NEW ZEALAND ENERGY CORP.

Management's Discussion and Analysis

Second Quarter Ended June 30, 2015

(Expressed in Canadian Dollars)

This Management's Discussion and Analysis ("MD&A") is dated August 26, 2015, for the quarter ended June 30, 2015. It should be read in conjunction with the audited consolidated financial statements of New Zealand Energy Corp. ("NZEC" or the "Company") for the year ended December 31, 2014, and the unaudited condensed consolidated interim financial statements for the period ended June 30, 2015 as publicly filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

NZEC reports in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the following disclosure, and associated consolidated financial statements, are presented in accordance with IFRS.

This MD&A includes certain statements that may be deemed "forward-looking statements" (see *Forward-looking Information*). All amounts are in Canadian dollars unless otherwise stated.

NZEC's shares are listed on the TSX Venture Exchange under the symbol "NZ" and on the OTCQX International Exchange under the symbol "NZERF". Additional information is available on SEDAR and on the Company's website at www.newzealandenergy.com.

NZEC's BUSINESS

NZEC, through its subsidiaries (collectively "NZEC" or "the Company") is engaged in the exploration and production of oil and natural gas in New Zealand, as well as the operation of midstream assets. The Company's assets are located on New Zealand's North Island in the Taranaki Basin (comprising 395 square kilometres) which is New Zealand's only commercial oil and gas producing area.

For further information see *Management's Discussion & Analysis* for the first quarter of 2015 and for the year ended December 31, 2014.

NZEC is the Operator of three Petroleum Mining Licences ("PMLs"), one Petroleum Mining Permit ("PMP") and two Petroleum Exploration Permits ("PEPs") in which it has an interest. It holds a 50% interest, with L&M Energy Limited ("L&M"), in the PML 38138 ("Tariki Licence"), PML 38140 ("Waihapa Licence") and PML 38141 ("Ngaere Licence") (collectively the "TWN Licences").

NZEC has a 100% interest in PMP 55491 ("Copper Moki PMP"), a 100% interest in PEP 51150 (the "Eltham Permit") and a 65% interest in PEP 51151 (the "Alton Permit") with L&M.

NZEC holds a 50% working interest (with New Dawn Energy Limited[1]) in, and is operator of, the Waihapa Production Station and associated gathering and sales infrastructure (collectively the "TWN Assets"), providing a range of services to third parties including oil handling and pipeline throughput, gas processing, and produced water handling and disposal.

QUARTER AND SIX MONTHS TO DATE OPERATING & FINANCIAL HIGHLIGHTS

The following are the operating and financial highlights for the quarter and six months to date:

1. **Safety** - 100 days harm free in 2015, since the last incident on 22 March 2015;

2. **Sales (oil) –** for the quarter of 11,049 bbl realised $811,508 (with an average oil sale price of $73.45 per bbl); and for the six months to date 22,975 bbl realised $1,531,077 (with an average oil sale price of $66.64 per bbl);

3. **Production -** for the quarter was 10,144 bbl (with an average 113 bbls per day); and 22,739 bbls (with an average 126 bbls per day) for the six months to date;

4. **Processing revenue -** from the TWN Assets was $407,279 for the quarter and $845,675 for the six months to date, with a number of customers accessing the range of services to third parties including oil handling and pipeline throughput services, gas processing, and handling and disposal of produced water;

5. **East Cape relinquishment** - On May 21, 2015 the Company announced its decision to relinquish the East Cape permit, (PEP52976) and to focus Company efforts on the Taranaki Basin. The total cost of $508,235 capitalised as exploration and evaluation assets with respect to the East Cape permit was written off.

6. **Private placement** – On March 23, 2015 the Company raised $1,770,000 by private placement. Key components of the private placement being the issue of 44,250,000 common shares at a price of $0.04 per share to new and existing investors;

[1] Effective as at 31 March 2015 New Dawn Energy Limited transferred its interest in the Waihapa Production Station to a wholly owned subsidiary of New Dawn Energy Limited (New Dawn Holdings No 2 Limited).

7. **New Dawn working capital facility –** NZEC repaid the facility, in cash, on March 31, 2015 with consequent release of the security;

8. **2015 Annual General Meeting (AGM) –** the Company held its AGM on June 16, 2015, included, in the resolutions passed by the Company shareholders at the meeting, were resolutions to:

   a. set the number of directors of the Board at three (3), with James Willis and Mark Dunphy re-elected to the Board and Dr. David Llewellyn appointed to the Board; and

   b. approve Geoservices Limited becoming a new control person of the Company[2].

