

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis ("MD&A") of financial conditions and results of operations should be read in conjunction with NuVista Energy Ltd.'s ("NuVista") audited consolidated financial statements for the year ended December 31, 2012. The following MD&A of financial condition and results of operations was prepared at and is dated May 8, 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; 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; anticipated future general and administrative costs; forecast funds from operations and cash flow; 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 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 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.

Operating activities – For the first quarter ended March 31, 2013, NuVista drilled 9 (6.6 net) wells resulting in 7 (6.0 net) natural gas wells and 2 (0.6 net) oil wells for an overall success rate of 100%. NuVista operated 6 of the wells with an average working interest of 73%. 7 (6.0) gas wells were drilled in the Wapiti operating area of which 5 (4.9 net) were Montney wells, 1 (1.0 net) Falher well, and 1 (0.03 net) was a non-operated Chinook well. In addition, 2 (0.6 net) non-operated heavy oil wells were drilled in the Southwest Saskatchewan area.

Production

	Three months ended March 31,		
	2013	2012	% Change
Natural gas (Mcf/d)	62,793	105,457	(40)
Oil (Bbls/d)	1,732	4,477	(61)
Liquids, excluding condensate (Bbls/d)	1,716	2,000	(14)
Condensate (Bbls/d)	990	1,196	(17)
Total oil equivalent (Boe/d)	14,903	25,250	(41)

For the three months ended March 31, 2013, NuVista's average production was 14,903 Boe/d, comprised of 62,793 Mcf/d of natural gas, 1,732 Bbls/d of oil, 1,716 Bbls/d of natural gas liquids ("liquids") and 990 Bbls/d of condensate compared to the fourth quarter of 2012 average production of 17,692 Boe/d and 25,250 Boe/d for the same period in 2012. The decrease in NuVista's production during the three months ended March 31, 2013 compared to the same period in 2012 was primarily due to property dispositions in 2012.

Oil and liquids weighting in the first quarter of 2013 was 30% consistent with the same period in 2012 and the fourth quarter of 2012 of 30%. Condensate volumes were lower in the first quarter of 2013 compared to the prior year due to the property dispositions in 2012. Ethane, propane and butane production for the first quarter of 2013 averaged 756 Bbls/d, 588 Bbls/d and 372 Bbls/d respectively.

Commodity prices

Benchmark pricing

	Three months ended March 31,		
	2013	2012	% Change
Natural gas – AECO (daily) (\$/GJ)	3.03	2.03	49
Natural gas – AECO (monthly) (\$/GJ)	2.92	2.39	22
Oil – WTI (US\$/Bbl)	94.37	102.93	(8)
Oil – Edmonton Par – WTI differential (US\$/Bbl)	(6.90)	(10.53)	(34)
Oil – WCS – WTI differential (US\$/Bbl)	(31.96)	(21.42)	49
Condensate – WTI differential (US\$/Bbl)	12.87	7.26	77
Exchange rate (Cdn\$/US\$)	0.9912	0.9988	(1)

Average selling prices ⁽¹⁾

	Three months ended March 31,		
	2013	2012	% Change
Natural gas (\$/Mcf)	3.24	2.47	31
Oil (\$/Bbl)	66.65	75.74	(12)
Liquids, excluding condensate (\$/Bbl)	24.88	39.91	(38)
Condensate (\$/Bbl)	103.28	110.07	(6)

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

NuVista markets its natural gas based on a mix of monthly and daily AECO pricing. The AECO daily index averaged \$3.03/GJ for the first quarter of 2013 and the monthly index averaged \$2.92/GJ. This compares to \$2.03/GJ and \$2.39/GJ respectively for the same period of 2012. NuVista's average selling price for gas in the first quarter of 2013 was \$3.24/Mcf compared to \$2.47/Mcf for the first quarter of 2012. The higher heat content of NuVista's gas stream is reflected in the higher realization on a Mcf basis.

