

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") should be read in conjunction with Novus Energy Inc.'s ("Novus" or the "Company") unaudited consolidated interim financial statements as at and for the three months ended March 31, 2010, and Novus' audited financial statements as at and for the fiscal year ended December 31, 2009. The accompanying consolidated financial statements of Novus have been prepared by management and approved by the Company's Audit Committee. The financial data presented herein has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Additional information relating to Novus, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com and Novus's website (www.novusenergy.ca).

This MD&A is current as at May 26, 2010.

NON-GAAP FINANCIAL MEASUREMENTS

Included in the MD&A are references to certain financial measures commonly used in the oil and gas industry, such as funds flow from (used in) operations and operating netbacks. These measures have no standardized meanings, are not defined by Canadian GAAP, and accordingly are referred to as non-GAAP measures. These supplemental measures are used by management to assess operating results between periods and between peer companies as they provide an indication of the results generated by the Company's principal business activities before the consideration of how these activities are financed or how the results are taxed.

Novus determines funds flow from (used in) operations as cash provided by (used in) operating activities prior to changes in non-cash working capital items and asset retirement obligations. A reconciliation of cash provided by (used in) operating activities to funds flow from (used in) operations is presented below:

	For the three months ended Mar 31, 2010	For the three months ended Mar 31, 2009
Cash provided by (used in) operating activities	\$ (513,541)	\$ (2,353,791)
Changes in non-cash working capital	432,238	974,760
Asset retirement expenditures	2,572	-
Funds flow from (used in) operations	\$ (78,731)	\$ (1,379,031)

Operating netbacks are calculated by deducting royalty, operating and transportation expenses from production revenue. Novus' reported amounts may not be comparable to similarly titled measures reported by other companies. These terms should not be considered an alternative to, or more meaningful than, cash provided by operating, investing and financing activities or net income as determined by Canadian GAAP as an indicator of the Company's performance or liquidity.

OTHER MEASUREMENTS

The reporting and measurement currency of this MD&A is the Canadian dollar.

Reported production represents Novus' ownership share of sales before the deduction of royalties. Where amounts are expressed on a barrel of oil equivalent ("boe") basis, natural gas has been converted at a ratio of six thousand cubic feet to one boe. This ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Boe's may be misleading, particularly if used in isolation. References to natural gas liquids ("liquids") include condensate, propane, butane and ethane, and one barrel of liquids is considered to be equivalent to one boe.

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

Certain disclosures set forth in this MD&A constitute forward-looking statements. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as

“anticipate”, “believes”, “budget”, “continue”, “could”, “estimate”, “forecast”, “intends”, “may”, “plan”, “predicts”, “projects”, “should”, “will” and other similar expressions. All estimates and statements that describe the Company’s future, goals, or objectives, including management’s assessment of future plans and operations, may constitute forward-looking information under securities laws. Forward-looking statements involve known and unknown risks and uncertainties which include, but are not limited to: exploration, development and production risks; assessments of acquisitions; reserve measurements; availability of drilling equipment; access restrictions; permits and licenses; aboriginal claims; title defects; commodity prices; commodity markets, transportation and marketing of crude oil, liquids and natural gas; reliance on operators and key personnel; competition; corporate matters; funding requirements; access to credit and capital markets; market volatility; cost inflation; foreign exchanges rates; general economic and industry conditions; environmental risks; Kyoto protocol; and government regulation and taxation.

Forward-looking statements relate to future events and/or performance and although considered reasonable by Novus at the time of preparation, may prove to be incorrect and actual results may differ materially from those anticipated in the statements made. Novus does not undertake any obligation to publicly update forward-looking information except as required by applicable securities law.

THE COMPANY

Novus is engaged in the acquisition, exploration, development and production of petroleum and natural gas reserves in Western Canada.

Novus has one subsidiary, Novus Energy (Acquisition) Inc., which in turn has two subsidiaries, Coyote Resources Inc. and Titan Oilfield Services Inc.

The principal and head office of the Company is located at Suite 1200, 520 - 5th Avenue S.W., Calgary, Alberta T2P 3R7. The registered office of the Company is located at 3500, 855 – 2nd Street S.W., Calgary, Alberta T2P 4J8.

Novus’ common shares are listed and posted for trading on the TSX Venture Exchange under the symbol NVS.

RECENT CORPORATE EVENTS

On April 7, 2010, the Company, through its wholly-owned subsidiary Novus Energy (Acquisition) Inc., acquired all of the issued and outstanding common shares of Titan Oilfield Services Inc., (“Titan”) at a cost of \$1,250,000, which was paid in cash. The acquisition provides the Company with 2.3 sections of prospective land in the Dodslan area of Saskatchewan. As of the date of preparation of these consolidated interim financial statements, the closing financial statements of Titan have not been prepared. The purchase price shall be reduced by the amount by which current and long-term liabilities exceed current assets.

On April 7, 2010, the Company entered into a farm-in agreement whereby the Company paid \$300,000 for the right to farm-in on 0.5 sections of land in the Dodslan area of Saskatchewan. In order to earn a 100% interest in the lands, subject to a royalty reserved to the farmor, the Company must drill a test well on the lands on or before July 30, 2010.

