

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" or the "Company") interim financial statements for the three months ended March 31, 2016 and audited financial statements for the year ended December 31, 2015. The following MD&A of financial condition and results of operations was prepared at and is dated May 11, 2016. Our December 31, 2015 audited financial statements, Annual Information Form and other disclosure documents for 2015 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 ("Mcf") 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 and commodity risk management strategy; production mix; the anticipated impact of the proposed Modernized Royalty Framework on NuVista's results of operations; NuVista's planned capital expenditures; the timing, allocation and efficiency of NuVista's capital program and the results therefrom; the anticipated potential and growth opportunities associated with NuVista's asset base; production guidance; sources of funding NuVista's capital program; drilling plans; future funds from operations; the timing of NuVista's next borrowing base review; asset retirement obligations and the amount and timing of such expenditures and the source of funding thereof; the scope, timing and costs of environmental remediation required in connection with the pipeline spill in Northwest Alberta; deferred taxes and NuVista's tax pools; targeted net debt to annualized current quarter funds from operations; expectations regarding future commodity prices, netbacks, price differentials and supply; environmental compliance costs; industry conditions and anticipated accounting changes and their impact on NuVista's operations and financial position. 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, access to infrastructure and markets, 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 has included the forward-looking statements in this MD&A in order to provide readers with a more complete perspective on NuVista's future operations and such information may not be appropriate for other purposes. NuVista disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

This MD&A also contains future-oriented financial information and financial outlook information (collectively, "FOFI") about NuVista's prospective results of operations and funds from operations, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth above. 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 FOFI and forward-looking statements. NuVista's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and FOFI, or if any of them do so, what benefits NuVista will derive therefrom. NuVista has included the forward-looking statements and FOFI in this press release in order to provide readers with a more complete perspective on NuVista's future operations and such information may not be appropriate for other purposes. NuVista disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Non-GAAP measurements

Within the MD&A, references are made to terms commonly used in the oil and natural gas industry. Management uses "funds from operations", "funds from operations per share", "funds from operations netback", "net debt", "net debt to annualized current quarter funds from operations", "operating netback", "total revenue", "adjusted working capital" and "funds from operations netback" to analyze operating performance and leverage. These terms do not have any standardized meaning prescribed by GAAP and therefore may not be comparable with the calculation of similar measures for other entities.

Funds from operations are based on cash flow from operating activities as per the statement of cash flows before changes in non-cash working capital, asset retirement expenditures, note receivable allowance (recovery) and environmental remediation expenses. Funds from operations as presented is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to cash flow from operating activities, per the statement of cash flows, net earnings (loss) or other measures of financial performance calculated in accordance with GAAP.

All references to funds from operations throughout this MD&A are based on cash flow from operating activities before changes in non-cash working capital, asset retirement expenditures, note receivable allowance (recovery) and environmental remediation expenses. Funds from operations per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of net loss per share. Total revenue equals oil and natural gas revenues including realized financial derivative gains/losses. Operating netback equals the total of revenues including realized financial derivative gains/losses less royalties, transportation and operating expenses calculated on a Boe basis. Funds from operations netback is operating netback less general and administrative, restricted stock units and interest expenses calculated on a Boe basis. Net debt is calculated as long-term debt plus adjusted working capital. Adjusted working capital is current assets less current liabilities and excludes the current portions of the financial derivative assets or liabilities and asset retirement obligations. Net debt to annualized current quarter funds from operations is net debt divided by annualized fourth quarter funds from operations.

Description of business

NuVista is an exploration and production company actively engaged in the exploration, development and production of oil and natural gas reserves in the Western Canadian Sedimentary Basin. NuVista's primary focus is on the scalable and repeatable condensate-rich Montney formation in the Alberta Deep Basin ("Wapiti Montney"). The common shares of NuVista trade on the Toronto Stock Exchange ("TSX") under the symbol NVA.

Dispositions

NuVista completed various asset dispositions throughout 2015 and one minor disposition in the first quarter of 2016. Substantially all the dispositions were within NuVista's non-core operating areas.

Drilling activity

	Three months ended March 31	
	2016	2015
Wells drilled (gross)	5.0	6.0
Wells drilled (net)	5.0	6.0
Average working interest (%)	100%	100.0%

For the three months ended March 31, 2016, NuVista drilled 5.0 (5.0 net) natural gas wells with 100% success rate. For the comparable period of 2015, NuVista drilled 5.0 (5.0 net) natural gas wells and 1.0 (1.0 net) disposal well with a 100% success rate. The net 5.0 wells in 2016 and 6.0 in 2015 were drilled in NuVista's Wapiti Montney operating area with an average working interest of 100% and 100% respectively.

