TARANAKI BASIN

All of New Zealand’s oil and natural gas production comes from the Taranaki Basin, with extensive infrastructure and a well-established service industry to support expanding development and production. The basin currently produces approximately 460 mmcf/day of liquids-rich natural gas and 55,000 bbl/day of light, high-quality oil that sells at Brent pricing.

The Taranaki Basin covers approximately 100,000 km² both onshore and offshore New Zealand’s North Island. The first well was drilled in 1865 with production since the early 1900s, and there have been many significant oil and gas discoveries since 1950, both onshore and offshore. The region is structurally dominated, with faults acting as conduits for oil migration. NZEC controls more than 395 km² in the main production fairway. With less than 500 wells drilled to date, the region offers extraordinary opportunities for further exploration and development.

The Taranaki Basin sediments extend from shallow burial at 200 metres to the deep basement at more than 6,000 metres. Hydrocarbon source rocks are likely deeply buried Paleocene and Cretaceous coaly rocks and shales. Drilling targets are primarily sandstones with some carbonates, with six horizons dominating to date: the Kapuni sandstones, which tend to yield liquid-rich natural gas; the Tikorangi limestones and Tariki sands, which yield light oil and liquid-rich natural gas; and the shallower Urenui, Mt. Messenger and Moki sandstones, which tend to produce light oil and natural gas. NZEC’s exploration efforts to date have focused on the Mt. Messenger formation at a depth of approximately 2,000 metres.
NZEC has the benefit of an in-house proprietary database containing 15 years of geological, geophysical and well data across the Taranaki Basin. More than 6,835 km² of 3D seismic and 73,364 line km of 2D seismic gives NZEC’s team great insight into the permits’ geology and prospectivity, and reduces drilling risk.

Interpretation of 3D seismic data continues to expand NZEC’s inventory of drilling leads, including some significant new targets in the deeper formations. NZEC’s team recently combined and reprocessed five separate 3D seismic surveys covering 552 km² in the main Taranaki fairway, which provides seamless data over a substantial portion of NZEC’s onshore permits.
Strategic acquisition

In October 2013, NZEC acquired a 50% interest in strategic upstream and midstream assets in the Taranaki Basin, in partnership with L&M Energy. The acquisition increased NZEC’s 2P reserves by 150%, significantly increased NZEC’s production just a month after closing, and brought additional exploration opportunities and a full-cycle production facility to NZEC’s portfolio.

- **Upstream assets (100% basis)**
  - Three petroleum mining licenses
  - 93 km² 3D seismic, 585 km 2D seismic, log data from 27 wells
  - Near-term, low-cost production potential
  - Seven Tikorangi wells reactivated and producing oil using existing gas lift system
  - Additional existing wells offer recompletion potential uphole in shallower formations
  - New exploration targets in five drill-proven formations

- **Midstream assets**
  - Full-cycle production facility, central to NZEC’s inventory of exploration prospects
  - Open-access facility → business opportunities
  - Full-cycle gathering and sales infrastructure
  - Capacity for 45 mmcf/d, 25,000 bbl/d

**Development plan**

- Continue to optimize oil production from existing wells
- Reactivate oil production from existing wells, and recomplate existing wells in shallower formations
- Drill new wells to Mt. Messenger and Tikorangi formations

**Achievements to date**

- Large onshore exploration land package on New Zealand’s North Island
- Successfully acquired strategic upstream and midstream assets
- Producing light ~40° API oil from 12 wells
- Experienced team with New Zealand exploration and operations expertise
- Strategic partnership with L&M Energy
- Cooperation Agreement with Ngati Ruanui iwi

NZEC’s permits are accessible by paved roads and central to a network of oil and gas pipelines.
Production and development wells

NZEC’s wells are producing light, high-quality ~40° API crude and liquids-rich natural gas from the Mt. Messenger and Tikorangi formations. Oil is trucked approximately 45km on paved roads to the Shell-operated Omata Tank Farm in New Plymouth, where it is sold at Brent crude pricing.