RECENT DEVELOPMENTS

The Company announced, on July 6, 2015, the appointment of Mike Adams as the new Company Chief Executive Officer. Mr Adams assumed the role on July 17, 2015 after a handover from the former CEO.

Alton Permit – NZEC (as Operator on behalf of the joint venture) has lodged a change of conditions application with the regulator (New Zealand Petroleum & Minerals) to defer the commitment to drill an exploration well by 1 year (to November 22, 2016).

FINANCIAL SNAPSHOT

	Six months ended June 30, 2015	**Three months ended June 30, 2015**	**Six months ended June 30, 2014**	**Three months ended June 30, 2014**
Production	22,739 bbl	10,144 bbl	38,748 bbl	19,066 bbl
Sales	22,975 bbl	11,049 bbl	38,020 bbl	20,390 bbl
Price	66.64 $/bbl	73.45 $/bbl	118.65 $/bbl	118.22 $/bbl
Production costs	23.71 $/bbl	25.86 $/bbl	43.79 $/bbl	43.38 $/bbl
Royalties	5.37 $/bbl	6.78 $/bbl	10.94 $/bbl	9.53 $/bbl
Field netback	37.57 $/bbl	40.80 $/bbl	63.92 $/bbl	65.30 $/bbl
Revenue	$2,422,201	$1,225,724	$9,412,088	$3,019,139
Total comprehensive loss	($3,956,798)	($3,975,257)	($5,163,603)	($13,616,047)
Net finance expense	$88,512	($11,018	$151,957	$82,103
Loss per share – basic and diluted	($0.01)	($0.01)	($0.07)	($0.06)
Current assets	$4,552,101		$6,603,162	
Total assets	$29,720,826		$107,513,101	
Total long-term liabilities	$6,814,765		$7,697,362	
Total liabilities	$8,087,787		$10,648,010	
Shareholders' equity	$21,633,039		$96,865,091	

Note: The abbreviation **bbl** means barrels of oil.

PROPERTY REVIEW & OUTLOOK

This section reviews activities and developments during the reporting period in respect of the Company's assets.

Reserves & resources

As required under National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities, the Company commissioned Deloitte LLP to prepare a year-end oil reserve estimate and economic evaluation with an effective date of December 31, 2014. NZEC's Proved + Probable ("2P") reserves, reflecting the Company's 100% interest in the Copper Moki Permit and its 50% interest in the Waihapa, Tariki and Ngaere PMLs, are estimated at 979,000 barrels of oil (1,300,000 barrels of oil equivalent[3]) with an after tax net present value discounted at 10% (at December 31, 2014) of $26.8 million. 2014 is the first full year of TWN production under Company control, accordingly the actual figures for 2014 TWN production show variances with the assumptions included in the 2013 Form 51-101F1 Statement of Reserves Data.

[2] Which was a resolution passed by vote of the disinterested shareholders of the Company, with no shares of Geoservices Limited being voted in respect of this resolution.

[3] Barrels of oil equivalent (boe) may be misleading, particularly if used in isolation. The boe conversion ratio of 6 Mcf : 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

TWN Petroleum Mining Licences and Copper Moki Petroleum Mining Permit

The Company produces from Waihapa and Ngaere production wells in the TWN Permit Mining Licences and from the Copper Moki wells in the Copper Moki Mining Permit. In regard to the Copper Moki Mining Permit, the Waitapu 2 well was shut in late in March 2015. That well is to be recompleted for water injection.

During the first six months of 2015 the focus has been to reduce costs (see the "Results of Operations") and right-size the business.

In the latter part of 2015 the Company intends to proceed with low cost development activities on existing wells in both the TWN and Copper Moki concessions. Focus will also be given to opportunities for development of gas resources within the concessions.

Eltham Petroleum Exploration Permit

The Eltham Permit comprises 188 square kilometres. The Company continues to assess exploration opportunities in the Eltham PEP.

Alton Petroleum Exploration Permit

The work program for the Alton Permit requires the Company to drill an exploration well by November 22, 2015. NZEC (as Operator on behalf of the joint venture) has lodged a change of conditions application with the regulator (New Zealand Petroleum & Minerals) to defer the commitment to drill an exploration well by 1 year (to November 22, 2016).