On April 12, 2010, the Company acquired 3.4 sections of undeveloped crown land in the Dodslan area of Saskatchewan at a cost of \$2,250,000

On May 3, 2010, the Company entered into a farm-in agreement which provides the Company with the rights to farm-in on an estimated 16.3 sections of land with petroleum and natural gas rights in the Viking formation. Under the terms of the farm-in agreement, the Company is required to drill a minimum of 13 wells prior to April 30, 2011. Following completion, Novus will have earned a 100% working interest in each quarter section upon which a well was drilled. The Company then has a rolling option to earn the remaining lands on the same earning terms.

On May 18, 2010, the Company completed an equity offering (“Offering”) whereby the Company issued 22,730,000 common shares at a price of \$1.10 per common share for aggregate gross proceeds of \$25,003,000. After deducting the estimated costs of the Offering of \$1,550,150, the estimated net proceeds received by Novus are \$23,452,850. The Company intends to use the net proceeds of the Offering for the development and expansion of core area and general corporate purposes.

RESULTS OF OPERATIONS

Production

Novus’ average daily production for the quarter ended March 31, 2010 was 710 boe/d, double the 306 boe/d recorded in the quarter ended March 31, 2009. The higher production in 2010 reflects a full quarter of production from the acquisition of Ammonite Energy Ltd (“Ammonite”) in December, 2009, six new wells (3 net) coming on stream at Dodsland, SK midway through the first quarter and one month of production from two March, 2010 business combinations.

Average production	Three months ended	
	Mar 31, 2010	Mar 31, 2009
Natural gas (mcf/d)	2,620	1,385
Oil & liquids (bbls/d)	273	75
Oil equivalent (boe/d)	710	306

Revenue and pricing

Gross production revenue for the three months ended March 31, 2010 was \$2,986,670 versus \$911,220 in the three months ended March 31, 2009. The increase in revenue is due to increase production as well as a significant recovery in oil prices. The Company did not enter into any commodity derivative contracts locking in petroleum or natural gas prices during the current quarter or March 31, 2009 nor has it entered into any such contracts as of the date of this MD&A.

Sales revenue	Three months ended	
	Mar 31, 2010	Mar 31, 2009
Natural gas	\$ 1,225,479	\$ 641,480
Oil & liquids	1,761,191	269,740
Total	\$ 2,986,670	\$ 911,220

Sales price per unit	Three months ended	
	Mar 31, 2010	Mar 31, 2009
Natural gas (\$/mcf)	\$ 5.20	\$ 5.14
Oil & liquids (\$/bbl)	71.65	39.72
Blended (\$/boe)	\$ 46.76	\$ 33.05

Royalties

Royalties, which include crown, freehold and overriding royalties paid on oil, liquids and natural gas production, amounted to \$668,955 during the first quarter of 2010 compared to \$225,200 during the same quarter in 2009.

As a percentage of production, royalties decreased to 22.4% in the most recent quarter from 24.7% a year ago. The decrease in royalties in 2010 is primarily the result of lower Alberta royalties from the provincial stimulus initiatives.

Royalties	Three months ended	
	Mar 31, 2010	Mar 31, 2009
Crown	\$ 346,969	\$ 161,560
Freehold and GOR	321,986	63,640
Total	\$ 668,955	\$ 225,200
Total (\$/boe)	\$ 10.47	\$ 8.17

In March, 2010, the Alberta government announced the New Royalty Framework, originally announced in October, 2007, was being modified. The details of the program have yet to be finalized, but the government has announced that Alberta crown royalties will be capped at 40% for oil and 36% for natural gas. In addition, a 5% royalty will apply to the first 50,000 boe of production or the first year of production on new oil and gas wells. Final details of the modifications are expected to be released later in the second quarter of 2010.

While a portion of the Company's projected growth will come from its Alberta assets, the majority is expected to come from its Saskatchewan assets, particularly the greater Dodsland area. Based on the anticipated production split from crown and freehold lands, the Company is forecasting an overall royalty rate of 15% in 2010.

Operating costs

Total operating costs for the quarter ended March 31, 2010 amounted to \$907,455, or \$14.21/boe, compared to \$585,949, or \$21.25/boe, during the quarter ended March 31, 2009. Operating costs per boe continue to decline as production from more concentrated areas in Saskatchewan offsets the more expensive Alberta natural gas properties that the Company owns.

	Three months ended	
	Mar 31, 2010	Mar 31, 2009
Operating costs	\$ 907,455	\$ 585,969
\$/boe	\$ 14.21	\$ 21.25

Transportation costs

Total transportation costs for the quarter ended March 31, 2010 amounted to \$103,504, or \$1.62/boe, compared to \$38,429 or \$1.39/boe, during the quarter ended March 31, 2009. The higher transportation costs reflect the Company's continued movement to higher cost oil transportation from lower cost gas production.

	Three months ended	
	Mar 31, 2010	Mar 31, 2009
Transportation costs	\$ 103,504	\$ 38,429
\$/boe	\$ 1.62	\$ 1.39

Operating netbacks

The following table summarizes the Company's operating netbacks. Operating netbacks are non-GAAP measures and are used by Novus to measure the profitability of crude oil and natural gas sales, subsequent to the deduction of royalty, operating and transportation costs. This measure is not necessarily comparable to operating netbacks as reported by other entities.