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 8% lower in the first quarter of 2013 compared to the first quarter of 2012. Realized oil prices were down 12% in the first quarter of 2013 compared to the same period of 2012 due to lower

WTI prices and widening heavy oil differentials. 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.

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. Condensate prices were down 6% averaging \$103.28/Bbl due primarily to the decline in WTI prices. Propane and butane trade at varying discounts to light oil prices depending on market conditions. NuVista realized an average price of \$24.88/Bbl for liquids, excluding condensate, a 38% decline from the corresponding period in 2012 due primarily to lower realized prices for all products. First quarter 2013 liquids prices, including condensate, averaged \$53.55/Bbl down 19% from 2012 first quarter pricing due to lower realized prices for all products.

Revenues

(\$ thousands, except per unit amounts)	Three months ended March 31,					
	2013		2012		% Change	
Natural gas	\$	\$/Mcf	\$	\$/Mcf	\$	\$/Mcf
Revenue	18,319	3.24	23,749	2.47	(23)	31
Realized gain (loss) on commodity derivatives	(6)	-	(809)	(0.08)	(99)	(100)
Total natural gas	18,313	3.24	22,940	2.39	(20)	36
Liquids	\$	\$/Bbl	\$	\$/Bbl	\$	\$/Bbl
Revenue	13,042	53.55	19,246	66.17	(32)	(19)
Realized gain (loss) on commodity derivatives	-	-	-	-	-	-
Total liquids	13,042	53.55	19,246	66.17	(32)	(19)
Oil	\$	\$/Bbl	\$	\$/Bbl	\$	\$/Bbl
Revenue	10,387	66.65	30,860	75.74	(66)	(12)
Realized gain (loss) on commodity derivatives	(1,252)	(8.03)	(2,042)	(5.01)	(39)	60
Total oil	9,135	58.62	28,818	70.73	(68)	(17)
Total	\$	\$/Boe	\$	\$/Boe	\$	\$/Boe
Revenue	41,748	31.13	73,856	32.14	(43)	(3)
Realized gain (loss) on commodity derivatives	(1,258)	(0.94)	(2,851)	(1.24)	(56)	(24)
Total revenue	40,490	30.19	71,005	30.90	(43)	(2)

For the three months ended March 31, 2013, revenues including realized commodity derivative gains and losses were \$40.5 million, a 43% decrease from \$71.0 million for the same period in 2012 and a decrease of 16% compared to the fourth quarter of 2012 of \$48.2 million. The decline in revenue compared to the fourth quarter of 2012, reflects lower production volumes and lower oil and liquids prices.

The decrease in revenues for the three months ended March 31, 2013 compared to the same period of 2012 is primarily due to a 41% decrease in production volumes and a 2% decrease in overall realized prices. Revenues were comprised of \$18.3 million of natural gas revenue, \$13.0 million of liquids revenue and \$9.1 million of oil revenue. The decrease in average realized commodity prices is comprised of a 36% increase in the natural gas price to \$3.24/Mcf from \$2.39/Mcf, a 19% decrease in the liquids price to \$53.55/Bbl from \$66.17/Bbl and a 17% decrease in the oil price to \$58.62/Bbl from \$70.73/Bbl.

Commodity price risk management

(\$ thousands)	Three months ended March 31,					
	2013			2012		
	Realized Gain (Loss)	Unrealized Gain (Loss)	Total Gain (Loss)	Realized Gain (Loss)	Unrealized Gain (Loss)	Total Gain (Loss)
Natural gas	(6)	-	(6)	(809)	573	(236)
Oil	(1,252)	(1,788)	(3,040)	(2,042)	3,016	974
Total gain (loss)	(1,258)	(1,788)	(3,046)	(2,851)	3,589	738

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, 2013, the commodity price risk management program resulted in a loss of \$3.0 million, consisting of realized losses of \$1.2 million and unrealized losses of \$1.8 million on natural gas and oil contracts. As at March 31, 2013, the mark-to-market value of the financial derivative commodity contracts was a net liability of \$2.9 million of which \$2.3 million is classified as current liability.

