

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis ("MD&A") of financial conditions and results of operations should be read in conjunction with NuVista Energy Ltd.'s ("NuVista") unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2013 and NuVista's audited consolidated financial statements for the year ended December 31, 2012. The following MD&A of financial condition and results of operations was prepared at and is dated August 9, 2013. Our December 31, 2012 audited consolidated financial statements, Annual Information Form and other disclosure documents for 2012 are available through our filings on SEDAR at www.sedar.com or can be obtained from our website at www.nuvistaenergy.com.

Basis of presentation – Unless otherwise noted, the financial data presented below has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") also known as International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The reporting and measurement currency is the Canadian dollar. Natural gas is converted to a barrel of oil equivalent ("Boe") using six thousand cubic feet of gas to one barrel of oil. In certain circumstances natural gas liquid volumes have been converted to a thousand cubic feet equivalent ("Mcf") on the basis of one barrel of natural gas liquids to six thousand cubic feet of gas. Boes and Mcfs 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; future Wapiti Montney operating costs; forecast production; production mix; drilling and development plans; NuVista's planned capital budget; 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; forecast funds from operations; 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; targeted debt levels; expectations regarding future commodity prices, netbacks and price differentials; industry conditions; anticipated accounting changes and the impact on NuVista's operations and financial position. Statements relating to "reserves" are also deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future. By their nature, forward-looking statements are based upon certain assumptions and are subject to numerous risks and uncertainties, some of which are beyond NuVista's control, including the impact of general economic conditions, industry conditions, current and future commodity prices, currency and interest rates, anticipated production rates, borrowing, operating and other costs and funds from operations, the timing, allocation and amount of capital expenditures and the results therefrom, anticipated reserves and the imprecision of reserve estimates, the performance of existing wells, the success obtained in drilling new wells, the sufficiency of budgeted capital expenditures in carrying out planned activities, competition from other industry participants, availability of qualified personnel or services and drilling and related equipment, stock market volatility, effects of regulation by governmental agencies including changes in environmental regulations, tax laws and royalties; the ability to access sufficient capital from internal sources and bank and equity markets; and including, without limitation, those risks considered under "Risk Factors" in our Annual Information Form. We have included the above summary of assumptions and risks related to forward-looking statements provided in this MD&A in order to provide investors with a more complete perspective on our current

and future operations and such information may not be appropriate for other purposes. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. NuVista's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements, or if any of them do so, what benefits NuVista will derive therefrom. NuVista 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.

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, 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, net of tax. Thereafter tax items include, but are not limited to unrealized gains/losses on commodity derivatives, impairments and impairment reversals, goodwill impairments, gains/losses on divestures 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 primary focus is on the scalable and repeatable condensate-rich Montney formation in the Alberta Deep Basin. NuVista also has assets in eastern and northwest Alberta, western Saskatchewan and northeast British Columbia. The common shares of NuVista trade on the Toronto Stock Exchange ("TSX") under the symbol NVA.

2012 Dispositions – On October 17, 2012, NuVista announced the closing of the disposition of three property packages for gross proceeds of \$236 million ("2012 Dispositions"). The dispositions included a large portion of NuVista's W5 natural gas assets plus certain W4 heavy oil assets. The production associated with these properties was approximately 7,200 Boe/d (69% natural gas). These transactions provided NuVista with the flexibility to fund its 2012/2013 Wapiti Montney capital program. These dispositions have a significant impact on NuVista's 2013 operating and financial results and the related comparatives to 2012.

Operating activities – For the three months ended June 30, 2013, NuVista drilled 2 (1.9 net) condensate-rich natural gas Montney wells in our Wapiti operating area. For the six months ended June 30, 2013, NuVista drilled 11 (8.5 net) wells resulting in 9 (7.9 net) natural gas wells and 2 (1.7 net) oil wells for an overall success rate of

100%. NuVista operated 8 of the wells and had an average working interest of 77%. 9 gas wells were drilled in the Wapiti operating area, of which 7 (6.8 net) were Montney gas wells, 1 (1.0 net) was a Falher gas well and 1 (0.03 net) non-operated Chinook well. 2 (0.6 net) non-operated heavy oil wells were drilled in the southwest Saskatchewan area.

Production

	Three months ended June 30,			Six months ended June 30,		
	2013	2012	% Change	2013	2012	% Change
Natural gas (Mcf/d)	73,452	98,088	(25)	68,152	101,773	(33)
Condensate (Bbls/d)	1,980	1,246	59	1,485	1,221	22
Butane (Bbls/d)	502	529	(5)	437	539	(19)
Propane (Bbls/d)	737	709	4	662	722	(8)
Ethane (Bbls/d)	985	641	54	874	679	29
Oil (Bbls/d)	1,354	3,994	(66)	1,542	4,236	(64)
Total oil equivalent (Boe/d)	17,799	23,467	(24)	16,359	24,359	(33)

For the second quarter of 2013, NuVista's average production was 17,799 Boe/d compared to average production of 23,467 Boe/d for the second quarter of 2012 and 14,903 Boe/d from the first quarter of 2013. Oil and liquids weighting in the second quarter of 2013 was 31% compared to 30% in the same period in 2012 and 30% in the first quarter of 2013. 57% of NuVista's production volumes relate its Wapiti operating area with Wapiti Sweet production and Wapiti Montney production accounting for 30% and 27% respectively of total company production. The majority of condensate production is associated with our Wapiti Montney production and the majority of ethane production is from our Wapiti Sweet gas area.

The increase in production from the first quarter of 2013 is due to successful drilling and incremental production from our Wapiti Montney wells. In particular, condensate volumes increased 100% from 990 Bbls/d in the first quarter to 1,980 Bbls/d. Condensate yields on the Wapiti wells continue to trend upwards and account for 11% of total production on a Boe basis. The decrease in NuVista's production during the three months ended June 30, 2013 compared to the same period in 2012 was primarily due to the 2012 Dispositions and natural production declines offset by new and incremental production from our Wapiti Montney condensate-rich natural gas wells.

NuVista's production for the six months ended June 30, 2013 averaged 16,359 Boe/d for an overall 33% decrease over the same period in 2012. The decrease in production for the six months ended June 30, 2013 compared to the same period in 2012 is primarily due to the 2012 Dispositions.

