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") unaudited interim consolidated financial statements for the three months ended March 31, 2011 and NuVista's audited consolidated financial statements for the year ended December 31, 2010. The following MD&A of financial condition and results of operations was prepared at and is dated May 25, 2011. Our December 31, 2010 audited consolidated financial statements, Annual Information Form and other disclosure documents for 2010 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"), specifically International Financial Reporting Standards ("IFRS") 1, "First Time Adoption of International Financial Reporting Standards" and with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). Previously, NuVista prepared its interim and annual consolidated financial statements in accordance with Canadian generally accepted accounting principles in effect prior to January 1, 2011 ("Previous GAAP"). Comparative figures presented below pertaining to NuVista's 2010 results have been restated to be in accordance with IFRS. A reconciliation of comparative figures from Previous GAAP and IFRS is provided in the notes to the March 31, 2011 unaudited interim consolidated financial statements. The reporting and measurement currency is the Canadian dollar. For the purpose of calculating unit costs, natural gas is converted to a barrel of oil equivalent ("Boe") using six thousand cubic feet of natural gas equal to one barrel of oil, unless otherwise stated. In certain circumstances natural gas liquid volumes have been converted to thousand cubic feet equivalent ("Mcfe") on the basis of one barrel of natural gas liquids to six thousand cubic feet. 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.*

> ***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 strategy, plans, opportunities and operations; financial risk management strategy; forecast production; production mix; drilling, development, completion and tie-in plans and results; plans regarding new drilling and completion technology and the results therefrom; NuVista's planned capital budget; targeted debt level; the timing, allocation and efficiency of NuVista's capital program and the results therefrom; plans regarding facility construction and/or expansions, the timing thereof and the results therefrom; the anticipated potential of NuVista's asset base; forecast funds from operations; the source of funding of capital expenditures; the objectives and focus of the 2011 capital program and the allocation thereof and results therefrom; anticipated operating costs and other expenses; asset retirement obligations and the amount and timing of expenditures and the source of funding thereof; expectations regarding future commodity prices and netbacks; and industry conditions. 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. 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. 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 revenue 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. 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 and assets held for sale. Total Boe is calculated by multiplying the daily production by the number of days in the period.*

Description of business – NuVista is an oil and natural gas company actively engaged in the exploration for and the development and production of oil and natural gas reserves. NuVista's assets are concentrated within three core regions of the Western Canadian Sedimentary Basin – Alberta Deep Basin, Eastern Alberta and Saskatchewan, and Northwest Alberta and British Columbia. The common shares of NuVista trade on the Toronto Stock Exchange ("TSX") under the symbol NVA.

Operating activities – For the three months ended March 31, 2011, NuVista drilled 11 (7.6 net) wells resulting in 8 (6.5 net) oil wells and 3 (1.1 net) natural gas wells for an overall success rate of 100%. NuVista drilled 3 (2.3 net) heavy oil wells at Zoller Lake and Hallam in west central Saskatchewan, 2 (2.0 net) Wapiti Cardium oil wells and 3 (2.3 net) Pembina Cardium oil wells. NuVista also drilled 3 (1.1 net) natural gas wells in its Wapiti and Pembina operating areas. NuVista operated eight of the 11 wells drilled and had an average working interest of 79.4% in the wells.

Production

	Three months ended March 31,		
	2011	2010	% Change
Natural gas (Mcf/d)	**107,360**	124,485	(14)
Liquids (Bbls/d)	**3,094**	3,303	(6)
Oil (Bbls/d)	**5,091**	4,405	16
Total oil equivalent (Boe/d)	**26,078**	28,455	(8)

For the three months ended March 31, 2011, NuVista's average production was 26,078 Boe/d, comprised of 107.4 MMcf/d of natural gas, 3,094 Bbls/d of associated natural gas liquids ("liquids") and 5,091 Bbls/d of oil, which represents an overall 8% average decrease compared to the same period in 2010. The decrease in NuVista's production during the three months ended March 31, 2011 compared to the same period in 2010 was primarily due to the impact of lower capital spending in the fourth quarter of 2010 and the first quarter of 2011, unplanned third-party facility outages resulting in shut-in production of approximately 600 Boe/d, colder than normal winter weather conditions and a focus on drilling oil wells that add greater value but typically have lower average production additions. Oil and liquids weighting in the first quarter of 2011 increased to 31% from 27% in the same period in 2010 and 28% in the fourth quarter of 2010. The increase in oil and liquids production and weighting reflects our increased focus on higher netback oil and liquids-rich natural gas projects.

Commodity Prices

Benchmark Pricing

	Three months ended March 31,		
	2011	2010	% Change
Natural gas – AECO (daily) ($/GJ)	**3.56**	4.69	(24)
Natural gas – AECO (monthly) ($/GJ)	**3.58**	5.08	(30)
Oil – WTI (US$/Bbl)	**94.10**	78.71	20
Oil – Edmonton Par price (Cdn$/Bbl)	**83.53**	80.22	4
Exchange rate (Cdn$/US$)	**0.9860**	1.0409	5

Average Selling Prices (1)

	Three months ended March 31,		
	2011	2010	% Change
Natural gas ($/Mcf)	**3.99**	5.42	(26)
Natural gas liquids ($/Bbl)	**58.66**	53.94	9
Oil ($/Bbl)	**72.69**	72.48	-

(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. The AECO daily index averaged $3.56/GJ for the quarter and the monthly index averaged $3.58/GJ. This compares to $4.69/GJ and $5.08/GJ respectively for the same period last year. NuVista's realized gas price for the quarter was $3.99/Mcf compared to $5.42/Mcf for the first quarter in 2010. The higher heat content of NuVista's gas stream is reflected in the higher realization on an Mcf basis.

