MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis ("MD&A") of financial conditions and results of operations should be read in conjunction with NuVista Energy Ltd.'s ("NuVista") audited consolidated financial statements for the year ended December 31, 2011. The following MD&A of financial condition and results of operations was prepared at and is dated May 4, 2012. Our December 31, 2011 audited consolidated financial statements, Annual Information Form and other disclosure documents for 2011 are available through our filings on SEDAR at **www.sedar.com** or can be obtained from our website at **www.nuvistaenergy.com**.

Basis of presentation *– Unless otherwise noted, the financial data presented below has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") also known as International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The reporting and measurement currency is the Canadian dollar. Natural gas is converted to a barrel of oil equivalent ("Boe") using six thousand cubic feet of gas to one barrel of oil. In certain circumstances natural gas liquid volumes have been converted to a thousand cubic feet equivalent ("Mcfe") on the basis of one barrel of natural gas liquids to six thousand cubic feet of gas. Boes and Mcfes may be misleading, particularly if used in isolation. A conversion ratio of one barrel to six thousand cubic feet of natural gas is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion ratio on a 6:1 basis may be misleading as an indication of value.*

Advisory regarding forward-looking information and statements *– This MD&A contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable securities laws. The use of any of the words "will", "expects", "believe", "plans", "potential" and similar expressions are intended to identify forward-looking statements. More particularly and without limitation, this MD&A contains forward looking statements, including management's assessment of: NuVista's future focus, strategy, plans, opportunities and operations; financial risk management strategy; forecast production; production mix; drilling, development, completion and tie-in plans and results; NuVista's planned capital budget; targeted debt level; the timing, allocation and efficiency of NuVista's capital program and the results therefrom; NuVista's planned divesture program; the anticipated potential and growth opportunities associated with NuVista's asset base; forecast funds from operations; expectations regarding the review of NuVista's borrowing base; the source of funding of capital expenditures; the objectives and focus of NuVista's capital program and the allocation thereof; asset retirement obligations and the amount and timing of expenditures relating to such asset retirement obligations and the source of funding thereof; estimated tax pools; NuVista's risk management strategy; expectations regarding future commodity prices, netbacks and price differentials; industry conditions; the costs to settle asset retirement obligations; anticipated accounting changes and the impact on NuVista's operations and financial position and the timing of providing additional guidance.*

Statements relating to "reserves" are also deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future. By their nature, forward-looking statements are based upon certain assumptions and are subject to numerous risks and uncertainties, some of which are beyond NuVista's control, including the impact of general economic conditions, industry conditions, current and future commodity prices, currency and interest rates, anticipated production rates, borrowing, operating and other costs and funds from operations, the timing, allocation and amount of capital expenditures and the results therefrom, anticipated reserves and the imprecision of reserve estimates, the performance of existing wells, the success obtained in drilling new wells, the sufficiency of budgeted capital expenditures in carrying out planned activities, competition from other industry participants, availability of qualified personnel or services and drilling and related equipment, stock market volatility, effects of regulation by governmental agencies including changes in environmental regulations, tax laws and royalties; the ability to access sufficient capital from internal sources and bank and equity markets; and including, *without limitation, those risks considered under "Risk Factors" in our Annual Information Form. 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 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. All references to funds from operations throughout this MD&A are based on cash flow from operating activities before changes in non-cash working capital and asset retirement expenditures. Trailing twelve months funds from operations is calculated as cash flow from operating activities before changes in non-cash working capital and asset retirement expenditures for the preceding twelve month period. Funds from operations per share is calculated based on the weighted average number of common shares outstanding consistent with the calculation of net earnings (loss) per share. Funds from operations netbacks equal total revenues including realized commodity derivative gains/losses less royalties, transportation, operating costs, general and administrative, restricted stock unit, restricted share award, interest expense and cash taxes. Management also uses operating netbacks to analyze operating performance and adjusted working capital to analyze leverage. Adjusted net earnings (loss) is calculated as net earnings (loss) excluding non-recurring or non-cash items that management believes reduces the comparability of the NuVista's financial performance between periods. Thereafter tax items include, but are not limited to unrealized gains/losses on commodity derivatives, impairments and impairment reversals, goodwill impairments, gains/losses on divestures and the effect of changes in statutory income tax rate. Operating netbacks and adjusted working capital as presented, do not have any standardized meaning prescribed by 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. 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, 2012, NuVista drilled 11 (9.0 net) wells resulting in six (5.0 net) oil wells, four (3.0 net) natural gas wells and one (1.0 net) dry hole. NuVista drilled four (3.0 net) heavy oil wells at Hallam South in West Central Saskatchewan, two (2.0 net) oil wells in Provost and four (3.0 net) gas wells in Wapiti. In our Wapiti operating area we drilled two (2.0 net) Montney wells and two (1.0 net) Falher wells. NuVista operated nine of the wells drilled and had an average working interest of 82% in the wells.