Commodity prices

Benchmark pricing

	Three months ended June 30,			Six months ended June 30,		
	2013	2012	% Change	2013	2012	% Change
Natural gas – AECO (daily) (\$/GJ)	3.35	1.80	86	3.19	1.92	66
Natural gas – AECO (monthly) (\$/GJ)	3.40	1.74	96	3.16	2.06	53
Oil – WTI (US\$/Bbl)	94.22	93.49	1	94.30	98.21	(4)
Oil – Edmonton Par – WTI Differential (US\$/Bbl)	(3.68)	(10.14)	(64)	(5.29)	(10.33)	(49)
Oil – WCS-WTI Differential (US\$/Bbl)	(19.16)	(22.87)	(16)	(25.56)	(22.14)	15
Condensate – WTI Differential (US\$/Bbl)	7.28	5.97	22	10.08	6.61	52
Exchange rate (Cdn\$/US\$)	1.0234	1.0102	1	1.0161	1.0057	1

Average selling prices ⁽¹⁾

	Three months ended June 30,			Six months ended June 30,		
	2013	2012	% Change	2013	2012	% Change
Natural gas (\$/Mcf)	3.43	2.00	72	3.34	2.25	48
Condensate (\$/Bbl)	92.90	95.05	(2)	96.32	102.42	(6)
Butane (\$/Bbl)	50.57	60.75	(17)	56.10	69.02	(19)
Propane (\$/Bbl)	19.22	20.02	(4)	21.89	28.24	(22)
Ethane (\$/Bbl)	9.62	2.25	328	7.90	9.18	(14)
Oil (\$/Bbl)	81.67	69.35	18	73.28	72.73	1

⁽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, daily and fixed AECO pricing. NuVista's average selling price for gas in the second quarter of 2013 was \$3.43/Mcf compared to \$2.00/Mcf for same period in 2012 and \$3.24/Mcf in the first quarter of 2013. For the first six months of 2013 the average selling price was \$3.34/Mcf compared to \$2.25/Mcf for the same period in 2012.

Natural gas liquids ("Liquids") include condensate, butane, propane and ethane and are priced to varying degrees based on oil and natural gas prices. Strong demand for condensate in Alberta results in benchmark condensate prices at Edmonton trading at a premium to the Canadian dollar equivalent of US dollar WTI crude oil. NuVista's realized condensate prices include adjustments for pipeline and trucking tariffs to Edmonton and quality differentials. Condensate prices averaged \$92.90/Bbl in the second quarter down from \$103.28/Bbl in the first quarter due to a decline in the condensate premium in the second quarter of approximately US\$5.75/Bbl and larger quality differentials. Butane and propane trade at varying discounts to light oil prices depending on market conditions. Ethane prices are highly correlated to natural gas prices.

The price NuVista receives for its oil production is primarily driven by the price of WTI, less a discount to Western Canada for WTI-Edmonton light oil and heavy oil differentials. NuVista's oil production mix is approximately two-thirds heavy oil and one-third light oil. 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 1% higher in the second quarter of 2013 compared to the second quarter of 2012. For the first six months of 2013, WTI prices were down 4% to US\$94.30/Bbl compared to \$98.21/Bbl over the first half of 2012. Realized oil prices increased 18% in the second quarter of 2013 compared to the same period of 2012 and up 1% in the first half of 2013 compared to the first half of 2012. The second quarter increase in realized prices was due to tightening light oil and heavy oil discounts to WTI crude oil compared to 2012.

Revenues

(\$ thousands, except per unit amounts)	Three months ended June 30,					
	2013		2012		% Change	
	\$	\$/Mcf	\$	\$/Mcf	\$	\$/Mcf
Natural gas Revenue ⁽¹⁾	22,899	3.43	17,871	2.00	28	72
Realized loss on commodity derivatives	(70)	(0.01)	(373)	(0.04)	(81)	(75)
Total natural gas	22,829	3.42	17,498	1.96	30	74
Liquids	\$	\$/Bbl	\$	\$/Bbl	\$	\$/Bbl
Revenue from condensate	16,736	92.90	10,777	95.05	55	(2)
Revenue from butane, propane, ethane	4,461	22.05	4,349	25.43	3	(13)
Total liquids	21,197	55.42	15,126	53.19	40	4

Oil	\$	\$/Bbl	\$	\$/Bbl	\$	\$/Bbl
Revenue	10,062	81.67	25,204	69.35	(60)	18
Realized gain (loss) on commodity derivatives	(750)	(6.09)	1,110	3.05	(168)	(300)
Total oil	9,312	75.58	26,314	72.40	(65)	4
Total	\$	\$/Boe	\$	\$/Boe	\$	\$/Boe
Revenue	54,158	33.44	58,201	27.25	(7)	23
Realized gain (loss) on commodity derivatives	(820)	(0.51)	737	0.35	(211)	(246)
Total revenue	53,338	32.93	58,938	27.60	(10)	19

⁽¹⁾ Natural gas revenue includes price risk management gains and losses on physical sale contracts. For the three months ended June 30, 2013, our physical sale contracts totaled \$0.6 million loss (2012 – \$1.3 million gain).

(\$ thousands, except per unit amounts)	Six months ended June 30,					
	2013		2012		% Change	
	\$	\$/Mcf	\$	\$/Mcf	\$	\$/Mcf
Natural gas						
Revenue ⁽¹⁾	41,218	3.34	41,620	2.25	(1)	48
Realized loss on commodity derivatives	(76)	(0.01)	(1,182)	(0.06)	(94)	(83)
Total natural gas	41,142	3.33	40,438	2.19	2	52
Liquids	\$	\$/Bbl	\$	\$/Bbl	\$	\$/Bbl
Revenue from condensate	25,933	96.32	22,760	102.42	14	(6)
Revenue from butane, propane, ethane	8,306	23.27	11,612	32.89	(28)	(29)
Total liquids	34,239	54.69	34,372	59.75	-	(8)
Oil	\$	\$/Bbl	\$	\$/Bbl	\$	\$/Bbl
Revenue	20,449	73.28	56,065	72.73	(64)	1
Realized loss on commodity derivatives	(2,002)	(7.17)	(932)	(1.21)	115	493
Total oil	18,447	66.11	55,133	71.52	(67)	(8)
Total	\$	\$/Boe	\$	\$/Boe	\$	\$/Boe
Revenue	95,906	32.39	132,057	29.79	(27)	9
Realized loss on commodity derivatives	(2,078)	(0.70)	(2,114)	(0.48)	(2)	46
Total revenue	93,828	31.69	129,943	29.31	(28)	8

⁽¹⁾ Natural gas revenue includes price risk management gains and losses on physical sale contracts. For the six months ended June 30, 2013, our physical sale contracts totaled \$0.4 million loss (2012 – \$1.3 million gain).

