NEW ZEALAND ENERGY CORP.

Management's Discussion and Analysis

Quarter Ended 31 March 2016

(Expressed in Canadian Dollars)

This Management's Discussion and Analysis ("MD&A") is dated 27 May 2016, for the quarter ended 31 March 2016. It should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2015 and the unaudited condensed consolidated interim financial statements for the period ended 31 March 2016 of New Zealand Energy Corp. ("NZEC" or the "Company") 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". 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.

Background

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 operation of the Ahuroa gas storage facility, oil handling and pipeline throughput, gas processing and transport, and produced water handling and disposal.

QUARTERLY OPERATING & FINANCIAL HIGHLIGHTS

The following are the quarterly operating and financial highlights:

1. **Safety** - 376 days harm free since the last incident on 22 March 2015;
2. **Copper Moki -** Following the start of the water flood project (Copper Moki-1) and replacement of the downhole pump (Copper Moki-2) production from the Copper Moki wells has exceeded expectations. Production has increased, averaging 280 boe[1] per day (71% oil) during the quarter (see "*Property Review & Outlook"*);
3. **Production -** for the first quarter was 29,685 boe (74% oil) (with an average 326 boe per day);
4. **Sales (oil) –** for the first quarter of 17,547 bbl realised $739,655 (with an average oil sale price of $42.15 per bbl);
5. **Processing revenue -** from the TWN Assets was $514,607 for the quarter, 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.

RECENT DEVELOPMENTS

Alton - By letter, dated 26 April 2016, the Company received notification from the regulator, New Zealand Petroleum & Minerals (NZP&M) that the Company's application for a change of conditions regarding the Alton Permit work programme had been approved (see *Property Review & Outlook*).

[1] Barrel of oil equivalent (boe). The 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

AGM - The Company will hold its annual general meeting on 22 June 2016 in Wellington, New Zealand. The business of the meeting will include resolutions to fix the number of directors of the Company at three (3), with the existing directors James Willis, Mark Dunphy and David Llewellyn standing for reappointment.

Copper Moki – The expected natural decline in production from Copper Moki-2 has been observed in May along with a continuing positive response to water-flooding at Copper-Moki-1. The average rate from the Copper-Moki wells through the first half of May 2016 is 208 boe per day (58% oil). The Company is reviewing the Copper-Moki-2 pool performance and development options to increase production being evaluated include water-flooding and onsite gas compression.

FINANCIAL SNAPSHOT

	For the quarter ended, 31 March, 2016	Preceding quarter ended 31 December, 2015	Comparative quarter ended March 31, 2015
Production	22,113 bbl	8,683 bbl	12,595 bbl
Sales	17,547 bbl	12,246 bbl	11,926 bbl
Price	42.15 $/bbl	51.47 $/bbl	60.34 $/bbl
Production costs	7.76 $/bbl	37.94 $/bbl	21.71 $/bbl
Royalties	2.39 $/bbl	4.07 $/bbl	4.06 $/bbl
Field netback	32.00 $/bbl	9.46 $/bbl	34.58 $/bbl
Revenue	1,458,994	1,218,832	1,196,477
Total comprehensive loss	(1,849,401)	(4,936,206)	18,459
Finance expense	(71,331)	(75,850)	(74,494)
Loss per share - basic and diluted	(0.004)	(0.030)	(0.006)
Current assets	3,811,337	4,071,289	5,695,964
Total assets	26,626,239	28,200,578	35,749,089
Total long-term liabilities	11,181,543	11,006,673	8,488,245
Total liabilities	12,393,457	12,133,031	10,165,735
Shareholders' equity	14,232,782	16,067,547	25,583,354

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

RESERVES UPDATE

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 2015. 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 923,000 barrels of oil (1,149,000 boe equivalent, including associated gas) with an after tax net present value discounted at 10% (at 31 December 2015) of $20.2 million.

See the Company's *Form 51-101F1 Statement of Reserves Data* which is filed on SEDAR for full information on the Company reserves.

PROPERTY REVIEW & OUTLOOK

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

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.

