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 condensed interim financial statements as at and for the three and nine months ended September 30, 2011, and Novus' audited financial statements as at and for the year ended December 31, 2010. The accompanying 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 International Financial Reporting Standards ("IFRS"), specifically IFRS 1, "First-time Adoption of International Financial Reporting Standards", and International Accounting Standard 34, "Interim Financial Reporting". Prior to January 1, 2011, the Company prepared its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). In accordance with IFRS 1, the Company's transition date to IFRS was January 1, 2010, and therefore the comparative information for 2010 has been prepared in accordance with Novus' IFRS policies. Certain amounts in prior periods have been reclassified to conform to the current period's IFRS presentation format.

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).

All tabular amounts are stated in thousands except per share amounts or as otherwise stated.

This MD&A is current as at November 21, 2011.

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, operating netbacks and net debt. These measures have no standardized meanings, are not defined by IFRS or Canadian GAAP, and accordingly are referred to as non-GAAP measures. 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 the Company's funds flow from (used in) operations may not be comparable to the same as reported by other companies.

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 decommissioning expenditures. A reconciliation of cash provided by (used in) operating activities to funds flow from (used in) operations is presented below:

	Three months ended		Nine months ended	
	Sep 30, 2011	Sep 30, 2010	**Sep 30, 2011**	Sep 30, 2010
Cash provided by (used in) operating activities	**$ 1,700**	$ (609)	**$ 6,784**	$ (1,228)
Changes in non-cash working capital items	**5,958**	2,632	**6,815**	2,451
Decommissioning expenditures	**275**	24	**480**	28
Funds flow from (used in) operations	**$ 7,933**	$ 2,047	**$ 14,079**	$ 1,251

Operating netbacks are calculated by deducting royalties, field operations and transportation and marketing expenses from production revenue. Operating netbacks are used by management to assess operating results between periods and between peer companies as they provide an indication of 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' 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 IFRS or Canadian GAAP as an indicator of the Company's performance or liquidity.

Net debt is calculated as current assets less all current liabilities, including any bank debt. The Company monitors net debt as part of its capital structure.

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.

The principal and head office of the Company is located at Suite 5200, 150 - 6th Avenue S.W., Calgary, Alberta T2P 3Y7. 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.

RESULTS OF OPERATIONS

Production

Novus' average daily production for the quarter ended September 30, 2011 was 2,159 boe/d, which was 61% greater than the 1,339 boe/d recorded in the quarter ended September 30, 2010. For the nine month period ending September 30, 2011, the daily average production was 1,676 boe/d, a 74% increase from the 961 boe/d in the first nine months of 2010. The higher production in 2011 is largely a reflection of the drilling program completed in latter half of 2010 and continued throughout 2011.

	Three months ended		Nine months ended	
Average production	**Sep 30, 2011**	Sep 30, 2010	**Sep 30, 2011**	Sep 30, 2010
Oil & liquids (bbls/d)	**1,730**	793	**1,207**	465
Natural gas (mcf/d)	**2,571**	3,278	**2,816**	2,978
Oil equivalent (boe/d)	**2,159**	1,339	**1,676**	961

Production in the third quarter of 2011 increased from the 1,318 boe/d in the second quarter of 2011 as result of new production derived from the active second and third quarter drilling program.

Revenue and pricing

Gross production revenue for the three and nine months ended September 30, 2011 was $14.79 million and $31.95 million respectively, versus $6.16 million and $12.23 million for the three and nine months ended September 30, 2010. The increase in revenue is due to increased 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 nor has it entered into any such contracts as of the date of this MD&A.

	Three months ended		Nine months ended	
Sales revenue	**Sep 30, 2011**	Sep 30, 2010	**Sep 30, 2011**	Sep 30, 2010
Oil & liquids	$ **13,898**	$ 5,066	$ **28,942**	$ 8,822
Natural gas	**895**	1,089	**3,008**	3,408
Total	$ **14,793**	$ 6,155	$ **31,950**	$ 12,230

	Three months ended		Nine months ended	
Sales price per unit	**Sep 30, 2011**	Sep 30, 2010	**Sep 30, 2011**	Sep 30, 2010
Oil & liquids ($/bbl)	**87.32**	69.44	**87.87**	69.49
Natural gas ($/mcf)	**3.79**	3.61	**3.91**	4.19
Blended ($/boe)	**74.49**	49.95	**69.84**	46.60

Royalties

Royalties, which include crown, freehold and overriding royalties paid on oil, liquids and natural gas production, amounted to $1.68 million during the third quarter of 2011 compared to $914 thousand during the same quarter in 2010. For the nine months ended September 30, 2011, total royalties were $4.15 million compared to $2.50 million for the same period in 2010.