As at March 31, 2013, the mark-to-market value of the physical purchase and sale contracts was a loss of \$0.7 million (March 31, 2012 – \$2.1 million gain).

(a) Financial instruments

The following is a summary of financial instruments outstanding as at March 31, 2013:

	Volume	Pricing (Cdn\$)	Premium (Cdn \$)	Remaining term
WTI crude oil contracts				
Fixed price swap ⁽¹⁾	1,350 Bbls/d	\$92.90/Bbl		Apr 1, 2013 – Jun 30, 2013
Fixed price swap ⁽²⁾⁽³⁾	1,650 Bbls/d	\$93.90/Bbl		Jul 1, 2013 – Sep 30, 2013
Fixed price swap ⁽⁴⁾	1,117 Bbls/d	\$94.31/Bbl		Oct 1, 2013 – Dec 31, 2013
Fixed price swap	683 Bbls/d	\$93.70/Bbl		Jan 1, 2014 – Mar 31, 2014
Fixed price swap	600 Bbls/d	\$92.33/Bbl		Apr 1, 2014 – Jun 30, 2014
Fixed price swap	400 Bbls/d	\$92.83/Bbl		Jul 1, 2014 – Sep 30, 2014
Fixed price swap	400 Bbls/d	\$92.83/Bbl		Oct 1, 2014 – Dec 31, 2014
Fixed price swap	200 Bbls/d	\$91.90/Bbl		Jan 1, 2015 – Mar 31, 2015
Put option	483 Bbls/d	\$95.96/Bbl	\$6.23/Bbl	Apr 1, 2013 – Jun 30, 2013
Put option	333 Bbls/d	\$94.06/Bbl	\$5.93/Bbl	Jul 1, 2013 – Sep 30, 2013
Put option	233 Bbls/d	\$94.38/Bbl	\$5.29/Bbl	Oct 1, 2013 – Dec 31, 2013
Put option	200 Bbls/d	\$94.65/Bbl	\$4.90/Bbl	Jan 1, 2014 – Mar 31, 2014
Costless Collar	100 Bbls/d	\$83.00/Bbl - \$97.40/Bbl		Apr 1, 2013 – Jun 30, 2013
Costless Collar	100 Bbls/d	\$83.00/Bbl - \$97.40/Bbl		Jul 1, 2013 – Sep 30, 2013

(1) Reduced to 1,100 Bbls/d at Cdn \$93.11/Bbl for months during the period April 1, 2013 to June 30, 2013 where the Cdn\$ WTI price averages less than Cdn \$65.00/Bbl.

(2) Reduced to 1,200 Bbls/d at Cdn \$93.61/Bbl for months during the period July 1, 2013 to September 30, 2013 where the Cdn\$ WTI price averages less than Cdn \$65.00/Bbl.

(3) Reduced to 1,450 Bbls/d at Cdn \$93.33/Bbl for months during the period July 1, 2013 to September 30, 2013 where the Cdn\$ WTI price averages less than Cdn \$72.50/Bbl.

(4) Reduced to 917 Bbls/d at Cdn \$93.51/Bbl for months during the period October 1, 2013 to December 31, 2013 where the Cdn\$ WTI price averages less than Cdn \$72.50/Bbl.

