



Management's Discussion and Analysis

First Quarter Ended March 31, 2015

(Expressed in Canadian Dollars)

Management's Discussion & Analysis

This Management's Discussion and Analysis ("MD&A") is dated May 27, 2015, for the quarter ended March 31, 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 March 31, 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 development of, and production from oil and natural gas resources in New Zealand, as well as the operation of midstream assets. The Company's assets are located on New Zealand's North Island, specifically 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 years ended December 31, 2014.

Taranaki Basin:

NZEC is the Operator of the 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) 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.

East Coast Basin:

NZEC had a 100% interest in Petroleum Exploration Permit, PEP 52976 ("East Cape permit") which was relinquished on May 21, 2015. See *Recent Developments*.

QUARTER OPERATING & FINANCIAL HIGHLIGHTS

The following are the quarter's operating and financial highlights:

1. **Sales** – 11,926 bbl realised oil sales of \$719,569 with an average oil sale price of \$60.34 per bbl;
2. **Production** - for the quarter was 12,595 bbl (140 bbls per day);
3. **Processing revenue** - from the TWN Assets was \$438,396, with seven 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;
4. **Private Placement** – of \$1,770,000 announced on 23 March 2015. Key components being the issue of 44,250,000 common shares at a price of \$0.04 per share to new and existing investors. Geoservices Limited subscribed for 29,000,000 common shares and increased their holding in the Company to 19.82% of NZEC's total issued and outstanding common shares (Geoservices Limited also holds 17,000,000 warrants)¹.

¹ Exercise of the warrants is subject to TSX venture exchange approval or approval by resolution of disinterested shareholders at the Company annual general meeting on June 16, 2015.

Management's Discussion & Analysis

5. **Directors** - following completion of the private placement, two Geoservice's nominees joined the Board of directors of the Company (James Willis and Mark Dunphy) with Mr Willis appointed as Chairman of the Board. Hamish Campbell retired as a director of the Company.
6. **New Dawn working capital facility** – NZEC repaid the facility, in cash, on March 31, 2015. The payment of NZD 638,457.34 provided for all drawings and accrued interest.

RECENT DEVELOPMENTS

The Company announced, on April 23, 2015, that Mr David Robinson (Chief Executive Officer) had given 3 months' notice of resignation, and will not seek re-election as a director at the Company annual general meeting on June 16, 2015 ("Meeting").

On May 20, 2015 the Company announced that the business of the Meeting will include resolutions to fix the number of directors of the Company at three (3), with existing directors James Willis and Mark Dunphy standing for reappointment, joined by nominee director Dr David Llewellyn. John Proust and John Greig will not stand for reappointment at the Meeting.

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. As at March 31, 2015 a total cost of \$541,471 had been capitalised in exploration and evaluation assets with respect to the East Cape permit which will be written off.

FINANCIAL SNAPSHOT

	For the quarter ended March 31, 2015	Preceding quarter ended December 31, 2014	Comparative quarter ended March 31, 2014
Production	12,595 bbl	15,502 bbl	19,682 bbl
Sales	11,926 bbl	21,271 bbl	17,630 bbl
Price	60.34 \$/bbl	75.84 \$/bbl	119.15 \$/bbl
Production costs	21.71 \$/bbl	27.76 \$/bbl	44.25 \$/bbl
Royalties	4.06 \$/bbl	5.90 \$/bbl	12.57 \$/bbl
Field netback	34.58 \$/bbl	42.18 \$/bbl	62.33 \$/bbl
Revenue	1,196,477	2,608,747	6,320,949
Total comprehensive gain (loss)	18,459	(65,513,965)	8,452,444
Finance income (expense)	(74,494)	(59,266)	(69,854)
Gain (Loss) per share - basic and diluted	(0.01)	(0.41)	(0.01)
Current assets	5,695,964	5,510,069	11,952,031
Total assets	35,749,089	34,362,077	124,788,600
Total long-term liabilities	8,488,245	7,902,421	7,626,669
Total liabilities	10,165,735	10,590,392	14,279,266
Shareholders' equity	25,583,354	23,771,685	110,509,334

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 equivalent²) 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 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.