As a percentage of production, royalties decreased to 11% in the most recent quarter from 15% a year ago. The decrease is primarily the result of increased production from the Company's Saskatchewan crown properties, which generally carry a lower average royalty rate due to the Saskatchewan royalty incentive program on production from new wells.

	Three months ended		Nine months ended	
Royalties	**Sep 30, 2011**	Sep 30, 2010	**Sep 30, 2011**	Sep 30, 2010
Total	**$ 1,681**	$ 914	**$ 4,154**	$ 2,497
Per boe	**$ 8.47**	$ 7.42	**$ 9.08**	$ 9.51
% of revenue	**11%**	15%	**13%**	20%

The majority of the Company's growth 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 average royalty rate of 13% in 2011 and 2012.

Field Operations

Field operations for the quarter ended September 30, 2011 amounted to $2.72 million, or $13.69/boe, compared to $1.87 million, or $15.15/boe, during the quarter ended September 30, 2010. For the nine month period ended September 30, 2011, field operations were $7.2 million ($15.75/boe) compared to $4.11 million ($15.66/boe) for the same period in 2010.

	Three months ended		Nine months ended	
	Sep 30, 2011	Sep 30,2010	**Sep 30, 2011**	Sep 30, 2010
Field operations	$ **2,720**	$ 1,866	$ **7,204**	$ 4,110
Per boe	$ **13.69**	$ 15.15	$ **15.75**	$ 15.66

Field operations in the third quarter of 2011 fell from the $16.30/boe recorded in the second quarter of 2011 due to fewer workovers and greater operational efficiencies.

Transportation and marketing costs

Total transportation and marketing costs for the three months ended September 30, 2011 amounted to $505 thousand, or $2.55/boe, compared to $148 thousand or $1.20/boe, during the quarter ended September 30, 2010. For the nine month period ended September 30, 2011, transportation and marketing costs were $1.15 million ($2.52/boe) compared to $370 thousand ($1.41/boe) for the same period in 2010. The increases in 2011 reflect the Company's continued increased weighting to oil production, which has higher transportation costs than does the Company's gas production.

	Three months ended		Nine months ended	
	Sep 30, 2011	Sep 30,2010	**Sep 30, 2011**	Sep 30, 2010
Transportation	$ **505**	$ 148	$ **1,153**	$ 370
Per boe	$ **2.55**	$ 1.20	$ **2.52**	$ 1.41

Operating netbacks

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

	Three months ended		Nine months ended	
Netback per boe	**Sep 30, 2011**	Sep 30,2010	**Sep 30, 2011**	Sep 30,2010
Revenue	$ **74.49**	$ 49.95	$ **69.84**	$ 46.60
Royalties	**(8.47)**	$ (7.42)	$ **(9.08)**	$ (9.51)
Field operations	**(13.69)**	(15.15)	**(15.75)**	(15.66)
Transportation and marketing	**(2.55)**	(1.20)	**(2.52)**	(1.41)
Operating netbacks	$ **49.78**	$ 26.18	$ **42.49**	$ 20.02

The operating netback for the three months ended September 30, 2011 was $49.78/boe compared to $26.18/boe in the third quarter of 2010. For the nine month period ended September 30, 2011, the netback was $42.49/boe compared to $20.02 in the same period in 2010. The higher netbacks in 2011 are largely the result of a shift to a proportionately higher oil production base, as the price and Novus' weighting of this commodity improved considerably compared to 2010.

General and administrative expenses

Total general and administrative expenses during the third quarter of 2011 amounted to $1.38 million compared to $1.04 million a year ago. For the first nine months of 2011, $4.35 million of general and administrative expenses were incurred compared to $3.54 million in the same period last year. Going forward, while the Company anticipates increases to general and administrative expenditures on an absolute basis, they should decrease on a per boe basis as new production is added and comes on stream.

Exploration and evaluation expenses

Exploration and evaluation expenditures is a new line item under IFRS, and includes such amounts as unsuccessful drilling costs, pre-license expenditures and carrying costs on non-producing lands. Under Canadian GAAP, the Company previously capitalized and depleted these expenditures as part of its property and equipment account. Exploration and evaluation expenses for the three and nine months ended September 30, 2011 were $34 thousand and $91 thousand respectively, compared to the restated $30 thousand and $61 thousand for the three and nine months ended September 30, 2010 respectively.