Subsequent to March 31, 2013, the following financial instruments have been entered into:

	Volume	Pricing	Remaining term
WTI oil contracts			
Fixed price swap	200Bbls/d	Cdn \$89.60/Bbl	May 1, 2013 – Apr 30, 2015
Fixed price swap	200Bbls/d	Cdn \$88.70/Bbl	Apr 1, 2014 – Apr 30, 2015
NYMEX natural gas contracts			
AECO differential	20,000 MMbtu/d	US \$(0.555)/MMbtu	Oct 1, 2013 – Dec 31, 2013
AECO differential	20,000 MMbtu/d	US \$(0.575)/MMbtu	Jan 1, 2014 – Dec 31, 2014

(b) Physical purchase and sale contracts

The following is a summary of physical purchase and sale contracts outstanding as at March 31, 2013:

	Volume	Pricing (Cdn\$)	Premium (Cdn\$)	Remaining term
Natural gas contracts				
Put option	7,000 GJ/d	\$3.33/GJ	\$0.33/GJ	Apr 1, 2013 – Jun 30, 2013
Put option	7,000 GJ/d	\$3.33/GJ	\$0.33/GJ	Jul 1, 2013 – Sep 30, 2013
Put option	5,333 GJ/d	\$3.30/GJ	\$0.33/GJ	Oct 1, 2013 – Dec 31, 2013
Costless collar	10,000 GJ/d	\$2.80/GJ - \$3.36/GJ		Apr 1, 2013 – Jun 30, 2013
Costless collar	13,333 GJ/d	\$2.93/GJ - \$3.48/GJ		Jul 1, 2013 – Sep 30, 2013
Costless collar	10,000 GJ/d	\$3.15/GJ - \$3.69/GJ		Oct 1, 2013 – Dec 31, 2013
Costless collar	15,000 GJ/d	\$3.17/GJ - \$3.69/GJ		Jan 1, 2014 – Mar 31, 2014
Costless collar	15,000 GJ/d	\$3.17/GJ - \$3.69/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	10,000 GJ/d	\$2.65/GJ - \$3.37/GJ	\$0.15/GJ	Apr 1, 2013 – Jun 30, 2013
Funded collar	5,000 GJ/d	\$2.67/GJ - \$3.40/GJ	\$0.15/GJ	Jul 1, 2013 – Sep 30, 2013
Fixed price swap	13,000 GJ/d	\$3.08/GJ		Apr 1, 2013 – Jun 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		Apr 1, 2013 – Dec 31, 2013

Subsequent to March 31, 2013, the following physical purchase and sale contracts have been entered into:

	Volume	Pricing	Remaining term
Natural gas contracts			
Costless collar	2,000 GJ/d	\$3.50/GJ - \$3.90/GJ	Jul 1, 2013 – Jun 30, 2014

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

Royalties

(Percentage)	Three months ended March 31,	
	2013	2012
Natural gas and liquids	9	14
Oil	13	14
Weighted average rate	10	14

For the three months ended March 31, 2013, royalties were \$4.0 million, 60% lower than the \$10.2 million for the same period of 2012. The decrease in royalties for three months ended March 31, 2013 compared to the same period in 2012 is largely due to decreased revenues and first quarter production additions being subject to crown royalty incentives. The Wapiti Montney wells qualify for royalty holiday programs which prescribe a five percent royalty rate for both the natural gas and the associated liquids production. The duration of the royalty holiday is based on a number of factors including well depth, well production rates and realized commodity prices.

Average royalty rates by product for the three months ended March 31, 2013 were 9% for natural gas and liquids and 13% for oil compared to 14% for natural gas and liquids and 14% for oil for the same period in 2012. Excluding the impact of gas cost allowance adjustments, the average royalty rate for natural gas and liquids for the three months ended March 31, 2013 was 11%. As a percentage of revenue, the reported average royalty rate for the three months ended March 31, 2013 was 10% compared to 14% for the comparative period of 2012.

Transportation – Transportation costs were \$1.3 million (\$0.95/Boe) for the three months ended March 31, 2013 as compared to \$1.7 million (\$0.73/Boe) for the same period of 2012. The transportation costs for the first quarter of 2013 were lower compared to the same period in 2012 due to lower transportation costs incurred in first quarter associated with lower oil production as a result of the 2012 property dispositions.