The price NuVista receives for its oil production is primarily driven by the price of WTI, less a discount to western Canada for heavier grades. NuVista's light oil sales closely match the Edmonton Par price and heavy oil sales closely match the Western Canadian Select ("WCS") heavy oil benchmark. Even though WTI prices were 20% higher in the first quarter of 2011 compared to first quarter 2010, realized oil prices were relatively unchanged. This is due to a strengthening Canadian dollar and a US$13.70/Bbl widening of the WCS differential to WTI.

Natural gas liquids include ethane, propane, butane, pentane and condensate. Ethane prices are highly correlated to natural gas prices and condensate prices are highly correlated to light oil prices.

Propane, butane and pentane trade at varying discounts to light oil prices depending on market conditions. NuVista realized an average of $58.66/Bbl for liquids sales in the first quarter of 2011 representing approximately a 9% increase over the same period last year.

Revenues

	Three months ended March 31,					
($ thousands, except per unit amounts)		**2011**		2010		% Change
Natural gas	$	$/Mcf	$	$/Mcf	$	$/Mcf
Revenue[1]	**38,594**	**3.99**	60,753	5.42	(36)	(26)
Realized gain (loss) on commodity derivatives	**256**	**0.03**	-	-	-	-
Total natural gas	**38,850**	**4.02**	60,753	5.42	(36)	(26)
Liquids	$	$/Bbl	$	$/Bbl	$	$/Bbl
Revenue	**16,335**	**58.66**	16,033	53.94	2	9
Realized gain (loss) on commodity derivatives	**-**	**-**	-	-	-	-
Total liquids	**16,335**	**58.66**	16,033	53.94	2	9
Oil	$	$/Bbl	$	$/Bbl	$	$/Bbl
Revenue	**33,308**	**72.69**	28,733	72.48	16	-
Realized gain (loss) on commodity derivatives	**(3,214)**	**(7.01)**	(1,719)	(4.34)	87	62
Total oil	**30,094**	**65.68**	27,014	68.14	11	(4)
Total	$	$/Boe	$	$/Boe	$	$/Boe
Revenue	**88,237**	**37.59**	105,519	41.20	(16)	(9)
Realized gain (loss) on commodity derivatives	**(2,958)**	**(1.26)**	(1,719)	(0.67)	72	88
Total revenue	**85,279**	**36.33**	103,800	40.53	(18)	(10)

[1] Natural gas revenue includes price risk management gains and losses on physical sale contracts. For the three months ended March 31, 2011, our physical sale contracts totaled $nil (2010 - $0.2 million loss).

For the three months ended March 31, 2011, revenues including realized commodity derivative gains and losses were $85.3 million, an 18% decrease from $103.8 million for the same period in 2010. The decrease in revenues for the three months ended March 31, 2011 compared to the same period of 2010 is primarily due to a 10% decrease in overall realized prices, mainly attributable to the decrease in natural gas prices and an 8% decrease in production volumes. Revenues were comprised of $38.9 million of natural gas revenue, $16.3 million of liquids revenue and $30.1 million of oil revenue. The decrease in average realized commodity prices is comprised of a 26% decrease in the natural gas price to $4.02/Mcf from $5.42/Mcf, a 9% increase in the liquids price to $58.66/Bbl from $53.94/Bbl and a 4% decrease in the oil price to $65.68/Bbl from $68.14/Bbl.

Commodity price risk management

($ thousands)	Three months ended March 31, 2011			2010		
	Realized Gain (Loss)	**Unrealized Gain (Loss)**	**Total Gain (Loss)**	Realized Gain (Loss)	Unrealized Gain (Loss)	Total Gain (Loss)
Natural gas	**256**	**(841)**	**(585)**	-	310	310
Oil	**(3,214)**	**(3,984)**	**(7,198)**	(1,719)	(644)	(2,363)
Total gain (loss)	**(2,958)**	**(4,825)**	**(7,783)**	(1,719)	(334)	(2,053)

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, we enter into both commodity derivative and physical sale contracts.

For the three months ended March 31, 2011, the commodity price risk management program resulted in a loss of $7.8 million, consisting of realized losses of $3.0 million and $4.8 million of unrealized losses on natural gas and oil contracts. As at March 31, 2011, the mark-to-market value of our financial derivative commodity contracts was a liability of $10.2 million.

For the three months ended March 31, 2011, our physical sale contracts are being accounted for as they settle. The physical sale contracts are purchase and sale transactions entered into the normal course of business. No asset or liability value has been assigned to the contracts on the statement of financial position at March 31, 2011.