TWN Midstream Assets

Services are provided to Contact Energy in relation to operation of the Ahuroa gas storage facility. In addition, other parties are accessing services for oil handling and pipeline throughput, gas processing, and handling and disposal of produced water.

SUMMARY OF QUARTERLY RESULTS

	2015-Q2 $	2015-Q1 $	2014-Q4 $	2014-Q3 $
Total assets	29,720,826	35,749,089	34,362,077	98,459,282
Exploration and evaluation assets	3,462,767	4,329,353	4,193,565	43,072,192
Property, plant and equipment	21,118,438	24,900,538	23,887,382	48,815,452
Working capital	3,279,079	4,018,474	2,822,098	3,366,017
Revenues	1,225,724	1,196,477	2,608,747	2,104,561
Accumulated deficit	(121,610,062)	(120,387,206)	(119,207,276)	(48,965,855)
Total comprehensive income (loss)	(3,975,257)	18,459	(65,513,965)	(8,540,759)
Basic (loss) earnings per share	(0.01)	(0.01)	(0.41)	(0.01)
Diluted (loss) earnings per share	(0.01)	(0.01)	(0.41)	(0.01)

	2014-Q2 $	2014-Q1 $	2013-Q4 $	2013-Q3 $
Total assets	107,513,101	124,788,600	116,782,687	105,313,813
Exploration and evaluation assets	46,476,829	56,876,779	51,500,037	55,859,632
Property, plant and equipment	53,409,032	54,786,347	49,169,997	26,621,043
Working capital	3,652,514	5,299,434	6,878,152	4,748,797
Revenues	3,091,139	6,320,949	4,108,911	1,519,010
Accumulated deficit	(47,287,210)	(37,122,556)	(35,099,834)	(27,292,947)
Total comprehensive income (loss)	(13,616,047)	8,452,444	(5,963,723)	1,347,788
Basic (loss) earnings per share	(0.06)	(0.01)	(0.06)	(0.02)
Diluted (loss) earnings per share	(0.06)	(0.01)	(0.06)	(0.02)

See NZEC's *Business,* and *Property Review & Outlook* for the activities to which this summary of quarterly results relates.

RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2015

This section of the MD&A provides analysis of the Company's operations in respect of the second quarter of 2015 ("Three Month Period") and the year to date ("Six Month Period") compared to results achieved for the same periods in 2014. See *Quarter Operating & Financial Highlights* for a summary of the second quarter 2015 operational events and activities.

Production and sales

	Three Month Period ended		Six Month Period ended	
Barrels	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Production – Oil	10,144	19,066	22,739	38,748
Sales – Oil	11,049	20,390	22,975	38,020

During both the *Three* and the *Six Month Period* the production decrease results principally from natural declines in production from the wells following flush production in 2014.

Revenues

	Three Month Period ended		Six Month Period ended	
$	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Oil Sales	811,508	2,410,405	1,531,077	4,510,950
Processing Revenue	407,279	500,108	845,675	862,567
Royalty*	(74,919)	(194,364)	(123,277)	(415,996)

Note. In respect to Oil Sales, revenue is derived from oil sales volume, oil price and exchange rate. The realised per barrel price is based on the Brent crude oil price.

Three Month Period: Total oil sales of 11,049 bbls (2014: 20,390 bbls) realised $811,508 (2014: $2,410,405), or $73.45 per bbl (2014: $118.22). Processing revenues, from Waihapa Production Station, were lower in 2015 mostly due to a one off $47,000 establishment fee for a third party gas transportation contract and Ahuroa Gas Storage turnaround fees of $83,000 in 2014.

Six Month Period: Total oil sales of 22,975 bbls (2014: 38,020 bbls) realised $1,531,077 (2014: $4,510,950), or $66.64 per bbl (2014: $118.65).

**Royalty*: Royalties paid are based on an ad valorem Crown royalty of 5% at Copper Moki and 10% (less allowable costs) for the TWN Licences. In addition, for the TWN Licences, there is a 9% overriding royalty payable to Origin Energy with a calculation based on the Crown royalty calculation. Total costs are related to the mix and source of production.