Production

	Three months ended March 31,		
	2012	2011	% Change
Natural gas (Mcf/d)	**105,457**	107,360	(2)
Liquids (Bbls/d)	**3,196**	3,094	3
Oil (Bbls/d)	**4,477**	5,091	(12)
Total oil equivalent (Boe/d)	**25,250**	26,078	(3)

For the three months ended March 31, 2012, NuVista's average production was 25,250 Boe/d, comprised of 105.5 MMcf/d of natural gas, 3,196 Bbls/d of associated natural gas liquids ("liquids") and 4,477 Bbls/d of oil, which is consistent with fourth quarter of 2011 average production of 25,306 Boe/d and a 3% decrease compared to the same period in 2011. The decrease in NuVista's production during the three months ended March 31, 2012 compared to the same period in 2011 was primarily due to natural production declines and property dispositions in 2011 offset by increased gas and liquids production from the Pembina area.

Oil and liquids weighting in the first quarter of 2012 was 30% consistent with the same period in 2011 of 31% but slightly lower than the fourth quarter of 2011 primarily due to initial decline rates on our Zoller Lake heavy oil wells. The oil and liquids production and weighting reflects our continued focus on higher netback oil and liquids-rich natural gas projects. Of our liquids production, 60% was condensate that sells at a premium to light oil and 34% was butane and propane.

Commodity prices

Benchmark pricing

	Three months ended March 31,		
	2012	2011	% Change
Natural gas – AECO (daily) ($/GJ)	**2.03**	3.56	(43)
Natural gas – AECO (monthly) ($/GJ)	**2.39**	3.58	(33)
Oil – WTI (US$/Bbl)	**102.93**	94.10	9
Oil – Edmonton Par price (Cdn$/Bbl)	**92.43**	83.53	11
Exchange rate (Cdn$/US$)	**0.9988**	0.9860	1

The industry Western Canadian Select ("WCS") discount to WTI averaged US$21.42/Bbl in the first quarter of 2012. This compares to a discount of US$23.06/Bbl in the same period in 2011 and $10.48/Bbl in the fourth quarter of 2011. The industry Edmonton par discount to WTI in the first quarter of 2012 averaged US$10.53/Bbl. This compares to a discount of $4.86/Bbl in the same period in 2011 and as premium of $1.45/Bbl in the fourth quarter of 2011.

Average selling prices (1)

	Three months ended March 31,		
	2012	2011	% Change
Natural gas ($/Mcf)	**2.47**	3.99	(38)
Liquids ($/Bbl)	**66.17**	58.66	13
Oil ($/Bbl)	**75.74**	72.69	4

(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. During this declining and uncertain natural gas price environment, NuVista has been selling the majority of its gas based on AECO monthly pricing to reduce pricing uncertainty. The AECO daily index averaged $2.03/GJ for the first quarter of 2012 and the monthly index averaged $2.39/GJ. This compares to $3.56/GJ and $3.58/GJ respectively for the same period of 2011. NuVista's average selling price for gas in the first quarter of 2012 was $2.47/Mcf compared to $3.99/Mcf for the first quarter of 2011. The higher heat content of NuVista's gas stream is reflected in the higher realization on an Mcf basis. NuVista has recently entered into additional natural gas price risk management contracts for the remainder of 2012 to reduce its downside price risk in an uncertain and currently over supplied North American natural gas environment.

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 WCS heavy oil benchmark. WTI prices were 9% higher in the first quarter of 2012 compared to the first quarter of 2011. Stronger condensate prices resulted in lower heavy oil prices on a relative basis as blending costs increased. Realized oil prices were up 4% in the first quarter of 2012 compared to the same period of 2011, lower than the 9% increase in WTI prices. During the first quarter of 2012 the industry experienced widening light oil and heavy oil discounts to WTI crude oil. NuVista's exposure to the widening heavy oil discounts was mitigated by price risk management contracts that have fixed the heavy oil differential at $13.85/Bbl for 3,000 Bbls/d for the first half 2012. The outlook for light oil and heavy oil discounts to WTI crude oil is uncertain but there is an expectation that they will be lower for the remainder of 2012.

Natural gas liquids include condensate, butane, propane and ethane. Condensate prices are highly correlated to light oil prices and ethane prices are highly correlated to natural gas prices. Propane and butane trade at varying discounts to light oil prices depending on market conditions. NuVista realized an average price of $66.17/Bbl for liquids sales in the first quarter of 2012 representing approximately an 13% increase over the same period of 2011. This increase was due to NGL prices strengthening relative to WTI and a greater proportion of liquids production weighted toward condensate.