Production

	Three months ended March 31		
	2016	2015	% Change
Natural gas (Mcf/d)	102,787	98,272	5
Condensate & oil (Bbls/d)	6,269	4,982	26
Butane (Bbls/d)	692	494	40
Propane (Bbls/d)	797	602	32
Ethane (Bbls/d)	654	677	(3)
Subtotal (Boe/d)	25,543	23,134	10
Dispositions (Boe/d) ⁽¹⁾	(59)	81	(173)
Total production (Boe/d)	25,484	23,215	10
Condensate, oil & NGLs weighting ^{(2) & (3)}	33%	29%	
Condensate & oil weighting ⁽³⁾	25%	21%	

⁽¹⁾ Production from properties disposed in the period.

⁽²⁾ Natural gas liquids ("NGLs") include butane, propane and ethane.

⁽³⁾ Product weighting is based on total production.

Production by area

	Three months ended March 31, 2016				Three months ended March 31, 2015			
	Natural gas (Mcf/d)	Condensate & oil (Bbls/d)	NGLs (Bbls/d)	Total (Boe/d)	Natural gas (Mcf/d)	Condensate & oil (Bbls/d)	NGLs (Bbls/d)	Total (Boe/d)
Wapiti Montney	80,891	6,036	1,135	20,653	69,769	4,346	699	16,673
Wapiti Sweet / Non-core	21,896	233	1,008	4,890	28,503	636	1,074	6,461
Subtotal	102,787	6,269	2,143	25,543	98,272	4,982	1,773	23,134
Dispositions	(198)	(26)	—	(59)	336	4	21	81
Total	102,589	6,243	2,143	25,484	98,608	4,986	1,794	23,215
% of Total	67%	25%	8%		71%	21%	8%	

Production weighting by area

	Three months ended March 31	
	2016	2015
Wapiti Montney	81%	72%
Wapiti Sweet / Non-core & dispositions	19%	28%

First quarter total production of 25,484 Boe/d increased by 10% from 23,215 Boe/d in the comparative period of 2015 and 9% compared to the fourth quarter of 2015 of 23,355 Boe/d as a result of our successful Montney drilling program. Wapiti Montney production was 20,653 Boe/d in the first quarter, an increase of 12% from 18,371 Boe/d in the fourth quarter of 2015, with the addition of 6 new wells brought onto production in the quarter. Condensate & oil volumes averaged 25% of total production for the quarter.

Commodity prices

Benchmark prices

	Three months ended March 31		
	2016	2015	% Change
Natural gas - AECO (daily) (\$/GJ)	1.74	2.60	(33)
Natural gas - AECO (monthly) (\$/GJ)	2.00	2.80	(29)
Natural gas - NYMEX (monthly) (US\$/MMbtu)	2.09	2.98	(30)
Oil - WTI (US\$/Bbl)	33.45	48.63	(31)
Oil - Edmonton Par - (Cdn\$/Bbl)	40.63	51.78	(22)
Condensate - (Cdn\$/Bbl)	47.25	56.67	(17)
Exchange rate - (Cdn\$/US\$)	1.375	1.241	11

Average selling prices ^{(1) & (2)}

	Three months ended March 31		
	2016	2015	% Change
Natural gas (\$/Mcf)	3.75	3.83	(2)
Condensate & oil (\$/Bbl)	41.67	48.03	(13)
Butane (\$/Bbl)	16.52	30.37	(46)
Propane (\$/Bbl)	(4.26)	8.11	—
Ethane (\$/Bbl)	5.27	9.41	(44)

⁽¹⁾ Prices exclude price risk management realized and unrealized gains and losses on financial derivative commodity contracts but includes gains and losses on physical sale contracts.

⁽²⁾ The average liquids selling price is net of tariffs and fractionation fees.

NuVista markets its natural gas based on a mix of monthly, daily and fixed AECO pricing. NuVista's average selling price for natural gas in the first quarter of 2016 was \$3.75/Mcf compared to \$3.83/Mcf for the comparative period of 2015, and \$3.55/Mcf in the fourth quarter of 2015.

Strong demand for condensate in Alberta results in benchmark condensate prices at Edmonton trading at a premium to Canadian light oil prices. NuVista's realized condensate prices include adjustments for pipeline tariffs to Edmonton and quality differentials. Condensate and oil prices averaged \$41.67/Bbl in the first quarter, a decrease of 13% from \$48.03/Bbl for the comparable period in 2015, consistent with a 31% decline in WTI prices being mitigated somewhat by a weakening Canadian dollar. Butane and propane trade at varying discounts to light oil prices depending on market conditions. Propane prices continue to be impacted as a result of an oversupply in Western Canada. Propane production makes up less than 3% of the Company's total production. Ethane prices are highly correlated to natural gas prices.