For the three months ended June 30, 2013, revenues including realized commodity derivative gains and losses were \$53.3 million, a 10% decrease from \$58.9 million for the same period in 2012 and an increase of 32% or \$40.5 million compared to the first quarter of 2013. The decrease in revenues for the three months ended June 30, 2013 compared to the same period of 2012 is primarily due to a decrease in production volumes associated with the 2012 Dispositions offset by a 19% increase in overall realized prices. Revenues were comprised of \$22.8 million of natural gas revenue, \$21.2 million of Liquids revenue and \$9.3 million of oil revenue. The increase in average realized commodity prices compared to the same period in 2012 is comprised of a 74% increase in the natural gas price to \$3.42/Mcf, a 4% increase in the average Liquids price to \$55.42/Bbl and a 4% increase in the oil price to \$75.78/Bbl.

For the six months ended June 30, 2013, revenues including realized commodity derivative gains and losses were \$93.8 million, a 28% decrease from \$129.9 million for the same period in 2012. The decrease in revenues for the first six months of 2013 compared to the same period of 2012 is primarily due to the 2012 Dispositions

offset by an 8% increase in overall realized prices. These revenues were comprised of \$41.1 million of natural gas revenue, \$34.2 million of liquids revenue and \$18.4 million of oil revenue. The increase in average realized commodity prices is comprised of a 52% increase in the natural gas price to \$3.33/Mcf, an 8% decrease in the average Liquids price to \$54.69/Bbl, and a decrease of 8% in the oil price to \$66.11/Bbl.

Condensate revenues have become an increasingly significant component of our overall revenue and price exposure due to the increase in condensate production volumes and the premium prices received for condensate. Condensate accounted for 31% of total revenues in the second quarter of 2013 compared to 22% in the first quarter of 2013. Condensate and oil accounted for only 19% of production volumes in the second quarter of 2013, however, they accounted for 50% of total revenues.

Commodity price risk management

(\$ thousands)	Three months ended June 30,					
	2013			2012		
	Realized Gain (Loss)	Unrealized Gain (Loss)	Total Gain (Loss)	Realized Gain (Loss)	Unrealized Gain (Loss)	Total Gain (Loss)
Natural gas	(70)	234	164	(373)	654	281
Oil	(750)	(1,266)	(2,016)	1,110	10,745	11,855
Total gain (loss)	(820)	(1,032)	(1,852)	737	11,399	12,136

(\$ thousands)	Six months ended June 30,					
	2013			2012		
	Realized Gain (Loss)	Unrealized Gain (Loss)	Total Gain (Loss)	Realized Gain (Loss)	Unrealized Gain (Loss)	Total Gain (Loss)
Natural gas	(76)	234	158	(1,182)	1,227	45
Oil	(2,002)	(3,054)	(5,056)	(932)	13,761	12,829
Total gain (loss)	(2,078)	(2,820)	(4,898)	(2,114)	14,988	12,874

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 financial results, protect acquisition economics and help stabilize cash flow against the unpredictable commodity price environment. NuVista's Board of Directors approved amendments to its price risk management volume limits on August 9, 2013. The revised limits authorize the use of fixed price, put option and costless collar contracts ("Fixed Price Contracts") for up to 60% for 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 next 12 month period. In addition, the Board of Directors increased the limits for entering into natural gas basis contracts to the lessor of 50% of forecast natural gas production, net of royalties, or the volumes that would bring the combined natural gas basis contracts and natural gas Fixed Price Contracts to 100% of forecast natural gas production, net of royalties.

During the second quarter of 2013, the commodity price risk management program resulted in a loss of \$1.9 million, consisting of realized losses of \$0.8 million and unrealized losses of \$1.0 million on natural gas and oil contracts. For the six months ended June 30, 2013, the commodity price risk management program resulted in a loss of \$4.9 million, consisting of realized losses of \$2.1 million and unrealized losses of \$2.8 million on natural gas and oil contracts. As at June 30, 2013, the mark-to-market value of the financial derivative commodity contracts resulted in a current liability of \$2.1 million and a long-term liability of \$1.7 million.

Price risk management gains on our physical sale contracts totaled \$0.6 million and \$0.4 million for the three and six months ended June 30, 2013 respectively. The physical sale contracts are entered into the normal course of business. As at June 30, 2013, the mark-to-market value of the physical purchase and sale contracts was a gain of \$2.3 million (June 30, 2012 – \$3.4 million loss).

(a) Financial instruments

The following is a summary of financial instruments outstanding as at June 30, 2013:

	Volume	Pricing	Premium	Remaining term
WTI crude oil contracts				
Fixed price swap ^{(1) (2)}	2,050 Bbls/d	Cdn\$93.45/Bbl		Jul 1, 2013 – Sep 30, 2013
Fixed price swap ⁽³⁾	1,717 Bbls/d	Cdn\$93.97/Bbl		Oct 1, 2013 – Dec 31, 2013
Fixed price swap	1,283 Bbls/d	Cdn\$93.52/Bbl		Jan 1, 2014 – Mar 31, 2014
Fixed price swap	1,533 Bbls/d	Cdn\$92.39/Bbl		Apr 1, 2014 – Jun 30, 2014
Fixed price swap	1,400 Bbls/d	Cdn\$92.62/Bbl		Jul 1, 2014 – Sep 30, 2014
Fixed price swap	1,200 Bbls/d	Cdn\$91.92/Bbl		Oct 1, 2014 – Dec 31, 2014
Fixed price swap	1,000 Bbls/d	Cdn\$91.56/Bbl		Jan 1, 2015 – Mar 31, 2015
Fixed price swap	333 Bbls/d	Cdn\$91.89/Bbl		Apr 1, 2015 – Jun 30, 2015
Put option	333 Bbls/d	Cdn\$94.06/Bbl	Cdn\$5.93/Bbl	Jul 1, 2013 – Sep 30, 2013
Put option	233 Bbls/d	Cdn\$94.38/Bbl	Cdn\$5.29/Bbl	Oct 1, 2013 – Dec 31, 2013
Put option	200 Bbls/d	Cdn\$94.65/Bbl	Cdn\$4.90/Bbl	Jan 1, 2014 – Mar 31, 2014
Costless Collar	100 Bbls/d	Cdn\$83.00/Bbl–Cdn\$97.40/Bbl		Jul 1, 2013 – Sep 30, 2013
Natural gas contracts				
NYMEX-AECO basis	20,000 MMbtu/d	US \$(0.555)/MMbtu		Oct 1, 2013 – Dec 31, 2013
NYMEX-AECO basis	25,000 MMbtu/d	US \$(0.568)/MMbtu		Jan 1, 2014 – Mar 31, 2014
NYMEX-AECO basis	25,000 MMbtu/d	US \$(0.568)/MMbtu		Apr 1, 2014 – Jun 30, 2014
NYMEX-AECO basis	25,000 MMbtu/d	US \$(0.568)/MMbtu		Jul 1, 2014 – Sep 30, 2014
NYMEX-AECO basis	25,000 MMbtu/d	US \$(0.568)/MMbtu		Oct 1, 2014 – Dec 31, 2014

⁽¹⁾ Reduced to 1,600 Bbls/d at \$93.11/Bbl for months during the period July 1, 2013 to September 30, 2013 where the \$ WTI price averages less than \$65.00/Bbl.

⁽²⁾ Reduced to 1,850 Bbls/d at \$92.96/Bbl for months during the period July 1, 2013 to September 30, 2013 where the \$ WTI price averages less than \$72.50/Bbl.

⁽³⁾ Reduced to 1,517 Bbls/d at \$93.43/Bbl for months during the period October 1, 2013 to December 31, 2013 where the \$ WTI price averages less than \$72.50/Bbl.

Subsequent to June 30, 2013, the following financial instruments have been entered into:

	Volume	Pricing (Cdn\$)	Remaining term
WTI crude oil contracts			
Fixed price swap	500 Bbls/d	\$98.71/Bbl	Oct 1, 2013 – Jul 31, 2015

(b) Physical purchase and sale contracts

The following is a summary of physical purchase and sale contracts outstanding as at June 30, 2013:

	Volume	Pricing (Cdn\$)	Premium (Cdn\$)	Remaining term
Natural gas contracts				
Put option	7,000 GJ/d	\$3.33/GJ	\$0.33/GJ	Jul 1, 2013 – Sep 30, 2013
Put option	5,333 GJ/d	\$3.30/GJ	\$0.33/GJ	Oct 1, 2013 – Dec 31, 2013
Costless collar	19,333 GJ/d	\$3.05/GJ – \$3.62/GJ		Jul 1, 2013 – Sep 30, 2013
Costless collar	16,000 GJ/d	\$3.21/GJ – \$3.79/GJ		Oct 1, 2013 – Dec 31, 2013
Costless collar	21,000 GJ/d	\$3.21/GJ – \$3.76/GJ		Jan 1, 2014 – Mar 31, 2014
Costless collar	21,000 GJ/d	\$3.21/GJ – \$3.76/GJ		Apr 1, 2014 – Jun 30, 2014
Costless collar	11,667 GJ/d	\$3.13/GJ – \$3.65/GJ		Jul 1, 2014 – Sep 30, 2014
Costless collar	10,000 GJ/d	\$3.10/GJ – \$3.62/GJ		Oct 1, 2014 – Dec 31, 2014
Costless collar	1,667 GJ/d	\$3.00/GJ – \$3.53/GJ		Jan 1, 2015 – Mar 31, 2015
Funded collar	5,000 GJ/d	\$2.67/GJ – \$3.40/GJ	\$0.15/GJ	Jul 1, 2013 – Sep 30, 2013
Fixed price swap	8,000 GJ/d	\$3.35/GJ		Jul 1, 2013 – Sep 30, 2013
Fixed price swap	8,000 GJ/d	\$3.35/GJ		Oct 1, 2013 – Dec 31, 2013
Fixed price swap	5,000 GJ/d	\$3.57/GJ		Jan 1, 2014 – Mar 31, 2014
Fixed price swap	3,333 GJ/d	\$3.57/GJ		Apr 1, 2014 – Jun 30, 2014
Electricity contracts				
Fixed price	4.0 Mwh	\$65.64/Mwh		Jul 1, 2013 – Dec 31, 2013

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

Subsequent to June 30, 2013, the following physical purchase and sale contracts have been entered into:

	Volume	Pricing (Cdn\$)	Remaining term
Natural gas contracts			
Costless collar	2,000 GJ/d	\$3.00/GJ – \$3.605/GJ	Sep 1, 2013 – Aug 31, 2014

Royalties

Royalty rates (%)	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Natural gas and liquids	11	10	10	12
Oil	11	12	12	13
Weighted average rate	11	11	10	12

For the three months ended June 30, 2013, royalties were \$5.9 million, 6% lower than the \$6.3 million for the same period of 2012. Royalties for the six months ended June 30, 2013 were \$10.0 million, 39% lower than the \$16.5 million reported for the six months ended June 30, 2012.

Average royalty rates by product for the three months ended June 30, 2013 were 11% for natural gas and Liquids and 11% for oil compared to 10% for natural gas and Liquids and 12% for oil for the same period in 2012. Higher natural gas and liquids royalty rates were due to increases in natural gas prices and gas cost allowance adjustments.

Average royalty rates by product for the six months ended June 30, 2013 were 10% for natural gas and Liquids and 12% for oil compared to 12% for natural gas and Liquids and 13% for oil for the same period in 2012. The

new Wapiti Montney wells coming on production qualify for natural gas and Liquids royalty rate reduction programs which result in a 5% royalty rate for a certain period of time based on cumulative production and drilling depth.

Transportation – Transportation costs were \$1.2 million (\$0.75/Boe) for the three months ended June 30, 2013 as compared to \$2.2 million (\$1.02/Boe) for the same period of 2012, a decrease of 44% on a dollar basis as a result of decreased volumes associated with the 2012 Dispositions. Transportation costs were \$2.5 million (\$0.84/Boe) for the six months ended June 30, 2013 compared to \$3.9 million (\$0.87/Boe) for the same period in 2012, which is relatively consistent on a per unit basis.