Netback per boe	Three months ended	
	Mar 31, 2010	Mar 31, 2009
Revenue	\$ 46.76	\$ 33.05
Royalties	(10.47)	(8.17)
Operating	(14.21)	(21.25)
Transportation	(1.62)	(1.39)
\$/boe	\$ 20.46	\$ 2.24

The operating netback for the three months ended March 31, 2009 was \$20.46/boe compared to \$2.24/boe for the same quarter in 2009. Higher netbacks are a result of the shift to an oilier production base, as the price of this commodity improved considerably compared to 2009, as well as lower per boe operating costs.

General and administrative expenses

Total general and administrative expenses during the first quarter of 2010 amounted to \$1,184,341 compared to \$1,382,091 a year ago. Included in the March 31, 2009 figures is approximately \$575,000 in severance cost associated with the management change in March 31, 2009 and a further \$200,000 in allowance for doubtful accounts.

Going forward, the Company anticipates general and administrative expenditures to increase as additional staffing requirements become needed to support future growth. Furthermore, the Company has assumed additional and more expensive commitments regarding office space as a result of corporate acquisitions. The Company believes that while general and administrative expenditures will grow on an absolute basis, they should decrease on a per boe basis as new production is added and comes on stream.

Interest expense

Interest expense for the three months ended March 31, 2010 was \$nil compared to \$44,427 for the three months ended March 31, 2009. There is no interest expense in 2010 as the Company paid off its bank debt in March, 2009.

Stock-based compensation

The Company accounts for stock-based compensation using the fair-value method. Under this method, compensation expense is recorded over the vesting terms of the options. During the first quarter of 2010, \$649,303 of stock-based compensation expense was recognized. During the quarter ended March 31, 2009, a recovery of \$56,640 to stock-based compensation expense was recognized due to the forfeiture of 2,955,000 stock options.

No compensation expense has been recorded for the performance warrants as management does not expect the performance warrants to vest based on current NAV per share projections.

Depletion and depreciation

Total depletion and depreciation expense for the quarter ended March 31, 2010 amounted to \$2,340,188 (\$36.63/boe) compared to \$812,166 (\$29.46/boe), excluding the impairment provision described below, for the quarter ended March 31, 2009. The higher charge largely reflects the increased value of the Company's assets.

As at March 31, 2009, the Company performed a ceiling test calculation. Stage one of the test indicated its undiscounted future net revenue from proved reserves plus the carrying value of unproved properties were less than the carrying value of its oil and gas assets. Consequently, the Company performed stage two of the ceiling test calculation which indicated its future net revenue from proved and probable reserves, discounted at 5%, plus the carrying value of unproved properties were less than the carrying value of its oil and gas assets, which resulted in an impairment provision of \$7,000,000, with such amount included in the depletion and depreciation expense.

A ceiling test write-down was not required at March 31, 2010.

Income taxes

The \$28,929 charge for the quarter ended March 31, 2010 (2009 - \$14,155) is the result of the Saskatchewan Resource Surcharge ("SRS") on the Company's Saskatchewan production revenue, including adjustments based on predecessor company filings.

The following is a summary of the estimated tax pools of the Company as at March 31, 2010:

Classification	Mar 31, 2010
Non-capital loss carry-forwards	\$ 33,488,000
Canadian oil and gas property expenditures	33,218,000
Canadian development expenditures	22,470,000
Scientific research and development	18,899,000
Capital cost allowance	18,260,000
Canadian exploration expenditures	17,164,000
Share issue costs	3,745,000
Other	260,000
	\$ 147,504,000

The non-capital loss carry-forwards available to reduce future year's income for tax purposes expire as follows:

Year	Amount
2011	\$ 709,000
2013	4,672,000
2014	1,898,000
2022 – 2030	26,209,000
Total non-capital loss carry-forwards	\$ 33,488,000

Net income (loss), funds flow and cash flow from (used in) operations

	Three months ended	
	Mar 31, 2010	Mar 31, 2009
Net loss	\$ (2,823,843)	\$ (9,146,943)
Per share (basic and diluted)	(0.02)	(0.60)
Funds flow from (used in) operations ⁽¹⁾	(78,731)	(1,379,031)
Per share (basic and diluted)	-	(0.09)
Cash flow from (used in) operations	(513,541)	(2,353,791)
Per share (basic and diluted)	-	(0.15)
Weighted average shares outstanding	128,781,048	15,313,354

(1) Funds flow from (used in) operations has been presented for information purposes only and should not be considered an alternative to, or more meaningful than, cash flow from (used in) operating activities as determined in accordance with GAAP. The Company considers funds flow from (used in) operations to be a key measure as it demonstrates the Company's ability to generate the cash necessary to repay debt and to fund future growth through capital investment. The determination of Novus' funds flow from (used in) operations may not be comparable to the same reported by other companies. The reconciliation of net income (loss) and funds flow from (used in) operations can be found in the "Non-GAAP financial measurements" section at the front of this MD&A. Funds flow from (used in) operations per share was calculated using the same weighted average shares outstanding used in calculating net income (loss) per share.