Revenues

(\$ thousands)	Three months ended March 31				
	Natural gas	Condensate & oil	NGLs ⁽²⁾	2016 Total	2015 Total
Oil and natural gas revenues ⁽¹⁾	35,003	23,673	1,044	59,720	57,927
Realized gain (loss) on financial derivatives	382	11,083	—	11,465	12,269
Total revenue ⁽³⁾	35,385	34,756	1,044	71,185	70,196

⁽¹⁾ Natural gas revenue includes price risk management gains and losses on physical delivery sale contracts. For the three months ended March 31, 2016, our physical delivery sales contracts totaled a \$9.2 million gain (2015 – \$4.9 million gain).

⁽²⁾ Includes butane, propane, and ethane.

⁽³⁾ Refer to "Non-GAAP measurements".

For the three months ended March 31, 2016, oil and natural gas revenues were \$59.7 million, a 3% increase from \$57.9 million for the comparable period of 2015, primarily as a result of a 10% increase in production offset by a 7% decline in realized prices for the quarter. Oil and natural gas revenues were comprised of \$35.0 million of natural gas revenues, \$23.7 million of condensate and oil revenues, and \$1.0 million of NGL revenues.

Commodity price risk management

(\$ thousands)	Three months ended March 31					
	2016			2015		
	Realized gain (loss)	Unrealized gain (loss)	Total gain (loss)	Realized gain (loss)	Unrealized gain (loss)	Total gain (loss)
Natural gas	382	1,853	2,235	74	(59)	15
Condensate, oil and NGLs	11,083	(5,507)	5,576	12,195	(10,537)	1,658
Gain (loss) on financial derivatives	11,465	(3,654)	7,811	12,269	(10,596)	1,673

NuVista has a disciplined commodity price risk management program as part of its financial risk management strategy. The purpose of this program is to reduce volatility in financial results, protect acquisition economics and help stabilize cash flow against the unpredictable commodity price environment. Prior to March 2016, NuVista's Board of Directors had authorized the use of fixed price, put option and costless collar contracts ("Fixed Price Contracts") for up to 60% of forecast production, net of royalties, for the first twelve month period, up to 50% for the next twelve month period, and up to 40% for the following twelve month period. In addition, the Board of Directors approved limits for entering into natural gas basis differential contracts that are the lesser of 50% of forecast natural gas production, net of royalties, or the volumes that would bring the combined natural gas basis differential contracts and natural gas Fixed Price Contracts to 100% of forecast natural gas production, net of royalties.

In March 2016, NuVista's Board of Directors made an amendment to the commodity price risk management program, amending the terms to secure minimum prices for up to 70% of our net after royalty production for the first 18 month forward period and up to 60% for the following 18 months forward period.

During the first quarter of 2016, the commodity price risk management program resulted in a gain of \$7.8 million, consisting of a realized gain of \$11.5 million and an unrealized loss of \$3.7 million on natural gas and oil contracts compared to a gain of \$1.7 million consisting of a realized gain of \$12.3 million and an unrealized loss of \$10.6 million for the comparable period of 2015.

Price risk management gains on our physical delivery sale contracts totaled \$9.2 million for the three months ended March 31, 2016 compared to a gain of \$4.9 million comparable period of 2015. The mark to market value of the physical delivery sale contracts at March 31, 2016 was a gain of \$41.5 million; these fair values are not recorded on the financial statements but are recognized in net earnings as settled.

(a) Financial instruments

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

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

	Volume (MMbtu/d)	Pricing (US\$/MMbtu)	Term of contract
NYMEX natural gas sales price derivatives			
AECO-NYMEX basis	10,000	(\$0.66)	Apr 1, 2016 - Dec 31, 2016
AECO-NYMEX basis	20,000	(\$0.72)	Jan 1, 2017 - Sep 30, 2017
AECO-NYMEX basis	20,000	(\$0.71)	Oct 1, 2017 - Dec 31, 2017
AECO-NYMEX basis	10,000	(\$0.69)	Jan 1, 2018 - Sep 30, 2018
AECO-NYMEX basis	6,685	(\$0.68)	Oct 1, 2018 - Dec 31, 2018
Chicago-NYMEX basis	10,000	(\$0.01)	Apr 1, 2016 - Dec 31, 2016
Chicago-NYMEX basis	5,000	(\$0.05)	Jan 1, 2017 - Dec 31, 2017
Nymex fixed price swap	10,000	\$2.60	Apr 1, 2016 - Dec 31, 2016