Production Costs

	Three Month Period ended		Six Month Period ended	
$	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Production Costs	285,749	884,587	544,629	1,664,702

Three Month Period: Production costs were lower reflecting the focus on costs and also, in part, due to a reclassification of costs between Production Costs and General and Administrative Expenses. On a consistent basis the Three Month Period costs for 2014 were $694,269. The production cost per barrel at $25.86 (2014: $43.38) is lower when using the normalised figure for 2014 of $34.05 reflecting the ongoing focus on cost reduction.

Six Month Period: Production costs were lower reflecting the focus on costs and also, in part, due to a reclassification of costs between Production Costs and General and Administrative Expenses. On a consistent basis the Six Month Period costs for 2014 were $1,085,225. The production cost per barrel at $23.71 (2014: $43.78) would be comparable using the normalised figure for 2014 of $28.54.

Processing Costs

	Three Month Period ended		Six Month Period ended	
$	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Processing Costs	135,463	295,337	365,832	589,959

Three and Six Month Periods: These costs represent direct costs associated with operation of the TWN Assets. The 2015 figures are lower due to cost reductions at the production station and a recovery in the price of oil during 2015 impacting the value of the "oil inventory in the pipeline".

Depreciation

	Three Month Period ended		Six Month Period ended	
$	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Depreciation	376,590	867,327	859,850	1,696,773

Depreciation is calculated using the unit-of-production method by reference to the ratio of production during the Three Month Period as compared to the related total proved and probable reserves of oil and natural gas, taking into account estimated future development costs necessary to access those reserves.

Three and Six Month Periods: The decrease in 2015 reflects the lower asset base to depreciate following the impairment made at year end 2014.

Impairment

	Three Month Period ended		Six Month Period ended	
$	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Impairment – E&E	508,235	9,331,014	508,235	9,331,014

Impairment E&E: The East Cape Permit was relinquished on May 21, 2015 ($508,235). In 2014, during the Three and Six Month Period, the Manaia ($535,742), Castlepoint ($4,102,245) and Wairoa ($4,693,027) Permits were relinquished.

Stock Based Compensation

	Three Month Period ended		Six Month Period ended	
$	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Stock Based Compensation	31,036	145,592	80,358	395,212

The lower costs in 2015 are as a result of no new stock options being issued during the Three Month Period and the Six Month Period together with the lower number of staff now employed.

General and Administrative Expenses

	Three Month Period ended		Six Month Period ended	
$	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
General & Administrative	1,146,674	1,441,283	2,433,708	3,264,781

The reduced costs recorded for the Three and Six Month Period compared to 2014 reflect the steps taken to 'right size' the Company and the ongoing focus on costs. Of note, are the reductions in Management Fees, Travel, Administrative expense and Salaries and Wages.

Finance Expense

	Three Month Period ended		Six Month Period ended	
$	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Finance Expense	11,018	82,103	88,512	151,957

The Company's finance expense during the Three and Six Month Period reflects the accretion expense associated with asset retirement obligations and interest costs arising from the New Dawn Working Capital Facility.

Exchange Difference on Translation of Foreign Currency

	Three Month Period ended		Six Month Period ended	
$	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Exchange Difference – gain (loss)	(2,752,402)	(3,451,393)	(1,554,013)	7,023,773

Exchange differences arises from the translation of foreign operations and monetary items (largely based in NZD) that form part of NZEC's net investment in foreign operations.

Three Month Period: The NZD weakened against the CAD over the Three Month Period moving from 0.9449 at March 31, 2015 to 0.8470 at June 30, 2015. In the comparative period in 2014 the NZD also weakened from 0.9578 to 0.9361 against a higher asset base (pre-impairment).

Six Month Period: The NZD weakened against the CAD over the Six Month Period moving from 0.9043 at December 31, 2014 to 0.8470 at June 30, 2015. In the comparative period in 2014 the NZD strengthened from 0.8734 to 0.9361 against a higher asset base (pre-impairment).

PETROLEUM PROPERTY ACTIVITIES, OPERATIONS AND CAPITAL EXPENDITURES

Exploration & Evaluation Expenditure

The Company recognised the following additions in exploration and evaluation ("E&E") assets during the Three and Six Month Periods:

	Three Month Period ended		Six Month Period ended	
$	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Taranaki Basin	4,953	145,783	17,901	326,113
East Coast Basin	(4,108)	35,857	(2,700)	427,999
Total	845	181,640	15,201	754,112

<u>Three Month Period</u>: 2014 expenditure relates to overhead spend in the Eltham permit, Horoi land access and geological and geophysical ("G&G") spend.