Capital expenditures

During the first quarter of 2010, the Company recorded \$5,937,958 of net capital expenditures compared to \$220,158 during the same quarter of 2009. During the first three months of 2010, the Company participated in the drilling of eleven (9.5 net) wells, of which six (6 net) were horizontal wells at Dodsland, Saskatchewan. The Company also purchased certain interests in the Dimsdale/Wembley area of Alberta at a gross cost of \$950,000. A further breakdown of the capital expenditures is outlined below:

	Three months ended	
	Mar 31, 2010	Mar, 2009
Land acquisition / retention	\$ 22,174	\$ 70,145
Geological, geophysical and seismic	122,509	6,787
Drilling and completions	5,009,405	314,751

Alberta drilling royalty credits	(202,324)	-
Equipping and tie-in	(109,748)	(175,932)
Property acquisitions	924,416	4,407
Furniture and fixtures	171,526	-
	\$ 5,937,958	\$ 220,158

The above figures are exclusive of the following non-cash and business combination transactions:

- February 9, 2010 – 325,000 common shares with an ascribed value of \$286,000 issued pursuant to farm-in agreement at Dodsland, SK;
- March 1, 2010 – 18,666,211 common shares with an ascribed value of \$16,986,252 issued pursuant to a business combination; and
- March 4, 2010 - \$812,274 paid pursuant to a business combination.

Business combinations

PrivateCo.

On March 1, 2010, the Company, through its newly formed wholly-owned subsidiary Novus Energy (Acquisition) Inc., acquired all of the issued and outstanding common shares of a private oil & gas company ("PrivateCo"), which had approximately 214 barrels of oil equivalent per day of production, 25.5 net sections of undeveloped lands and estimated working capital of approximately \$8 million at the time of acquisition. As consideration, the Company issued 18,666,211 common shares at an ascribed value of \$0.91 per common share. The ascribed value is equal to the closing price of the Company's shares on the TSX Venture Exchange on March 1, 2010.

In addition to the \$8 million of working capital, the business combination with PrivateCo provided Novus with 25.5 sections of undeveloped land. 10.25 sections, including 2.25 sections available under farm-in, are located within the Company's greater Dodsland, SK core operational area. The acquired production volumes are primarily gas and require only minor increases to ongoing administrative costs.

Coyote Resources Ltd.

On March 4, 2010, the Company, through its wholly-owned subsidiary Novus Energy (Acquisition) Inc., acquired all of the issued and outstanding common shares of Coyote Resources Ltd. ("Coyote"), which owned two sections of prospective land in the Dodsland area of Saskatchewan. As consideration, the Company paid \$812,274 and assumed \$112,276 worth of debt, subject to further adjustments.

Titan Oilfield Services Inc.

Subsequent to quarter end, on April 7, 2010, the Company, through its wholly-owned subsidiary Novus Energy (Acquisition) Inc., acquired all of the issued and outstanding common shares of Titan, which owned 2.3 sections of prospective land in the Dodsland area of Saskatchewan. As consideration, the Company paid \$1.25 million, subject to further adjustments.

Key amongst all the business combinations was the acquisition of undeveloped lands in the Company's core operational area of Dodsland, SK.

LIQUIDITY AND CAPITAL RESOURCES

Capital structure

The Company considers its capital structure to include share capital, working capital, and bank debt. The Company manages its capital structure in order to meet its financial obligations and sustain the future development of the Company. The Company's Officers are responsible for managing the Company's

capital and do so through quarterly meetings and regular reviews of financial information including budgets and forecasts. The Company's Directors are responsible for overseeing this process. Methods used by the Company to manage its capital include the issuance of new share capital and warrants which have historically been accomplished through private placements. The Company continually monitors business conditions including: changes in economic conditions; the risk of its drilling programs; forecasted commodity prices; and potential corporate or asset acquisitions. There were no changes in the Company's approach to capital management during the three months ended March 31, 2010.

Until such time as the Company can sustain positive funds flow from operations, the Company monitors its capital structure to ensure that it maintains a positive working capital position free of bank debt. As at March 31, 2010, the Company had positive working capital of \$20,482,857 with no bank debt outstanding.

The Company's share capital is not subject to any external restrictions; however its credit facility is subject to periodic reviews. The credit facility also contains certain covenants such that the Company cannot, without prior approval of the bank, hedge or contract petroleum or natural gas volumes, on a fixed price basis, exceeding 50% of production volumes, nor can it monetize or settle any fixed price financial hedge or contract. The credit facility also contains a financial covenant that requires the Company to maintain a working capital ratio of at least 1:1, but for the purposes of the covenant, bank debt and the fair value of any commodity contracts are excluded and the unused portion of the credit facility may be added to current assets. As at March 31, 2010, this ratio was 4.7:1.

Equity instruments

During the first quarter of 2010, the Company issued 80,000 common shares on the exercise of share purchase warrants; 325,000 common shares pursuant to a farm-in agreement; and 18,666,211 common shares pursuant to the acquisition of a private company.