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

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

(b) Physical delivery sales contracts

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

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

Royalties

(\$ thousands, except % and per Boe amounts)	Three months ended March 31	
	2016	2015
Gross royalties	4,564	4,177
Gas cost allowance ("GCA")	(1,493)	(1,338)
Royalties	3,071	2,839
% of revenues excluding physical delivery sales contracts	6.1	5.4
% of revenues including physical delivery sales contracts	5.1	4.9
Royalties per Boe	1.32	1.36

For the three months ended March 31, 2016, royalties were \$3.1 million, 8% higher than the \$2.8 million for the comparable period of 2015. On a total dollar basis, royalties in the first quarter of 2016 were fairly consistent with the comparable period in 2015 as higher dollars associated with increased Montney production was offset by lower royalties in our non-core areas as a result of declining production, lower commodity prices and dispositions of higher royalty rate assets.

As a percentage of revenue including physical delivery sales contracts, the reported average royalty rate for the three months ended March 31, 2016 was 5%, consistent with the comparative period of 2015, and higher than 2.2% for the fourth quarter of 2015 due to lower partner operated facility GCA credits. Wapiti Montney represents 81% of production and had an average royalty rate of 6.0% in the current quarter.

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.

In 2016, the provincial government of Alberta announced the key highlights of a proposed Modernized Royalty Framework ("MRF") that will be effective on January 1, 2017. These highlights include a permanent structure providing a 5% royalty during the pre-payout period of conventional crude oil, natural gas, and NGL resources, then a higher royalty rate after the payout period. The payout period is governed by a revenue minus cost structure which focuses upon cost reduction and efficiency while staying nearly neutral on the average rate of return for any given play when compared to the prior royalty framework. Mature wells still receive reduced royalties, and there are no changes to the royalty structure of wells drilled prior to 2017 for a 10-year period from the royalty program's implementation date. The changes are not currently expected to have a material impact on NuVista's results of operations.

Transportation expenses

(\$ thousands, except per Boe amounts)	Three months ended March 31	
	2016	2015
Transportation expense	6,358	6,713
Per Boe	2.74	3.21

Transportation expenses were \$6.4 million (\$2.74/Boe) for the three months ended March 31, 2016 as compared to \$6.7 million (\$3.21/Boe) for the comparable period of 2015, and \$2.6 million (\$1.23/Boe) for the three months ended December 31, 2015. Transportation expenses on a total dollar and per Boe basis for the three months ended March 31, 2016 decreased from the comparable period in 2015 due to the completion of a new third party liquids pipeline in April 2015. The resulting reduction in liquids trucking costs is partially offset by Alliance Pipeline transportation costs starting on December 1, 2015.

Transportation expenses increased from the fourth quarter of 2015 due to new wells brought online throughout the first quarter, and the start of a new 3 year gas transportation agreement with Alliance Pipeline effective December 1, 2015 to transport gas from Alberta to Chicago.

Operating expenses

(\$ thousands, except per Boe amounts)	Three months ended March 31	
	2016	2015
Operating expenses	24,558	22,861
Per Boe	10.59	10.94

Operating expenses were \$24.6 million (\$10.59/Boe) for the three months ended March 31, 2016 compared to \$22.9 million (\$10.94/Boe) for the comparable period of 2015 and lower than the \$24.0 million (\$11.17/Boe) for the three months ended December 31, 2015. First quarter operating expenses on a total dollar basis were higher compared to the comparable period of 2015 with an overall 10% increase in production, mainly driven from the production growth in the Wapiti Montney play, partially offset by the disposition of higher operating cost dispositions throughout 2015. On a per Boe basis, operating expenses decreased 3% primarily due to increased facility utilization, and the reduction of costs as compared to the comparative period in 2015 which had costs associated with the startup of the Elmworth compressor station. The start up of the Keyera liquids pipeline in April 2015 has reduced transportation costs but these savings are partially offset by increased Montney operating costs for the transportation of raw condensate volumes to the Keyera plant. These charges are treated as operating costs. Prior to April 2015, the majority of NuVista's condensate volumes were trucked and the charges booked as transportation expense. Compared to the prior quarter ended December 31, 2015, operating expenses on a per Boe basis decreased by 5%, consistent with a 12% increase in Wapiti Montney production, completion of a salt water disposal well resulting in reduced water hauling, and new wells with higher condensate yields resulting in lower gas gathering and processing charges.