Revenues

	Three months ended March 31,					
($ thousands, except per unit amounts)	**2012**		2011		% Change	
Natural gas	$	$/Mcf	$	$/Mcf	$	$/Mcf
Revenue	**23,749**	**2.47**	38,594	3.99	(38)	(38)
Realized gain (loss) on commodity derivatives	**(809)**	**(0.08)**	256	0.03	(416)	(367)
Total natural gas	**22,940**	**2.39**	38,850	4.02	(41)	(41)
Liquids	$	$/Bbl	$	$/Bbl	$	$/Bbl
Revenue	**19,246**	**66.17**	16,335	58.66	18	13
Realized gain (loss) on commodity derivatives	**-**	**-**	-	-	-	-
Total liquids	**19,246**	**66.17**	16,335	58.66	18	13
Oil	$	$/Bbl	$	$/Bbl	$	$/Bbl
Revenue	**30,860**	**75.74**	33,308	72.69	(7)	4
Realized gain (loss) on commodity derivatives	**(2,042)**	**(5.01)**	(3,214)	(7.01)	(36)	(29)
Total oil	**28,818**	**70.73**	30,094	65.68	(4)	8
Total	$	$/Boe	$	$/Boe	$	$/Boe
Revenue	**73,856**	**32.14**	88,237	37.59	(16)	(14)
Realized gain (loss) on commodity derivatives	**(2,851)**	**(1.24)**	(2,958)	(1.26)	(4)	(2)
Total revenue	**71,005**	**30.90**	85,279	36.33	(17)	(15)

For the three months ended March 31, 2012, revenues including realized commodity derivative gains and losses were $71.0 million, a 17% decrease from $85.3 million for the same period in 2011 and a decrease of 24% or $22.2 million compared to the fourth quarter of 2011. The decline in revenue compared to the fourth quarter of 2011, reflects lower natural gas prices and wider Edmonton par and WCS discounts to WTI.

The decrease in revenues for the three months ended March 31, 2012 compared to the same period of 2011 is primarily due to a 3% decrease in production volumes and a 15% decrease in overall realized prices. Revenues were comprised of $22.9 million of natural gas revenue, $19.2 million of liquids revenue and $28.8 million of oil revenue. The decrease in average realized commodity prices is comprised of a 41% decrease in the natural gas price to $2.39/Mcf from $4.02/Mcf, a 13% increase in the liquids price to $66.17/Bbl from $58.66/Bbl and an 8% increase in the oil price to $70.73/Bbl from $65.68/Bbl.

Commodity price risk management

	Three months ended March 31,					
($ thousands)		**2012**			2011	
	Realized Gain (Loss)	**Unrealized Gain (Loss)**	**Total Gain (Loss)**	Realized Gain (Loss)	Unrealized Gain (Loss)	Total Gain (Loss)
Natural gas	**(809)**	**573**	**(236)**	256	(841)	(585)
Oil	**(2,042)**	**3,016**	**974**	(3,214)	(3,984)	(7,198)
Total gain (loss)	**(2,851)**	**3,589**	**738**	(2,958)	(4,825)	(7,783)

NuVista has adopted 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 the 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. Both commodity derivative and physical sale contracts are entered into to achieve NuVista's price risk management objectives.

For the three months ended March 31, 2012, the commodity price risk management program resulted in a gain of $0.7 million, consisting of realized losses of $2.9 million and unrealized gains of $3.6 million on natural gas and oil contracts. As at March 31, 2012, the mark-to-market value of the financial derivative commodity contracts was a net liability of $12.0 million.

As at March 31, 2012, the mark-to-market value of the physical purchase and sale contracts was a gain of $2.1 million (March 31, 2011 – $0.8 million gain).

(a) Financial instruments

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

	Volume	**Pricing**	**Premium**	**Remaining term**
WTI crude oil contracts				
Fixed price swap	3,250 Bbls/d	Cdn $88.65/Bbl		Apr 1, 2012 - Jun 30, 2012
Fixed price swap	2,250 Bbls/d	Cdn $84.72/Bbl		Jul 1, 2012 - Sep 30, 2012
Fixed price swap	2,250 Bbls/d	Cdn $84.72/Bbl		Oct 1, 2012 - Dec 31, 2012
Fixed price swap	1,250 Bbls/d	Cdn $86.62/Bbl		Jan 1, 2013 - Mar 31, 2013
Put option	250 Bbls/d	Cdn $108.70/Bbl	Cdn $6.58/Bbl	Apr 1, 2012 - Jun 30, 2012
Put option	500 Bbls/d	Cdn $107.65/Bbl	Cdn $6.55/Bbl	Jul 1, 2012 - Sep 30, 2012
WTI heavy oil differential contracts				
WCS differential	3,000 Bbls/d	US $(13.85)/Bbl		Apr 1, 2012 - Jun 30, 2012
NYMEX natural gas contracts				
AECO differential	20,000 MMbtu/d	US $(0.59)/MMbtu		Apr 1, 2012 - Oct 31, 2012

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

	Volume	Pricing	Premium	Remaining term
WTI crude oil contracts				
Put option	250 Bbls/d	Cdn $104.80/Bbl	Cdn $6.83/Bbl	May 1, 2012 - Apr 30, 2013