Operating – Operating expenses were \$19.7 million (\$12.19/Boe) for the three months ended June 30, 2013 as compared to \$23.3 million (\$10.91/Boe) for the same period of 2012. Total operating expenses for the quarter decreased due to the 2012 Dispositions, however this was offset by startup costs incurred in the Wapiti Montney area with higher than anticipated liquids production volumes. For the three months ended June 30, 2013, natural gas and Liquids operating expenses averaged \$1.86/Mcfe and oil operating expenses were \$24.71/Bbl as compared to \$1.66/Mcfe and \$15.55/Bbl respectively for the same period of 2012. The increase in per unit operating expenses was due to the costs associated with processing the Wapiti Montney sour gas production and the sale of lower operating cost oil properties as part of the 2012 Dispositions. Opportunities for reductions in Wapiti Montney operating costs have been identified and will be implemented throughout the next year.

For the six months ended June 30, 2013, operating expenses were \$36.1 million (\$12.20/Boe) as compared to \$49.7 million (\$11.21/Boe) for the six months ended June 30, 2012. This decrease resulted from a 33% decrease in production volumes and a 9% increase in per unit costs. For the six months ended June 30, 2013, natural gas and liquids operating expenses averaged \$1.86/Mcfe and oil operating expenses were \$22.13/Bbl as compared to \$1.69/Mcfe and \$16.18/Bbl respectively for the same period of 2012. Total operating expenses decreased for the first half of 2013 compared to the same period in 2012 due to the 2012 Dispositions. Per unit operating expenses for the six months ended June 30, 2013 were primarily due to the same factors impacting second quarter operating expenses.

Operating netbacks – The table below summarizes operating netbacks by product for the three months ended June 30, 2013:

(\$ thousands, except per unit amounts)	Natural gas and liquids		Oil		Total	
	\$	\$/Mcfe	\$	\$/Bbl	\$	\$/Boe
Revenue	44,096	4.91	10,062	81.67	54,158	33.44
Realized loss on commodity derivatives	(70)	(0.01)	(750)	(6.09)	(820)	(0.51)
	44,026	4.90	9,312	75.58	53,338	32.93
Royalties	(4,766)	(0.53)	(1,147)	(9.31)	(5,913)	(3.65)
Transportation costs	(723)	(0.08)	(491)	(3.99)	(1,214)	(0.75)
Operating costs	(16,699)	(1.86)	(3,044)	(24.71)	(19,743)	(12.19)
Operating netback ⁽¹⁾	21,838	2.43	4,630	37.57	26,468	16.34

⁽¹⁾ Refer to "non-GAAP measurements".

The table below summarizes operating netbacks by product for the six months ended June 30, 2013:

(\$ thousands, except per unit amounts)	Natural gas and liquids		Oil		Total	
	\$	\$/Mcf	\$	\$/Bbl	\$	\$/Boe
Revenue	75,457	4.69	20,449	73.28	95,906	32.39
Realized loss on commodity derivatives	(76)	-	(2,002)	(7.17)	(2,078)	(0.70)
	75,381	4.69	18,447	66.11	93,828	31.69
Royalties	(7,466)	(0.46)	(2,496)	(8.94)	(9,962)	(3.36)
Transportation costs	(1,473)	(0.09)	(1,012)	(3.63)	(2,485)	(0.84)
Operating costs	(29,938)	(1.86)	(6,175)	(22.13)	(36,113)	(12.20)
Operating netback ⁽¹⁾	36,504	2.28	8,764	31.41	45,268	15.29

⁽¹⁾ Refer to "non-GAAP measurements".

For the second quarter of 2013, operating netback was \$21.8 million (\$2.43/Mcf) for natural gas and Liquids and \$4.6 million (\$37.57/Bbl) for oil compared to an operating netback of \$10.6 million (\$0.99/Mcf) for natural gas and Liquids and \$16.6 million (\$45.61/Bbl) for oil in the same period of 2012. For the six months ended June 30, 2013, operating netback was \$36.5 million (\$2.28/Mcf) for natural gas and Liquids and \$8.8 million (\$31.41/Bbl) for oil compared to an operating netback of \$26.1 million (\$1.19/Mcf) for natural gas and Liquids and \$33.8 million (\$43.81/Bbl) for oil in the same period of 2012. The 2013 three and six months ended increase in operating netback for natural gas and Liquids was due to the increases in natural gas prices and higher priced condensate comprising a significantly larger percentage of total revenues. The three and six months ended decrease in operating netback for oil was primarily due to higher per unit operating costs on NuVista's heavy oil production.

The total company operating netback increased to \$16.34/Boe in the second quarter of 2013 compared to \$12.72/Boe in the same period of 2012 and \$14.02/Boe in the first quarter of 2013, reflecting the growth in higher priced Wapiti Montney condensate production.

General and administrative

(\$ thousands except per unit amounts)	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Gross general and administrative expenses	5,539	6,951	11,733	13,687
Overhead recoveries	(439)	(1,261)	(1,474)	(2,731)
Net general and administrative expenses	5,100	5,690	10,259	10,956
Per Boe	3.15	2.66	3.46	2.47

General and administrative expenses, net of overhead recoveries, for the quarter ended June 30, 2013 were \$5.1 million (\$3.15/Boe) compared to \$5.7 million (\$2.66/Boe) in the same period of 2012. General and administrative expenses, net of overhead recoveries, for the six months ended June 30, 2013 were \$10.3 million (\$3.46/Boe) as compared to \$11.0 million (\$2.47/Boe) for the six months ended June 30, 2012. Gross general and administrative expenses were down 20% and 17% for the three and six months period of 2013 respectively compared to the same period of 2012 as cost savings measures resulting from the 2012 Dispositions continued to be realized in the current period. Overhead recoveries are comprised of a capital and operating component and are primarily activity based. These recoveries are lower in 2013 due to the 2012 Dispositions and that a greater percentage of NuVista's exploration and development operations are 100% operated.