The following is a summary of commodity price risk management contracts in place as at March 31, 2011:

(a) Financial instruments

As at March 31, 2011, NuVista has entered into the following crude oil put option contracts:

Volume	Average Strike Price (Cdn$/Bbl)	Option Premium (Cdn$/Bbl)	Term
3,000 Bbls/d	$88.03 – WTI	$9.29[1]	Apr 1, 2011 – Dec 31, 2011
2,000 Bbls/d	$88.55 – WTI	$9.43[1]	Jan 1, 2012 – Mar 31, 2012

[1] The premiums are incurred monthly over the term of the contract and will be offset against revenues.

As at March 31, 2011, NuVista has entered into a financial derivative crude oil fixed price contracts as follows:

Volume	Fixed price (Cdn$/Bbl)	Term
1,000 Bbls/d	$97.50 – WTI	Apr 1, 2011 – Jun 30, 2012

As at March 31, 2011, NuVista has entered into NYMEX natural gas basis differential contracts as follows:

Volume	Differential (US$/Mmbtu)	Term
40,000 MMbtu/d	$(0.46)	Apr 1, 2011 – Oct 31, 2011
30,000 MMbtu/d	$(0.51)	Nov 1, 2011 – Mar 31, 2012

Subsequent to March 31, 2011, the following NYMEX natural gas basis differential contracts have been entered into:

Volume	Differential (US$/Mmbtu)	Term
20,000 MMbtu/d	$(0.59)	Apr 1, 2012 – Oct 31, 2012

(b) Physical purchase and sale contracts

As at March 31, 2011, NuVista has entered into a fixed price contract for the purchase of electricity as follows:

Volume	Price (Cdn$/Mwh)	Term
4.0 Mwh	$65.64	Apr 1, 2011 – Dec 31, 2013

These physical purchase and sale contracts are documented as normal purchase and sale transactions and as such are not considered financial instruments. Physical purchase and sale contracts are being accounted for as they settle.

Royalties

	Three months ended March 31,	
Royalty rates (%)	**2011**	2010
Natural gas and liquids	**15**	16
Oil	**13**	16
Weighted average rate	**14**	16

For the three months ended March 31, 2011, royalties were $12.4 million, 26% lower than the $16.8 million for the same period of 2010. The decrease in royalties for the period ended March 31, 2011 compared to the same period in 2010 is largely due to a 16% decrease in revenues.

Average royalty rates by product for the three months ended December 31, 2010 were 15% for natural gas and liquids and 13% for oil compared to 16% for natural gas and liquids and 16% for oil for the same period in 2010. As a percentage of revenue, the reported average royalty rate for the three months ended March 31, 2011 was 14% compared to 16% for the comparative period of 2010. The decrease in oil royalty rates is primarily due to our increased oil production in west central Saskatchewan that have lower royalty rates.

Our physical price risk management activities impact reported royalty rates as royalties are based on government market reference prices and not our average realized prices that include price risk management activities. In the first quarter of 2011, there were no physical price risk management activities included in revenue.

Transportation – Transportation costs were $1.9 million ($0.83/Boe) for the three months ended March 31, 2011 as compared to $2.3 million ($0.91/Boe) for the same period of 2010. The transportation costs for the three months ended March 31, 2011 were lower compared to the same period in 2010 due to lower production volumes in the first quarter of 2011 and lower transportation costs associated with increased oil production in our Pembina area.

Operating – Operating expenses were $27.0 million ($11.50/Boe) for the three months ended March 31, 2011 as compared to $22.7 million ($8.87/Boe) for the three months ended March 31, 2010 and $26.2 million ($10.09/Boe) for the three months ended December 31, 2010. Operating expenses increased throughout 2010 due to general cost increases impacting the oil and natural gas industry. Operating costs continued to increase in the three months ended March 31, 2011 primarily due to increased costs associated with winter operations and higher power and fuel costs. On a short-term basis most operating costs are fixed costs and with lower production volumes for the three months ended March 31, 2011, there was an increase in per unit costs. Managing operating costs will be a key focus over the remainder of the year as we shift to typically higher value and higher cost oil and liquids-rich natural gas production. For the three months ended March 31, 2011, natural gas and liquids operating expenses averaged $1.76/Mcfe and oil operating expenses were $15.46/Bbl as compared to $1.19/Mcfe and $18.41/Bbl respectively for the same period of 2010.

Operating netbacks – The table below summarizes operating netbacks by product for the three months ended March 31, 2011:

($ thousands, except per unit amounts)	Natural gas and liquids		Oil		Total	
	$	$/Mcfe	$	$/Bbl	$	$/Boe
Revenue	54,929	4.85	33,308	72.69	88,237	37.59
Realized gain (loss) on commodity derivatives	256	0.02	(3,214)	(7.01)	(2,958)	(1.26)
	55,185	4.87	30,094	65.68	85,279	36.33
Royalties	(8,139)	(0.72)	(4,279)	(9.34)	(12,418)	(5.29)
Transportation costs	(1,345)	(0.12)	(597)	(1.30)	(1,942)	(0.83)
Operating costs	(19,921)	(1.76)	(7,082)	(15.46)	(27,003)	(11.50)
Operating netback [(1)]	25,780	2.27	18,136	39.58	43,916	18.71

[(1)] Refer to "non-GAAP measurements".

