NEW ZEALAND ENERGY CORP.

Third Quarter 2016

Management's Discussion and Analysis

30 September 2016

(Expressed in Canadian Dollars)

(Unaudited)

This Management's Discussion and Analysis ("MD&A") is dated 14 November 2016, for the quarter ended 30 September 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 30 September 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, as well as the operation of midstream assets, in New Zealand. 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 (see "*Recent Developments*").

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, LPG storage and produced water handling and disposal.

QUARTERLY OPERATING & FINANCIAL HIGHLIGHTS

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

1. **Safety** - 559 days harm free since the last incident on 22 March 2015.

2. **TWN Petroleum Mining Licences** - the applications for renewal of the Tariki (PML 38138), Waihapa (PML 38140) and Ngaere (PML 38141) licences were granted in June 2016. Waihapa & Ngaere were renewed for 20 years and Tariki for 5 years (see "*Property Review & Outlook*").

3. **TWN Enhanced Oil Recovery Project (Stage 1)** - the project is designed to mobilize stranded oil by reducing reservoir pressure through an increase in total fluid production (reservoir voidage) in stages up to 18,000 bpd. The first stage of the project has been implemented in the quarter, with higher rate gas-lift systems installed in Ngaere-1 and in Waihapa-6A. The results are sustained increases in offtake rates in these 2 wells, a doubling of oil production rates from Waihapa-6A, and increased oil rates observed in offset wells. These are encouraging results and provide additional confidence in the project basis and design (see "Property Review & Outlook"). The average rate for the third quarter from the Waihapa Ngaere wells was 41 boe per day (100% oil). In September the average rate from the Waihapa Ngaere wells was 58 boe per day (100% oil).

4. **Copper Moki** - production from Copper Moki-1 continued to rise during the quarter in response to ongoing waterflood operations. Copper Moki-2 currently produces close to long-term decline trends, and operational optimisation is ongoing to manage annulus fluid levels. Gas production from both wells continues to decline. The average rate from the Copper-Moki wells for the third quarter was 110 boe per day (79% oil); and for the nine months to date was 189 boe per day (71% oil).

5. **Waihapa Oil Plant** - had a planned shutdown for 6 days in May to complete statutory inspections and routine maintenance. This shutdown was carried out without harm (maintaining the harm free record). Concurrently the plant control system was upgraded. Overall the plant was found to be in good condition.

6. **Production** - for the third quarter was 13,821 boe (84% oil) (with an average 150 boe per day); and for the nine months to date 63,213 boe (76% oil) (with an average 231 boe per day).

7. **Sales (oil)** - for the quarter of 12,443 bbl realised $683,556 (with an average oil sale price of $54.93 per bbl); and for the nine months to date 46,262 bbl realised $2,311,189 (with an average oil sale price of $49.96 per bbl).

8. **Processing revenue** - from the TWN Assets was $527,299 for the quarter, and $1,546,193 for the nine months to date, with a number of third party customers accessing a range of services including operation of the Ahuroa gas storage facility, oil handling, pipeline throughput services, gas processing, LPG storage and handling and disposal of produced water.

9. **Annual General Meeting (AGM)** - the Company held its AGM on 22 June 2016 with all resolutions being passed, including resolutions to set the number of directors at three (3) and re-elect James Willis, Mark Dunphy and David Llewellyn to the Board.

10. **Eltham** - on 26 August 2016 the application for a change of conditions regarding the Eltham Permit work programme was approved (see "*Property Review & Outlook*").

11. **Alton** - subsequent to 30 September, an application to relinquish the Permit has been made (see "*Recent Developments*" and "*Property Review & Outlook*").

12. **Revolving Credit Facility** - on 7 July 2016, NZEC subsidiary company Taranaki Ventures Limited (TVL) entered into an on demand revolving credit facility with the Bank of New Zealand, giving the Company the ability to draw down up to NZD500,000. The Company will use the facility for working capital purposes and to fund development opportunities. The facility is secured by way of general security agreement over the present and after acquired assets of TVL with NZEC subsidiaries NZEC Holdings Limited, NZEC Tariki Limited and NZEC Waihapa Limited guaranteeing the obligations of TVL under the facility.

13. **Restricted Cash/Bonds** - bonds provided to the Crown in respect of the Tariki, Waihapa and Ngaere petroleum mining licences were previously secured by term deposits. These have been replaced with bonds provided by BNZ, secured as described in "Revolving Credit Facility" above. The NZD375,000 became available for general working capital purposes.

