capital resources

($ thousands)	**2012**	2011
Common shares outstanding	**118,618**	99,513
Share price[1]	**5.87**	5.24
Total market capitalization	**696,288**	521,448
Adjusted working capital (surplus) deficit[2]	**10,496**	17,360
Long-term debt	**19,892**	289,431
Debt, net of adjusted working capital (“Net Debt”)	**30,388**	306,791
Trailing 12 months funds from operations[2]	**75,672**	164,019
Net debt to trailing 12 months funds from operations	**0.4**	1.9
Net debt as a percentage of total capitalization	**4%**	59%

[1] Represents the closing price on the Toronto Stock Exchange on December 31.
[2] Refer to the “Non-GAAP measurements”.

As at December 31, 2012, net debt was $30.4 million, resulting in an attractive net debt to the trailing 12 months funds from operations ratio of 0.4:1. NuVista’s strategy is to maintain financial flexibility with a net debt to trailing 12 months funds from operations of less than 2.0:1. The actual ratio may fluctuate on a quarterly basis above or below target due to a number of factors including timing of acquisitions, dispositions and commodity prices. At December 31, 2012, NuVista had an adjusted working capital deficit of $10.5 million. Adjusted working capital excludes the current portion of the fair value of the commodity derivative liabilities of $1.0 million. It is appropriate to exclude this amount when assessing financial leverage. At December 31, 2012, NuVista had $220.1 million of unused bank borrowing capacity based on the current credit facility of $240 million.

As of December 31, 2012, NuVista had a $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 NuVista’s oil and natural gas properties and equipment. The credit facility has a 364-day revolving period and is subject to an annual review by the lenders, at which time a lender can extend the revolving period or can request conversion to a one year term loan. During the revolving period, a determination of the maximum borrowing amount occurs semi-annually on approximately October 31 and April 30. As part of the October 2012 semi-annual review process, a reduction in its borrowing base from $380 million to $240 million was approved. This reduction primarily related to the impact of the dispositions closed in October 2012. NuVista’s bank borrowings have been significantly reduced following the issuance of equity and the dispositions of assets completed in the fourth quarter of 2012. NuVista’s annual review of its borrowing base is expected to be completed by the end of April 2013. During the term period, no principal payments would be required until April 29, 2014. As such, this credit facility is classified as long-term. As at December 31, 2012, NuVista had drawn $19.9 million on the facility.

At December 31, 2012, NuVista’s bank debt, net of adjusted working capital, decreased to $30.4 million compared to $306.8 million at December 31, 2011. Improving NuVista’s financial flexibility and reducing debt levels has been a priority in 2012. During the year, NuVista issued 19 million common shares for gross proceeds of $94.8 million, and completed property dispositions, net of adjustments, for cash consideration of $237.8 million during the year.

As at December 31, 2012, there were 118.6 million common shares outstanding. In addition, there were 6.9 million stock options with an average exercise price of $7.93 per option, 1.2 million restricted stock units and 0.3 million restricted share awards outstanding. As of March 5, 2013, there were 118.6 million common shares, 1.2 million restricted stock units and 0.3 million restricted share awards outstanding.

Contractual obligations and commitments – NuVista enters into contract obligations as part of conducting business. The following is a summary of NuVista's contractual obligations and commitments as at December 31, 2012:

($ thousands)	**Total**	2013	2014	2015	2016	2017	Thereafter
Transportation	**26,128**	4,258	7,141	6,527	5,563	2,455	184
Office lease	**17,723**	3,630	3,630	3,645	3,719	3,099	-
Purchase contracts	**2,559**	2,559	-	-	-	-	-
Physical power	**2,300**	2,300	-	-	-	-	-
Flow-through common shares	**7,990**	7,990	-	-	-	-	-
Total commitments	**56,700**	20,737	10,771	10,172	9,282	5,554	184

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, 2012, 2011 and 2010:

($ thousands, except per share amounts)	**2012**	2011	2010[1]
Production revenue	**242,012**	369,234	373,327
Net loss	**(195,200)**	(143,800)	(59,655)
Per share – basic	**(1.93)**	(1.47)	(0.67)
Per share – diluted	**(1.93)**	(1.47)	(0.67)
Balance sheet information			
Total assets	**878,174**	1,373,705	1,533,824
Long-term debt	**19,892**	289,431	438,566
Shareholders' equity	**656,061**	755,548	793,152

[1] Results are reported in accordance with Previous GAAP.

Quarterly financial information – The following table highlights NuVista's performance for the eight quarterly reporting periods from March 31, 2011 to December 31, 2012:

($ thousands, except	2012				2011			
per share amounts)	**Dec 31**	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Production (Boe/d)	**17,692**	23,936	23,467	25,250	25,306	25,360	25,488	26,078
Revenue	**48,277**	61,678	58,201	73,856	96,578	88,700	95,719	88,237
Net earnings (loss)	**(59,042)**	(47,600)	(85,411)	(3,147)	(158,462)	1,807	22,445	(9,590)
Net earnings (loss)								
Per basic share	**(0.56)**	(0.48)	(0.86)	(0.03)	(1.59)	0.02	0.23	(0.10)
Per diluted share	**(0.56)**	(0.48)	(0.86)	(0.03)	(1.59)	0.02	0.23	(0.10)

NuVista has seen production volumes in a range of 17,692 Boe/d to 26,078 Boe/d for the last eight quarters. NuVista's production volumes have declined to 17,692 Boe/d due to the property dispositions in 2012 and lower levels of capital spending. Over the prior eight quarters, quarterly revenue has been in a range of $48.3 million to $96.6 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 $158.5 million to net earnings of $22.4 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.