General and administrative

	Three months ended March 31,	
($ thousands, except per unit amounts)	**2011**	2010
Gross general and administrative expenses	**6,180**	6,152
Overhead recoveries	**(1,270)**	(1,554)
Net general and administrative expenses	**4,910**	4,598
Per Boe	**2.09**	1.80

General and administrative expenses, net of overhead recoveries, for the three months ended March 31, 2011 were $4.9 million ($2.09/Boe) compared to $4.6 million ($1.80/Boe) in the same period of 2010. The increase in general and administrative expenses in 2011 compared to 2010 is primarily due to an increase in staffing levels, one-time costs associated with a partnership rationalization with Bonavista Energy Corporation and a decrease in overhead recoveries as a result of lower capital spending.

Share-based compensation

	Three months ended March 31,	
($ thousands)	**2011**	2010
Share-based compensation	**1,096**	1,486
Restricted stock units	**509**	300
Total	**1,605**	1,786

NuVista recorded a share-based compensation charge of $1.6 million for the three months ended March 31, 2011 compared to $1.8 million for the same period in 2010. The share-based compensation charge relates to the amortization of the fair value of stock option awards and the accrual for future payments under the Restricted Stock Unit Incentive Plan.

Interest – Interest expense for the three months ended March 31, 2011 was $5.2 million ($2.21/Boe) compared to $3.9 million ($1.54/Boe) for the same period of 2010. For the three months ended March 31, 2011, borrowing costs averaged 4.4% compared to 3.2% in the same period of 2010. Interest expense for the quarter ended March 31, 2011 increased compared to the same period in 2010 due to higher debt levels at the beginning of 2011 and an increase in the average borrowing rate. Currently, NuVista's average borrowing rate is approximately 4.5%. Cash paid for interest for the three months ended March 31, 2011 was $5.9 million (March 31, 2010 – $4.3 million).

Depreciation and depletion

	Three months ended March 31,	
($ thousands except per Boe amounts)	**2011**	2010
Depletion of oil and gas assets(1)	**34,145**	34,780
Depreciation of fixed assets	**4,553**	3,541
Total depletion and depreciation(2)	**38,698**	38,321
Depletion and depreciation rate per Boe	**16.49**	15.16

(1) Includes depletion of the capitalized portion of the asset retirement obligation that was capitalized to the property, plant and equipment balance and is being depleted over the life of the reserves.
(2) Total depletion and depreciation excludes impairment losses for the three months ended March 31, 2011 of $nil and $2.4 million in the same period in 2010.

Depreciation and depletion expenses were $38.7 million for the first quarter of 2011 as compared to $38.3 million for the same period in 2010. The average per unit cost was $16.49/Boe in the first quarter of 2011 as compared to $15.16/Boe for the same period in 2010. Per unit costs in the first quarter of 2011 increased from the same period in 2010 due primarily to higher finding and development costs incurred during the quarter.

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 March 31, 2011, NuVista recorded an ARO of $128.2 million as compared to $128.3 million as at December 31, 2010. At March 31, 2011, the estimated total undiscounted amount of cash flows required to settle NuVista's ARO is $242.2 million (December 31, 2010 – $232.4 million), which is estimated to be incurred over the next 51 years. The majority of the costs are expected to be incurred between 2011 and 2030. An average risk-free rate of 3.75% and an inflation rate of 2% were used to calculate the fair value of the ARO.

There are uncertainties related to asset retirement obligations and the impact on the financial statements could be material as the eventual timing of 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 March 31, 2011, the provision for income and other taxes was a recovery of $2.9 million compared to an expense of $2.4 million for the same period in 2010. The increase in recovery for the quarter ended March 31, 2011 compared to the same period in 2010 is primarily attributable to a decrease in income after adjusting for non-deductible tax items in the periods.

Capital expenditures

	Three months ended March 31,	
($ thousands)	**2011**	2010
Exploration and development		
Land and retention costs	**1,693**	6,222
Seismic	**1,870**	4,540
Drilling and completion	**31,994**	56,424
Facilities and equipment	**7,136**	14,822
Corporate and other	**91**	244
Subtotal	**42,784**	82,252
Alberta drilling incentive credits	**(3,070)**	(6,434)
Subtotal	**39,714**	75,818
Property acquisitions (dispositions)	**62**	-
Net capital expenditures	**39,776**	75,818

Capital expenditures were $39.8 million during the first quarter of 2011, consisting of $39.7 million of exploration and development spending (net of drilling credits) and $0.1 million in property acquisitions. This compares to $75.8 million incurred for the same period of 2010, consisting entirely of exploration and development spending. To assist in improving NuVista's financial flexibility, our first quarter 2011 capital program was lower than prior years to ensure that 2011 first half capital expenditures were lower than forecast cash flows. The majority of the capital expenditures in the first quarter was spent on oil and liquids-rich natural gas projects. Subsequent to the end of the first quarter, NuVista closed the sale of certain Pembina properties consisting of approximately 250 Boe/d of production and undeveloped lands for proceeds of approximately $36.5 million.

Net earnings – For the three months ended March 31, 2011, the net loss was $9.6 million ($0.10/share, basic) compared to net loss of $14.1 million ($0.16/share, basic) for the same period in 2010. The net loss for the quarter ended March 31, 2011 decreased compared to the same period in 2010 primarily due to goodwill impairment being recognized in 2010 and lower royalty rates in 2011 offset by lower natural gas prices and higher operating costs.

