



Management's Discussion and Analysis

Third Quarter Ended 30 September, 2015

(Expressed in Canadian Dollars)

Management's Discussion & Analysis

This Management's Discussion and Analysis ("MD&A") is dated 26 November, 2015, for the quarter ended 30 September, 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 31 December, 2014, and the unaudited condensed consolidated interim financial statements for the period ended 30 September, 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 production of and exploration for 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 year ended 31 December, 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) 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 transport, and produced water handling and disposal.

QUARTER AND NINE MONTHS TO DATE OPERATING & FINANCIAL HIGHLIGHTS

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

1. **Safety** - 192 days harm free in 2015, since the last incident on 22 March 2015;
2. **Sales (oil)** – for the quarter of 9,636 bbl realised \$553,168 (with an average oil sale price of \$57.41 per bbl); and for the nine months to date 32,610 bbl realised \$2,084,245 (with an average oil sale price of \$63.91 per bbl);
3. **Production** - for the quarter was 10,589 bbl (with an average 115 bbls per day); and 33,328 bbls (with an average 122 bbls per day) for the nine months to date;
4. **Processing revenue** - from the TWN Assets was \$669,732 for the quarter and \$1,515,407 for the nine months to date, with a number of third party customers accessing a range of services including oil handling and pipeline throughput services, gas processing, and handling and disposal of produced water. In addition, the revenue due (\$567,010) in respect of the amended commercial arrangement with Contact Energy Limited (see #5 following) has been recognised;
5. **Operations & Commercial** – Contact Energy and the Company have agreed to amend aspects of the commercial relationship with Contact Energy for the operation of the Ahuroa Gas Storage Facility ("AGS Facility") and in regard to the Waihapa Production Station ("WPS"). The amendments include:
 - escalation of the Base Fee for operation of the AGS Facility from NZ\$201,000 per month to NZ\$207,387 per month and the fixing of the Base Fee at this level for a 24 month period from 1 July, 2015 to 30 June, 2017¹; and

¹ All figures 100%. The Company has a 50% interest.

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- the grant to Contact Energy of gas processing priority rights at the WPS for NZ\$49,000 per month (for the period from 1 November, 2014 until 30 June, 2015); and NZ\$75,000 per month (for the period from 1 July, 2015 to 30 June, 2017¹).

The financial figures for the three and nine months ended 30 September, 2015 reflect that agreement. Full payment of the amended fees described above was received in October 2015.

6. **2015 Annual General Meeting (AGM)** – the Company held its AGM on 16 June, 2015. Included in the resolutions passed by the Company shareholders at the meeting, were resolutions to (re)appoint James Willis, Mark Dunphy and Dr. David Llewellyn as directors and to approve Geoservices Limited becoming a new control person of the Company.
7. **East Cape relinquishment** - On 21 May, 2015 the Company relinquished the East Cape permit, (PEP52976). The total cost of \$508,235 capitalised as exploration and evaluation assets with respect to the East Cape permit was written off.
8. **Private placement** – On 23 March, 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;
9. **New Dawn working capital facility** – NZEC repaid the facility, in cash, on 31 March, 2015 with consequent release of the security.

RECENT DEVELOPMENTS

Warrants – on 21 October, 2015 the Company received approval to extend the expiry date of the following private placement warrants:

- 24,452,178 warrants extended from 28 October, 2015 to 28 October, 2018. Each warrant has an exercise price of \$0.45 entitling the holder to acquire one common share of the Company;
- 17,000,000 warrants extended from 15 December, 2015 to 15 December, 2018. Each warrant has an exercise price of \$0.07 entitling the holder to acquire one common share of the Company.

Copper Moki – on 27 October, 2015 NZEC lodged a change of conditions application with the regulator (New Zealand Petroleum and Minerals) to remove a gas pipeline obligation in the permit work programme.

Copper Moki – on 16 November, 2015 the Company announced it had commenced a water flood project in the Copper Moki-1 pool (see "Property Review and Outlook").

Options - on 25 November, 2015 the Directors resolved to grant 10,000,000 options to a senior officer of the Company. These options will have a vesting date of 30 June 2018, an expiry date of 30 June 2020, will be exercisable at \$0.05 per share and are otherwise granted in accordance with the terms and conditions of the Company's approved stock option plan.