General and administrative ("G&A")

(\$ thousands, except per Boe amounts)	Three months ended March 31	
	2016	2015
Gross G&A expenses	6,219	6,152
Overhead recoveries	(181)	(197)
Capitalized G&A	(1,629)	(706)
Net G&A expenses	4,409	5,249
Gross G&A per Boe	2.68	2.94
Net G&A per Boe	1.90	2.51

G&A, net of overhead recoveries and capitalized G&A, for the three months ended March 31, 2016 was \$4.4 million (\$1.90/Boe) compared to \$5.2 million (\$2.51/Boe) for the comparable period of 2015. Net G&A expenses for the three months ended March 31, 2016 on a total dollar basis compared to the prior year comparative period is lower due to an increase in capitalized G&A expenses. Capitalized G&A expenses have increased as a result of a change in estimated G&A expense related to capital. On a per Boe basis, costs have reduced due to the increased production in the period combined with the increase in capitalized costs.

Share-based compensation

(\$ thousands)	Three months ended March 31	
	2016	2015
Stock options	641	1,047
Restricted stock units	146	329
Restricted share awards	258	106
Total	1,045	1,482

NuVista recorded a share-based compensation charge of \$1.0 million for the three months ended March 31, 2016, down from the \$1.5 million for the comparable period in 2015. The share-based compensation charge relates to the amortization of the fair value of stock option awards and restricted share awards ("RSA") and the accrual for future payments under the restricted stock unit ("RSU") plan. The reduction in the three months ended March 31, 2016, compared to the comparable period of 2015 is a result of no RSUs being granted since 2014 resulting in a reduced number of RSUs remaining being valued at a lower share price in 2016 compared to 2015, as well as valuing stock options and RSAs in the period at a lower share price. The March 31, 2016 closing price per share was \$4.90 compared to \$7.62 for March 31, 2015, resulting in lower RSU expense in the period.

Interest expenses

(\$ thousands, except per Boe amounts)	Three months ended March 31	
	2016	2015
Interest expense	2,355	1,888
Per Boe	1.02	0.90

Interest expense for the three months ended March 31, 2016 was \$2.4 million (\$1.02/Boe) compared to \$1.9 million (\$0.90/Boe) for the same period of 2015. Interest expense for the three months ended March 31, 2016 increased compared to the same period in 2015 due to higher debt levels partially offset by a lower borrowing cost and interest rate. Average borrowing costs for the three months ended March 31, 2016 were 3.3% compared to average borrowing costs of 3.4% for the comparable period of 2015.

Funds from operations

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

(\$ thousands)	Three months ended March 31	
	2016	2015
Cash provided by operating activities	25,430	38,980
Add back:		
Asset retirement expenditures	5,047	2,343
Note receivable recovery	(350)	—
Change in non-cash working capital	161	(11,006)
Funds from operations ⁽¹⁾	30,288	30,317

⁽¹⁾ Refer to "Non-GAAP measurements".

The tables below summarize operating netbacks by area for the three months ended March 31, 2016 and 2015:

(\$ thousands, except per Boe amounts)	Three months ended March 31, 2016		Three months ended March 31, 2015	
	\$	\$/Boe	\$	\$/Boe
Oil and natural gas revenues ⁽¹⁾	59,720	25.75	57,927	27.73
Realized gain on financial derivatives	11,465	4.94	12,269	5.87
	71,185	30.69	70,196	33.60
Royalties	(3,071)	(1.32)	(2,839)	(1.36)
Transportation expenses	(6,358)	(2.74)	(6,713)	(3.21)
Operating expenses	(24,558)	(10.59)	(22,861)	(10.94)
Operating netback ⁽²⁾	37,198	16.04	37,783	18.09
General and administrative	(4,409)	(1.90)	(5,249)	(2.51)
Restricted stock units	(146)	(0.06)	(329)	(0.16)
Interest expense	(2,355)	(1.02)	(1,888)	(0.90)
Funds from operations netback ⁽²⁾	30,288	13.06	30,317	14.52

⁽¹⁾ Includes price risk management gains of \$9.2 million (2015 - \$4.9 million gain) on physical delivery sales contracts.

⁽²⁾ Refer to "Non-GAAP measurements".

For the three months ended March 31, 2016, NuVista's funds from operations were \$30.3 million (\$0.20/share, basic), consistent with \$30.3 million (\$0.22/share, basic) in the comparable period of 2015 and slightly lower than the \$32.5 million (\$0.21/share, basic) in the fourth quarter of 2015.