Reserves – 2012 year end proved reserves were 59.2 MMBoe compared to 69.5 MMBoe at year end 2011. Proved plus probable year end reserves were 94.1 MMBoe compared to 109.7 MMBoe at year end 2011. The 2012 property divestitures decreased 2012 year end reserves by 15.6 MMBoe and 26.5 MMBoe on a total proved and proved plus probable basis respectively. Momentum in Montney reserves growth continues, as total proved reserves increased year over year from 5.1 MMBoe to 15.7 MMBoe and proved plus probable reserves increased from 12.1 MMBoe to 29.2 MMBoe. The number of proved developed producing Montney horizontal wells increased from one to five between 2011 and 2012. The Montney reserve estimates may not reflect the same confidence as estimates of the reserves of all of NuVista's properties due to the effect of aggregation.

Overall finding and development costs, including revisions and future development capital, were $19.17/Boe for proved reserves and $15.53/Boe for proved plus probable reserves. This resulted in a corporate proved plus probable operating netback recycle ratio of 0.9. The corporate recycle ratio reflects the lower average operating netback of our current production mix at low gas prices and is not reflective of the economics of our Montney focused reserve additions in 2012.

The following table outlines NuVista's finding and development and dispositions costs:

	3 Year-Average [1] [2]		**2012** [1] [2]		2011 [1] [2]	
	Proved	Proved plus probable	**Proved**	**Proved plus probable**	Proved	Proved plus probable
After reserve revisions and including changes in future development capital ($/Boe)						
Finding and development costs	$22.66	$19.12	**$19.17**	**$15.53**	$30.58	$28.20

[1] The aggregate of the exploration and development costs incurred in the most recent financial year and the change during the year in estimated future development costs generally will not reflect total finding and development costs related to reserve additions for the year.
[2] Drilling credits of $nil were recorded during 2012 and $1.3 million were recorded in 2011.

Additional reserve disclosure tables, as required under National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities ("NI 51-101"), will be contained in the Annual Information Form to be filed on SEDAR on or before March 30, 2013.

The following table is a reconciliation of the 2012 year end reserves with the reserves reported in the 2011 year end report:

Reconciliation items [1]	Natural gas (Bcf)	Liquids (Mbbls)	Oil (Mbbls)	Total oil equivalent (MBoe)
Total proved				
Balance, December 31, 2011	296.8	9,049	10,950	69,464
Exploration and development	59.9	5,391	407	15,774
Technical revisions	6.0	226	(706)	515
Economic revisions	(12.9)	(222)	(382)	(2,758)
Acquisitions	-	-	-	-
Dispositions	(61.0)	(1,963)	(3,511)	(15,648)
Production	(34.5)	(1,162)	(1,287)	(8,192)
Balance, December 31, 2012	254.2	11,320	5,471	59,155

Reconciliation items[1]	Natural gas (Bcf)	Liquids (Mbbls)	Oil (Mbbls)	Total oil equivalent (MBoe)
Total proved plus probable				
Balance, December 31, 2011	470.2	14,917	16,373	109,660
Exploration and development	87.4	7,896	1,158	23,628
Technical revisions	4.1	333	(1,765)	(752)
Economic revisions	(18.9)	(452)	(136)	(3,739)
Acquisitions	-	-	-	-
Dispositions	(107.0)	(3,374)	(5,323)	(26,533)
Production	(34.5)	(1,162)	(1,287)	(8,192)
Balance, December 31, 2012	401.4	18,159	9,020	94,072

[1] Numbers may not add due to rounding.

The estimated net present values of future net revenue before income taxes associated with NuVista's reserves effective December 31, 2012 and based on published GLJ future price forecast as at January 1, 2013 are summarized in the following table:

	Discount factor (%/year)			
Reserves category ($ millions) [1]	0%	8%	10%	12%
Proved:				
Developed producing	543	372	346	324
Developed non-producing	136	72	65	58
Undeveloped	319	125	100	79
Total proved	998	570	511	461
Probable	775	319	269	230
Total proved plus probable	1,773	889	780	691

[1] Estimated future net reserves do not necessarily represent the fair market value of reserves.