<u>Six Month Period</u>: During 2015 exploration and evaluation expenditure was of a geological and geophysical ("G&G") nature. In 2014, expenditure was primarily in the Manaia PEP (seismic) and "G&G" in Eltham and East Coast permits.

CAPITAL SPENDING

The Company recognised the following additions in Property, Plant and Equipment ("PP&E") assets during the Three and Six Month Periods:

	Three Month Period ended		Six Month Period ended	
$	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
TWN Assets	14,996	911,019	105,584	2,250,109
Copper Moki	8,357	31,394	43,665	504,058
Other	-	133,403	10,788	177,890
Total	23,353	1,075,816	160,037	2,932,057

<u>Three Month Period</u>: Expenditure in the TWN Assets was related to activities surrounding producing wells and the production station.

<u>Six Month Period</u>: Expenditure in the TWN Assets was related to activities surrounding producing wells and the capitalisation of a new air compressor at the production station. In 2014 expenditure was mainly for the Toko-B well ESP installation and Waihapa-2 recompletion. In Copper Moki 2015 spending mainly relates to expenditure on Copper Moki facilities, while in 2014 spending mostly relates to Waitapu-2 change of bottom hole pump.

COMMITMENTS

As at June 30, 2015, the Company had the following undiscounted contractual obligations:

	2015 $	**2016-2017 $**	**2018 and onwards $**	**Total $**
Accounts payable and accrued liabilities	928,602	-	-	928,602
Operating lease obligations (1)	92,393	227,150	-	319,543
Contractual and purchase commitments	159,144	494,650	795,834	1,449,628
Environmental obligations (2)	350,175	-	12,304,017	12,654,192
	1,530,314	**721,800**	**13,099,851**	**15,351,965**
Minimum work program requirements (3)	3,953,000	6,895,000	-	10,848,000
Total	**5,483,314**	**7,616,800**	**13,099,851**	**26,199,965**

(1) The Company has office leases for its offices in Wellington and New Plymouth.
(2) The Company has recognized an undiscounted asset retirement obligation of $12.7 million. See Note 7 Financial Statements.
(3) The Company also has various ongoing minimum work program commitments which are associated with the Company's interest in its oil and gas properties and exploration and evaluation assets. See *Permit Expenditure Requirements*.

PERMIT EXPENDITURE REQUIREMENTS

The Company undertakes oil and gas exploration and development activities and has contractual commitments under various agreements to complete certain exploration activities. The Company and, where relevant, its co-venturers in a permit, may apply to alter the exploration programs, request extensions, reject development costs, relinquish certain permits or farm out an interest in permits. The Company's total commitments include those that are required to be incurred to maintain its permits in good standing during the current permit term, prior to the Company committing to the next stage of the permit term, where additional expenditure would be required.

Maintaining the permits in good standing during the permit term is based on the fulfilment of the minimum work program and is not based on a specific expenditure level.

The table below reflects management's estimates of future expenditures required to complete the minimum committed work programs as at the date of this MD&A.

Properties	**Type**	**2015 $**	**2016-2017 $**	**2018 and onwards $**	**Total $**
Taranaki Basin					
Copper Moki Permit[(1)]	Producing	678,000	-	-	678,000
Eltham Permit [(2)]	Exploration	440,000	3,812,000	-	4,252,000
Alton Permit [(3)]	Exploration	2,835,000	3,083,000	-	5,918,000
Total		**3,953,000**	**6,895,000**	**-**	**10,848,000**

Notes:

(1) Copper Moki: 1.3-km gas pipeline was required to be built within 18 months of award, connecting the Waitapu site to existing pipeline infrastructure. (This requirement is now anticipated to be replaced by the planned waterflood using Waitapu-2 as the injection well.).

(2) Eltham: 2015 - advanced 2D/3D processing to de-risk selected Miocene targets; 2017 - drill an exploration well.

(3) Alton: 2015 - drill a commitment well by November 22, 2015 (application filed to extend this date to November 22, 2016). 2016: Advanced 2D/3D processing to evaluate sub-thrust targets; 2017 - drill a further exploration well.

The amounts above represent estimated expenditures (should the operations proceed).

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2015, the Company had $1,051,034 in cash and cash equivalents (December 31, 2014: $1,121,967) and $3,279,079 in working capital (December 31, 2014: $2,822,098).