Finance costs

Under IFRS, finance costs include both financing and accretion costs. The financing component includes interest, commitment fees, standby charges, and other expenses related to the Company's credit facilities and borrowings.

The breakdown of these costs is as follows:

	Three months ended		Nine months ended	
Finance costs	**Sep 30, 2011**	Sep 30, 2010	**Sep 30, 2011**	Sep 30, 2010
Borrowing costs	**$ 334**	$ 24	**$ 499**	$ 24
Accretion of decommissioning liabilities	**99**	68	**266**	171
Total	**$ 433**	$ 92	**$ 765**	$ 195

	Three months ended		Nine months ended	
Finance costs per boe	**Sep 30, 2011**	Sep 30, 2010	**Sep 30, 2011**	Sep 30, 2010
Borrowing costs	**$ 1.69**	$ 0.19	**$ 1.09**	$ 0.09
Accretion of decommissioning liabilities	**0.50**	0.55	**0.58**	0.65
Total ($/boe)	**$ 2.19**	$ 0.74	**$ 1.67**	$ 0.74

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 third quarter of 2011, $712 thousand of stock-based compensation expense was recognized, which compares to $579 thousand in the third quarter of 2010. For the nine month period ending September 30, 2011, $3.05 million of stock-based compensation expense was recognized, which compares to $1.94 million during the comparative period of 2010. The increase stems from expensing a portion of the options which were granted in the fourth quarter of 2010.

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 three and nine months periods ended September 30, 2011 amounted to $4.4 million ($22.13/boe) and $10.38 million ($22.68/boe), respectively versus $6.21 million ($50.37/boe) and $11.04 million ($42.08/boe) for the three and nine month periods ended September 30, 2010. The higher charge in 2010 reflects impairments in the value of the Company's property and equipment in the first nine months 2010.

No impairment of assets was recognized for the three and nine months periods ended September 30, 2011, however, for the three and nine months periods ended September 30, 2010, under IFRS, the Company recorded $1.98 million and $3.72 million worth of impairments respectively over four different Cash Generating Units ("CGUs"). These impairments arose as a result of lower commodity prices and values on certain natural gas producing properties and a reduction in reserves and value for one petroleum producing property in Northwest Alberta.

	Three months ended		Nine months ended	
Depletion and depreciation	**Sep 30, 2011**	Sep 30, 2010	**Sep 30, 2011**	Sep 30, 2010
Depletion	$ **4,352**	$ 4,192	$ **10,248**	$ 7,211
Depreciation	**43**	38	**130**	108
Impairment	**-**	1,977	**-**	3,724
Total	$ **4,395**	$ 6,207	$ **10,378**	$ 11,043
Total ($/boe)	$ **22.13**	$ 50.37	$ **22.68**	$ 42.08

Under IFRS, total impairments during 2010 amounted to $7.61 million.

Income taxes

The $207 thousand and $420 thousand charge for current income taxes during the three and nine month periods ended September 30, 2011 is the result of the Saskatchewan Resource Surcharge on the Company's Saskatchewan production revenue. This is up from the $89 thousand and $139 thousand recorded in the comparative periods of 2010, as a result of the Company's production growth in Saskatchewan.

The following is a summary of the estimated tax pools of the Company as at Septmber 30, 2011:

Classification	**Amount**
Canadian development expenditures	**$ 70,835**
Non-capital loss carry-forwards	**65,891**
Canadian oil and gas property expenditures	**38,462**
Capital cost allowance	**26,263**
Canadian exploration expenditures	**20,558**
Scientific research and development	**18,899**
Share issue costs	**3,269**
Other	**239**
	$ 244,416

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

Year	**Amount**
2013	**$ 4,672**
2014	**1,898**
2022 – 2031	**59,321**
Total non-capital loss carry-forwards	**$ 65,891**

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

	Three months ended		Nine months ended	
	Sep 30, 2011	Sep 30, 2010	**Sep 30, 2011**	Sep 30, 2010
Net income (loss)	$ **3,460**	$ (4,807)	$ **1,368**	$ (11,142)
per share - basic	**0.02**	(0.03)	**0.01**	(0.07)
per share - diluted	**0.02**	(0.03)	**0.01**	(0.07)
Funds flow from (used in) operations (1)	**7,933**	2,047	**14,079**	1,251
per share - basic	**0.05**	0.01	**0.08**	0.01
per share - diluted	**0.05**	0.01	**0.08**	0.01
Cash flow from (used in) operations	**1,700**	(609)	**6,784**	(1,228)
per share - basic	**0.01**	-	**0.04**	(0.01)
per share - diluted	**0.01**	-	**0.04**	(0.01)
Weighted average shares outstanding				
Basic	**169,700**	166,373	**169,328**	149,618
Diluted	**172,855**	166,373	**181,113**	149,618