(b) Physical purchase and sale contracts

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

	Volume	Pricing	Remaining term
Natural gas contracts			
AECO fixed price swap	5,000 GJ/d	Cdn $3.41/GJ	Apr 1, 2012 – Nov 30, 2012
Electricity contracts			
Fixed price	4.0 Mwh	Cdn $65.64/Mwh	Apr 1, 2012 – Dec 31, 2013

Subsequent to March 31, 2012 the following physical and sale contract has been entered into:

	Volume	Pricing	Remaining term
Natural gas contracts			
Collars	55,000 GJ/d	Cdn $1.70/GJ – $2.04/GJ	Jul 1, 2012 – Dec 31, 2012

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

Royalties

	Three months ended March 31,	
(Percentage)	**2012**	2011
Natural gas and liquids	**14**	15
Oil	**14**	13
Weighted average rate	**14**	14

For the three months ended March 31, 2012, royalties were $10.2 million, 18% lower than the $12.4 million for the same period of 2011. The decrease in royalties for three months ended March 31, 2012 compared to the same period in 2011 is largely due to first quarter production additions being subject to crown royalty incentives and gas cost allowance adjustments.

Average royalty rates by product for the three months ended March 31, 2012 were 14% for natural gas and liquids and 14% for oil compared to 15% for natural gas and liquids and 13% for oil for the same period in 2011. Excluding the impact of gas cost allowance adjustments, the average royalty rate for natural gas and liquids for the three months ended March 31, 2012 was 21%. As a percentage of revenue, the reported average royalty rate for the three months ended March 31, 2012 was 14% which is consistent with 14% for the comparative period of 2011.

Transportation – Transportation costs were $1.7 million ($0.73/Boe) for the three months ended March 31, 2012 as compared to $1.9 million ($0.83/Boe) for the same period of 2011. The transportation costs for the first quarter of 2012 were lower compared to the same period in 2011 due to higher transportation costs incurred in 2011 associated with increased oil production in West Central Saskatchewan and lower pipeline rates incurred in 2012.

Operating – Operating expenses were $26.4 million ($11.50/Boe) for the three months ended March 31, 2012 as compared to $27.0 million ($11.50/Boe) for the same period of 2011. For the three months ended March 31, 2012, natural gas and liquids operating expenses averaged $1.73/Mcfe and oil operating expenses were $16.75/Bbl as compared to $1.76/Mcfe and $15.46/Bbl respectively for the same period of 2011. As compared to the fourth quarter of 2011, first quarter operating expenses decreased due to one-time charges incurred in the first quarter of 2011 and continued focus on managing operating costs.

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

	Natural gas and liquids		Oil		Total	
($ thousands, except per unit amounts)	$	$/Mcfe	$	$/Bbl	$	$/Boe
Revenue	42,996	3.79	30,860	75.74	73,856	32.14
Realized gain (loss) on commodity derivatives	(809)	(0.07)	(2,042)	(5.01)	(2,851)	(1.24)
	42,187	3.72	28,818	70.73	71,005	30.90
Royalties	(5,931)	(0.52)	(4,231)	(10.38)	(10,162)	(4.42)
Transportation costs	(1,105)	(0.10)	(573)	(1.41)	(1,678)	(0.73)
Operating costs	(19,588)	(1.73)	(6,825)	(16.75)	(26,413)	(11.50)
Operating netback[1]	15,563	1.37	17,189	42.19	32,752	14.25

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

For the first quarter of 2012, operating netback was $15.6 million ($1.37/Mcfe) for natural gas and liquids and $17.2 million ($42.19/Bbl) for oil compared to an operating netback of $25.8 million ($2.27/Mcfe) for natural gas and liquids and ($39.58/Bbl) for oil in the same period of 2011. The decrease in operating netback for natural gas and liquids was due to decreases in natural gas prices.

General and administrative

	Three months ended March 31,	
($ thousands, except per unit amounts)	**2012**	2011
Gross general and administrative expenses	**6,736**	6,180
Overhead recoveries	**(1,470)**	(1,270)
Net general and administrative expenses	**5,266**	4,910
Per Boe	**2.29**	2.09

General and administrative expenses, net of overhead recoveries, for the three months ended March 31, 2012 were $5.3 million ($2.29/Boe) compared to $4.9 million ($2.09/Boe) in the same period of 2011. General and administrative expenses for the first quarter of 2012 was comparable to the same period in 2011.

Share-based compensation

	Three months ended March 31,	
($ thousands)	**2012**	2011
Stock options	**1,109**	1,096
Restricted stock units	**192**	509
Restricted share awards	**175**	-
Total	**1,476**	1,605

NuVista recorded a share-based compensation charge of $1.5 million for the three months ended March 31, 2012 compared to $1.6 million for the same period in 2011. The share-based compensation charge relates to the amortization of the fair value of stock option awards and restricted share awards and the accrual for future payments under the restricted stock unit incentive plan.