Operating – Operating expenses were \$16.4 million (\$12.20/Boe) for the three months ended March 31, 2013 as compared to \$26.4 million (\$11.50/Boe) for the same period of 2012. For the three months ended March 31, 2013, natural gas and liquids operating expenses averaged \$1.86/Mcfe and oil operating expenses were \$20.12/Bbl as compared to \$1.73/Mcfe and \$16.75/Bbl respectively for the same period of 2012. As compared to the first quarter of 2012, operating expenses on a total dollar basis decreased due to property dispositions in the third quarter of 2012 and unplanned shut-ins due to third party facility outages.

Operating netbacks – The table below summarizes operating netbacks by product for the three months ended March 31, 2013:

(\$ thousands, except per unit amounts)	Natural gas and liquids		Oil		Total	
	\$	\$/Mcfe	\$	\$/Bbl	\$	\$/Boe
Revenue	31,361	4.41	10,387	66.65	41,748	31.13
Realized gain (loss) on commodity derivatives	(6)	-	(1,252)	(8.03)	(1,258)	(0.94)
	31,355	4.41	9,135	58.62	40,490	30.19
Royalties	(2,700)	(0.38)	(1,349)	(8.66)	(4,049)	(3.02)
Transportation costs	(750)	(0.11)	(521)	(3.34)	(1,271)	(0.95)
Operating costs	(13,235)	(1.86)	(3,135)	(20.12)	(16,370)	(12.20)
Operating netback ⁽¹⁾	14,670	2.06	4,130	26.50	18,800	14.02

⁽¹⁾ Refer to "non-GAAP measurements".

For the first quarter of 2013, operating netback was \$14.7 million (\$2.06/Mcfe) for natural gas and liquids and \$4.1 million (\$26.50/Bbl) for oil compared to an operating netback of \$15.6 million (\$1.37/Mcfe) for natural gas and liquids and \$17.2 million (\$42.19/Bbl) for oil in the same period of 2012. The decrease in operating netback for natural gas and liquids was due to decreases in production volumes and oil and liquids prices.

General and administrative

(\$ thousands, except per unit amounts)	Three months ended March 31,	
	2013	2012
Gross general and administrative expenses	6,194	6,736
Overhead recoveries	(1,035)	(1,470)
Net general and administrative expenses	5,159	5,266
Per Boe	3.85	2.29

Net general and administrative (“G&A”) expenses for the three months ended March 31, 2013 were \$5.2 million (\$3.85/Boe) compared to \$5.3 million (\$2.29/Boe) in the same period of 2012. Gross G&A expenses decreased by \$0.5 million as cost saving measures introduced from the property dispositions in late 2012 were realized in the first quarter of 2013. Overhead recoveries are comprised of a capital and operating component and are primarily activity based. These recoveries are lower in 2013 due to the property dispositions in 2012 and that a greater percentage of NuVista’s exploration and development operations are 100% operated. Overall, on a net total dollar basis, G&A costs are flat compared to the first quarter of 2012 and show an increase on a per boe basis versus 2012 as a result of the lower production volumes. Net general and administrative costs per boe are expected to decline through 2013 as production volumes ramp up.

Share-based compensation

(\$ thousands)	Three months ended March 31,	
	2013	2012
Stock options	1,131	1,109
Restricted stock units	1,145	192
Restricted share awards	160	175
Total	2,436	1,476

NuVista recorded a share-based compensation charge of \$2.4 million for the three months ended March 31, 2013 compared to \$1.5 million for the same period in 2012. 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. The increase in the quarter of \$1.0 million is due primarily to the increase in NuVista’s share price in 2013 which directly impacts the valuation of NuVista’s restricted stock units.

Interest – Interest expense for the three months ended March 31, 2013 was \$0.9 million (\$0.65/Boe) compared to \$3.2 million (\$1.38/Boe) for the same period of 2012. Interest expense for the three months ended March 31, 2013 decreased compared to the same period in 2012 due to lower debt levels and decreased margins incurred. For the three months ended March 31, 2013, borrowing costs averaged 4.6% compared to 3.7% in the same period of 2012. Currently, NuVista’s average borrowing rate is approximately 3.1%. Cash paid for interest for the three months ended March 31, 2013 was \$0.6 million (March 31, 2012 – \$3.2 million).