(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 IFRS or Canadian 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 cash provided by (used in) operating activities 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 third quarter of 2011, $31.29 million of net cash capital expenditures were recorded compared to $10.47 million during the same quarter of 2010. During the most recent quarter, the Company drilled and completed 30 wells (29.8 net) and placed 35 wells (34.8 net) production. The Company also entered into two separate Purchase and Sale Agreements, in which the Company bolstered its interests in certain leases in the Dodsland area to 100%, and sold 50% non-operated interests in other leases. A breakdown of the cash capital expenditures is outlined below:

	Three months ended		Nine months ended	
	Sep 30, 2011	Sep 30, 2010	**Sep 30, 2011**	Sep 30, 2010
Land acquisition/retention	**$ 331**	$ 135	**$ 2,533**	$ 4,640
Geological, geophysical and seismic	**-**	-	**-**	365
Drilling and completions	**24,795**	6,959	**47,334**	23,797
Drilling royalty credits	**-**	(216)	**-**	(483)
Equipping and tie-ins	**6,268**	3,418	**11,892**	4,707
Property acquisitions	**2,786**	125	**2,786**	3,260
Property dispositions	**(3,000)**	-	**(3,250)**	-
Furniture and fixtures	**114**	48	**131**	246
Total expenditures	**$ 31,294**	$ 10,469	**$ 61,426**	$ 36,532

Non-cash and business combination transactions are as follows:

	Three months ended		Nine months ended	
	Sep 30, 2011	Sep 30, 2010	**Sep 30, 2011**	Sep 30, 2010
Land acquisition/farm-in	**$ -**	$ 635	**$ -**	$ 1,272
Business combinations	**-**	-	**-**	11,178
Non-cash expenditures	**$ -**	$ 635	**$ -**	$ 12,450

LIQUIDITY AND CAPITAL RESOURCES

Capital structure

The Company considers its capital structure to consist of working capital, including 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 to raise additional funds and adjusting its capital spending to manage current and projected debt levels. 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 nine months ended September 30, 2011.

The Company monitors its capital structure using primarily the non-GAAP measurement ratio of net debt to funds flow from operations, annualized from the most recent quarter. The objective is to maintain this ratio below 1.5:1, although this ratio may temporarily increase at certain times as a result of acquisitions or other significant capital expenditures for which the full quarterly effect of funds flow has not yet been accounted for. As at September 30, 2011 the ratio of net debt to funds flow from operations was 1.5:1 calculated as follows:

		Three months ended Sep 30, 2011
Current assets	**$**	**8,500**
Current liabilities		**(56,858)**
Net debt		**(48,358)**
Cash flow from operations	**$**	**1,700**
Changes in non-cash working capital items		**5,958**
Decommissioning expenditures		**275**
Funds flow from operations		**7,933**
Annualized funds flow from operations		**31,732**
Net debt to annualized funds flow from operations		**1.5:1**

At September 30, 2011, this ratio is at the top end of the 1.5:1 objective due to the intensive capital program resulting in an increased debt load being carried in advance of new production coming on stream. The ratio is expected to contract by year end as the pace of capital activity slows, and funds flow is realized from new production.

The Company's share capital is not subject to any external restrictions; however its credit facilities are subject to periodic reviews. The credit facilities 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 facilities also contain 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 revolving operating demand loan may be added to current assets. As at September 30, 2011, this ratio was 1.7:1.

Equity instruments

During the first nine months of 2011, the Company issued 3,684,400 common shares on the exercise of share purchase warrants; 72,500 common shares on the exercise of incentive stock options; and repurchased and cancelled 1,657,500 common shares pursuant to normal course issuer bids.