Management's Discussion & Analysis

Taranaki Basin

TWN Petroleum Mining Licences and Copper Moki Petroleum Mining Permit

In regard to TWN, the Company provides the following update on activities for the reporting period:

1. During 2014, the Company recompleted the Waihapa-2 well in the Mt Messenger formation. The well was shut-in pending installation of an improved artificial lift system which was commissioned in December 2014 and has been producing limited quantities of petroleum during the reporting period. During 2014, the Company reactivated the Waihapa-8 well in the Mt Messenger formation using lift gas when available. The well produced intermittently during the reporting period until March 9, 2015 when it was shut in;
2. During 2014, the Company installed artificial lift at the Waitapu-2 well which was produced on test during the reporting period until shut in on March 29, 2015.

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. Certain conditions associated with the land use consent prompted the joint venture during 2014 to lodge an appeal to have consent conditions modified which conditions remain to be resolved.

TWN Midstream Assets

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

East Coast Basin

Please see *Recent Developments* in regard to the decision of the Company to relinquish the East Cape permit.

SUMMARY OF QUARTERLY RESULTS

	2015-Q1 \$	2014-Q4 \$	2014-Q3 \$	2014-Q2 \$
Total assets	35,749,089	34,362,077	98,459,282	107,513,101
Exploration and evaluation assets	4,329,353	4,193,565	43,072,192	46,476,829
Property, plant and equipment	24,900,538	23,887,382	48,815,452	53,409,032
Working capital	4,018,474	2,822,098	3,366,017	3,652,514
Revenues	1,196,477	2,608,747	2,104,561	3,091,139
Accumulated deficit	(120,387,206)	(119,207,276)	(48,965,855)	(47,287,210)
Total comprehensive income (loss)	18,459	(65,513,965)	(8,540,759)	(13,616,047)
Basic (loss) earnings per share	(0.01)	(0.41)	(0.01)	(0.06)
Diluted (loss) earnings per share	(0.01)	(0.41)	(0.01)	(0.06)

	2014-Q1 \$	2013-Q4 \$	2013-Q3 \$	2013-Q2 \$
Total assets	124,788,600	116,782,687	105,313,813	127,318,182
Exploration and evaluation assets	56,876,779	51,500,037	55,859,632	52,357,470
Property, plant and equipment	54,786,347	49,169,997	26,621,043	26,135,651
Working capital	5,299,434	6,878,152	4,748,797	9,517,742
Revenues	6,320,949	4,108,911	1,519,010	2,109,700
Accumulated deficit	(37,122,556)	(35,099,834)	(27,292,947)	(24,616,053)
Total comprehensive income (loss)	8,452,444	(5,963,723)	1,347,788	(6,000,775)
Basic (loss) earnings per share	(0.01)	(0.06)	(0.02)	(0.02)
Diluted (loss) earnings per share	(0.01)	(0.06)	(0.02)	(0.02)

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

Management's Discussion & Analysis

RESULTS OF OPERATIONS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2015

This section of the MD&A provides analysis of the Company's operations in respect of the first quarter of 2015 ("Three Month Period") compared to results achieved for the first quarter ended March 31, 2014. See *Quarter Operating & Financial Highlights* for a summary of the first quarter 2015 operational events and activities.

Production and sales

	Three Month Period	
	March 31, 2015	March 31, 2014
Barrels		
Production – Oil	12,595	19,682
Sales – Oil	11,926	17,630

The production decrease results principally from declines in producing wells following flush production in 2014.

Revenues

	Three Month Period	
	March 31, 2015	March 31, 2014
\$		
Oil Sales	719,569	2,100,545
Processing Revenue	438,396	362,459
Purchased Oil Sold*	-	2,588,219
Purchased Condensate Sold**	-	1,419,358
Royalty***	(48,358)	(221,633)

Note. In respect to Oil Sales, revenue is derived from oil sales volume, oil price (based on a discount to Brent crude) and exchange rate. The realised per barrel price reflects a discounted Brent crude oil price during the respective periods.