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

(\$ thousands, except per unit amounts)	Three months ended March 31,	
	2013	2012
Depletion of oil and gas assets ⁽¹⁾	17,476	32,619
Depreciation of fixed assets	948	1,834
Total DD&A	18,424	34,453
DD&A rate per Boe	13.74	14.99

⁽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 \$18.4 million (\$13.74/Boe) for the first quarter of 2013 as compared to \$34.5 million (\$14.99/Boe) for the same period in 2012. Per unit costs in the first quarter of 2013 decreased from the same period in 2012 due primarily to the impairment of the net book value of property, plant and equipment recorded in 2012 totalling \$213.1 million. Based on an assessment of indicators of impairment performed at March 31, 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 March 31, 2013.

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, 2013, NuVista recorded an ARO of \$140.9 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 2.5% at March 31, 2013 from 2.4% at December 31, 2012. A significant portion of annual asset retirement expenditures are typically incurred in the first quarter; NuVista incurred \$5.4 million (March 31, 2012 – \$10.8 million) of abandonment expenditures during the first quarter. At March 31, 2013, the estimated total undiscounted amount of cash flow required to settle NuVista’s ARO is \$212.5 million (December 31, 2012 – \$218.1 million), which is estimated to be incurred over the next 51 years. The majority of the costs are expected to be incurred between 2014 and 2032.

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 March 31, 2013, the provision for income and other taxes was a deferred expense of \$0.8 million compared to a benefit of \$0.6 million for the same period in 2012. The increase in expense for the quarter ended March 31, 2013 compared to a recovery in 2012 was primarily attributable to the additional flow-through share renunciations in the period.

Capital expenditures

(\$ thousands)	Three months ended March 31,	
	2013	2012
Exploration and development		
Land and retention costs	1,829	272
Seismic	989	1,399
Drilling and completion	43,829	31,458
Facilities and equipment	22,142	18,718
Subtotal	68,789	51,847
Property acquisitions	-	1,016
Net capital expenditures before dispositions	68,789	52,863

Capital expenditures were \$68.8 million during the first quarter of 2013, consisting entirely of exploration and development spending. This compares to \$52.9 million incurred for the first quarter of 2012, consisting of \$51.8 million of exploration and development spending and a \$1.0 million minor property acquisitions. The majority of the capital expenditures in the first quarter were spent on oil and liquids-rich natural gas projects in the Wapiti Montney play. NuVista disposed some minor non-core properties in the first quarter of 2013 for gross proceeds of \$12.6 million.

Net earnings (loss) – For the three months ended March 31, 2013, net loss totaled \$4.1 million (\$0.03/share, basic) compared to net loss of \$3.1 million (\$0.03/share, basic) for the same period in 2012. The net loss for the period ended March 31, 2013 was attributable to lower production and lower oil and liquids prices.

Adjusted net earnings (loss) – The table below summarizes adjusted net earnings (loss) for the three months ended March 31, 2013 compared to March 31, 2012:

(\$ thousands)	Three months ended March 31,	
	2013	2012
Net loss	(4,061)	(3,147)
Add (deduct):		
Unrealized (gain) loss on commodity derivatives, after tax	1,338	(2,680)
Gain on divestitures, after tax	(5,898)	(5,071)
Adjusted net loss ⁽¹⁾	(8,621)	(10,898)
Per basic share	(0.07)	(0.11)
Per diluted share	(0.07)	(0.11)

⁽¹⁾ Refer to “non-GAAP measurements”.