As at September 30, 2011, the Company had the following equity instruments outstanding:

Common shares outstanding	169,060
Issuable upon the exercise of outstanding share purchase warrants	22,592
Issuable upon the exercise of outstanding stock options	15,362
Issuable upon the exercise of outstanding performance warrants	4,200
Total equity instruments outstanding	211,214

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

Date of Issue	Number of Warrants	Exercise Price	Date of Expiry
Mar 31, 2009	22,592	$ 0.75	Mar 31, 2012

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	$ 3.00	Feb 12, 2012
Jul 16, 2008	247	$ 2.00	Jul 16, 2013
Sep 4, 2009	3,000	$ 0.60	Sep 4, 2014
Feb 9, 2010	3,850	$ 0.88	Feb 9, 2015
Jun 17, 2010	400	$ 1.10	Jun 17, 2015
Oct 1, 2010	550	$ 0.90	Oct 1, 2015
Nov 1, 2010	7,000	$ 0.85	Nov 1, 2015
Nov 23, 2010	225	$ 0.90	Nov 23, 2015
Feb 10, 2011	60	$ 1.23	Feb 10, 2016
	15,362	$ 0.84	

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%. The performance warrants will also vest upon a change of control of the Company. As of September 30, 2011, none of the performance warrants have vested.

On September 12, 2011, the Company's Normal Course Issuer Bid ("NCIB") expired. For the period September 15, 2011 through September 14, 2012, Novus has instituted a new NCIB pursuant to which the Company may purchase, for cancellation, up to 5,000,000 of its issued and outstanding common shares through the facilities of the TSX Venture Exchange ("TSX-V"). Novus' reasoning for the NCIB is that from time to time, the purchase of common shares for cancellation will increase the proportionate interest of, and be advantageous to, all remaining shareholders. In addition, any purchases made by Novus will afford increased liquidity to those shareholders of the Company who may wish to dispose of their shares. Shareholders may obtain, without charge, a copy of the NCIB notice filed with the TSX-V by contacting Novus directly.

As of the date of this MD&A, Novus has 168,960,312 common shares outstanding. A further 22,591,600 common shares are reserved for issuance pursuant to the exercise of outstanding shares purchase warrants; 15,183,250 common shares pursuant to the exercise of outstanding stock options; and 4,200,000 common shares pursuant to the exercise of outstanding performance warrants.

Working capital and bank debt

At September 30, 2011, the Company had a working capital deficit of $48.36 million compared to $1.84 million at December 31, 2010. Components of the working capital figures are contained in the following table:

	Sep 30, 2011	Dec 31, 2010
Cash and cash equivalents	**$ -**	$ 5,063
Accounts receivable	**7,964**	5,134
Deposits and prepaid expenses	**536**	553
Accounts payable and accrued liabilities	**(16,658)**	(12,590)
Bank debt	**(40,200)**	-
Total working capital (deficit)	**$ (48,358)**	$ (1,840)

As at the date of this MD&A, the Company has available a $50 million revolving operating demand loan and a $10 million acquisition/development demand loan, the latter of which is fully drawn. The loans are available to the Company by way of prime rate based loans, bankers' acceptance and letters of credit/guarantee with interest paid monthly. Interest on the revolving operating demand loan is payable at prime plus 0.75%, while interest on the acquisition/development demand loan is prime plus 1.25%. The credit facilities are secured by a general assignment of book debts and a $75 million debenture with a floating charge over all assets of the Company with a negative pledge and undertaking to provide fixed charges upon request. 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 revolving operating demand loan may be added to current assets. As at September, 2011, this ratio was 1.7:1.

The credit facility is subject to periodic review by the bank, with the next review scheduled on or before January 1, 2012.

COMMITMENTS

As at September 30, 2011, the Company had commitments as follows:

	2011	**2012**	**2013**	**Thereafter**
Office Lease	$ 191	$ 632	$ 579	$ -

SUMMARY OF QUARTERLY RESULTS

	Three months ended			
	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011	Dec 31, 2010
Petroleum and natural gas sales	$ 14,793	$ 8,286	$ 8,871	$ 7,979
Funds flow from (used in) operations	7,933	2,938	3,208	2,444
per share - basic	0.05	0.02	0.02	0.01
per share - diluted	0.05	0.02	0.02	0.01
Net income (loss)	3,460	(760)	(1,332)	3,912
per share - basic	0.02	-	(0.01)	0.02
per share - diluted	0.02	-	(0.01)	0.02
Cash capital expenditures, net	31,294	18,130	12,002	18,609
Average daily production (boe/d)	2,159	1,318	1,544	1,571
Average selling price ($/boe)	74.49	69.09	63.83	55.21
Operating Netback ($/boe)	49.78	40.12	34.11	29.90
Weighted average shares - basic	169,700	170,018	168,248	166,395
Weighted average shares - diluted	172,855	170,018	168,248	170,612