The Company will pursue opportunities to expand its financial capacity to enable it to undertake operations required to further exploit the permits and licences it holds, with the objective of increasing petroleum production.

The Company's ability to continue as a going concern is dependent on its ability to expand its financial capacity to the point where it is generating positive cash flow from operations.

The Company's ability to expand its financial capacity and the relative success, and cash flow generated from, intended operations cannot be assured. See the unaudited *Condensed Consolidated Interim Financial Statements - Note 1, Going Concern*.

CASH FLOW

Operating Activities

In the Six Month Period ended June 30, 2015, the Company used cash of $1,124,367 (2014: $770,413) in operating activities after generating a net loss of $2,402,785 (2014: $12,187,376). The more significant non-cash items contributing to the net loss during the Six Month Period included $508,235 in impairment (2014: $9,331,014) and $943,335 in depreciation and accretion (2014: $1,856,956).

Investing Activities

During the Six Month Period, the Company used cash of $227,728 (2014: $3,413,947) in investing activities mostly for the purchase of property plant and equipment.

Financing Activities

During the Six Month Period, cash provided through financing activities was $1,339,221 (2014: $Nil) being the private placement proceeds of $1,737,794 (net of placement costs $32,206) less the repayment of the New Dawn working capital facility $398,573. See *Liquidity and Capital Resources*.

RELATED PARTY TRANSACTIONS

Key Management and Personnel Compensation

The key management personnel include the directors and other officers of the Company. Key management compensation consists of the following:

	Three Month Period		Six Month Period	
$	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Salary and management fees	361,421	572,290	661,027	1,097,851
Share-based compensation	24,130	104,634	52,729	186,835
Total	385,551	676,924	713,756	1,284,686

The above transactions occurred in the normal course of operations and were measured at the consideration established and agreed to by the related parties. Included in the above amounts are $63,220 (2014: $Nil) paid to Upstream Consulting Ltd, an entity associated with Mr James Willis. Also included in the amounts above are $Nil (2014: $584,700) in management fees paid to J. Proust and Associates Inc., an entity which had officers in common.

The Company has entered into a number of transactions with New Dawn and L&M, See the audited *Consolidated Financial Statements (Year Ended December 31, 2014) - Joint Arrangements (Note 3) and the unaudited Consolidated Interim Financial Statements (June 30, 2015) - Working Capital Facility (Note 8) and Purchase of Oil (note 10(b)).*

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

ADOPTION OF NEW OR REVISED IFRSs

The Company has used the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended December 31, 2014.

NON-IFRS DISCLOSURES

NZEC uses certain terms for measurement within this MD&A that do not have standardized meanings prescribed by IFRS, and these measurements may differ from other companies' and accordingly may not be comparable to measures used by other companies. The term "field netback" is not a recognized measure under the applicable IFRSs. Management of the Company believes that this measure is useful to provide shareholders and potential investors with additional information, in addition to profit and loss and cash flow from operating activities as defined by IFRS, for evaluating the Company's operating performance. Field netback is reconciled as follows to the Company's condensed consolidated financial statements for the three and six month periods ended June 30, 2015 and 2014:

	Three Month Period		Six Month Period	
$	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Revenue				
Oil sales	811,508	2,410,404	1,531,077	4,510,950
Royalties	(74,919)	(194,364)	(123,277)	(415,996)
	736,589	2,216,040	1,407,800	4,094,954
Production Costs	(285,749)	(884,587)	(544,629)	(1,664,702)
Sub-total (a)	450,840	1,331,453	863,171	2,430,252
Barrels of Oil sold (b)	11,049	20,390	22,975	38,020
Field Netback [(a)/(b)] $/bbl	**40.80**	**65.30**	**37.57**	**63.92**

SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of voting common shares. As at June 30, 2015, the Company had 232,123,459 common shares outstanding.

As of the date of this MD&A, the Company's share capitalization included 232,123,459 common shares, 41,452,178 warrants and 4,097,700 stock options, of which 3,424,325 stock options have vested and are exercisable.

MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management has overseen the design and evaluation of internal controls over financial reporting and has concluded that the design and operation of these internal controls over financial reporting were effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

RISK FACTORS

Natural resources exploration and development involves a number of risks and uncertainties, many of which are beyond management's control. The Company's business is subject to the risks normally encountered in the oil and natural gas industry such as the marketability of, and prices for, oil and natural gas, competition with companies having greater resources, acquisition, exploration and production risks, need for capital, fluctuations in the market price and demand for oil and natural gas, the regulation of the oil and natural gas industry by various levels of government and public protests. The success of further exploration or development projects cannot be assured. In addition, the Company's operations are primarily outside of Canada and are subject to risks arising from foreign exchange and foreign regulatory regimes.

FORWARD-LOOKING INFORMATION

This document contains certain forward-looking information and forward-looking statements within the meaning of applicable securities legislation (collectively "forward-looking statements"). The use of any of the words "will", "objective", "plan", "seek", "expect", "potential", "pursue", "subject to", "can", "could", "hopeful", "contingent", "anticipate", "look forward", and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such forward-looking statements should not be unduly relied upon. The Company believes the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct. This document contains forward-looking statements and assumptions pertaining to the following: business strategy, strength and focus; the granting of regulatory approvals; the timing for receipt of regulatory approvals; geological and engineering estimates relating to the resource potential of the properties; the estimated quantity and quality of the Company's oil and natural gas resources; supply and demand for oil and natural gas and the Company's ability to market crude oil and natural gas; expectations regarding the Company's ability to continually add to reserves and resources through acquisitions and development; the Company's ability to obtain qualified staff and equipment in a timely and cost-efficient manner; the Company's ability to raise capital on appropriate terms, or at all; the ability of the Company's subsidiaries to obtain mining permits and access rights in respect of land and resource and environmental consents; the recoverability of the Company's crude oil, natural gas reserves and resources; and future capital expenditures to be made by the Company. Actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in the document, such as the speculative nature of exploration, appraisal and development of oil and natural gas properties; uncertainties associated with estimating oil and natural gas resources; changes in the cost of operations, including costs of extracting and delivering oil and natural gas to market, that affect potential profitability of oil and natural gas exploration; operating hazards and risks inherent in oil and natural gas operations; volatility in market prices for oil and natural gas; market conditions that prevent the Company from raising the funds necessary for exploration and development on acceptable terms or at all; global financial market events that cause significant volatility in commodity prices; unexpected costs or liabilities for environmental matters; competition for, among other things, capital, acquisitions of resources, skilled personnel, and access to equipment and services required for exploration, development and production; changes in exchange rates, laws of New Zealand or laws of Canada affecting foreign trade, taxation and investment; failure to realize the anticipated benefits of acquisitions; and other factors. Readers are cautioned that the foregoing list of factors is not exhaustive. Statements relating to "reserves and resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources described can be profitably produced in the future. This document includes references to management's forecasts of future development, probability of success, production and cash flows from such operations, which represent management's best estimates at the time. The forward-looking statements contained in the document are expressly qualified by this cautionary statement. These statements speak only as of the date of this document and the Company does not undertake to update any forward-looking statements that are contained in this document, except in accordance with applicable securities laws.

CAUTIONARY NOTE REGARDING RESERVE & RESOURCE ESTIMATES

The oil and gas reserves calculations and income projections were estimated in accordance with the Canadian Oil and Gas Evaluation Handbook ("COGEH") and National Instrument 51-101 ("NI 51-101"). The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of six Mcf: one bbl was used by NZEC. This conversion 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. Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on: the analysis of drilling, geological, geophysical, and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are classified according to the degree of certainty associated with the estimates. Proved Reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves. Probable Reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves. Revenue projections presented are based in part on forecasts of market prices, current exchange rates, inflation, market demand and government policy which are subject to uncertainties and may in future differ materially from the forecasts above. Present values of future net revenues do not necessarily represent the fair market value of the reserves evaluated. The report also contains forward-looking statements including expectations of future production and capital expenditures. Information concerning reserves may also be deemed to be forward looking as estimates imply that the reserves described can be profitably produced in the future. These statements are based on current expectations that involve a number of risks and uncertainties, which could cause the actual results to differ from those anticipated. Contingent resources are those quantities of oil and gas estimated on a given date to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters, or a lack of markets. Prospective resources are those quantities of oil and gas estimated on a given date to be potentially recoverable from undiscovered accumulations. The resources reported are estimates only and there is no certainty that any portion of the reported resources will be discovered and that, if discovered, it will be economically viable or technically feasible to produce.