Total oil sales of 11,926 bbl (2014: 17,630bbl) realised \$719,569 (2014: \$2,100,545), or \$60.34 per bbl (2014: \$119.15). Processing revenues, from Waihapa Production Station, were higher mostly due to the gas transportation contract which was operational from mid-2014 see *Property Review and Outlook*.

***Purchased Oil Sold:** Until May 1, 2014, the Company purchased L&M's 50% share of crude oil produced from the TWN Licences and subsequently sold the purchased oil to a major oil company. The Company recorded the cost of the purchased oil from L&M at the time of delivery immediately before the Company's point of delivery to the oil company.

****Purchased Condensate Sold:** Until March 1, 2014 the Company purchased condensate from a third party for its operational purposes and subsequently sold the condensate to a major oil company. Since March 1, 2014, the Company entered into a new arrangement with the third party, whereby the third party retains the risk and rewards related to ownership of the condensate. Hence the Company no longer records any revenue (or associated costs) from condensate provided by the third party.

*****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 origin of production.

Production Costs

	Three Month Period	
	March 31, 2015	March 31, 2014
\$		
Production Costs	258,880	780,115

Production costs were lower 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 \$390,955. The production cost per barrel at \$21.71 (2014: \$44.24) would be comparable using the normalised figure for 2014 of \$22.18.

Processing Costs

	Three Month Period	
	March 31, 2015	March 31, 2014
\$		
Processing Costs	230,369	294,622

These costs represent direct costs associated with operation of the TWN Assets. The 2015 Three Month Period figure is lower due to cost reductions at the production station.

Purchased Oil & Condensate – See discussion under *Revenues* above.

Management's Discussion & Analysis

Depreciation

\$	Three Month Period	
	March 31, 2015	March 31, 2014
Depreciation	483,260	829,446

Depreciation is calculated using the unit-of-production method by reference to the ratio of production in 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.

The decrease in 2015 reflects the lower asset base to depreciate following the impairment made at year end 2014.

Stock Based Compensation

\$	Three Month Period	
	March 31, 2015	March 31, 2014
Stock Based Compensation	53,410	249,620

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

General and Administrative Expenses

\$	Three Month Period	
	March 31, 2015	March 31, 2014
General & Admin	1,287,033	1,823,498

The reduced costs in 2015 compared to 2014, reflect the steps taken to 'right size' the Company (which commenced in the middle of 2014) and the focus on costs. Of note, are the reductions in Management Fees, Travel, Administrative expense and Salaries and Wages.

Net Finance Expense

\$	Three Month Period	
	March 31, 2015	March 31, 2014
Net Finance Expense	77,494	69,854

The Company's finance expense 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	
	March 31, 2015	March 31, 2014
Exchange Difference – gain (loss)	1,198,389	10,475,166

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.

The NZD strengthened against the CAD over the Three Month Period moving from 0.9043 at December 31, 2014 to 0.9449 at March 31, 2015. In the comparative period in 2014 the NZD strengthened from 0.08734 to 0.9578 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 Month Period:

\$	Three Month Period	
	March 31, 2015	March 31, 2014
Taranaki Basin	12,948	180,330
East Coast Basin	1,408	392,142
Total	14,356	572,472

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 East Coast permits.

Management's Discussion & Analysis

CAPITAL SPENDING

\$	Three Month Period	
	March 31, 2015	March 31, 2014
TWN Assets	90,588	1,339,090
Copper Moki	35,308	472,664
Other	10,788	44,487
Total	136,684	1,856,241

Expenditure in the TWN Assets is 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.

The Copper Moki capital spending mainly relates to expenditure on Copper Moki facilities. The 2014 spend mostly relates to Waitapu-2 change of bottom hole pump and artificial lift.

COMMITMENTS

As at March 31, 2015, the Company had the following undiscounted contractual obligations:

	2015	2016 to 2017	2018 and onwards	Total
	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,291,227	-	-	1,291,227
Operating lease obligations ⁽¹⁾	144,618	183,280	-	327,898
Contract and purchase commitments	276,190	559,510	892,518	1,728,218
Environmental obligations ⁽²⁾	352,100	-	15,404,308	15,756,408
	2,064,135	742,790	16,296,826	19,103,751
Minimum work program requirements ⁽³⁾	7,188,000	23,144,000	5,937,000	36,269,000
Total	11,316,270	24,629,580	38,530,652	74,476,502

(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 \$15.8 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.