	Three months ended (1)			
	Sep 30, 2010	Jun 30, 2010	Mar 31, 2010	Dec 31, 2009
Petroleum and natural gas sales	$ 6,155	$ 3,088	$ 2,987	$ 1,156
Funds flow from (used in) operations	2,047	(711)	(85)	(829)
per share - basic	0.01	-	-	(0.01)
per share - diluted	0.01	-	-	(0.01)
Net income (loss)	(4,807)	(4,498)	(1,837)	(2,233)
per share - basic	(0.03)	(0.03)	(0.01)	(0.04)
per share - diluted	(0.03)	(0.03)	(0.01)	(0.04)
Cash capital expenditures, net	10,469	20,131	5,932	10,034
Average daily production (boe/d)	1,339	774	710	327
Average selling price ($/boe)	49.95	43.81	46.76	38.47
Operating Netback ($/boe)	26.18	10.21	20.46	9.60
Weighted average shares - basic	166,373	153,288	128,781	60,687
Weighted average shares - diluted	166,373	153,288	128,781	60,687

(1) The Company's IFRS transition date was January 1, 2010; therefore, the 2009 figures have not been restated and are in accordance with Canadian GAAP.

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 and one month of production from the two March 2010 business combinations. Increases for the second quarter of 2010 were due to new production from wells drilled in the first and second quarters of 2010 and a full quarter of production from the 2010 business combinations. Increases for the third and fourth quarters of 2010 were due to the production from the new wells drilled, completed, and placed on-stream in an ongoing fashion. Production in the first quarter of 2011 fell marginally as normal production declines were not completely offset by the few new wells coming on production. The decline in the second quarter of 2011 was a continuation of this trend, coupled with production being shut-in at Wembley due to third party plant maintenance. Production increased in the third quarter of 2011 as wells drilled in the second and third quarters were brought on stream.

Production revenue is a function of sales volumes and commodity prices. While oil prices continued their recovery in 2010, gas prices slowly declined. Most of the Company's added volumes in the third and fourth quarters of 2010 were from oil, which improved the revenue figure. Oil prices continued to rise in the nine months of 2011, partially offsetting the impact of lower volumes in the second quarter and adding to the effect of higher volumes in the third quarter.

Funds flow from (used in) operations starts with production revenue and is affected by royalties, field operations, transportation and marketing costs, general and administrative expenditures, certain finance costs, transaction costs and current taxes. For the last quarter of 2009, funds flow used in operations was impacted by year-end administrative costs. In the first quarter of 2010, increased production volumes, coupled with higher commodity prices and greater operational efficiencies, resulted in improved funds flow figures. A combination of lower commodity prices, higher royalties, and increased operating costs adversely affected flow funds in the second quarter, but the third quarter funds flow figure improved dramatically due to the increased revenue, and this continued on through the fourth quarter. For the first nine months of 2011, funds flow from operations generally followed the increase in production revenue, with the third quarter figure achieving a higher proportionate increase due to lower royalties and operating costs as a percentage of the sales price.

The net loss in the last quarter of 2009 was largely due to higher non-cash items, such as depletion charges and stock-based compensation costs. The net loss in the second and third quarters of 2010 included impairment write-downs, while the turnaround in the fourth quarter of 2010 was attributable to a deferred income tax recovery of $12.5 million. The net loss for the first two quarters of 2011 showed improvement, principally as a result of increased production revenue as discussed above, with positive net income being generated in the third quarter.

The largest components of the cash capital expenditures in the last quarter of 2009 were asset acquisitions of $7.35 million and the drilling of seven wells (4.5 net), primarily at Dodsland. The 2010 figures include the drilling of 50 wells (42.6 net), of which 43 (37.6 net) were horizontal wells in the greater Dodsland area. The 2010 second quarter figure includes undeveloped land and property acquisitions of $4.48 million and $2.21 million respectively, while the fourth quarter capital program included the construction of two batteries in the greater Dodsland area. The cash capital expenditure figures do not include non-cash transactions and business combinations. For the first quarter of 2011, capital expenditures consisted of drilling and completions in both Dodsland and the Company's northwest Alberta areas along with related infrastructure construction. During the second quarter of 2011, drilling and completion activities commenced on the Company's Viking and Bakken plays in Saskatchewan. These activities continued in the third quarter, with most of the wells getting tied-in and placed on production.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments as at September 30, 2011 consist of cash and cash equivalents, accounts receivable, deposits, accounts payable and accrued liabilities and bank debt. The fair value of these instruments approximates their carrying value due to their short-term nature.