Share-based compensation

(\$ thousands)	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Stock options	943	610	2,074	1,719
Restricted stock units	1,325	36	2,470	228
Restricted share awards	156	167	316	342
Total	2,424	813	4,860	2,289

NuVista recorded a share-based compensation charge of \$2.4 million for the three months ended June 30, 2013 compared to \$0.8 million for the same period in 2012. For the six months ended June 30, 2013, NuVista recorded a share-based compensation charge of \$4.9 million compared to \$2.3 million for the same period in 2012. The increase is primarily due to new options and units granted at a higher share price. 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 June 30, 2013 was \$1.1 million (\$0.65/Boe) compared to \$3.3 million (\$1.57/Boe) for the same period of 2012. For the six months ended June 30, 2013, interest expense was \$1.9 million (\$0.65/Boe) compared to \$6.5 million (\$1.47/Boe) in the same period of 2012. For the three months ended June 30, 2013, borrowing costs averaged 3.8% compared to 3.7% in the same period of 2012. Interest expense for the six months ending June 30, 2013 decreased compared to the same period in 2012 due to lower average debt levels. Currently, NuVista's average borrowing rate is approximately 3.3%. Cash paid for interest for the three and six months ended June 30, 2013 was \$1.3 million (June 30, 2012 - \$3.6 million) and \$1.9 million (June 30, 2012 - \$7.0 million) respectively.

Depletion, depreciation and amortization (“DD&A”) and impairment

(\$ thousands except per Boe amounts)	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Depletion of oil and gas assets ⁽¹⁾	20,188	30,463	37,664	63,081
Depreciation of fixed assets	1,196	1,655	2,144	3,490
Impairment charges	-	106,141	-	106,141
Total DD&A and impairment	21,384	138,259	39,808	172,712
DD&A rate per Boe, excluding impairment	13.20	15.04	13.44	15.05

⁽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 excluding impairments were \$21.4 million (\$13.20/Boe) for the second quarter of 2013 as compared to \$32.1 million (\$15.04/Boe) for the same period in 2012. Depreciation and depletion expenses for the six months ended June 30, 2013 were \$39.8 million (\$13.44/Boe) as compared to \$66.6 million (\$15.05/Boe) for the same period in 2012. The decrease in the DD&A expense for the three and six months ended June 30, 2013 was mainly due to a decrease in production volumes during the period and the decrease in the per unit depletion rate in 2013. Per unit costs in 2013 decreased from the same period in 2012 due primarily to the impairment of the net book value of property, plant and equipment of \$213.1 million incurred in 2012. Based on an assessment of indicators of impairment performed at June 30, 2013, 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 June 30, 2013. Annual goodwill impairment test takes place on December 31 of each year.

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 June 30, 2013, NuVista recorded an ARO of \$133.0 million as compared to \$147.8 million as at December 31, 2012. The majority of the decrease is due to an increase in the risk free discount rate to 2.9% at June 30, 2013 from 2.4% at December 31, 2012. At June 30, 2013, the estimated total undiscounted amount of cash flow required to settle NuVista’s ARO is \$212.6 million (December 31, 2012 – \$218.1 million). 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 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.

Income taxes – For the three months ended June 30, 2013, the provision for income and other taxes was a recovery of \$1.8 million compared to a recovery of \$28.8 million for the same period in 2012. For the six months ended June 30, 2013, the provision for income and other taxes was a recovery of \$1.0 million compared to a recovery of \$29.4 million in the same period of 2012. The lower recovery for the three and six months ended June 30, 2013 compared to the same period of 2012 was primarily attributable to the decrease in net loss for the current period as a result of impairment loss on property, plant and equipment recorded in the second quarter of 2012.

Capital expenditures

(\$ thousands)	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Exploration and development				
Land and retention costs	70	181	1,899	453
Seismic	1,113	988	2,102	2,387
Drilling and completion	19,786	8,505	63,615	39,963
Facilities and equipment	9,535	9,130	31,677	27,741
Corporate	459	1	459	108
Capital expenditures	30,963	18,805	99,752	70,652

Capital expenditures during the second quarter of 2013 consisted of \$31.0 million of exploration and development spending. This compares to \$18.8 million incurred on exploration and development spending for the second quarter of 2012. Capital expenditures for the six months ended June 30, 2013 consisted of \$99.8 million of exploration and development spending compared to \$70.7 million incurred for the same period of 2012. The majority of the capital expenditures in the first half of 2013 were spent on condensate-rich natural gas projects in the Wapiti Montney play.

Acquisitions and dispositions – For the three and six months ended June 30, 2013, \$2.1 million was incurred on minor undeveloped land acquisitions compared to \$1.0 million incurred on minor property acquisitions for the six months ended June 30, 2012. For the first half of 2013, proceeds received on disposition were \$12.4 million for minor non-core properties sold. This compares to \$9.2 million of proceeds received for minor properties disposed for the comparative period of 2012.

Net earnings (loss) – For the three months ended June 30, 2013, net loss totaled \$7.4 million (\$0.06/share, basic) compared to net loss of \$85.4 million (\$0.86/share, basic) for the same period in 2012. NuVista’s net loss for the six months ended June 30, 2013 was \$11.4 million (\$0.10/share, basic) compared to net loss of \$88.6 million (\$0.89/share, basic) in the same period in 2012. The decrease in net loss for the period ended June 30, 2013 compared to prior year was attributable to higher oil and natural gas prices in 2013 and an impairment expense recorded in the second quarter of 2012.

Adjusted net earnings (loss) – The table below summarizes adjusted net earnings (loss) for the three and six months ended June 30, 2013 compared to June 30, 2012:

(\$ thousands)	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Net loss	(7,383)	(85,411)	(11,444)	(88,558)
Add (deduct):				
Unrealized (gain) loss on commodity derivatives, after tax	772	(8,512)	2,110	(11,192)
Impairment of property, plant and equipment, after tax	-	79,255	-	79,255
(Gain) loss on divestitures, after tax	1,761	-	(4,137)	(5,071)
Adjusted net loss ⁽¹⁾	(4,850)	(14,668)	(13,471)	(25,566)
Per basic share	(0.04)	(0.15)	(0.11)	(0.26)
Per diluted share	(0.04)	(0.15)	(0.11)	(0.26)

⁽¹⁾ Refer to "non-GAAP measurements".