Funds from operations – For the three months ended March 31, 2013, NuVista’s funds from operations were \$11.6 million (\$0.10/share, basic), a 52% decrease from \$24.1 million (\$0.24/share, basic) for the three months ended March 31, 2012. Funds from operations for the three months ended March 31, 2013 were lower compared with the same period in 2012 as higher natural gas prices and lower royalty costs were offset by lower prices realized for oil and natural gas liquids and lower production levels and major property dispositions completed in the fourth quarter of 2012. Funds from operations for the three months ended March 31, 2013 decreased 29% from funds from operations of \$16.3 million for the three months ended December 31, 2012. This decrease was primarily due to the property dispositions in 2012 which resulted in lower overall production, as well as lower realized prices for oil and liquids.

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

(\$ thousands)	Three months ended March 31,	
	2013	2012
Cash provided by operating activities	3,176	15,961
Add back:		
Asset retirement expenditures	5,351	10,824
Change in non-cash working capital	3,102	(2,661)
Funds from operations ⁽¹⁾	11,629	24,124

⁽¹⁾ Refer to “non-GAAP measurements”.

The table below summarizes funds from operations netbacks for the three months ended March 31, 2013 compared to the three months ended March 31, 2012:

(\$ thousands, except per unit amounts)	Three months ended March 31,					
	2013		2012		% Change	
	\$	\$/Boe	\$	\$/Boe	\$	\$/Boe
Revenue	41,748	31.13	73,856	32.14	(43)	(3)
Realized gain (loss) on commodity derivatives	(1,258)	(0.94)	(2,851)	(1.24)	(56)	(24)
	40,490	30.19	71,005	30.90	(43)	(2)
Royalties	(4,049)	(3.02)	(10,162)	(4.42)	(60)	(32)
Transportation	(1,271)	(0.95)	(1,678)	(0.73)	(24)	30
Operating costs	(16,370)	(12.20)	(26,413)	(11.50)	(38)	6
Operating netback	18,800	14.02	32,752	14.25	(43)	(2)
General and administrative	(5,159)	(3.85)	(5,266)	(2.29)	(2)	68
Restricted stock units	(1,145)	(0.85)	(192)	(0.08)	496	963
Interest	(867)	(0.65)	(3,170)	(1.38)	(73)	(53)
Funds from operations netback ⁽¹⁾	11,629	8.67	24,124	10.50	(52)	(17)

⁽¹⁾ Refer to "non-GAAP measurements".

Liquidity and capital resources

(\$ thousands)	March 31, 2013	December 31, 2012
Common shares outstanding	118,633	118,618
Share price ⁽¹⁾	6.50	5.87
Total market capitalization	771,115	696,288
Adjusted working capital (surplus) deficit ⁽²⁾	23,804	10,496
Bank debt	55,752	19,892
Debt, net of adjusted working capital ("Net Debt")	79,556	30,388
Trailing 12 months funds from operations ⁽²⁾	63,177	75,672
Net debt to trailing 12 months funds from operations	1.3	0.4

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

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

As at March 31, 2013, debt net of adjusted working capital was \$79.6 million, resulting in a net debt to the trailing twelve months funds from operations ratio of 1.3:1 and a net debt to 2013 cashflow of 1.0:1. NuVista's strategy is to target a net debt to latest quarter annualized funds from operations of less than 1.5:1. The actual ratio may fluctuate slightly 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, 2013, NuVista had an adjusted working capital deficit of \$23.8 million. Adjusted working capital excludes the current portion of the fair value of the commodity derivative liabilities of \$2.3 million. We believe it is appropriate to exclude this amount when assessing financial leverage. At March 31, 2013, NuVista had drawn \$55.8 million on its credit facility leaving \$184.2 million of unused bank borrowing capacity based on the current credit facility of \$240 million.

As of March 31, 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.

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, this credit facility is classified as long-term.

At March 31, 2013, NuVista's bank debt net of adjusted working capital increased to \$79.6 million compared to \$30.4 million at December 31, 2012. During the quarter, NuVista completed property dispositions for total cash consideration of \$12.6 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.