Environmental remediation expense

During the third quarter of 2015, NuVista identified a leak in a remote pipeline carrying oil emulsion in its non-core area of Northwest Alberta. The pipeline was immediately shut down and NuVista's emergency response plan was activated. In cooperation with local governmental regulators, first nation bands and with the assistance of qualified consultants, NuVista immediately commenced remediation and restoration activities. The Company's insurers have been notified and are currently evaluating to determine if this is an insurable event. The Company recorded \$9.3 million in environmental remediation expense which is the current best estimate of the total cost of remediation in the December 31, 2015 financial statements. To date, \$8.0 million has been spent. It is anticipated that the majority of the remaining remediation will continue to occur throughout 2016.

The provision for accrued environmental remediation liability contains significant estimates and judgments about the scope, timing and costs of the work that will be required. The assumptions and estimates used are based on current information and are subject to revision in the future as further information becomes available to the Company.

Depletion, depreciation, amortization ("DD&A")

(\$ thousands, except per Boe amounts)	Three months ended March 31	
	2016	2015
Depletion of oil and gas assets	19,958	23,356
Depreciation of fixed assets	3,493	2,597
DD&A expense	23,451	25,953
DD&A rate per Boe	10.11	12.42

DD&A expense was \$23.5 million for the first quarter of 2016 as compared to \$26.0 million for the comparable period in 2015. The average per unit cost was \$10.11/Boe in the first quarter of 2016 as compared to \$12.42/Boe for the

comparable period in 2015 and \$37.42/Boe in the fourth quarter of 2015. The Wapiti Montney DD&A rate per Boe for three months ended March 31, 2016 was \$11.18/Boe compared to \$12.57/Boe for the comparable period of 2015.

Exploration and evaluation

Exploration and evaluation expense for the first quarter of 2016 was \$nil compared to \$1.1 million in the comparable period of 2015. Exploration and evaluation expense relates to land expiries of assets held as exploration and evaluation assets.

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, 2016, NuVista has an ARO balance of \$96.2 million as compared to \$101.8 million as at December 31, 2015. The liability was discounted using a risk free discount rate of 2.0% at March 31, 2016 (December 31, 2015 – 2.2%). At March 31, 2016, the estimated total undiscounted amount of cash flow required to settle NuVista’s ARO was \$145.3 million (December 31, 2015 – \$150.8 million). The majority of the costs are expected to be incurred between 2017 and 2035. The decrease in ARO in the first quarter of 2016 is primarily a result of NuVista’s ongoing abandonment program with actual abandonment expenditures in 2016 of \$5.0 million (March 31, 2015 - \$2.3 million) This is partially offset by the addition of new wells and facilities in the year of \$0.6 million.

There are uncertainties related to asset retirement obligations and the impact on the financial statements could be material as the eventual timing and expected costs to settle these obligations could differ from our estimates. The main factors that could cause expected costs to differ are changes to laws, regulations, reserve estimates, costs and technology. Any reclamation or abandonment expenditures will generally be funded from cash flow from operating activities.

Capital expenditures

(\$ thousands)	Three months ended March 31	
	2016	2015
Exploration and evaluation assets and property plant and equipment		
Land and retention costs	35	57
Seismic	1,645	6,579
Drilling and completion	44,237	48,415
Facilities and equipment	15,250	52,250
Corporate and other	26	15
Capital expenditures	61,193	107,316

Capital expenditures were \$61.2 million during the first quarter of 2016, a decrease of \$46.1 million compared to \$107.3 million incurred in the first quarter of 2015. The majority of capital expenditures in the first quarter of 2016 was \$44.2 million (72%) relating to drilling and completion and \$15.3 million (25%) on facility and equipment, primarily related to bringing wells on production. Substantially all capital expenditures in 2016 were spent on liquids-rich natural gas projects in our Wapiti Montney core area. Capital expenditures in the first quarter of 2015 were significantly higher than the first quarter of 2016 primarily due to the construction of a compressor station at Elmworth within the Wapiti Montney core area. This compressor station was brought on line in June 2015 with ultimate through-put capacity of 80 MMcf/d of raw gas and 4,000 Bbls/d of condensate

Acquisitions and dispositions

For the three months ended March 31, 2016, there were no strategic undeveloped land acquisitions compared to \$0.6 million in the comparative period for 2015. During the first quarter of 2015, NuVista sold assets for proceeds after closing adjustments of \$0.5 million, resulting in a gain on dispositions of \$0.4 million.

Note receivable allowance (recovery)

In December 2013, NuVista disposed of assets in a non-core operating area for cash proceeds and a \$5.0 million note receivable, payable in 3 years with yearly interest payment terms. NuVista recognized a valuation allowance of \$5.2 million at December 31, 2015, valuing the note receivable at nil as a result of uncertainty on collection from the counterparty. In the first quarter of 2016, NuVista agreed to and collected a settlement amount of \$0.4 million from the counterparty.