Funds from operations – For the three months ended March 31, 2011, NuVista's funds from operations were $33.3 million ($0.36/share, basic), a 37% decrease from $53.1 million ($0.60/share, basic) for the three months ended March 31, 2010. Funds from operations for the three months ended March 31, 2011 were lower than the same period in 2010 primarily due to lower natural gas prices and higher operating costs partially offset by lower royalty costs.

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

	Three months ended March 31,	
($ thousands)	**2011**	2010
Cash provided by operating activities	**23,594**	55,914
Add back:		
Asset retirement expenditures	**3,398**	5,271
Change in non-cash working capital	**6,307**	(8,078)
Funds from operations[1]	**33,299**	53,107

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

The table below summarizes funds from operations netbacks for the three months ended March 31, 2011 compared to the three months ended March 31, 2010:

($ thousands, except per unit amounts)	Three months ended March 31, 2011		2010		% Change	
	$	$/Boe	$	$/Boe	$	$/Boe
Revenue	**88,237**	**37.59**	105,519	41.20	(16)	(9)
Realized gain (loss) on commodity derivatives	**(2,958)**	**(1.26)**	(1,719)	(0.67)	72	88
	85,279	**36.33**	103,800	40.53	(18)	(10)
Royalties	**(12,418)**	**(5.29)**	(16,814)	(6.57)	(26)	(19)
Transportation	**(1,942)**	**(0.83)**	(2,329)	(0.91)	(17)	(9)
Operating costs	**(27,003)**	**(11.50)**	(22,706)	(8.87)	19	30
Operating netback	**43,916**	**18.71**	61,951	24.18	(29)	(23)
General and administrative	**(4,910)**	**(2.09)**	(4,598)	(1.80)	7	16
Restricted stock units	**(509)**	**(0.22)**	(300)	(0.12)	70	83
Interest	**(5,198)**	**(2.21)**	(3,946)	(1.54)	32	44
Funds from operations netback(1)	**33,299**	**14.19**	53,107	20.72	(37)	(32)

(1) Refer to "non-GAAP measurements".

Liquidity and capital resources

($ thousands)	Three months ended March 31, 2011	2010
Common shares outstanding	**99,372**	88,516
Share price (1)	**10.00**	11.65
Total market capitalization	**993,720**	1,031,211
Adjusted working capital (surplus) deficit(2)	**(1,333)**	13,334
Bank debt	**356,356**	384,995
Debt, net of adjusted working capital ("Net Debt")	**355,023**	398,329
Trailing 12 months funds from operations(2)	**150,122**	186,578
Net debt to trailing 12 months funds from operations	**2.4**	2.1
Net debt as a percentage of total capitalization	**36%**	39%

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

As at March 31, 2011, debt net of adjusted working capital was $355.0 million, resulting in a net debt to the trailing twelve months funds from operations ratio of 2.4:1. At March 31, 2011, NuVista had an adjusted working capital surplus of $1.3 million. Adjusted working capital excludes the current portion of the fair value of the commodity derivative liability of $6.7 million and assets held for sale of $10.7 million. We believe it is appropriate to exclude this amount when assessing financial leverage. At March 31, 2011, NuVista had $153.6 million of unused bank borrowing capacity based on the current credit facility of $510 million.

As of March 31, 2011, NuVista had a $510 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 stamping fee. 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 or before October 31. In May 2011, NuVista completed the annual review of its borrowing base with its lenders and the lenders have approved a request for a revolving extendible credit facility with a maximum borrowing amount of $470 million. During the term period, no principal payments would be required until April 29, 2013. As such, this credit facility is classified as long-term. As at March 31, 2011, NuVista had drawn $356.4 million on the facility.

At March 31, 2011, NuVista's bank debt net of adjusted working capital decreased to $355.0 million compared to $444.1 million at December 31, 2010. Improving NuVista's financial flexibility and reducing debt levels has been a priority in 2011. During the first quarter of 2011, NuVista issued 10,500,000 common shares for gross proceeds of $99.8 million, terminated its dividend payments and constrained capital expenditures to ensure that 2011 first half capital expenditures will be lower than forecast cash flow. Also in the quarter, NuVista entered into a property disposition agreement for approximately $36.5 million that closed subsequent to quarter end. NuVista plans to closely monitor its 2011 business plan and adjust its capital program in the context of commodity prices and debt levels. NuVista plans to finance its 2011 capital program with funds from operating activities.

As at March 31, 2011, there were 99.4 million common shares outstanding. In addition, there were 7.0 million stock options outstanding, with an average exercise price of $12.14 per share. As of May 20, 2011, there were 99.5 million common shares 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 March 31, 2011:

	Total	2011	2012	2013	2014	2015	There-after
Transportation	**$ 11,472**	$2,960	$ 2,813	$2,493	$2,060	$1,002	$ 144
Office lease	**9,930**	1,559	1,940	1,306	1,306	1,316	2,503
Purchase commitments	**6,437**	3,547	2,890	-	-	-	-
Physical power contract	**6,325**	1,725	2,300	2,300	-	-	-
Long-term debt (1)	**356,356**	-	356,356	-	-	-	-
Total commitments	**$390,520**	$9,791	$366,299	$6,099	$3,366	$2,318	$2,647

(1) Based on the new credit facility agreement entered into in May 2011, no principal payments would be required until April 29, 2013.