Interest – Interest expense for the three months ended March 31, 2012 was $3.2 million ($1.38/Boe) compared to $5.2 million ($2.21/Boe) for the same period of 2011. Interest expense for the three months ended March 31, 2012 decreased compared to the same period in 2011 due to lower debt levels and decreased margins incurred. For the three months ended March 31, 2012, borrowing costs averaged 3.7% compared to 4.4% in the same period of 2011. Currently, NuVista's average borrowing rate is approximately 3.7%. Cash paid for interest for the three months ended March 31, 2012 was $3.2 million (March 31, 2011 – $5.9 million).

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

	Three months ended March 31,	
($ thousands, except per unit amounts)	**2012**	2011
Depletion of oil and gas assets[1]	**32,619**	34,145
Depreciation of fixed assets	**1,834**	4,553
Total DD&A	**34,453**	38,698
DD&A rate per Boe	**14.99**	16.49

[1] Includes depletion of the capitalized portion of the asset retirement obligations that were capitalized to the property, plant and equipment balance and are being depleted over the life of the reserves.

Depletion, depreciation and amortization ("DD&A") expenses were $34.5 million ($14.99/Boe) for the first quarter of 2012 as compared to $38.7 million ($16.49/Boe) for the same period in 2011. Per unit costs in the first quarter of 2012 decreased from the same period in 2011 due primarily to the impairment of the net book value of property, plant and equipment of $147.7 million in the fourth quarter of 2011. Based on an assessment of indicators of impairment performed at March 31, 2012, an impairment test was not required.

Goodwill – Goodwill was recorded from various business acquisitions and was determined based on the excess of total consideration paid less the fair value of the assets and liabilities acquired. IFRS standards require that the goodwill balance be assessed for impairment at least annually or more frequently if events or changes in circumstances indicate that the balance might be impaired. An impairment test was not required to be performed on March 31, 2012.

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, 2012, NuVista recorded an ARO of $166.3 million as compared to $174.7 million as at December 31, 2011. The majority of the decrease is due to an increase in the risk free discount rate to 2.66% at March 31, 2012 from 2.49% at December 31, 2011. At March 31, 2012, the estimated total undiscounted amount of cash flow required to settle NuVista's ARO is $267.4 million (December 31, 2011 – $267.3 million), which is estimated to be incurred over the next 51 years. The majority of the costs are expected to be incurred between 2013 and 2031.

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

Income taxes – For the three months ended March 31, 2012, the provision for income and other taxes was a recovery of $0.6 million compared to a recovery of $2.9 million for the same period in 2011. The decrease in recovery for the quarter ended March 31, 2012 compared to a recovery in 2011 was primarily attributable to an increase in income after adjusting for non-deductible tax items in the period.

Capital expenditures

($ thousands)	Three months ended March 31, 2012	2011
Exploration and development		
Land and retention costs	**272**	1,693
Seismic	**1,399**	1,870
Drilling and completion	**31,458**	31,994
Facilities and equipment	**18,611**	7,136
Corporate and other	**107**	91
Subtotal	**51,847**	42,784
Alberta drilling incentive credits	**-**	(3,070)
Subtotal	**51,847**	39,714
Property acquisitions	**1,016**	62
Net capital expenditures	**52,863**	39,776

Capital expenditures were $52.9 million during the first quarter of 2012, consisting of $51.8 million of exploration and development spending and $1.0 million in minor property acquisitions. This compares to $39.8 million incurred for the first quarter of 2011, consisting of $39.7 million of exploration and development spending and a $0.1 million minor property acquisitions. The majority of the capital expenditures in the first quarter were spent on oil and liquids-rich natural gas projects.

Net earnings (loss) – For the three months ended March 31, 2012, net loss totaled $3.1 million ($0.03/share, basic) compared to net loss of $9.6 million ($0.10/share, basic) for the same period in 2011. The net loss for the period ended March 31, 2012 was attributable to lower natural gas prices offset by a gain on property dispositions of $6.8 million.

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

($ thousands)	Three months ended March 31, 2012	2011
Net earnings (loss)	**(3,147)**	(9,590)
Deduct (add back):		
Unrealized gain (loss) on commodity derivatives, after tax	**2,680**	(3,603)
Gain (loss) on divestitures, after tax	**5,071**	1,105
Adjusted net earnings (loss)[1]	**(10,898)**	(7,092)
Per basic share	**(0.11)**	(0.08)
Per diluted share	**(0.11)**	(0.08)

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

Funds from operations – For the three months ended March 31, 2012, NuVista's funds from operations were $24.1 million ($0.24/share, basic), a 28% decrease from $33.3 million ($0.36/share, basic) for the three months ended March 31, 2011. Funds from operations for the three months ended March 31, 2012 were lower compared with the same period in 2011 as higher oil and liquids prices and lower royalty costs were offset by lower natural gas prices and lower production levels. Funds from operations for the three months ended March 31, 2012 decreased 50% from funds from operations of $48.5 million for the three months ended December 31, 2011. This decrease was primarily due to lower natural gas prices and wider Edmonton par and WCS discounts to WTI.