As at March 31, 2010, the Company had the following equity instruments outstanding:

Common shares outstanding	141,175,063
Issuable upon the exercise of outstanding share purchase warrants	29,880,100
Issuable upon the exercise of outstanding stock options	7,415,000
Issuable upon the exercise of outstanding performance warrants	4,200,000
Total equity instruments outstanding	182,670,163

The following table summarizes the outstanding share purchase warrants by expiry date:

Date of Issue	Number of Warrants	Exercise Price	Date of Expiry
Jul 10, 2008	2,230,100	\$ 2.60	Jul 10, 2010
Mar 31, 2009	27,650,000	\$ 0.75	Mar 31, 2012
	29,880,100		

The following table summarizes the outstanding stock options by expiry date:

Date of Grant	Number of Options	Exercise Price	Date of Expiry
Feb 12, 2007	30,000	\$ 3.00	Feb 12, 2012
Jul 16, 2008	385,000	\$ 2.00	Jul 16, 2013
Sep 4, 2009	3,000,000	\$ 0.60	Sep 4, 2014
Feb 9, 2010	4,000,000	\$ 0.88	Feb 9, 2015
	7,415,000	\$ 0.83	

The Company's 4,200,000 performance warrants were granted on September 4, 2009 for a term of three years. Each performance warrant is exercisable into one common share at a price of \$0.56 per performance warrant upon the Company achieving certain targets in growth in net assets value per fully diluted share outstanding ("NAV per share"). With reference to the initial NAV per share calculated as \$1.10, 1/3 of the

performance warrants shall vest upon an increase in NAV per share of 25%, 2/3 of the performance warrants shall vest upon an increase in NAV per share of 33 1/3%, and all of the performance warrants shall vest upon an increase in NAV per share of 50%. As of March 31, 2010, none of the performance warrants have vested.

On May 18, 2010, the Company completed an equity offering (“Offering”) whereby the Company issued 22,730,000 common shares at a price of \$1.10 per common share for aggregate gross proceeds of \$25,003,000. After deducting the estimated costs of the Offering of \$1,550,150, the estimated net proceeds received by Novus are \$23,452,850. The Company intends to use the net proceeds of the Offering for the development and expansion of core area and general corporate purposes.

As of the date of this MD&A, Novus has 165,249,063 common shares outstanding. A further 28,536,100 common shares are reserved for issuance pursuant to the exercise of outstanding shares purchase warrants; 7,415,000 common shares are reserved for issuance pursuant to the exercise of outstanding stock options; and 4,200,000 common shares are reserved for issuance pursuant to the exercise of outstanding performance warrants.

Working capital and bank debt

At March, 2010, the Company had positive working capital of \$20,482,857 compared to \$19,422,676 at December 31, 2009. Components of the working capital figures are contained in the following table:

	Mar 31, 2010	Dec 31, 2009
Cash and cash equivalents	\$ 23,408,158	\$ 22,142,578
Accounts receivable	2,794,670	2,512,175
Deposits and prepaid expenses	699,022	442,120
Accounts payable and accrued liabilities	(6,418,993)	(5,674,197)
Total working capital	\$ 20,482,857	\$ 19,422,676

As at March 31, 2010, the Company had no bank debt outstanding. The Company has available a \$3,500,000 revolving operating demand facility. The credit facility bears interest at the bank prime rate plus 1½% and is secured by a general assignment of book debts and a \$15,000,000 debenture with a floating charge over all assets of the Company with a negative pledge and undertaking to provide fixed charges on the Company’s major producing petroleum properties. The credit facility is subject to a financial covenant that requires the Company to maintain a working capital ratio of at least 1:1, but for the purposes of the covenant, bank debt and the fair value of any commodity contracts are excluded and the unused portion of the credit facility may be added to current assets. As at March 31, 2010, this ratio was 4.7:1.

The credit facility is subject to periodic review by the bank, with the next review scheduled on or before May 31, 2010.

COMMITMENTS AND CONTINGENCIES

As at March 31, 2010, the Company had commitments as follows:

	2010	2011	Thereafter
Office Lease	\$ 461,295	\$ 421,272	\$ -

The Canada Revenue Agency (“CRA”) has conducted an audit of transfer pricing on international transactions between SiberCore Technologies Incorporated and its United States subsidiary, SiberCore America Inc. for the years 2000, 2001 and 2002. SiberCore Technologies Incorporated was the predecessor company of Azeri Capital Inc. and ultimately Novus Energy Inc. The Company has received a proposed settlement letter from CRA that would result in a reduction of tax pools of approximately \$1,500,000. CRA has also proposed to charge a cash penalty of approximately \$150,000. The Company

has responded to the proposed settlement letter and provided further information supporting management's view that CRA's position has no merit and intends to object to any notice of assessment that may be received. The outcome of this audit is uncertain at this time and as such, no provisions have been made in these financial statements.

On May 3, 2010, the Company entered into a farm-in agreement which provides the Company with the rights to farm-in on an estimated 16.3 sections of land with petroleum and natural gas rights in the Viking formation. Under the terms of the farm-in agreement, the Company will drill a minimum of 13 wells prior to April 30, 2011. Following completion, Novus will have earned a 100% working interest in each quarter section upon which a well was drilled. The Company then has a rolling option to earn the remaining lands on the same earning terms.