FINANCIAL SNAPSHOT

	Nine months ended 30 September, 2015	Three months ended 30 September, 2015	Nine months ended 30 September, 2014	Three months ended 30 September, 2014
Production	33,328 bbl	10,589 bbl	57,436 bbl	18,689 bbl
Sales	32,610 bbl	9,636 bbl	54,517 bbl	16,497 bbl
Price	63.91 \$/bbl	57.41 \$/bbl	115.53 \$/bbl	108.35 \$/bbl
Production costs	24.42 \$/bbl	26.12 \$/bbl	38.96 \$/bbl	27.83 \$/bbl
Royalties	4.60 \$/bbl	2.79 \$/bbl	10.50 \$/bbl	9.48 \$/bbl
Field netback	34.89 \$/bbl	28.50 \$/bbl	66.08 \$/bbl	71.04 \$/bbl
Revenue	\$3,718,686	\$1,296,485	\$11,500,722	\$2,104,561
Total comprehensive loss	(\$4,498,213)	(\$541,415)	(\$13,704,362)	(\$8,540,759)
Net finance expense	\$279,834	\$191,322	\$224,275	\$72,318
Loss per share – basic and diluted	(\$0.01)	(\$0.00)	(\$0.08)	(\$0.01)
Current assets	\$4,475,702		\$5,682,843	
Total assets	\$30,288,051		\$98,459,282	
Total long-term liabilities	\$8,183,904		\$7,793,085	
Total liabilities	\$9,295,711		\$10,109,911	
Shareholders' equity	\$20,992,340		\$88,349,371	

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

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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 31 December, 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 31 December, 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.

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. Regarding the Copper Moki Mining Permit, the Waitapu-2 well was shut in late in March 2015. That well has been recompleted for water injection. As noted in "Recent Developments" a change of conditions application has been lodged and a water flood project commenced.

During the first nine months of 2015 the focus has been to right-size the business (see the "Results of Operations") and to carry out production optimisation activities. For example, in Waihapa-Ngaere a change from periodic production to continuous gas-lifting of the Waihapa-6 and Ngaere-1 wells has resulted in higher oil rates from Waihapa-Ngaere through the third quarter than in the prior two quarters;

In the last quarter of 2015 the Company will proceed with development activities on existing wells in both the TWN and Copper Moki concessions (including opportunities for development of gas resources within the concessions). These include:

- Waihapa-1B: Currently shut-in. The well has been unloaded and an injectivity test undertaken which confirmed no further perforations are required to restore production. Jet pumping is the preferred development option (utilising the jet pump from Waihapa-2) and project works are underway to tie in facilities to allow for a return to production for the first time since 1996. Restoration of production is expected to occur during the fourth quarter;
- Copper Moki-2: Replacement of the downhole pump after pump performance declined in Q2 2015. The old pump was retrieved in October and a new sand resistant pump will be run in mid-November;
- Copper Moki Water Flood: Field pressure has declined over the last 24 months with a consequent fall off in oil production from Copper Moki-1. A water flood project has been initiated involving the conversion of the Waitapu-2 well (currently shut-in) from an oil producer to a water injector. Water is being supplied by truck and injected into the reservoir using a pump. A better understanding of the outcome of the project is expected in the first quarter of 2016;
- Tariki-1A: The Company will initiate a program to unload water from the siphon string and tubing and then assess if the re-pressuring of the well is associated with gas or water encroachment and assess if there has been re-charging of gas in that reservoir;
- Tariki-4A: The Company will flow test Tariki-4A after Tariki-1A to test if this well is a viable gas production well (SITHP currently 150 barg and a gas gradient to top perforations).
- Tariki Area: There are a range of development and appraisal activities being evaluated for the Tariki permit. Some are contingent on the results of the gas flow tests on Tariki-1A and 4A. The depleted gas field may be assessed for use as gas storage, and/or a short-radius side-track up-dip in the Tariki-4A fault block. Elsewhere in the permit there are Tikorangi oil and Tariki sand gas prospects.

Eltham Petroleum Exploration Permit

The Eltham Permit comprises 188 square kilometres. The Company is assessing exploration opportunities in the Eltham PEP.

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.

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Alton Petroleum Exploration Permit

The work program for the Alton Permit involves the drilling of an exploration well by 22 November, 2015. In August, NZEC (as Operator on behalf of the joint venture) lodged a change of conditions application with the regulator (New Zealand Petroleum & Minerals) to defer the drilling of this exploration well by 1 year (to 22 November, 2016) and restructure the timing of the subsequent permit works.