Income taxes

For the three months ended March 31, 2016, the provision for income taxes was \$nil compared to a benefit of \$1.0 million for the comparable period of 2015. The Company derecognized its deferred income tax asset of \$9.4 million to \$nil during the third quarter of 2015 with no change for December 31, 2015 and March 31, 2016, as a result of projected future cash flows at the current commodity prices forecasts being less than the Company's total tax pools.

Net earnings (loss)

For the three months ended March 31, 2016, net earnings totaled \$2.5 million (\$0.02/share, basic) compared to a net loss of \$7.7 million (\$0.06/share, basic) for the comparable period in 2015. The recognition of net earnings for the quarter compared to a loss in the prior year comparative quarter is primarily due to lower unrealized losses on commodity derivatives, and lower DD&A expense in the current quarter.

Liquidity and capital resources

(\$ thousands)	March 31, 2016	December 31, 2015
Common shares outstanding	153,349	153,310
Share price ⁽¹⁾	4.90	4.07
Total market capitalization	751,410	623,972
Adjusted working capital deficit ⁽²⁾	25,024	23,892
Long-term debt	230,622	196,733
Debt, net of adjusted working capital ("Net debt")	255,646	220,625
Annualized current quarter funds from operations ⁽²⁾	121,152	130,176
Net debt to annualized current quarter funds from operations ⁽²⁾	2.1	1.7

⁽¹⁾ Represents the closing price on the Toronto Stock Exchange on March 31, 2016 and December 31, 2015 .

⁽²⁾ Refer to the "Non-GAAP measurements".

As at March 31, 2016, net debt was \$255.6 million, resulting in a net debt to annualized current quarter funds from operations of 2.1x. NuVista's long term strategy is to maintain a net debt to annualized current quarter funds from operations ratio of less than 1.5x. However, in periods of volatile and lower commodity prices, NuVista is willing to work to target a net debt to annualized current quarter funds from operations of around 2x. The actual ratio may fluctuate on a quarterly basis above or below target due to a number of factors including facility outages, commodity prices and the timing of acquisitions and dispositions. At March 31, 2016, NuVista had an adjusted working capital deficit of \$25.0 million. Adjusted working capital is current assets less current liabilities excluding the current portion of the fair value of the financial derivative assets of \$22.1 million. The Company believes it is appropriate to exclude these amounts when assessing financial leverage. At March 31, 2016, NuVista had drawn \$230.6 million on its credit facility leaving \$69.4 million of unused bank borrowing capacity based on the current committed credit facility of \$300.0 million.

At March 31, 2016 NuVista had a \$300.0 million (December 31, 2015 - \$300.0 million) extendible revolving term credit facility available from a syndicate of Canadian chartered banks. In April 2015, NuVista completed the annual review of its borrowing base with its lenders and the lenders approved a revolving extendible credit facility with a

maximum borrowing base of \$300.0 million as a result of increased producing reserves offset by reduced forecast commodity prices used by the 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 review of the maximum borrowing amount occurs semi-annually on October 30 and April 30. During the term period, no principal payments would be required until a year after the revolving period matures. As such, the credit facility is classified as long-term. The credit facility does not contain any financial covenants but NuVista is subject to various non-financial covenants under its credit facility. Compliance with these covenants is monitored on a regular basis and as at March 31, 2016, NuVista was in compliance with all covenants.

The revolving period matured on April 29, 2016. NuVista requested and received an extension to its annual borrowing base redetermination to June 15, 2016. There can be no assurance that there will be no changes to the borrowing base as a result of the upcoming redetermination. The next review is scheduled for October 30, 2016.

NuVista plans to monitor its 2016 business plan and adjust its capital program in the context of commodity prices and debt levels. NuVista plans to finance its 2016 capital program with funds from operating activities, any proceeds from divestitures and available bank lines.

As at March 31, 2016, there were 153.3 million common shares outstanding. In addition, there were 6.0 million stock options with an average exercise price of \$7.11 per option, 119 thousand RSUs and 368 thousand RSAs 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, 2016:

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

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.