SUMMARY OF QUARTERLY RESULTS

(000s, except per share and boe amounts)	Three months ended			
	Mar 31, 2010	Dec 31, 2009	Sep 30, 2009	Jun 30, 2009
Petroleum and natural gas sales	\$ 2,987	\$ 1,156	\$ 839	\$ 804
Funds flow from (used in) operations	(79)	(829)	(559)	(476)
per share – basic and diluted	-	(0.01)	(0.01)	(0.01)
Net loss	2,824	2,233	1,800	1,415
per share – basic and diluted	0.02	0.04	0.04	0.03
Capital expenditures, net	5,938	10,034	(40)	329
Average daily production (boe/d)	710	327	345	327
Average selling price (\$/boe)	46.76	38.47	26.45	29.96
Operating Netback (\$/boe)	20.46	9.60	3.20	7.88
Weighted average shares outstanding	128,781	60,687	42,755	42,755

(000s, except per share and boe amounts)	Three months ended			
	Mar 31, 2009	Dec 31, 2008	Sep 30, 2008	Jun 30, 2008
Petroleum and natural gas sales	\$ 911	\$ 1,252	\$ 2,001	\$ 1,433
Funds flow from (used in) operations	(1,379)	(282)	(476)	484
per share – basic and diluted	(0.09)	(0.02)	(0.03)	0.10
Net loss	9,147	1,361	2,080	92
per share – basic and diluted	0.60	0.09	0.15	0.02
Capital expenditures, net	220	1,380	1,059	(206)
Average daily production (boe/d)	306	316	365	248
Average selling price (\$/boe)	33.05	43.04	59.53	63.44
Operating Netback (\$/boe)	2.24	14.49	25.61	34.74
Weighted average shares outstanding	15,313	15,005	13,897	4,814

Petroleum and natural volumes increased in the three months ended September 30, 2008, primarily due to volumes associated with the July, 2008 business combination with G2 Resources Inc (“G2”). Production fell in the last calendar quarter of 2008 and first quarter of 2009 due to operational and cold weather issues at Eight Mile, Kaybob, and Garrington, and began to rise in the following two quarters as these issues became resolved. Production for the last quarter of 2009 was adversely impacted by shut-in oil production at Cardiff and Wembley as well as severe cold weather curtailing gas production during December. Volumes increased in the first quarter of 2010 due to wells drilled in the previous quarter coming on stream, three full months of production resulting from the December 2009 business combination with Ammonite Energy Ltd., (“Ammonite”) and one month of production from the March 2010 business combinations.

Petroleum and natural gas sales are a function of sales volumes and commodity prices, so while volumes didn't fluctuate significantly in fiscal 2009, declining commodity prices negatively impacted production revenue. The turnaround in prices over the last quarter of 2009 helped boost the sale figures, in spite of the reduced volumes. Commodity prices continued their recovery in the first quarter of 2010, with crude oil leading the way.

Funds flow from (used in) operations starts with production revenues and is affected by royalties, operating and transportation costs, general and administrative expenditures, interest expenses, transaction costs and current taxes. The change in funds flow used in operations for the three months ended September 30, 2008 was due to severance costs associated with the G2 business combination and change of management, as well as year-end administrative costs, such as audit and engineering fees. For 2009, funds flow used in operations was impacted by severance costs associated with the change of management in March and year-end administrative costs in December. In 2010, increased production volumes, coupled with higher commodity prices and greater operational efficiencies, resulted in improved funds flow figures.

The net loss for the quarter ended September 30, 2008 increased from the previous quarter due to the change in funds flow from operations and higher depletion charges associated with the increased asset base pursuant to the G2 business combination in July of 2008. The net loss for the three months ended March 31, 2009 included higher funds flow used in operations and a \$7,000,000 ceiling test write-down. Net loss increased through the last half of 2009 and into 2010 due to higher non-cash items, such as depletion charges and stock-based compensation costs.

The largest component of the capital expenditure figures in 2009 was asset acquisitions of \$7.4 million in the last calendar quarter. The quarter also included the drilling of seven wells (4 net), primarily at Dodsland, SK. The 2010 figure includes the drilling of 11 wells (9.5 net), six of which were horizontal wells at Dodsland, SK. The capital expenditure figures do not include non-cash and business combination transactions.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments as at March 31, 2010 consist of cash and cash equivalents, accounts receivable, deposits, investment, and accounts payable and accrued liabilities. The fair value of these instruments approximates their carrying value due to their short-term nature, except for the investment. The investment consists of common shares in a non-publicly traded company, which was acquired as part of the business combination with Ammonite. The fair value of the investment is determined by a review of the Company's assets, capital program, and recent fund raising efforts.

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value as of December 31, 2009.

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 23,408,158	\$ -	\$ -	\$ 23,408,158
Investment	-	-	15,000	15,000
Total	\$ 23,408,158	\$ -	\$ 15,000	\$ 23,423,158

The nature of the Company's financial instruments and operations expose the Company to certain risks. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework, and senior management employs various strategies to ensure that the exposure to risk is in compliance with the Company's business objectives and tolerance levels.