TWN Midstream Assets

Services are provided to Contact Energy in relation to operation of the Ahuroa gas storage facility (see #5 "Quarter and Nine Months To Date Operating & Financial Highlights" amended commercial arrangements). In addition, other parties are accessing services for oil handling and pipeline throughput, gas processing and transport, and handling and disposal of produced water.

SUMMARY OF QUARTERLY RESULTS

	2015-Q3 \$	2015-Q2 \$	2015-Q1 \$	2014-Q4 \$
Total assets	30,288,051	29,720,826	35,749,089	34,362,077
Exploration and evaluation assets	3,520,385	3,462,767	4,329,353	4,193,565
Property, plant and equipment	21,737,911	21,118,438	24,900,538	23,887,382
Working capital	3,363,895	3,279,079	4,018,474	2,822,098
Revenues	1,296,485	1,225,724	1,196,477	2,608,747
Accumulated deficit	(122,416,825)	(121,610,062)	(120,387,206)	(119,207,276)
Total comprehensive income (loss)	(541,415)	(3,975,257)	18,459	(65,513,965)
Basic (loss) earnings per share	(0.00)	(0.01)	(0.01)	(0.41)
Diluted (loss) earnings per share	(0.00)	(0.01)	(0.01)	(0.41)

	2014-Q3 \$	2014-Q2 \$	2014-Q1 \$	2013-Q4 \$
Total assets	98,459,282	107,513,101	124,788,600	116,782,687
Exploration and evaluation assets	43,072,192	46,476,829	56,876,779	51,500,037
Property, plant and equipment	48,815,452	53,409,032	54,786,347	49,169,997
Working capital	3,366,017	3,652,514	5,299,434	6,878,152
Revenues	2,104,561	3,091,139	6,320,949	4,108,911
Accumulated deficit	(48,965,855)	(47,287,210)	(37,122,556)	(35,099,834)
Total comprehensive income (loss)	(8,540,759)	(13,616,047)	8,452,444	(5,963,723)
Basic (loss) earnings per share	(0.01)	(0.06)	(0.01)	(0.06)
Diluted (loss) earnings per share	(0.01)	(0.06)	(0.01)	(0.06)

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 NINE MONTH PERIODS ENDED 30 SEPTEMBER, 2015

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

Production and sales

Barrels	Three Month Period ended		Nine Month Period ended	
	30 September, 2015	30 September, 2014	30 September, 2015	30 September, 2014
Production – Oil	10,589	18,689	33,328	57,436
Sales – Oil	9,636	16,497	32,610	54,517

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

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Revenues

\$	Three Month Period ended		Nine Month Period ended	
	30 September, 2015	30 September, 2014	30 September, 2015	30 September, 2014
Oil Sales	553,168	1,787,395	2,084,245	6,298,345
Processing Revenue	669,732	420,860	1,515,407	1,283,427
Royalty*	(26,891)	(156,315)	(150,169)	(572,311)

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 9,636 bbls (2014: 16,497 bbls) realised \$553,167 (2014: \$1,787,395), or \$57.41 per bbl (2014: \$108.35). Processing revenues, from Waihapa Production Station, have increased, principally due to the gas priority processing agreement reached with Contact during the quarter (See *Quarter and Nine Months to Date Operating and Financial Highlights*)

Nine Month Period: Total oil sales of 32,610 bbls (2014: 54,517 bbls) realised \$2,084,244 (2014: \$6,298,345), or \$63.91 per bbl (2014: \$115.53). Processing revenues, from Waihapa Production Station, have increased, principally due to the gas priority processing agreement reached with Contact during the quarter (See *Quarter and Nine Months to Date Operating and Financial Highlights*).

**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		Nine Month Period ended	
	30 September, 2015	30 September, 2014	30 September, 2015	30 September, 2014
Production Costs	251,638	459,102	796,266	2,123,804

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 \$393,468. The production cost per barrel is \$26.12 (2014: \$27.83 or \$23.85 on a consistent basis).

Nine 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 Nine Month Period costs for 2014 were \$1,478,693. The production cost per barrel at \$24.42 (2014: \$38.96 or \$27.12 on a consistent basis).

Processing Costs

\$	Three Month Period ended		Nine Month Period ended	
	30 September, 2015	30 September, 2014	30 September, 2015	30 September, 2014
Processing Costs	318,457	101,265	684,289	691,224

Three and Nine Month Periods: These costs represent direct costs associated with operation of the TWN Assets. The 2014 three month period figure is low following a reclassification of costs between Processing Costs and General and Administrative Expenses.