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

	Three months ended March 31,	
($ thousands)	**2012**	2011
Cash provided by operating activities	**15,961**	23,594
Add back:		
Asset retirement expenditures	**10,824**	3,398
Change in non-cash working capital	**(2,661)**	6,307
Funds from operations[1]	**24,124**	33,299

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

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

	Three months ended March 31,					
($ thousands, except per unit amounts)	**2012**		2011		% Change	
	$	$/Boe	$	$/Boe	$	$/Boe
Revenue	**73,856**	**32.14**	88,237	37.59	(16)	(14)
Realized gain (loss) on commodity derivatives	**(2,851)**	**(1.24)**	(2,958)	(1.26)	(4)	(2)
	71,005	**30.90**	85,279	36.33	(17)	(15)
Royalties	**(10,162)**	**(4.42)**	(12,418)	(5.29)	(18)	(16)
Transportation	**(1,678)**	**(0.73)**	(1,942)	(0.83)	(14)	(12)
Operating costs	**(26,413)**	**(11.50)**	(27,003)	(11.50)	(2)	-
Operating netback	**32,752**	**14.25**	43,916	18.71	(25)	(24)
General and administrative	**(5,266)**	**(2.29)**	(4,910)	(2.09)	7	10
Restricted stock units	**(192)**	**(0.08)**	(509)	(0.22)	(62)	(64)
Interest	**(3,170)**	**(1.38)**	(5,198)	(2.21)	(39)	(38)
Funds from operations netback[1]	**24,124**	**10.50**	33,299	14.19	(28)	(26)

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

Liquidity and capital resources

($ thousands)	**March 31, 2012**	December 31, 2011
Common shares outstanding	**99,513**	99,513
Share price[1]	**3.69**	5.24
Total market capitalization	**367,203**	521,448
Adjusted working capital (surplus) deficit[2]	**19,089**	17,360
Bank debt	**317,964**	289,431
Debt, net of adjusted working capital ("Net Debt")	**337,053**	306,791
Trailing 12 months funds from operations[2]	**154,844**	164,019
Net debt to trailing 12 months funds from operations	**2.2**	1.9
Net debt as a percentage of total capitalization	**92%**	59%

[1] Represents the closing price on the TSX on March 31, 2012 and December 31, 2011.
[2] Refer to the "non-GAAP measurements".

As at March 31, 2012, debt net of adjusted working capital was $337.1 million, resulting in a net debt to the trailing twelve months funds from operations ratio of 2.2:1. NuVista's strategy is to target a net debt to trailing twelve months funds from operations of less than 2.0:1. The actual ratio may fluctuate on a quarterly basis above or below target due to a number of factors including timing of acquisitions, dispositions and commodity prices. At March 31, 2012, NuVista had an adjusted working capital deficit of $19.1 million. Adjusted working capital excludes the current portion of the fair value of the commodity derivative liabilities of $12.0 million. We believe it is appropriate to exclude this amount when assessing financial leverage. At March 31, 2012, NuVista had drawn $318 million on the facility leaving $122.0 million of unused bank borrowing capacity based on the current credit facility of $440 million.

As of March 31, 2012, NuVista had a $440 million extendible revolving term credit facility available from a syndicate of Canadian chartered banks. Borrowing under the credit facility may be made by prime loans, bankers' acceptances and/or US libor advances. These advances bear interest at the bank's prime rate and/or at money market rates plus a borrowing margin. The credit facility is secured by a first floating charge debenture, general assignment of book debts and NuVista's oil and natural gas properties and equipment. The credit facility has a 364-day revolving period and is subject to an annual review by the lenders, at which time a lender can extend the revolving period or can request conversion to a one year term loan. During the revolving period, a determination of the maximum borrowing amount occurs semi-annually on approximately October 31. On April 30, 2012, the annual review process was completed and NuVista was granted a reduction in its borrowing base from $440 million to $380 million. NuVista is pursuing several alternatives to manage its financial flexibility during this period of lower natural gas prices and cash flow, including the reduction of capital expenditures and the disposition of non-strategic assets. During the term period, no principal payments would be required until April 29, 2014. As such, this credit facility is classified as long-term.

At March 31, 2012, NuVista's bank debt net of adjusted working capital increased to $337.1 million compared to $306.8 million at December 31, 2011. Improving NuVista's financial flexibility and reducing debt levels continues to be a priority in 2012. During the quarter, NuVista constrained capital expenditures and completed minor property dispositions for total cash consideration of $6.8 million.