Credit Risk

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its contractual obligation. The Company is exposed to credit risk with respect to accounts receivable and cash and cash equivalents.

Substantially all of the Company's accounts receivable are with customers and joint interest partners in the oil and gas industry and are subject to normal industry credit risks. The Company markets its petroleum and natural gas to several marketers so that the exposure to any one entity is minimized. Receivables from oil and natural gas marketers are normally collected on the 25th day of the month following production. Receivables from joint venture partners are typically collected within one to three months of the joint venture billing being issued, however collection is dependent on industry factors such as commodity price fluctuations, escalating costs, the risk of unsuccessful drilling, and disputes amongst partners. The Company attempts to mitigate credit risk from joint venture partners by obtaining partner approval of significant capital costs prior to expenditure. While the Company does not typically obtain collateral from joint venture partners, it may cash call a partner in advance of the work being done. In addition, the Company has the ability to withhold production from partners in the event of non-payment. Should any of the Company's customers or partners be unable to settle amounts due, the impact on the Company could be significant. The maximum exposure to losses arising from accounts receivable and cash and cash equivalents is equal to their total carrying amounts on the balance sheet. When determining whether past due accounts are collectible, the Company factors in the past credit history of the counter parties.

As at March 31, 2010, the Company's accounts receivable were comprised of the following:

Sales revenue receivable	\$	729,433
Joint interest receivable		1,083,551
Cash call receivable		295,800
Accrued and other receivable		685,886
Total accounts receivable	\$	2,794,670

As at March 31, 2010, the Company estimates its accounts receivables to be aged as follows:

Total accounts receivable	0 to 30 days	31 to 60 days	61 to 90 days	Greater than 90 days
\$ 2,794,670	\$ 1,877,341	\$ 169,787	\$ 106,758	\$ 640,784

Company considers all amounts greater than 90 days as past due. These past due accounts are considered to be collectible except if provided for in an allowance for doubtful accounts.

Cash and cash equivalents consist of bank balances. The Company manages the credit exposure of cash by selecting financial institutions with high credit ratings.

Liquidity risk

This is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective in managing liquidity risk is to ensure that it has sufficient resources available to meet its liabilities when due. The Company's ongoing liquidity is impacted by various external events and conditions, including commodity price fluctuations and the global economic downturn. At March 31, 2010, the Company's accounts payable and accrued liabilities were \$6,418,993 all of which are due for payment within normal terms of trade, which are generally between 30 and 60 days. As at March 31, 2010, the Company has cash on hand of \$23,408,158 to manage its liquidity and settlement of liabilities.

The Company's financial liabilities at December 31, 2009 are aged as follows:

Total accounts payable and accrued liabilities	0 to 30 days	31 to 60 days	61 to 90 days	Greater than 90 days
\$ 6,418,993	\$ 5,331,672	\$ 570,122	\$ 331,384	\$ 185,815

The Company expects to satisfy its obligations under accounts payable and accrued liabilities within the next year. As well, the Company is required to meet certain financial commitments as described in the commitments and contingencies section of this MD&A.

Foreign currency exchange risk

This is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company's petroleum and natural gas sales are denominated in Canadian dollars, the underlying market prices in Canada are impacted by changes in the exchange rate between the Canadian and United States dollar and the impact of such exchange rate fluctuations cannot be accurately quantified. The Company had no forward exchange rate contracts in place, nor any working capital items denominated in foreign currencies, as at or during the three months ended March 31, 2010.

Commodity price risk

This is the risk that the fair value or future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are not only impacted by the relationship between the Canadian and United States dollar as outlined above, but also by world economic events that dictate the levels of supply and demand. The Company had no commodity contracts locking in petroleum or natural gas prices as at or during the three months ended March 31, 2010.

Interest rate risk

This is the risk that the fair value or future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate fluctuations on its bank debt which bears a floating rate of interest. From time to time, the Company may attempt to mitigate this risk by utilizing short-term bankers' acceptances to lock in a portion of its bank debt at fixed rates. No interest rate swaps or financial contracts were in place as at or during the three months ended March 31, 2010.

Operational risks

Novus' operational activities are focused on the Western Canadian Sedimentary Basin, a competitive environment with a number of companies exploring for hydrocarbons. Other operational risks include weather delays, mechanical or technical difficulties, and exploration risks associated with finding economically viable hydrocarbon reserves. Novus attempts to manage these risks by maintaining an inventory of certain critical equipment; conducting advance planning to manage its drilling programs in an efficient and cost effective manner; and hiring experienced technical staff and personnel to conduct its exploration programs.

Novus' field operations are also subject to health, safety and environmental risks. The Company maintains a Health, Safety and Environmental Policy and an Emergency Response Plan which are updated bi-annually or as needed to comply with current legislation. Both are designed to protect the health and safety of all concerned persons in addition to respecting any environmental regulations. Novus also maintains insurance covering property, drilling, pollution, and commercial general liability.