Depreciation

\$	Three Month Period ended		Nine Month Period ended	
	30 September, 2015	30 September, 2014	30 September, 2015	30 September, 2014
Depreciation	377,857	1,088,238	1,237,707	2,785,011

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

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Impairment

\$	Three Month Period ended		Nine Month Period ended	
	30 September, 2015	30 September, 2014	30 September, 2015	30 September, 2014
Impairment	-	22,984	508,235	9,353,998

Impairment: The East Cape Permit was relinquished on 21 May, 2015 (\$508,235). In 2014, during the Nine 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		Nine Month Period ended	
	30 September, 2015	30 September, 2014	30 September, 2015	30 September, 2014
Stock Based Compensation	(99,284)	109,014	(18,926)	504,226

The credit in 2015 arises from the number of options forfeited (and the fair value attributed to those options) in the Three Month period to end September. In addition, during 2015 no new stock options have been issued during either the Three or Nine Month Periods and there are lower numbers of staff employed.

General and Administrative Expenses

\$	Three Month Period ended		Nine Month Period ended	
	30 September, 2015	30 September, 2014	30 September, 2015	30 September, 2014
General & Administrative	1,009,138	1,707,520	3,442,847	4,972,301

The reduced costs recorded for the Three and Nine 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		Nine Month Period ended	
	30 September, 2015	30 September, 2014	30 September, 2015	30 September, 2014
Finance Expense	104,575	72,318	193,087	224,275

Finance expense during the Three and Nine Month Period reflects the accretion expense associated with asset retirement obligations. The nine month period also includes interest costs arising from the New Dawn Working Capital Facility.

Exchange Difference on Translation of Foreign Currency

\$	Three Month Period ended		Nine Month Period ended	
	30 September, 2015	30 September, 2014	30 September, 2015	30 September, 2014
Exchange Difference – gain (loss)	265,349	(6,862,114)	(1,288,664)	161,659

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 strengthened against the CAD over the Three Month Period moving from 0.8470 at 30 June, 2015 to 0.8560 at 30 September, 2015. In the comparative period in 2014 the NZD weakened from 0.9361 to 0.8668 against a higher asset base (pre-impairment).

Nine Month Period: The NZD weakened against the CAD over the Nine Month Period moving from 0.9043 at 31 December, 2014 to 0.8560 at 30 September, 2015.

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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 Nine Month Periods:

\$	Three Month Period ended		Nine Month Period ended	
	30 September, 2015	30 September, 2014	30 September, 2015	30 September, 2014
Taranaki Basin	21,682	(212,696)	39,583	113,417
East Coast Basin	-	23,532	(2,700)	451,531
Total	21,682	(189,164)	36,883	564,948

Three Month Period: The 2014 reduction relates to a refund received under the Eltham permit.

Nine Month Period: 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. Spend in the Eltham permit was also offset by a refund received.

Capital Expenditure

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

\$	Three Month Period ended		Nine Month Period ended	
	30 September, 2015	30 September, 2014	30 September, 2015	30 September, 2014
TWN Assets	15,410	158,373	120,994	2,408,482
Copper Moki	16,123	40,971	59,788	545,029
Other	(32,854)	(41,402)	(22,066)	136,488
Total	(1,321)	157,942	158,716	3,089,999

Three Month Period: The 2014 expenditure in the TWN Assets was related to jet pump equipment for Waihapa-2 and the purchase of an HSU.

Nine Month Period: Expenditure in the TWN Assets was related to activities with 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 bottom hole pump change.

COMMITMENTS

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

	2015 \$	2016-2017 \$	2018 and onwards \$	Total \$
Accounts payable and accrued liabilities	1,111,807	-	-	1,111,807
Operating lease obligations ⁽¹⁾	46,833	237,359	1,152	285,344
Contractual and purchase commitments	131,443	448,398	692,311	1,272,152
Environmental obligations ⁽²⁾	-	351,050	13,121,157	13,472,207
	1,290,083	1,036,807	13,814,620	16,141,510

(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 \$13.5 million. See Note 7 Unaudited Condensed Consolidated Interim Financial Statements.