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. No asset or liability value has been assigned to these leases in the statement of financial position at March 31, 2011.

Goodwill – Goodwill of $34.6 million 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. If such impairment exists, it would be charged to income in the period in which the impairment occurs.

Dividends – In the fourth quarter of 2010, NuVista's Board of Directors declared a quarterly cash dividend of $0.05 per common share which was paid on January 17, 2011 to shareholders of record on December 31, 2010 and issued 89,945 common shares in payment of $0.8 million of dividends for shareholders that elected to participate in the dividend re-investment plan. Dividends paid to shareholders of common shares have been designated as "eligible dividends" for Canadian tax purposes.

In February 2011, as part of managing NuVista's re-evaluation of its business plan and financial objectives, NuVista's Board of Directors determined that NuVista will discontinue its dividends to shareholders and use this cash flow to improve financial flexibility and fund its drilling program and growth opportunities.

Relationship with Bonavista Energy Corporation – NuVista and Bonavista Energy Corporation ("Bonavista") are considered related as two directors of NuVista, one of whom is NuVista's chairman, are directors and officers of Bonavista and another director of NuVista is also an officer of Bonavista.

In February 2011, Nuvista and Bonavista entered into a series of transactions that resulted in Bonavista no longer having ownership in a jointly owned partnership. The results of these transactions have no material impact on NuVista's total production, cash flow or reserves.

Quarterly financial information – The following table highlights NuVista's performance for the eight quarterly reporting periods from June 30, 2009 to March 31, 2011:

	2011	2010				2009 [1]		
($ thousands, except per share amounts)	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Production (Boe/d)	**26,078**	28,165	28,244	28,512	28,455	28,345	27,505	25,777
Revenue	**88,237**	89,552	88,733	89,524	105,519	95,957	79,494	78,092
Net earnings (loss)	**(9,590)**	(20,965)	(18,194)	(6,417)	(14,079)	10,498	(3,342)	(7,312)
Net earnings (loss)								
Per basic share	**(0.10)**	(0.24)	(0.21)	(0.07)	(0.16)	0.12	(0.04)	(0.09)
Per diluted share	**(0.10)**	(0.24)	(0.21)	(0.07)	(0.16)	0.12	(0.04)	(0.09)

(1) Results are reported in accordance with Previous GAAP.

NuVista has seen production volumes in a range of 25,777 Boe/d to 28,512 Boe/d for the last eight quarters as incremental production from our exploration and development capital program and acquisitions have more than offset normal production declines. In the most recent quarter, NuVista's production volumes declined to 26,078 Boe/d due to lower capital expenditures, unplanned third-party plant outages resulting in shut-in production, winter conditions, and an increased emphasis on oil and liquids-rich natural gas projects. Over the prior eight quarters, quarterly revenue has been in a range of $78.1 million to $105.5 million with revenue primarily influenced by production volumes and commodity prices in the quarter. Net earnings have been in a range of a net loss of $21.0 million to net earnings of $10.5 million with earnings primarily influenced by IFRS impairments, production volumes, commodity prices and realized and unrealized gains and losses on commodity derivatives.

Critical accounting estimates – Management is required to make judgements, assumptions and estimates in applying its accounting policies which have significant impact on the financial results of NuVista. The following outline the accounting policies involving the use of estimates that are critical to understanding the financial condition and results of operations of NuVista.

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

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

(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 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 reclassification to property, plant and equipment.

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

(d) ***Depreciation and depletion*** – Property, plant and equipment is measured at cost less accumulated depletion, depreciation 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 cash generating units ("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 obligation*** – 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 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, 2010, filed on SEDAR, under the Industry Conditions section.

Update on financial reporting matters

Adoption of International Financial Reporting Standards ("IFRS") – NuVista has prepared its March 31, 2011 interim consolidated financial statements in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards", and with IAS 34, "Interim Financial Reporting", as issued by the IASB. Previously, NuVista prepared its financial statements in accordance with Previous GAAP. The adoption of IFRS has not had a material impact on NuVista's operations, strategic decisions or cash flows. NuVista's IFRS accounting policies are provided in note 3 to the interim consolidated financial statements. In addition, note 17 to the interim consolidated financial statements presents reconciliations between NuVista's 2010 Previous GAAP results and the 2010 IFRS results. The following provides summary reconciliations of NuVista's 2010 Previous GAAP and IFRS results, along with a discussion of the significant IFRS accounting policy changes.