With the TWN Licences due to expire in June 2016 (Waihapa & Ngaere Licences) and July 2016 (Tariki Licence) the Company has made application for renewal of these Licences (filed with NZP&M in December 2015 for the Waihapa & Ngaere Licences and January 2016 for the Tariki Licence). Further substantial work on these licences is on hold pending approval of Licence term extensions from NZP&M. The Company is in discussion with NZP&M regarding these permit renewals and expects these to be finalised before mid-June.

In the last quarter of 2015 the Company proceeded with development activities on existing wells in both the TWN and Copper Moki concessions (including opportunities for development of gas resources within the concessions). The projects were outlined in the 2015 year-end MD&A:

- Copper Moki-2: After running a new pump in December 2015, oil production has exceeded expectations through the first quarter. The well produces sufficient gas to meet all WPS fuel gas needs, removing the need to purchase fuel gas from third parties for WPS operations. Since late April oil production has declined (in line with the expected decline);

Copper Moki Water Flood: The positive response to the water-flood continues and the oil rate continues to increase (currently at 76 boe per day – 68% oil) with no significant water production;

These initiatives have resulted in increased oil production through the first quarter of 2016 and into the second quarter. In October/November 2015 production from Copper Moki averaged 48 boe per day (60% oil) which had increased to an average of 280 boe per day (71% oil) over the 3-month period from 1 January to 31 March 2016. By 30 April the average for the year to date was 279 boe per day (68% oil).

- Waihapa-1B: The well was restored to production for the first time since 1995 in March 2016, using low cost temporary equipment and the results have been disappointing. There were initial signs of oil but these were not consistent and despite flowing the well for 7 weeks no consistent oil production was established. The possibility of this outcome is why the restoration to production was carried out using low-cost temporary facilities and is likely the result of prior disposal of 17 mmbbls water via re-injection into the producing Tikorangi Limestone horizon south of the Waihapa-1B location from 1995 through to 2001;

- Tariki Area: There are a range of development and appraisal activities being evaluated for the Tariki permit. Tariki-4A has taken a long time to recover any gas pressure at the wellhead due to its proximity to the current gas-water-contact in the Taraiki-4A fault block and is no longer considered a viable drainage location. There remain gas volumes up-dip from Tariki-4A within this fault block but accessing these will require a new well or a short-radius side-track up-dip. The depleted Tariki gas field will be assessed for use as gas storage and for other alternative uses. Elsewhere in the permit there are Tikorangi oil, Tariki sand gas, and Kapuni group gas prospects.

Eltham Petroleum Exploration Permit

The Eltham Permit comprises 188 square kilometres. The Company is assessing exploration opportunities in the Eltham PEP. In 2016, the seismic overlap arising from the adjacent Kapuni licence acquisition (by the Kapuni JV) will be integrated with NZEC's existing database. A well decision is due by year end.

Alton Petroleum Exploration Permit

The work program for the Alton Permit involves the drilling of an exploration well by 22 November 2016. In August 2015, 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. By letter, dated 26 April 2016, the Company received notification from NZP&M that the Company's application for a change of conditions regarding the Alton Permit work programme had been approved.

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 transport, and handling and disposal of produced water.

SUMMARY OF QUARTERLY RESULTS

	2016-Q1 $	2015-Q4 $	2015-Q3 $	2015-Q2 $
Total assets	26,626,239	28,200,578	30,288,051	29,720,826
Exploration and evaluation assets	-	-	3,520,385	3,462,767
Property, plant and equipment	22,350,797	23,583,681	21,737,911	21,118,438
Working capital	2,599,423	2,944,931	3,363,895	3,279,079
Revenues	1,458,994	1,218,832	1,296,485	1,225,724
Accumulated deficit	(130,225,100)	(129,266,015)	(122,416,825)	(121,610,062)
Total comprehensive income (loss)	(1,849,401)	(4,936,206)	(541,415)	(3,975,257)
Basic (loss) earnings per share	(0.004)	(0.030)	(0.004)	(0.005)
Diluted (loss) earnings per share	(0.004)	(0.030)	(0.004)	(0.005)

	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	(0.006)	(0.409)	(0.010)	(0.059)
Diluted (loss) earnings per share	(0.006)	(0.409)	(0.010)	(0.059)

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 MONTH PERIOD ENDED 31 MARCH 2016

This section of the MD&A provides analysis of the Company's operations in respect of the first quarter of 2016 ("Three Month Period") compared to results achieved for the same period in 2015. See *Quarterly Operating & Financial Highlights* for a summary of the first quarter 2016 operational events and activities.