Financial Risks

Financial risks faced by the Company include fluctuations in commodity prices, US/Canadian foreign exchange rates, interest rates, the ability to access capital and/or debt markets, and credit risks associated with its joint venture partners and purchasers. At times, Novus may hedge a portion of its production, or lock in foreign exchange or interest rates. It also attempts to mitigate overall financial risks by maintaining a positive working capital position; having a flexible capital program; and managing its reliance on joint venture partners.

Regulatory Risks

Novus is subject to various policies and legislation governing the oil and gas industry. Although these policies are out of Novus' direct control, the Company is a member of the Small Explorers and Producers Association of Canada, which, amongst other things, represent the interests of junior oil and gas companies to the public, governments, and other sectors of the energy industry in Canada. Novus operates in a

manner that is in compliance with applicable regulations and industry standards and must react to comply with changes as they occur.

CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS

Adoption of new accounting policies

a) Business combinations

In January 2009, the AcSB issued CICA Handbook Section 1582, “Business Combinations” which replaces previous guidance on business combinations. This Section applies to business combinations entered into on or after January 1, 2011 with earlier adoption permitted. This standard outlines new guidance which states that the purchase price is to be based on trading data at the closing date of the acquisition, not the announcement date, and that most acquisition costs are to be expensed as incurred, not capitalized, as part of the purchase price. As well, under the new standard, the acquirer’s unrecognized tax benefits that are recognizable as a result of an acquisition are recognized as a reduction of income tax expense. The new standard also modifies the accounting for contingent consideration and negative goodwill. The Company has elected to prospectively adopt the standards effective January 1, 2010, in advance of the transition to International Financial Reporting Standards (“IFRS”) as it substantially aligns with IFRS.

b) Consolidated financial statements

In January 2009, the AcSB issued CICA Handbook Section 1601, “Consolidations” and 1602, “Non-controlling Interests”. Section 1601 carries forward the requirements of Section 1600, “Consolidated Financial Statements”, other than those relating to non-controlling interests which would be covered in Section 1602. These standards are effective for annual and interim periods beginning on or after January 1, 2011 with earlier adoption permitted. The Company has elected to adopt the standards effective January 1, 2010, and they do not have a material impact on the Company’s consolidated financial statements.

c) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Novus Energy (Acquisition) Inc., from January 29, 2010, when it was incorporated, and Coyote Resources Ltd., a wholly owned subsidiary of Novus Energy (Acquisition) Inc., from March 4, 2010, when it was acquired.

Accounting pronouncements

a) International Financial Reporting Standards (“IFRS”)

In January 2006, the CICA’s AcSB adopted a strategic plan for the direction of accounting standards in Canada. In February 2008, the AcSB confirmed the changeover from Canadian GAAP to IFRS will be required for publicly accountable enterprises effective for fiscal years beginning on or after January 1, 2011. In July 2009, the International Accounting Standards Board adopted certain amendments and exemptions to IFRS 1 including standards relating to the transition to IFRS for resource based companies. The amendment will permit the Company to apply IFRS prospectively by utilizing its current reserves at the transition date to allocate the Company’s full cost pool, with the provision that a ceiling test, under IFRS standards, be conducted at the transition date.

Although the Company has not yet completed the development of an IFRS changeover plan, it has begun a high level review of the major differences between Canadian GAAP and IFRS. At this time, Novus has identified the following key differences:

i) Exploration and Evaluation (“E&E”) expenditures

Upon transition to IRFS, the Company will reclassify E&E expenditures that are currently included in Property and equipment on the balance sheet. E&E expenditures consist of the book value of undeveloped land and seismic data that relate to exploration properties. E&E assets have the option to be depleted and must be assessed for impairment when indicators suggest the possibility of impairment exists. Novus has not yet determined what policy choices surrounding E&E assets it will adopt.

ii) Depletion expense

The Company has the option to base its depletion calculation on either proved reserves or proved plus probable reserves. Novus has not yet determined which reserves base it will use to calculate depletion.

iii) Impairment

Impairment tests of property and equipment must be performed for each cash generating unit, and impairments may be recovered in future periods if it is determined that the impairment has decreased or no longer exists.

iv) Asset retirement obligations

Novus’ asset retirement obligations are likely to increase under IFRS as a result of the change from a credit-adjusted risk-free rate used to discount cash flows, to a risk-free rate. In addition, any change in the discount rate will affect the entire obligation, not just the current additions as it does now.

Novus anticipates completing its project scoping during the second and third quarters of 2010 and will then commence a more detailed assessment of individual differences, policy choices, and the impact on the Company’s financial statements and business processes. As the Company has not yet finalized its accounting policy choices, it is unable to quantify the impact on the financial statements at this time.

The IRFS project is being managed by internal staff who have received training through conferences, participation in peer groups, and previous experience. Implementation of the changeover to IFRS will not only impact the Company’s financial statements, it will also impact the Company’s business processes, which will require additional training for staff.

CURRENT ECONOMIC CONDITIONS

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to commodity prices. These conditions continue to persist, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have negatively impacted company valuations and will impact the performance of the global economy going forward. Conditions began to improve towards the end of 2009 and into the early part of 2010, however opinion remains divided on whether the global financial crisis is now at an end or whether the current upward trend will be followed by a period of continued uncertainty or volatility.

Petroleum prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing global credit and liquidity concerns.