Summary of consolidated statement of financial position reconciliations:

	As at January 1, 2010		
($ millions)	Previous GAAP	Effect of transition to IFRS	IFRS
Assets			
Current assets	$ 70	$ (1)	$ 69
Exploration and evaluation assets	-	128	128
Property, plant and equipment	1,402	(128)	1,274
Goodwill	83	(19)	64
Total assets	$1,555	$ (20)	$1,535
Liabilities and shareholders' equity			
Current liabilities	$ 55	$ -	$ 55
Long-term debt	385	-	385
Compensation liabilities	1	-	1
Asset retirement obligations	61	57	118
Deferred tax liabilities	134	(16)	118
Shareholders' equity	919	(61)	858
Total liabilities and shareholders' equity	$1,555	$ (20)	$1,535

	As at December 31, 2010		
($ millions)	Previous GAAP	Effect of transition to IFRS	IFRS
Assets			
Current assets	$ 56	$ (1)	$ 55
Exploration and evaluation assets	-	142	142
Property, plant and equipment	1,458	(155)	1,303
Goodwill	83	(49)	34
Total assets	$1,597	$ (63)	$1,534
Liabilities and shareholders' equity			
Current liabilities	$ 62	$ -	$ 62
Long-term debt	438	-	438
Commodity derivative liabilities	4	-	4
Compensation liabilities	1	-	1
Asset retirement obligations	63	65	128
Deferred tax liabilities	129	(21)	108
Shareholders' equity	900	(107)	793
Total liabilities and shareholders' equity	$1,597	$ (63)	$1,534

Summary of net earnings (loss) reconciliation:

	2010				
($ millions)	Annual	Q4	Q3	Q2	Q1
Net earnings (loss), as reported under Previous GAAP	$(14)	$(14)	$ (5)	$(1)	$ 6
Addition (deduction) to net earnings:					
Depreciation and depletion	(5)	5	(10)	(2)	2
Goodwill impairment	(29)	(8)	-	(1)	(20)
Exploration and evaluation	(17)	(8)	(6)	(2)	(1)
Gain on disposal of properties	5	5	-	-	-
Accretion	(4)	(1)	(1)	(1)	(1)
Deferred income taxes	5	-	4	1	-
Net earnings (loss), as reported under IFRS	$(59)	$(21)	$(18)	$(6)	$(14)

Accounting policy changes

The following discussion explains the significant differences between NuVista's Previous GAAP accounting policies and those applied by NuVista under IFRS. IFRS policies have been retrospectively and consistently applied except where specific IFRS 1 optional and mandatory exemptions permitted an alternative treatment upon transition to IFRS for first-time adopters.

- Property, Plant and Equipment ("PP&E") – IFRS 1 provides the option to value PP&E assets in the Exploration and Evaluation ("E&E") phases and Development and Production ("D&P") phases at their deemed cost, defined as carrying amount assigned to these assets under Previous GAAP at the date of transition, January 1, 2010. This election is permissible for entities, such as NuVista, who currently follow the full cost accounting guideline, as established by the Canadian Institute of Charter Accountants ("CICA"), which accumulates all oil and gas assets into one cost centre. Under IFRS, NuVista's PP&E assets in the D&P phases is allocated to the area level and CGUs. The deemed cost of NuVista's PP&E assets has been allocated to the CGUs based on proved and probable reserve values.

- Re-classification of E&E expenditures from PP&E – Under IFRS, E&E expenditures are those costs for an area where technical feasibility and commercial viability has not yet been determined. E&E expenditures were deemed to be $128.2 million as at January 1, 2010, representing the book value of undeveloped land that relates to exploration properties and other exploration related activities under Previous GAAP. This resulted in a reclassification of $128.2 million from PP&E to E&E assets in the January 1, 2010 opening statement of financial position prepared under IFRS. At December 31, 2010, the E&E asset balance was $141.9 million. E&E assets will not be depleted and must initially be assessed for impairment upon transition and subsequently when indicators suggest the possibility of impairment. Unsuccessful E&E costs and costs incurred prior to obtaining the legal right to explore are expensed to net earnings. Under Previous GAAP, exploration and evaluation costs were capitalized as property, plant and equipment in accordance with the CICA's full cost accounting guidelines where all costs directly associated with the acquisition of, the exploration for, and the development of oil and natural gas reserves were capitalized into one cost centre and depleted over the life of the reserves.

- Impairment of PP&E assets – Under IFRS, areas are aggregated into CGUs based on their ability to generate largely independent cash flows. If the carrying values of the CGU exceeds the recoverable amount, the CGU is written down with an impairment loss recognized in depletion and depreciation expense in net earnings. The recoverable amount is determined to be the higher of fair value less costs to sell and value in use. Impairments are reversed when there has been a subsequent increase in the recoverable amount. Impairment reversals are recognized in net earnings and the carrying amount of the CGUs is increased to its revised recoverable amount, net of any depletion that would have been charged as if no impairment loss had previously been recorded. Under Previous GAAP, an impairment was recognized if the carrying amount exceeded the sum of the undiscounted cash flows from proved reserves and the value of unproved properties. If impairment is indicated, then the discounted cash flows are prepared to quantify the amount of impairment. Impairments recognized under Previous GAAP were not reversed. For the year ended December 31, 2010, NuVista recognized an impairment loss of $23.8 million under IFRS. The carrying value exceeded the recoverable amount, determined to be fair value less costs to sell based on discounted future cash flows of proved and probable reserves using forecast prices and costs. Under Previous GAAP, these assets were included in one cost centre ceiling test, which was not impaired at December 31, 2010.