As at March 31, 2012, there were 99.5 million common shares outstanding. In addition, there were 6.4 million stock options outstanding, with an average exercise price of $9.98 per option. As of April 30, 2012, 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, 2012:

	Total	2012	2013	2014	2015	2016	Thereafter
Transportation	**$ 8,048**	$2,213	$ 2,433	$2,009	$1,176	$ 188	$ 29
Office lease	**14,065**	2,226	2,435	2,433	2,428	2,478	2,065
Physical power	**4,025**	1,725	2,300	-	-	-	-
Long-term debt [1]	**317,964**	-	317,964	-	-	-	-
Total commitments	**$344,102**	$6,164	$325,132	$4,442	$3,604	$2,666	$2,094

[1] Subsequent to March 31, 2012, a new credit facility agreement was entered into in April 30, 2012 no principal payment would be required until April 29, 2014.

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, 2010 to March 31, 2012:

($ thousands, except	2012	2011				2010		
per share amounts)	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Production (Boe/d)	**25,250**	25,306	25,360	25,488	26,078	28,165	28,244	28,512
Revenue	**73,856**	96,578	88,700	95,719	88,237	89,552	88,733	89,524
Net earnings (loss)	**(3,147)**	(158,462)	1,807	22,445	(9,590)	(20,965)	(18,194)	(6,417)
Net earnings (loss)								
Per basic share	**(0.03)**	(1.59)	0.02	0.23	(0.10)	(0.24)	(0.21)	(0.07)
Per diluted share	**(0.03)**	(1.59)	0.02	0.23	(0.10)	(0.24)	(0.21)	(0.07)

NuVista has seen production volumes in a range of 25,250 Boe/d to 28,512 Boe/d for the last eight quarters. NuVista's production volumes remained flat at 25,250 Boe/d due to natural production declines and an increased emphasis on oil and liquids-rich natural gas projects which add more value but added Boe/d production more slowly. Over the prior eight quarters, quarterly revenue has been in a range of $73.9 million to $96.6 million with revenue primarily influenced by production volumes and commodity prices. Net earnings have been in a range of a net loss of $158.5 million to net earnings of $22.4 million with earnings primarily influenced by production volumes, impairments, gains and losses from disposal of assets, 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.

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

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

(d) ***Depletion, depreciation, amortization and impairment*** – Property, plant and equipment is measured at cost less accumulated depletion, depreciation, amortization and impairment losses. The net carrying value of property, plant and equipment and estimated future development costs is depleted using the unit-of-production method based on estimated proved and probable reserves. Changes in estimated proved and probable reserves or future development costs have a direct impact in the calculation of depletion expense.

NuVista is required to use judgment when designating the nature of oil and gas activities as exploration and evaluation assets or development and production assets within property, plant and equipment. Exploration and evaluation assets and development and production assets are aggregated into CGUs based on their ability to generate largely independent cash flows. The allocation of NuVista's assets into CGUs requires significant judgment with respect to use of shared infrastructure, existence of active markets for NuVista's products and the way in which management monitors operations.

Exploration and evaluation expenditures relating to activities to explore and evaluate oil and natural gas properties are initially capitalized and include costs associated with the acquisition of licenses, technical services and studies, seismic acquisition, exploration drilling and testing, directly attributable overhead and administration expenses, and costs associated with retiring the assets. Exploration and evaluation assets are carried forward until technical feasibility and commercial viability of extracting a mineral resource is determined. Technical feasibility and commercial viability of extracting a mineral resource is considered to be determined when proved and/or probable reserves are determined to exist. E&E assets are tested for impairment when facts and circumstances suggest that the carrying amount of E&E assets may exceed their recoverable amount, by comparing the relevant costs to the fair value of CGUs, aggregated at the segment level. The determination of the fair value of CGUs requires the use of assumptions and estimates including quantities of recoverable reserves, production quantities, future commodity prices and development and operating costs. Changes in any of these assumptions, such as a downward revision in reserves, decrease in commodity prices or increase in costs, could impact the fair value.

NuVista assesses property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset or group of assets may not be recoverable. If any such indication of impairment exists, NuVista performs an impairment test related to the specific CGU. The determination of fair value of CGUs requires the use of assumptions and estimates including quantities of recoverable reserves, production quantities, future commodity prices and development and operating costs. Changes in any of these assumptions, such as a downward revision in reserves, decrease in commodity prices or increase in costs, could impact the fair value.

(e) ***Asset retirement obligations*** – The asset retirement obligations are estimated based on existing laws, contracts or other policies. The fair value of the obligation is based on estimated future costs for abandonments and reclamations discounted at a risk free rate. The costs are included in property, plant and equipment and amortized over its useful life. The liability is adjusted each reporting period to reflect the passage of time, with the accretion expense charged to net earnings, and for revisions to the estimated future cash flows. By their nature, these estimates are subject to measurement uncertainty and the impact on the consolidated financial statements could be material.

(f) ***Income taxes*** – The determination of income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after the lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from that estimated and recorded.

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

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

Update on regulatory matters

Environmental – There are no new material environmental initiatives impacting NuVista at this time.