Management's Discussion & Analysis

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	760,000	-	-	760,000
Eltham Permit ⁽²⁾	Exploration	494,000	4,275,000	-	4,769,000
Alton Permit ⁽³⁾	Exploration	3,180,000	3,458,000	-	6,638,000
Total		4,434,000	7,733,000	-	12,167,000

Notes:

- (1) Copper Moki: 1.3-km gas pipeline required to be built within 12 months of award, connecting the Waitapu site to existing pipeline infrastructure.
- (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. 2016: Advanced 2D/3D processing to evaluate sub-thrust targets; 2017 – drill a further exploration well.

The amounts above represent the committed expenditures.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2015, the Company had \$1,575,256 in cash and cash equivalents (December 31, 2014: \$1,121,967) and \$4,018,474 in working capital (December 31, 2014: \$2,822,098).

The Company continues to pursue opportunities to expand its financial capacity in order to enable it to undertake the activities required to further exploit the producing permits it holds, with the objective of increasing petroleum production. In that regard:

1. December 2014: the Company, by private placement of ordinary shares with Geoservices Limited, raised C\$850,000 (17,000,000 shares at C\$0.05 plus 17,000,000 warrants at C\$0.07) to meet working capital requirements; and
2. March 2015: the Company raised C\$1,770,000 by a further private placement of ordinary shares (44,250,000 shares at C\$0.04). Under the private placement, Geoservices Limited subscribed for a further 29,000,000 shares and now holds 19.82% of voting shares in the Company. The proceeds of the placement will be used primarily to maintain and preserve the Company's interest in its properties and for general working capital purposes (including the repayment of the Working Capital Facility on March 31, 2015 when it fell due for repayment).

The Company's ability to continue as a going concern is dependent on its ability to expand its financial capacity in order to fund near-term activities with the expectation of generating positive cash flow from operations.

The Company's ability to expand its financial capacity, the success of the intended activities, or whether sufficiently profitable operations will be attained from the intended activities, cannot be assured. See the Condensed *Consolidated Interim Financial Statements - Note 1, Going Concern*.

CASH FLOW

Operating Activities

In the Three Month Period ended March 31, 2014, the Company used cash of \$660,364 (2014: \$212,840) in operating activities after generating a net loss of \$1,179,930 (2014: \$2,022,722). The more significant non-cash income statement amounts recorded during the Three Month Period included \$550,499 in depreciation and accretion (2014: \$909,055).

Investing Activities

During the Three Month Period, the Company used cash of \$265,154 (2014: \$2,275,032) in investing activities mostly for the purchase of property plant and equipment.

Financing Activities

During the Three Month Period, cash provided through financing activities was \$1,341,227 (2014: \$Nil) being the private placement proceeds of \$1,739,800 (net of placement costs \$30,200) less the repayment of the New Dawn working capital facility \$398,573. See *Liquidity and Capital Resources*.

Management's Discussion & Analysis

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 months ended March 31, 2015	Three months ended March 31, 2014
	\$	\$
Salary and management fees	299,606	610,357
Share-based compensation	28,599	82,201
	328,205	692,558

The above transactions occurred in the normal course of operations and were measured at the consideration established and agreed to by the related parties

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 (March 31, 2015)* - Working Capital Facility (Note 8) and Purchase of Oil (note 10(a)).

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 month periods ended March 31, 2015 and 2014:

	Three months ending March 31, 2015	Three months ending March 31 2014
	\$	\$
Revenue		
Oil sales	719,569	2,100,545
Royalties	(48,358)	(221,632)
	671,211	1,878,913
Production costs	(258,880)	(780,115)
Subtotal (a)	412,331	1,098,798
Barrels of oil sold (b)	11,926	17,630
Field netback [(a)/(b)] \$/bbl	34.58	62.33

SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of voting common shares. As at March 31, 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 6,690,950 stock options, of which 4,825,575 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

Management's Discussion & Analysis

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.