Commodity price forecasts

The following table is a summary of pricing and inflation rate assumptions based on published GLJ forecast prices and costs as at January 1, 2013:

	Natural Gas	Liquids		Oil					
Year	AECO Gas Price ($Cdn/ MMbtu)	Edmonton Propane ($Cdn/Bbl)	Edmonton Butane ($Cdn/Bbl)	WTI Cushing Oklahoma ($US/Bbl)	Edmonton Par Price 40 API ($Cdn/ Bbl)	Hardisty Heavy 12 API ($Cdn/ Bbl)	Cromer Medium 29 API ($Cdn/ Bbl)	Inflation Rates %/ Year[1]	Exchange Rate[2] ($US/$Cdn)
Forecast									
2013	3.38	34.06	65.45	90.00	85.00	60.92	79.90	2.0	1.00
2014	3.83	45.75	70.46	92.50	91.50	68.36	84.18	2.0	1.00
2015	4.28	56.40	72.38	95.00	94.00	71.10	86.48	2.0	1.00
2016	4.72	57.90	74.31	97.50	96.50	73.02	88.78	2.0	1.00
2017	4.95	57.90	74.31	97.50	96.50	73.02	88.78	2.0	1.00
2018	5.22	57.90	74.31	97.50	96.50	73.02	88.78	2.0	1.00
2019	5.32	58.52	75.11	98.54	97.54	73.81	89.74	2.0	1.00
2020	5.43	59.71	76.62	100.51	99.51	75.32	91.55	2.0	1.00
2021	5.54	60.91	78.17	102.52	101.52	76.87	93.40	2.0	1.00
2022	5.64	62.14	79.75	104.57	103.57	78.44	95.28	2.0	1.00
2023	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	2.0	1.00

[1] Inflation rate for costs.
[2] Exchange rate used to generate the benchmark reference prices in this table.

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) ***Exploration and evaluation assets*** – The costs of drilling exploratory wells are initially capitalized as exploration and evaluation ("E&E") assets pending the evaluation of commercial reserves. Commercial reserves are defined as the existence of proved and probable reserves which are determined to be technically feasible and commercially viable to extract. Reserves may be considered commercially producible if management has the intention of developing and producing them based on factors such as project economics, quantities of reserves, expected production techniques, unsuccessful drilling results and estimated production costs and capital expenditures. Once a judgment is made that the reserves are commercially viable, an impairment test is performed prior to the transfer to property, plant and equipment.

(c) ***Development and production assets*** – Once an oil and gas property is transferred to property, plant and equipment, all subsequent development costs are capitalized.

(d) ***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.

(e) ***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.

(f) ***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 liability may differ significantly from that estimated and recorded.

(g) ***Financial instruments*** – NuVista utilizes financial instruments to manage the exposure to market risks relating to commodity prices. Fair values of derivative contracts fluctuate depending on the underlying estimate of future commodity prices and foreign currency exchange rates.

(h) ***Goodwill*** – Goodwill is recorded on a business combination when the total purchase consideration exceeds the fair value of the net identifiable assets and liabilities of the acquired entity. The goodwill balance is allocated to the individual CGUs that are expected to benefit from the synergies of the business combination. Goodwill is not amortized, however it must be assessed for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. To assess for impairment, the carrying amount of each CGU is compared to the recoverable amount. If the carrying amount exceeds the recoverable amount, the associated goodwill is written down with an impairment recognized in net earnings. Goodwill impairments are not reversed. The recoverable amount is the greater of the fair value less costs to sell and its value in use. Fair value less costs to sell is derived by estimating the discounted future net cash flows for the CGU. Discounted future net cash flows are based on forecasted commodity prices and costs over the expected economic life of the proved and probable reserves and discounted using market-based rates. A downward revision in reserves estimates could result in the recognition of a goodwill impairment charge to net earnings.

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, 2012, to be filed on SEDAR by March 30, 2013, under the Industry Conditions section.

Update on financial reporting matters

Future accounting changes

As of January 1, 2013, NuVista will be required to adopt the following standards as issued by the IASB ("International Accounting Standards Board"). NuVista is evaluating the impact that these standards may have on our results of operations and financial position.

- 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.

As of January 1, 2015, NuVista will be required to adopt IFRS 9, "Financial Instruments". The IASB issued IFRS 9, which is the first phase of the IASB's project 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 the standard remain in development and the full impact of the standard on the NuVista's consolidated financial statements will not be known until the evaluation is complete.

Internal control 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"). During the quarter and year ended December 31, 2012, 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, 2012.

OUTLOOK

In 2013, NuVista is taking a measured approach to its capital and operating programs. NuVista expects to produce in the range of 15,250 Boe/d to 16,250 Boe/d in the first half of 2013, with the growth benefits of the Montney program beginning to kick-in post breakup with fourth quarter 2013 guidance of 17,500 Boe/d to 18,500 Boe/d depending on second half capital spending. We expect to average two rigs in the Montney formation in 2013, but have front-loaded our capital in the first and second quarter of 2012 with prelaid infrastructure and a temporary third rig, in order to best work around spring break-up. As a result, first half 2013 spending is anticipated to be approximately $110 million followed by reduction in the second half of 2013. We have the flexibility to increase or decrease this average annualized rig count of two subject to balance sheet monitoring, dispositions, the commodity environment, ongoing results, and infrastructure announcements. We will also continue our focus on opportunistic asset divestitures, with a full year 2013 target of $25 million to $50 million in divestiture proceeds.

We remain excited about the tremendous condensate-rich potential of our Montney play at Wapiti, and the continued growth and exceptional value that will be created as we build our scale and the efficiencies that come with it.