Quarterly financial information

The following table highlights NuVista's performance for the eight quarterly reporting periods from June 30, 2014 to March 31, 2016:

(\$ thousands, except per share amounts)	2016	2015				2014		
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Production (Boe/d)	25,484	23,355	21,622	21,488	23,215	23,165	18,030	14,493
Oil and natural gas revenues	59,720	55,592	54,664	57,502	57,927	72,050	66,426	51,734
Net earnings (loss)	2,453	(69,072)	(74,837)	(21,357)	(7,659)	(42,478)	(208)	(11,837)
Net earnings (loss) Per basic and diluted share	0.02	(0.45)	(0.49)	(0.14)	(0.06)	(0.31)	—	(0.09)
Funds from operations	30,288	32,544	31,822	30,306	30,317	36,703	27,326	15,053
Per basic and diluted share	0.20	0.21	0.21	0.20	0.22	0.26	0.20	0.11

NuVista's production volumes over the past eight quarters have been increasing significantly with substantially all of the Company's capital expenditures allocated to Wapiti Montney and successful drilling and production performance in that area. Total Company production increases have been partially offset with non-core property dispositions. Over the prior eight quarters, quarterly revenue has been in a range of \$51.7 million to \$72.1 million with revenue primarily influenced by production volumes and commodity prices. Net earnings (losses) have been in a range of a net loss of \$74.8 million to net earnings of \$2.5 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 financial derivatives.

Update on regulatory matters

Environmental

In the fourth quarter of 2015, the provincial government of Alberta released its Climate Leadership Plan which will impact all consumers and businesses that contribute to carbon emissions in Alberta. This plan includes imposing carbon pricing that is applied across all sectors, starting at \$20 per tonne on January 1, 2017 and moving to \$30 per tonne on January 1, 2018, the phase-out of coal-fired power generation by 2030, a cap on oil sands emissions production of 100 megatonnes, and a 45 per cent reduction in methane emissions by the oil and gas sector by 2025. NuVista expects the Climate Leadership Plan to increase the cost of operating its properties and is currently evaluating the expected impact of this plan on its results of operations.

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 and current provincial royalty and incentive programs are contained in our Annual Information Form for the year ended December 31, 2015 under the Industry Conditions section.

Update on financial reporting matters

Future accounting changes

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers", which replaces IAS 18, "Revenue" and IAS 11, "Construction Contracts". The standard is now effective January 1, 2018 and is required to be adopted retrospectively or using a modified transition approach. The Company will be required to adopt this standard and is currently evaluating the impact this standard may have on the financial statements.

In July 2014, the IASB issued IFRS 9, “Financial Instruments” to replace IAS 39, “Financial Instruments: Recognition and Measurement”. The new standard replaces the current multiple classification and measurement models for financial asset and liabilities with a single model that has only two classification categories: amortized cost and fair value. As of January 1, 2018, the Company will be required to adopt the standard. The Company is evaluating the impact this standard may have on the financial statements.

In October 2015, the IASB voted on the effective date of IFRS 16 "Leases" which replaces IAS 17 "Leases". The IASB is expected to issue the standard. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying for IFRS 15 "Revenue from Contracts with Customers". IFRS 16 will be applied by NuVista on January 1, 2019 and the Company is currently evaluating the impact of the standard may have on the financial statements.

Disclosure controls and internal controls over financial reporting

NuVista’s President and Chief Executive Officer (“CEO”) and Vice President, Finance and Chief Financial Officer (“CFO”) are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting as defined in National Instrument 52-109. NuVista’s CEO and CFO have designed disclosure controls and procedures, or caused them to be designed under their supervision, to provide reasonable assurance that information required to be disclosed by NuVista in its 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 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 interim filings that the Company’s disclosure controls and procedures are effective.

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 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 financial statements.

NuVista has designed its internal controls over financial reporting based on the Committee of Sponsoring Organizations of the Treadway Commission (2013). During the quarter ended March 31, 2016, 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, fracturing regulations 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, 2015.

2016 Outlook: Guidance Reaffirmed

NuVista will continue to focus prudently upon our balance sheet during 2016. We are continuing as planned with a one-rig development program in the Wapiti Montney area, which has recently been reduced from two rigs. The Company's second half capital spending plans will be re-evaluated during the second quarter of 2016, and the pace of spending will be contingent on the commodity price outlook. We have significant flexibility to adjust the capital program quickly when desired, accelerating growth as commodity prices recover. We re-affirm our projected 2016 capital spending in the range of \$115 - \$135 million. We also reaffirm our production guidance for 2016 in the range of 24,500 - 25,500 Boe/d, an increase of 12% compared to 2015 average production. Our guidance for funds from operations for 2016 remains unchanged, in the range of \$100 - \$110 million. This assumes May benchmark strip pricing of US\$45.00/Boe WTI and C\$ 1.80/GJ AECO natural gas for the remainder of 2016.

Given top quality assets and a management team focused upon relentless improvement, NuVista will continue to optimize results in the current commodity price environment. We would like to thank our staff, contractors, and suppliers for their continued dedication and delivery, and we thank our board of directors and our shareholders for their guidance and support as we build an ever more valuable future for NuVista.