Funds from operations – For the three months ended June 30, 2013, NuVista's funds from operations were \$19.0 million (\$0.16/share, basic), compared to \$18.1 million (\$0.18/share, basic) for the three months ended June 30, 2012. For the six months ended June 30, 2013, funds from operations were \$30.6 million (\$0.26/share, basic), a 27% decrease from \$42.2 million (\$0.42/share, basic) in the same period of 2012. Funds from operations for the six months ended June 30, 2013 were lower compared with the same period in 2012 due primarily to lower production levels as a result of the 2012 Dispositions.

Funds from operations for the three months ended June 30, 2013 increased 63% from funds from operations of \$11.6 million (\$0.10/share, basic) for the three months ended March 31, 2013. This increase was primarily due to a higher production levels and an increases in oil and natural gas prices in the second quarter.

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

(\$ thousands)	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Cash provided by operating activities	11,291	22,936	14,467	38,897
Add back:				
Asset retirement expenditures	877	1,056	6,228	11,880
Change in non-cash working capital	6,815	(5,909)	9,917	(8,570)
Funds from operations ⁽¹⁾	18,983	18,083	30,612	42,207

⁽¹⁾ Refer to "non-GAAP measurements".

The table below summarizes funds from operations netbacks for the three months ended June 30, 2013 compared to the three months ended June 30, 2012:

(\$ thousands, except per unit amounts)	Three months ended June 30,					
	2013		2012		% Change	
	\$	\$/Boe	\$	\$/Boe	\$	\$/Boe
Revenue	54,158	33.44	58,201	27.25	(7)	23
Realized gain (loss) on commodity derivatives	(820)	(0.51)	737	0.35	(211)	(246)
	53,338	32.93	58,938	27.60	(10)	19
Royalties	(5,913)	(3.65)	(6,300)	(2.95)	(6)	24
Transportation	(1,214)	(0.75)	(2,183)	(1.02)	(44)	(26)
Operating costs	(19,743)	(12.19)	(23,300)	(10.91)	(15)	12
Operating netback	26,468	16.34	27,155	12.72	(3)	28
General and administrative	(5,100)	(3.15)	(5,690)	(2.66)	(10)	18
Restricted stock units	(1,325)	(0.82)	(36)	(0.02)	3,581	4,000
Interest	(1,060)	(0.65)	(3,346)	(1.57)	(68)	(59)
Funds from operations netback ⁽¹⁾	18,983	11.72	18,083	8.47	5	38

⁽¹⁾ Refer to "non-GAAP measurements".

The table below summarizes funds from operations netbacks for the six months ended June 30, 2013 compared to the six months ended June 30, 2012:

(\$ thousands, except per unit amounts)	Six months ended June 30,					
	2013		2012		% Change	
	\$	\$/Boe	\$	\$/Boe	\$	\$/Boe
Revenue	95,906	32.39	132,057	29.79	(27)	9
Realized gain (loss) on commodity derivatives	(2,078)	(0.70)	(2,114)	(0.48)	(2)	46
	93,828	31.69	129,943	29.31	(28)	8
Royalties	(9,962)	(3.36)	(16,462)	(3.71)	(39)	(9)
Transportation	(2,485)	(0.84)	(3,861)	(0.87)	(36)	(3)
Operating costs	(36,113)	(12.20)	(49,713)	(11.21)	(27)	9
Operating netback	45,268	15.29	59,907	13.52	(24)	13
General and administrative	(10,259)	(3.46)	(10,956)	(2.47)	(6)	40
Restricted stock units	(2,470)	(0.83)	(228)	(0.05)	983	1,560
Interest	(1,927)	(0.65)	(6,516)	(1.47)	(70)	(56)
Funds from operations netback ⁽¹⁾	30,612	10.35	42,207	9.53	(27)	9

⁽¹⁾ Refer to "non-GAAP measurements".

Liquidity and capital resources

(\$ thousands)	June 30, 2013	December 31, 2012
Common shares outstanding	118,722	118,618
Share price ⁽¹⁾	7.18	5.87
Total market capitalization	852,424	696,288
Adjusted working capital (surplus) deficit ⁽²⁾	(1,101)	10,496
Bank debt	95,887	19,892
Debt, net of adjusted working capital ("Net Debt")	94,786	30,388
Annualized current quarter funds from operations ⁽²⁾	75,932	65,112
Net debt to annualized current quarter funds from operations	1.2x	0.5x

⁽¹⁾ Represents the closing price on the TSX on June 30, 2013 and December 31, 2012.

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

As at June 30, 2013, debt net of adjusted working capital was \$94.8 million, resulting in a net debt to the annualized current quarter funds from operations ratio of 1.2:1. NuVista's strategy is to target a net debt to annualized current quarter funds from operations of less than 1.5:1. The actual ratio may fluctuate on a quarterly basis above or below target due to a number of factors including commodity prices and the timing of acquisitions and dispositions. At June 30, 2013, NuVista had an adjusted working capital surplus of \$1.1 million. Adjusted working capital excludes the current portion of the fair value of the commodity derivative liabilities of \$2.1 million. We believe it is appropriate to exclude this amount when assessing financial leverage. At June 30, 2013, NuVista had drawn \$95.9 million on the credit facility leaving \$144.1 million of unused bank borrowing capacity based on the current credit facility of \$240 million.

As of June 30, 2013, NuVista had a \$240 million extendible revolving term credit facility available from a syndicate of Canadian chartered banks. Borrowing under the credit facility may be made by prime loans, bankers' acceptances and/or US libor advances. These advances bear interest at the bank's prime rate and/or at money market rates plus a borrowing margin. The credit facility is secured by a first floating charge debenture, general assignment of book debts and NuVista's oil and natural gas properties and equipment. The credit facility has a 364-day revolving period and is subject to an annual review by the lenders, at which time a lender can extend the revolving period or can request conversion to a one year term loan. During the revolving period, a determination of the maximum borrowing amount occurs semi-annually on approximately October 31 and April 30.

On April 29, 2013, the annual review process was completed and the lenders approved a revolving extendible credit facility with the maximum borrowing amount remaining at \$240 million. During the term period, no principal payments would be required until April 29, 2015. As such, the credit facility is classified as long-term.

At June 30, 2013, NuVista's bank debt net of adjusted working capital increased to \$94.8 million compared to \$19.9 million at December 31, 2012. During the year, NuVista completed property dispositions for total cash consideration of \$12.4 million. NuVista plans to monitor its 2013 business plan and adjust its capital program in the context of commodity prices and debt levels. NuVista plans to finance its 2013 capital program with funds from operating activities and available bank lines.