<table>
<thead>
<tr>
<th>WELL NAME</th>
<th>PERMIT</th>
<th>FORMATION</th>
<th>STATUS AT JULY 2 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copper Moki-1</td>
<td>Eltham</td>
<td>Mt. Messenger</td>
<td>Producing since Dec 2011</td>
</tr>
<tr>
<td>Copper Moki-2</td>
<td>Eltham</td>
<td>Mt. Messenger</td>
<td>Producing since Apr 2012</td>
</tr>
<tr>
<td>Ngaere-1</td>
<td>TWN</td>
<td>Tikorangi</td>
<td>Oil production reactivated Nov 2013</td>
</tr>
<tr>
<td>Ngaere-2A</td>
<td>TWN</td>
<td>Tikorangi</td>
<td>Oil production reactivated Nov 2013</td>
</tr>
<tr>
<td>Ngaere-3</td>
<td>TWN</td>
<td>Tikorangi</td>
<td>Oil production reactivated Nov 2013</td>
</tr>
<tr>
<td>Waihapa-H1</td>
<td>TWN</td>
<td>Tikorangi</td>
<td>Oil production reactivated Nov 2013</td>
</tr>
<tr>
<td>Waihapa-6A</td>
<td>TWN</td>
<td>Tikorangi</td>
<td>Oil production reactivated Nov 2013</td>
</tr>
<tr>
<td>Waihapa-8</td>
<td>TWN</td>
<td>Tikorangi</td>
<td>Oil production reactivated Nov 2013</td>
</tr>
<tr>
<td>Waihapa-2</td>
<td>TWN</td>
<td>Mt. Messenger</td>
<td>Commenced oil production Mar 2014</td>
</tr>
<tr>
<td>Toko-2B</td>
<td>TWN</td>
<td>Tikorangi</td>
<td>Oil production reactivated Nov 2013</td>
</tr>
</tbody>
</table>

Potential Near-term Additions to Production

<table>
<thead>
<tr>
<th>WELL NAME</th>
<th>PERMIT</th>
<th>FORMATION</th>
<th>STATUS AT JULY 2 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copper Moki-3</td>
<td>Eltham</td>
<td>Mt. Messenger</td>
<td>Producing since Jul 2012, shut-in for new pump install</td>
</tr>
<tr>
<td>Waihapa-1B</td>
<td>TWN</td>
<td>Tikorangi/Mt. M</td>
<td>Tikorangi reactivation or Mt. M uphole completion</td>
</tr>
</tbody>
</table>

Technical and management expertise

NZEC has recruited an experienced team with New Zealand sedimentary basin knowledge and a wide range of oil and gas industry expertise.

John Proust, Chief Executive Officer
Founder and principal shareholder of numerous successful public and private companies focused in the resource sector. Expert in corporate financing and corporate governance.

David Robinson, Director & CEO New Zealand Business
Oil and gas professional with extensive commercial experience with Shell New Zealand, and industry experience as CEO of the Petroleum Exploration & Production Association of New Zealand.

Derek Gardiner, Chief Financial Officer
Chartered Accountant and Chartered Corporate Secretary with more than 25 years of oil and gas experience, most recently as Commercial and Finance Manager for Origin Energy.

Gerrie van der Westhuizen, Vice President Finance
Chartered Accountant with expertise in financial reporting and controls, treasury management and tax compliance.

Mike Oakes, General Manager Operations
More than 30 years of oil and gas experience overseeing design, staffing and operations of both onshore and offshore oil and gas fields and production facilities.

Dan MacDonald, Drilling Manager
Mechanical engineer with an MBA and more than 30 years of oil and gas drilling experience.

Stewart Angelo, Engineering and Maintenance Manager
More than 25 years managing oil and gas midstream assets.

In-country Technical Team
A team of geologists, geophysicists and logistics experts oversee the technical review, exploration and development activities, permitting and community engagement at NZEC’s properties.

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