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. During the nine months ended September 30, 2011, the Company has a provision for doubtful accounts in the amount of $175 thousand. Although an allowance has been provided, the Company will continue to pursue collection of the balance. The allowance may be adjusted if circumstances or events change. When determining whether past due accounts are collectible, the Company factors in the past credit history of the counter parties.

As at September 30, 2011, the Company's accounts receivable were comprised of the following:

Sales revenue receivable	$	5,878
Joint interest receivable		1,505
Cash call receivable		1
Accrued and other receivable		580
Total accounts receivable	$	7,964

As at September 30, 2011, the Company's accounts receivables are aged as follows:

	Total		0 to 30 days		31 to 60 days		61 to 90 days		Greater than 90 days
$	7,964	$	6,298	$	555	$	100	$	1,011

The Company considers all amounts greater than 90 days as past due and collectible.

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 September 30, 2011, the Company's accounts payable and accrued liabilities were $16.7 million, all of which are due for payment within normal terms of trade, which are generally between 30 and 60 days. As at September 30, 2011, the Company has a $50 million revolving operating demand loan to manage its liquidity and settlement of liabilities.

As at September 30, 2011, the Company's accounts payable and accrued liabilities are aged as follows:

	Total		0 to 30 days		31 to 60 days		61 to 90 days		Greater than 90 days
$	16,658	$	11,557	$	3,230	$	565	$	1,306

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 and nine months ended September 30, 2011.

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 and nine months ended September 30, 2011.

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 and nine months ended September 30, 2011.

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 managing its debt, 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 International Financial Reporting Standards ("IFRS")

The Company prepared its June 30, 2011 interim financial statements in accordance with IFRS 1 "First Time Adoption of International Financial Reporting Standards" and with IAS 34 "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). Previously, the Company prepared its financial statements in accordance with Canadian GAAP.

The Company's IFRS accounting policies are described in Note 3 to the interim financial statements. For a full disclosure of the reconciliation between the Company's 2010 Canadian GAAP financial statements and the 2010 IFRS financial statements, refer to Note 16 of the September 30, 2011 condensed interim financial statements.

Following is a discussion of the significant accounting policy changes for Novus:

i) Exploration and evaluation ("E&E") assets

Upon transition to IRFS, the Company has reclassified E&E assets that were included in property and equipment on the balance sheet. E&E assets consist of the book value of undeveloped land, seismic data and exploratory drilling and completions that relate to exploration properties. Novus does not deplete or amortize these assets. Impairment tests are conducted at least annually or when indicators of impairment exist.

On transition, this resulted in the recognition of $4.9 million of E&E assets with a corresponding decrease in property and equipment. At December 31, 2010, the reclassification was $11.78 million.

ii) Depletion expense

The Company has elected to deplete its property and equipment assets on a unit of production basis using both proved and probable reserves, which is considered to be a fair representation of the underlying value. Assets are grouped into units of accounts and separate depletion calculations are preformed for each unit of account. Under the previous GAAP, the assets were grouped into a single full cost pool and depleted on a unit of production method using proved reserves. On transition, the IFRS 1 exemption was used to allocate the previous net book value to the units of account using proved plus probable reserve values.

For 2010, the depletion expense was reduced by $4.99 million.

iii) Impairment

Under the previous GAAP, a ceiling test was conducted at each balance sheet date whereby the fair value the assets was compared to the book value. Under IFRS, impairment tests of property and equipment are performed for each CGU, and impairments may be recovered in future periods if it is determined that the impairment has decreased or no longer exists. Novus aligned its CGUs on a geographic and operational base, grouping like assets into several CGUs. On transition, impairment existed and the goodwill arising from a previous business combination was derecognized. During 2010, an impairment of $7.61 million was recorded on four CGUs and the underlying asset carrying values were reduced accordingly.

iv) Decommissioning liabilities

Novus' decommissioning liabilities (asset retirement obligations under previous GAAP) have increased 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, future changes in the discount rate will affect the entire obligation. The obligation under IFRS is measured as the best estimate of the expenditures to be incurred and requires that the obligation be re-measured using period end risk-free discount rates.

On transition, the Company used a risk free-rate of 4% which resulted in an increase to the obligation of $1.23 million and a corresponding adjustment to opening deficit. During 2010, business combinations, asset purchases and drilling activities were re-measured using a 4% risk-free rate which resulted in an additional $1.75 million obligation compared to previous GAAP.

The change in discount rate has also resulted in a decrease of accretion expense for 2010 of $111 thousand.