As at March 31, 2013, there were 118.6 million common shares outstanding. In addition, there were 6.9 million stock options outstanding, with an average exercise price of \$7.74 per option, 1.2 million restricted stock units and 0.3 million restricted share awards outstanding. As of April 30, 2013, there were 118.6 million common shares outstanding, 1.2 million restricted stock units and 0.3 million restricted share awards outstanding.

Subsequent event

In April 2013, NuVista 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 initial firm capacity of 35 MMcf/d of raw natural gas production will commence in the second quarter of 2014 and will increase to 65 MMcf/d by approximately late 2014. The agreement provides for a minimum take-or-pay commitment of 75% of these volumes. The processing and transportation fee will include a capital and operating fee component.

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, 2013:

	Total	2013	2014	2015	2016	2017	Thereafter
Transportation	\$26,507	\$8,169	\$7,082	\$4,780	\$4,122	\$2,223	\$131
Office lease	16,815	2,722	3,630	3,645	3,719	3,099	-
Purchase contracts	774	774	-	-	-	-	-
Physical power	1,725	1,725	-	-	-	-	-
Flow-through common shares	3,073	3,073	-	-	-	-	-
Total commitments	\$48,894	\$16,463	\$10,712	\$8,425	\$7,841	\$5,322	\$131

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, 2011 to March 31, 2013:

(\$ thousands, except per share amounts)	2013		2012		2011			
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Production (Boe/d)	14,903	17,692	23,936	23,467	25,250	25,306	25,360	25,488
Revenue	41,748	48,277	61,678	58,201	73,856	96,578	88,700	95,719
Net earnings (loss)	(4,061)	(59,042)	(47,600)	(85,411)	(3,147)	(158,462)	1,807	22,445
Net earnings (loss)								
Per basic share	(0.03)	(0.56)	(0.48)	(0.86)	(0.03)	(1.59)	0.02	0.23
Per diluted share	(0.03)	(0.56)	(0.48)	(0.86)	(0.03)	(1.59)	0.02	0.23

NuVista has seen production volumes in a range of 14,903 Boe/d to 25,488 Boe/d for the last eight quarters. NuVista's production volumes have declined to 14,903 Boe/d due to the property dispositions in 2012. 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 \$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 estimates, judgements, and assumptions in applying its accounting policies which have 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 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.

As of January 1, 2015, NuVista will be required to adopt IFRS 9, “Financial Instruments”. The IASB issued IFRS 9, which is the first phase of the IASB's project to replace IAS 39, “Financial Instruments: Recognition and Measurement”. The new standard replaces the current multiple classification and measurement models for financial asset and liabilities with a single model that has only two classification categories: amortized cost and fair value. Portions of 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 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, 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 will be contained in our Annual Information Form under the Risk Factors Section for the year ended December 31, 2012.

OUTLOOK

We are pleased to reiterate our guidance for first half and full year 2013 despite the downtime experienced in the first quarter of 2013. We still expect to produce in the range of 15,250 Boe/d to 16,250 Boe/d in the first half of 2013, based on the actual production of 14,903 Boe/d in the first quarter of 2013 and a projected range of 16,000 Boe/d to 17,000 Boe/d in the second quarter of 2013. Growth in production from the Montney program will begin in earnest post spring breakup with fourth quarter 2013 guidance unchanged at 17,500 Boe/d to 18,500 Boe/d, for total year guidance in the range of 16,000 Boe/d - 17,000 Boe/d. We expect to average two rigs in the Montney formation for the remainder of 2013. Full year 2013 spending is anticipated to be between \$210 million and \$220 million, with 2013 cash flow estimated at \$75 million - \$85 million.

We have the flexibility to increase or decrease rig count subject to drilling results, dispositions, and the commodity price environment. We will also continue to focus on opportunistic asset divestitures, with a full year 2013 target of \$25 million to \$50 million in divestiture proceeds. We will also be carefully managing the balance sheet to ensure maximum flexibility is maintained going forward.