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PERMIT EXPENDITURE PLANS

The Company undertakes oil and gas production, development and exploration activities and has plans to complete certain exploration activities. Certain of the permits and licences held by the Company require various work obligations to be performed in order maintain the permits or licences in good standing. 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 permit expenditure plans include those required 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 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 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	685,000	-	-	685,000
Eltham Permit ⁽²⁾	Exploration	445,000	3,852,000	-	4,297,000
Alton Permit ⁽³⁾	Exploration	2,865,000	3,115,000	-	5,980,000
Total		3,995,000	6,967,000	-	10,962,000

Notes:

- (1) Copper Moki: 1.3-km gas pipeline was required to be built within 18 months of permit award, connecting the Waitapu site to existing pipeline infrastructure. A Change of Conditions application has been lodged with the regulator to remove this obligation as the Waitapu-2 well has been progressed as an injection well for the Copper Moki water flood project. There will no longer be produced gas at the Waitapu site.
- (2) Eltham: 2015 - advanced 2D/3D processing to de-risk selected Miocene targets; 2017 - drill an exploration well.
- (3) Alton: 2015 - drill a well by 22 November, 2015; 2016: Advanced 2D/3D processing to evaluate sub-thrust targets; 2017 - drill a further exploration well. A Change of Condition application has been lodged with the regulator to defer the drilling of the exploration well for 1 year to November 2016 and restructuring the timing of the subsequent work programme.

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

LIQUIDITY AND CAPITAL RESOURCES

As at 30 September, 2015, the Company had \$837,382 in cash and cash equivalents (31 December, 2014: \$1,121,967) and \$3,363,895 in working capital (31 December, 2014: \$2,822,098).

The Company continues to pursue a number of options to increase 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 improve 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 Nine Month Period ended 30 September, 2015, the Company used cash of \$1,351,631 (2014: \$1,146,092) in operating activities after generating a net loss of \$3,209,549 (2014: \$13,866,021). The more significant non-cash items contributing to the net loss during the Nine Month Period included \$508,235 in impairment (2014: \$9,353,998) and \$1,516,597 in depreciation and accretion (2014: \$3,018,772).

Investing Activities

During the Nine Month Period, the Company used cash of \$239,979 (2014: \$3,044,740) in investing activities mostly for the purchase of property plant and equipment.

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Financing Activities

During the Nine Month Period, cash provided through financing activities was \$1,339,221 (2014: \$30,650) 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		Nine Month Period	
	30 September, 2015	30 September, 2014	30 September, 2015	30 September, 2014
Salary and other fees	438,248	508,569	1,099,275	1,847,148
Share-based compensation	(73,650)	68,869	(20,921)	258,785
Total	364,598	577,438	1,078,354	2,105,933

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:

- consulting fees of \$101,812 (2014: \$Nil) paid to Upstream Consulting Ltd, an entity associated with Mr James Willis;
- consulting fees of \$121,683 (2014: \$Nil) paid to Michael Adams Reservoir Engineering Limited, an entity associated with Michael Adams;
- management fees of \$Nil (2014: \$927,500) paid to J. Proust and Associates Inc., an entity which had officers in common.

Greymouth Petroleum Limited

Greymouth Petroleum Ltd became a related party on 23 March, 2015 with directors in common. Transactions and balances (revenue to the Company in nature) since that date comprise:

\$	Three Month Period		Nine Month Period	
	30 September, 2015	30 September, 2014	30 September, 2015	30 September, 2014
Processing revenue	108,281	-	220,856	-
Accounts receivable	39,258	-	39,258	-

The above transactions occurred in the normal course of operation and are at values established on an arm's length basis.

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 31 December, 2014.

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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 nine month periods ended 30 September, 2015 and 2014:

\$	Three Month Period		Nine Month Period	
	30 September, 2015	30 September, 2014	30 September, 2015	30 September, 2014
Revenue				
Oil sales	553,168	1,787,395	2,084,244	6,298,345
Royalties	(26,891)	(156,315)	(150,169)	(572,311)
	526,277	1,631,080	1,934,075	5,726,034
Production Costs	(251,638)	(459,102)	(796,266)	(2,123,804)
Sub-total (a)	274,639	1,171,978	1,137,809	3,602,230
Barrels of Oil sold (b)	9,636	16,497	32,610	54,517
Field Netback [(a)/(b)] \$/bbl	28.50	71.04	34.89	66.08

SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of voting common shares. As at 30 September, 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 12,386,825 stock options, of which 1,971,825 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 development and exploration 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

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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.