As at June 30, 2013, there were 118.7 million common shares outstanding. In addition, there were 7.2 million stock options with an average exercise price of \$7.73 per option and 0.3 million restricted share awards outstanding. As of July 31, 2013, there were 118.7 million common shares and 0.3 million restricted share awards outstanding.

Contractual obligations and commitments – NuVista enters into various contractual obligations as part of conducting business. The following is a summary of NuVista’s contractual obligations and commitments as at June 30, 2013:

(\$ thousands)	Total	2013	2014	2015	2016	2017	Thereafter
Transportation	145,378	5,757	13,634	17,648	16,972	14,497	76,870
Office lease	15,908	1,815	3,630	3,645	3,719	3,099	-
Purchase contracts	774	774	-	-	-	-	-
Physical power	1,150	1,150	-	-	-	-	-
Total commitments	163,210	9,496	17,264	21,293	20,691	17,596	76,870

In April 2013, the Company entered into an agreement with a large midstream company for the transportation and processing of its Wapiti Montney condensate-rich natural gas production over a 10 year period. The processing and transportation fee is included under transportation commitment and the total is valued at \$112.2 million.

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 September 30, 2011 to June 30, 2013:

(\$ thousands, except per share amounts)	2013			2012			2011	
	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Production (Boe/d)	17,799	14,903	17,692	23,936	23,467	25,250	25,306	25,360
Revenue	54,158	41,748	48,277	61,678	58,201	73,856	96,578	88,700
Net earnings (loss)	(7,383)	(4,061)	(59,042)	(47,600)	(85,411)	(3,147)	(158,462)	1,807
Net earnings (loss)								
Per basic share	(0.06)	(0.03)	(0.56)	(0.48)	(0.86)	(0.03)	(1.59)	0.02
Per diluted share	(0.06)	(0.03)	(0.56)	(0.48)	(0.86)	(0.03)	(1.59)	0.02

NuVista has seen production volumes in a range of 14,903 Boe/d to 25,360 Boe/d for the last eight quarters. NuVista’s production volumes decreased to 14,903 Boe/d due to the 2012 Dispositions, and increased to 17,799 Boe/d in the current quarter due to drilling success in the Wapiti Montney area. Over the prior eight quarters, quarterly revenue has been in a range of \$41.7 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 \$1.8 million with earnings primarily influenced by impairments, gains and losses from disposal of assets, commodity prices, realized and unrealized gains and losses on commodity derivatives and production volumes.

Critical accounting estimates – Management is required to make estimates, judgements, and assumptions in applying its accounting policies which have a significant impact on the financial results of NuVista. These estimates and assumptions are subject to change based on experience and new information. Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate is made. Critical accounting estimates are also those estimates which, where a different estimate could have been used or where changes in the estimate that are reasonably likely to occur, would have a material impact on NuVista’s financial condition, changes in financial condition or financial performance. Critical accounting estimates are reviewed annually by the Audit Committee of the Board of Directors. A detailed description of NuVista’s critical accounting estimates is provided in the Critical Accounting Estimates section of NuVista’s December 31, 2012 annual MD&A.

Update on regulatory matters

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

Update on financial reporting matters

New accounting policies

On January 1, 2013, NuVista adopted new accounting standards with respect to IFRS 10 – “Consolidation – Special Purpose Entities”, IFRS 11 – “Joint Arrangements”, IFRS 12 – “Disclosure of Interests in Other Entities”, IFRS 13 – “Fair Value Measurements” and amendments to IFRS 7 – “Financial Instrument: Disclosures”. The adoption of these standards had no impact on the amounts recorded in the consolidated financial statements at March 31, 2013 or on the comparative periods. Additional disclosures required under IFRS 13 have been disclosed in the financial statements.

The IASB issued IFRS 9, “Financial Instruments” which is the first phase of the IASB’s project to replace IAS 39, “Financial Instruments: Recognition and Measurement”. The new standard replaces the current multiple classification and measurement models for financial asset and liabilities with a single model that has only two classification categories: amortized cost and fair value. Portions of this standard remain in development and the full impact of the standard on the Company’s consolidated financial statements will not be known until the evaluation is complete.

Internal control reporting

NuVista’s President and Chief Executive Officer (“CEO”) and Vice President, Finance and Chief Financial Officer (“CFO”) are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting as defined in National Instrument 52-109. NuVista’s CEO and CFO have designed disclosure controls and procedures, or caused them to be designed under their supervision, to provide reasonable assurance that information required to be disclosed by NuVista in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by NuVista in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to NuVista’s management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure. The CEO and CFO have concluded, based on their evaluation as of the end of the period covered by the 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 original framework in “Internal Control Over Financial Reporting – Guidance for Smaller Public Companies” issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in 1992. During the quarter ended June 30, 2013, 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.

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 is contained in our Annual Information Form for the year ended December 31, 2012 under the Risk Factors Section.

OUTLOOK

We are pleased to reiterate our full year 2013 guidance. Our capital spending for the year is anticipated to be between \$210 million and \$220 million. Average production forecast for the year remains at a range of 16,250 Boe/d to 17,000 Boe/d, trending towards the top half of the guidance range. Production for the third quarter of 2013 is forecast to be relatively flat with the second quarter with a range of 17,000 – 17,750 Boe/d. Fourth

quarter production is expected to resume growing, forecast as before at between 17,500 Boe/d and 18,500 Boe/d. Funds from operations for the year are forecast to be between \$70 million and \$75 million based on forecast second half of 2013 AECO and NYMEX natural gas prices of \$3.15/Mcf and US\$3.85/MMbtu respectively, and a WTI crude oil price of US\$95.00/Bbl.

We continue to analyze options for pace of growth for our 2014 business plan, and we look forward to announcing details in the fall. With every well drilled, we are learning more about our Wapiti Montney play and growing increasingly excited about the impressive condensate-rich potential of this play, the continued growth, and the exceptional value that is being created as we increase scale and benefit from the efficiencies that come with it. We have the people, the assets, and the processing capacity to deliver strong results for the foreseeable future. We look forward to providing an update in early November with the release of our third quarter results.