Production and sales

	Three Month Period ended	
Barrels or BOE	31 March 2016	31 March 2015
Production – Oil	22,113	12,595
Sales – Oil	17,547	11,926
Sales – Gas (BOE)	7,572	2,463

The production increase results principally from the water flood project started in the Copper Moki-1 pool, and the replacement of the downhole pump in the Copper Moki 2 well.

Revenues

	Three Month Period ended	
$	31 March 2016	31 March 2015
Oil Sales	739,655	719,569
Gas Sales	210,010	75,858
Processing Revenue	514,607	438,396
Royalty*	(41,992)	(48,358)

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.

Total oil sales realised $42.15 per bbl (2015: $60.34). Processing revenues, from Waihapa Production Station, have increased, principally due to the gas priority processing agreement reached with Contact effective 1 July 2015.

*<u>*Royalty</u>*: 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	
$	31 March 2016	31 March 2015
Production Costs	136,203	258,880

Total production costs (largely variable in nature) have increased with the increased oil and gas production volumes from Copper Moki in Q1-16. This is not reflected in the Q1-16 figures with higher oil inventory volumes resulting in a change in oil inventory value providing an offset to the total cost. The change in oil inventory value for Q1-16 was ~$300,000 compared to ~$15,000 in Q1-15. If the change in oil valuation is excluded, the production cost per barrel is $24.46 (2015: $23.06 on a consistent basis).

Processing Costs

	Three Month Period ended	
$	31 March 2016	31 March 2015
Processing Costs	218,078	230,369

These costs represent direct costs associated with operation of the TWN Assets. The slight reduction in 2016 reflects the ongoing focus on cost reduction.

Depreciation

	Three Month Period ended	
$	31 March 2016	31 March 2015
Depreciation	750,552	483,260

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.

The increase in 2016 principally reflects the higher levels of production.

Stock Based Compensation

	Three Month Period ended	
$	31 March 2016	31 March 2015
Stock Based Compensation	14,149	49,322

The 2016 expense reflects the fair market value attributed to options issued in November 2015. The 2015 expense reflects the fair market value attributed to options issued in 2014.

General and Administrative Expenses

	Three Month Period ended	
$	31 March 2016	31 March 2015
General & Administrative	1,132,301	1,287,033

The reduced costs recorded for the Three Month Period compared to 2015 reflect the ongoing focus on costs. Of note are the reductions in Travel, Professional fees, Consulting fees, and Insurance. See further breakdown in *Consolidated Financial Statements - Note 10, General and Administrative Expenses*.

Finance Expense

	Three Month Period ended	
$	31 March 2016	31 March 2015
Finance Expense	71,331	77,494

Finance expense during the Three Month Period reflects the accretion expense associated with asset retirement obligations.

Exchange Difference on Translation of Foreign Currency

	Three Month Period ended	
$	31 March 2016	31 March 2015
Exchange Difference – gain (loss)	(890,316)	1,198,389

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 weakened against the CAD over the Three Month Period moving from 0.9498 at 31 December, 2015 to 0.8975 at 31 March 2016. In the comparative period in 2015 the NZD strengthened from 0.9043 at 31 December 2014 to 0.9449 at 31 March 2015.

PETROLEUM PROPERTY ACTIVITIES, OPERATIONS AND CAPITAL EXPENDITURES

Exploration & Evaluation Expenditure

There has been no expenditure during 2016. 2015 expenditure was $14,356 and related to geological and geophysical ("G&G") spend.

Capital Expenditure

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

	Three Month Period ended	
$	31 March 2016	31 March 2015
TWN Assets	77,142	90,588
Copper Moki	90,690	35,308
Other	-	10,788
Total	**167,832**	**136,684**

In Copper Moki, 2016 expenditure relates to Copper Moki-2 workover and water flood, while in 2015 spend relates to expenditure on Copper Moki facilities. In the TWN Assets, 2016 spend relates to the Waihapa 1B jet pump installation, while in 2015 the spend related to activities surrounding producing wells and the capitalisation of a new air compressor for the Waihapa Production Station.