- Impairment of goodwill – Under IFRS, goodwill that arises from a business combination is allocated to the specific CGUs that are expected to benefit from the business combination. To test for impairment of goodwill, the carrying amount of the CGU including goodwill is compared to the recoverable amount of the CGU, which is determined to be the higher of fair value less cost to sell and value in use. The fair value less cost to sell was determined using discounted future cash flows of proved and probable reserves using forecast prices and costs. If the carrying value exceeds the recoverable amount, an impairment loss is recognized in net earnings. Impairments recognized on goodwill are not reversed. Under Previous GAAP, goodwill impairment was calculated at the operating segment level (being the company level). Goodwill was not impaired under the Previous GAAP at December 31, 2010. At January 1, 2010 and for the year ended December 31, 2010, NuVista recognized goodwill impairment loss of $19.4 million and $29.8 million respectively under IFRS.

- Depletion and depreciation expense – Under IFRS, development and production costs are depleted using the unit-of-production method calculated at the area level. The IFRS 1 exemption permitted NuVista to allocate development and production costs to the area level using proved and probable reserve values as at January 1, 2010. Depleting at an area level under IFRS resulted in an $18.7 million decrease to depletion and depreciation expense, for the year ended December 31, 2010.

- Asset retirement obligations – At transition to IFRS, as part of electing the IFRS 1 exemption, NuVista was required to remeasure its asset retirement obligation and recognize the difference in retained earnings. This resulted in a $57.0 million increase to the asset retirement obligation at January 1, 2010. Subsequent adjustments to the obligation are made to property, plant and equipment. Under IFRS, NuVista is required to revalue its entire asset retirement obligation at the end of each reporting period using a risk free rate. Under Previous GAAP, the obligation is initially discounted at a credit adjusted risk free rate. Once recorded, the asset retirement obligations were not adjusted for future changes in discount rate. As at December 31, 2010, NuVista's asset retirement obligation was $128.3 million under IFRS. An average risk free discount rate of 3.52% was used at December 31, 2010 based on the Government of Canada 30 year bond yield.

- Deferred income taxes – Deferred income taxes have been adjusted to reflect the tax effect arising from the differences between IFRS and Previous GAAP. For the year ended December 31, 2010, the application of the IFRS adjustments discussed above resulted in $5.6 million reduction in the deferred income tax expense with a corresponding decrease to the deferred income tax liability.

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 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 ended March 31, 2011, there have been no changes to NuVista's internal control over financial reporting that have materially or are reasonably likely to materially affect the internal control over financial reporting.

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 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 are contained in our Annual Information Form under the Risk Factors Section for the year ended December 31, 2010.

OUTLOOK

NuVista's Board of Directors has approved a 2011 base capital budget of $160 million. During 2011, we expect to drill approximately 60 gross wells with approximately 20 wells drilled in the first half of 2011 and 40 wells drilled in the second half. Capital spending of $20 million has been allocated to the second quarter, however, actual spending may be lower depending on the timing of access to leases after spring break-up. For the second half of 2011, capital spending is budgeted at $100 million with the ability to increase this amount, while still limiting spending to cash flow, if we experience higher commodity prices.

Based on a 2011 constrained capital budget of $160 million, facility outages experienced during the first half of 2011 and the disposition of properties in the second quarter, production for 2011 is forecast to average between 25,000 Boe/d and 26,000 Boe/d. First and second quarter third-party facility outages have impacted annual production volumes by approximately 250 Boe/d and our disposition of Pembina properties will impact annual production by approximately 200 Boe/d. Production volumes are expected to be lower in the first half of 2011 compared to the same period in 2010 as a result of lower spending in the fourth quarter of 2010 and the first half of 2011, unplanned and planned third-party facility outages and our shift to higher netback oil and liquids-rich natural gas production that add greater value but have lower average production additions on a Boe basis. Production volumes are expected to increase in the second half of 2011 even though $35 million of the capital program is being allocated to advance the Wapiti Montney play where incremental production is not expected until late 2011 or early 2012. We are forecasting NuVista's oil and liquids weighting to increase which, based on current commodity prices, should have a positive impact on our netbacks and cash flow. Based on NuVista's planned capital program, its oil and liquids weighting is expected to increase to approximately 35% of production at the end of 2011 compared to our weighting of 28% in the fourth quarter of 2010. 2011 funds from operations are forecast to be approximately $160 million based on the estimated production rate and current pricing assumptions of $3.90/Mcf for AECO natural gas, US$95/Bbl for WTI crude oil, a foreign exchange rate of 1.03, and including price risk management contracts currently in place. NuVista will continue to prudently manage its financial flexibility and forecasts a year end debt to funds from operation ratio of less than 2.0x.

For 2011, the natural gas supply/demand fundamentals continue to place downward pressure on natural gas prices and, as a result, we plan to carefully manage our business plan and financial flexibility to endure an extended period of weak prices. With a new leader in place, a talented and highly motivated workforce, improved financial flexibility and a business strategy focused on discipline, execution and profitability, we believe that our prudent strategy will result in superior performance over the long term. We would like to express our appreciation to our core shareholders for their support and the NuVista team for their ongoing commitment over the last few months as we made changes to our leadership and business model. We look forward to updating you on the progress of our 2011 business plan and longer term plans for shareholder value creation throughout the remainder of the year.