Internal control reporting

NuVista's President and Chief Executive Officer ("CEO") and Vice President, Finance and Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting as defined in National Instrument 52-109. NuVista's CEO and CFO have designed disclosure controls and procedures, or caused them to be designed under their supervision, to provide reasonable assurance that information required to be disclosed by NuVista in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by NuVista in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to NuVista's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure. The CEO and CFO have concluded, based on their evaluation as of the end of the period covered by the interim filings that the Company's disclosure controls and procedures are effective to provide reasonable assurance that material information related to NuVista, is made known to them by others within the Company.

The CEO and CFO have also designed internal controls over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of NuVista's financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that: (a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of NuVista; (b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements in accordance with GAAP, and that receipts and expenditures of NuVista are being made only in accordance with authorizations of management and directors of NuVista; and (c) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of NuVista's assets that could have a material effect on the 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, 2012, there have been no changes to NuVista's internal controls over financial reporting that have materially or are reasonably likely to materially affect the internal controls over financial reporting; the CEO and CFO have concluded that the internal controls over financial reporting are effective.

Because of their inherent limitations, disclosure controls and procedures and internal control over financial reporting may not prevent or detect misstatements, error or fraud. Control systems, no matter how well conceived or operated, can provide only reasonable, not absolute assurance, that the objectives of the control system are met.

Assessment of business risks

The following are the primary risks associated with the business of NuVista. Most of these risks are similar to those affecting others in the conventional oil and natural gas sector. NuVista's financial position and results of operations are directly impacted by these factors:

- Operational risk associated with the production of oil and natural gas;
- Reserves risk with respect to the quantity and quality of recoverable reserves;
- Commodity risk as crude oil and natural gas prices fluctuate due to market forces;
- Financial risk such as volatility of the Cdn/US dollar exchange rate, interest rates and debt service

obligations;

- Risk associated with the re-negotiation of NuVista's credit facility and the continued participation of NuVista's lenders;
- Market risk relating to the availability of transportation systems to move the product to market;
- Environmental and safety risk associated with well operations and production facilities;
- Changing government regulations relating to royalty legislation, income tax laws, incentive programs, operating practices and environmental protection relating to the oil and natural gas industry; and
- Labour risks related to availability, productivity and retention of qualified personnel.

NuVista seeks to mitigate these risks by:

- Acquiring properties with established production trends to reduce technical uncertainty as well as undeveloped land with development potential;
- Maintaining a low cost structure to maximize product netbacks and reduce impact of commodity price cycles;
- Diversifying properties to mitigate individual property and well risk;
- Maintaining product mix to balance exposure to commodity prices;
- Conducting rigorous reviews of all property acquisitions;
- Monitoring pricing trends and developing a mix of contractual arrangements for the marketing of products with creditworthy counterparties;
- Maintaining a price risk management program to manage commodity prices and foreign exchange currency rates risk and transacting with creditworthy counterparties;
- Ensuring strong third-party operators for non-operated properties;
- Adhering to NuVista's safety program and keeping abreast of current operating best practices;
- Keeping informed of proposed changes in regulations and laws to properly respond to and plan for the effects that these changes may have on our operations;
- Carrying industry standard insurance to cover losses;
- Establishing and maintaining adequate cash resources to fund future abandonment and site restoration costs;
- Closely monitoring commodity prices and capital programs to manage financial leverage; and
- Monitoring the bank and equity markets to understand how changes in the capital market may impact NuVista's business plan.

Information regarding risk factors associated with the business of NuVista and how NuVista seeks to mitigate these risks will be contained in our Annual Information Form under the Risk Factors Section for the year ended December 31, 2011.

OUTLOOK

NuVista's production guidance for first the half of 2012 is unchanged at 24,500 Boe/d to 25,500 Boe/d despite minor divestitures and the shut-in of approximately 200 Boe/d of dry natural gas. Capital spending is forecast at the lower end of our previous guidance range of between $70 million and $80 million. Funds from operations for the first half of 2012 are forecast at approximately $40 million based on a forecast AECO natural gas price of $2.05/Mcf, WTI oil price of US$104.00/Bbl and incorporating our price risk management contracts. The first half capital budget is planned to modestly exceed funds from operations due to the busy winter drilling season however, as mentioned earlier, proceeds of asset dispositions are expected to make up any cash flow shortfall with $9 million already achieved year to date.

NuVista's disciplined deployment of capital on its material key plays, while maintaining a prudent focus on the balance sheet, has resulted in significant shareholder value creation over the past year and will lead to continued value creation over the long term. Over the next few months, additional production data from our Wapiti wells, the results from the various alternatives being pursued to access additional capital, and the outlook for natural gas prices is expected to provide clarity on our future growth plans. With a talented and motivated workforce and a business strategy focused on discipline, execution and profitability, we look forward to updating you on the progress in this value creation process as we move through 2012. Specific guidance for the second half of 2012 spending will be provided later in the second quarter when the items noted above have been brought to fruition.