COMMITMENTS

As at 31 March 2016 the Company had the following undiscounted contractual obligations:

	2016 $	**2017-2018 $**	**2019 and onwards $**	**Total $**
Operating lease obligations (1)	120,144	76,352	-	196,496
Contract and purchase commitments	332,650	436,134	526,560	1,295,344
Total	**452,794**	**512,486**	**526,560**	**1,491,840**

(1) The Company has office leases in Wellington and New Plymouth.

PERMIT EXPENDITURE PLANS

The Company undertakes oil and gas production, development and exploration activities. Certain of the permits and licences held by the Company require various work obligations to be performed in order to 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. 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 (should the operations proceed) required to complete the work programs as at the date of this MD&A.

Properties	**Type**	**2016 $**	**2017-2018 $**	**2019 and onwards $**	**Total $**
Taranaki Basin					
Eltham Permit (1)	Exploration	-	4,039,000	-	4,039,000
Alton Permit (2)	Exploration	3,004,000	3,267,000	-	6,271,000
Total		**3,004,000**	**7,306,000**	**-**	**10,310,000**

Notes:

(1) Eltham: 2017 – drill an exploration well.
(2) Alton: 2016 - drill a well by 22 November, 2016; 2017: Advanced 2D/3D processing to evaluate sub-thrust targets; 2018 - drill a further exploration well.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2016, the Company had $192,242 in cash and cash equivalents (31 December 2015: $431,976) and $2,599,423 in working capital (31 December, 2015: $2,944,931).

The Company continues to pursue a number of options to improve its financial capacity, including cash flow from oil and gas production, credit facilities, commercial arrangements or other financing alternatives 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 Condensed Consolidated *Financial Statements - Note 1, Going Concern*.

The Company's objectives for 2016 were outlined in the 2015 year end MD&A – "2016 OUTLOOK" (p3).

CASH FLOW

Operating Activities

In the Three Month Period ended 31 March 2016, the Company used cash of $53,188 (2015: $660,364) in operating activities after generating a net loss of $959,085 (2014: $1,179,930). The more significant non-cash items contributing to the net loss during the Three Month Period included $823,478 in depreciation and accretion (2015: $550,499).

Investing Activities

During the Three Month Period Ended 31 March 2016, the Company used cash of $160,715 (2015: $265,154) in investing activities mostly for the purchase of property plant and equipment.

Financing Activities

During the Three Month Period ended 31 March 2016, there was no cash provided through financing activities (2015: $1,341,227 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).

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	
$	31 March 2016	31 March 2015
Salary and other fees	355,995	299,606
Share-based compensation	13,986	28,599
Total	**369,981**	**328,205**

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:

- fees of $26,994 (2015: $Nil) paid to Upstream Consulting Ltd, an entity associated with Mr James Willis;
- fees of $7,589 (2015: $Nil) paid to Arenig Energy Ltd, an entity associated with Mr David Llewellyn;
- fees of $111,739 (2015: $Nil) paid to Michael Adams Reservoir Engineering Limited, an entity associated with Michael Adams;

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 months ended	
$	31 March 2016	31 March 2015
Processing revenue	97,883	-
Accounts Receivable	33,660	-

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

Tiger Drilling Limited

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

	Three months ended	
$	31 March 2016	31 March 2015
Oil & Gas properties expenditure	50,350	-

The above transactions occurred in the normal course of operations 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 December 31, 2015.

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 consolidated financial statements for the three month periods ended 31 March 2016 and 2015:

	Three months ended	
$	31 March 2016	31 March 2015
Revenue		
Oil sales	739,655	719,569
Royalties	(41,992)	(48,358)
	697,663	671,211
Production Costs	(136,203)	(258,880)
Sub-total (a)	561,460	**412,331**
Barrels of Oil sold (b)	17,547	11,926
Field Netback [(a)/(b)] $/bbl	**32.00**	**34.58**

SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of voting common shares. As at 31 March 2016, 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 12,354,200 stock options, of which 2,293,700 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. The Company works to mitigate these risks through such mechanisms as its project and opportunity evaluation processes, engagement with joint venturers and employing appropriately skilled staff. In addition insurance policies, consistent with industry practice, are maintained to protect against loss of assets, well blowouts and third party liability. The Company is committed to operating in accordance with all applicable the laws and regulations, safely and with due regard to the environment.

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.