Recent Accounting Pronouncements

Financial Instruments

The IASB intends to replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39") with IFRS 9, "Financial Instruments" ("IFRS 9"). IFRS 9 will be published in three phases, of which the first phase has been published.

For financial assets, IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used. For financial liabilities, the approach to the fair value option may require different accounting for changes to the fair value of a financial liability as a result of changes to an entity's own credit risk.

IFRS 9 is currently effective for annual periods beginning on or after January 1, 2013. However, the IASB has published an exposure draft which proposes to extend the mandatory effective date to January 1, 2015. There will be no significant impact to the Company upon implementation of the published standard.

Fair Value Measurements

In May 2011, the IASB issued IFRS 13, "Fair Value Measurement" which provides a consistent and less complex definition of fair value, establishes a single source of guidance for determining fair value and introduces consistent requirements for disclosures related to fair value measurement. Prospective application of this standard is effective for fiscal periods beginning on or after January 1, 2013, with early adoption permitted. The Company is currently assessing the impact of this standard.

Reporting Entity

In May 2011, The IASB issued IFRS 10, "Consolidated Financial Statements", IFRS 11, "Joint Arrangements", IFRS 12, "Disclosures of Interest in Other Entities" and amendments to both IAS 27, "Consolidated and Separate Financial Statements" and IAS 28 "Investments in Associates".

IFRS 10 creates a single consolidation model by revising the definition of control in order to apply the same control criteria to all types of entities, including joint arrangements, associates and special purpose vehicles. IFRS 11 establishes a principle-based approach to the accounting for joint arrangement by focusing on the rights and obligations of the arrangement and limits the application of proportionate consolidation to arrangements that meet the definition of a joint operation. IFRS 12 is a comprehensive disclosure standard for all forms of interests in other entities, including joint arrangements, associates and special purpose vehicles.

Retrospective application of these standards with relief for certain transactions is effective for fiscal years beginning on or after January 1, 2013, with earlier adoption permitted if all of the standards are collectively adopted. The Company is currently assessing the impact of these standards.

Presentation of Items of Other Comprehensive Income

In June 2011, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" requiring corporations to group items presented within Other Comprehensive Income based on whether they may be subsequently reclassified to profit or loss. Retrospective application of this amendment is effective for fiscal years beginning on or after July 1, 2012, with earlier adoption permitted. There will be no significant impact to the Company upon implementation of the amended standard.

CURRENT ECONOMIC CONDITIONS AND TRENDS

There are a number of trends that have been developing in the oil and gas industry during the past several years that appear to be shaping the near future of the business.

The first trend currently affecting the oil and gas industry, as well as many other industries, is the impact on capital markets caused by investor uncertainty in the credit markets and the global economy. Global economics ultimately dictate commodity demand and therefore prices. Novus realizes that it is a price taker and therefore must maintain financial flexibility to deal with uncertain commodity prices. The competitive nature of the oil and gas industry will cause opportunities for equity financings to be selective. Some companies will have to rely on internally generated funds to conduct their exploration and developmental programs. Novus is unable to estimate the timing or magnitude of stock market fluctuations.

A second trend is the volatility of commodity prices. Natural gas is a commodity increasingly influenced by liquefied natural gas coming from outside of North America and intensive shale gas drilling within North America. In addition, North American fluctuations in supply, influenced by drilling activity, natural gas storage levels, imports and demand (which is impacted both by weather and by economic factors) has resulted in significant volatility in the price of natural gas in Canada and the United States.

Crude oil is influenced by the world economy and Organization of the Petroleum Exporting Countries ("OPEC") ability to adjust supply to world demand. Recently crude oil prices have been kept high by increased demand from growing economies in China and India as well as the ongoing political events causing disruptions in the supply of oil, and concern over potential supply disruptions triggered by unrest in the Middle East. More recently, volatility has increased over short term demand concerns as a result of the slow economy in the United States.

The impact on the oil and gas industry from commodity price volatility is significant. Historically, during periods of high prices, producers generated higher cash flows and conducted active exploration programs without external capital. Higher commodity prices frequently translate into very busy periods for service suppliers triggering premium costs for their services. Purchasing land and properties similarly increase in price during these periods.

A third trend, and one that will continue to garner heightened attention and consequently increased governmental intervention, is an increasing call for carbon capture due to greenhouse gas emissions. Capital requirements to meet emission standards could be enormous and are directly impacted by events such as the Kyoto Protocol and Copenhagen Accord. Novus realizes that it will be required to meet governmental standards as they are introduced and must maintain the financial flexibility to do so.