RECENT DEVELOPMENTS

1. **Copper-Moki-1** - while production has been stable, there are indications that mechanical issues may be degrading the wells performance. This is being closely monitored.

2. **Processing Revenue** - a further agreement has recently been signed for third party processing services at the Waihapa Production Station.

3. **Alton** - the work programme requires the drilling of an exploration well by 22 November 2016. The joint venture (NZEC 65%; L&M 35%) unsuccessfully explored options with the New Zealand regulator to defer this commitment. Current oil prices do not support drilling the prospect (Horoi) in this time frame or the subsequent year. Accordingly the decision has been made to relinquish the Alton Permit. The Company fully impaired the carrying value of the Alton Permit exploration and evaluation expenditure in December 2015.

FINANCIAL SNAPSHOT

	Three months ended 30 September		*Nine months ended 30 September*	
	2016	***2015***	***2016***	***2015***
	bbl	***bbl***	***bbl***	***bbl***
Production	11,671	10,589	48,016	33,328
Sales	12,443	9,636	46,262	32,610
	$/bbl	***$/bbl***	***$/bbl***	***$/bbl***
Price	54.93	57.41	49.96	63.91
Production costs	44.80	26.12	26.85	24.42
Royalties	0.95	2.79	2.54	4.60
Field netback	9.18	28.50	20.57	34.89
	$	**$**	**$**	**$**
Revenue	1,356,500	1,296,485	4,389,984	3,718,686
Total comprehensive loss	(657,210)	(541,415)	(2,980,587)	(4,498,213)
Net finance expense	71,863	(39,235)	212,680	106,340
Loss per share – basic and diluted	(0.005)	(0.004)	(0.012)	(0.015)
Current Assets			3,309,914	4,475,702
Total Assets			27,767,054	30,288,051
Total long-term liabilities			13,577,576	8,183,904
Total liabilities			14,640,560	9,295,711
Shareholders' equity			13,126,494	20,992,340

Note: The abbreviation bbl means barrel of oil.

RESERVES

See the Company's MD&A for Q4-2015 and also its *Form 51-101F1 Statement of Reserves Data* which is filed on SEDAR for full information on the Company reserves.

PROPERTY REVIEW AND OUTLOOK

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

The Company produces from Waihapa and Ngaere production wells in the TWN Petroleum Mining Licences and from the Copper Moki wells in the Copper Moki Mining Permit.

TWN Petroleum Mining Licences

The Waihapa and Ngaere PMLs have been renewed for a period of 20 years (from 19 June 2016). The work programmes include requirements to undertake reservoir modelling, field development work and a comprehensive evaluation of prospectivity together with a requirement, if economic, to restore the Waihapa 1B well to production (Waihapa PML) and implement an enhanced oil recovery project (Waihapa and Ngaere PMLs).

The enhanced oil recovery project is designed to mobilize stranded oil by reducing reservoir pressure through increasing total fluid production (reservoir voidage) to levels substantially greater than the natural aquifer can recharge. Stage-1 has been progressed during the quarter. A new gas-lift valve system was fitted to Waihapa-6 in late July. Oil cut has continued to rise resulting in a tripling of oil production from the well. This is an encouraging result and provides additional confidence in the next stage of the project.

Stage 2 of the project design will install an ESP in a central well to achieve overall fluid offtake of 8,000-12,000 bpd. Stage 3 involves an upgrade to the water disposal capacity to match the current WPS processing capacity of 18,000 bwpd. The objective of these stages is to bring total fluid production to levels not seen since 1995. A subsequent stage 4 is also envisaged to enable further oil production optimisation within the plant limits, and will most likely include a further ESP.

The Tariki PML has been renewed for a period of 5 years (from 20 July 2016). The associated work programme requires completion of dynamic reservoir modelling of the Tariki field gas accumulation to assess remaining undeveloped gas, determining the economic viability of the licence resource and either commit to implementation of the preferred development project or surrender of the licence.

See also *Permit Expenditure Plans* below.

Copper Moki Petroleum Mining Permit

Copper Moki-1 Water Flood **-** By the end of quarter 3, 99,000 bbls of water has been injected during the waterflood programme. Quarterly production from Copper Moki-1 has continued to increase since implementing the waterflood, with no increase in associated water production. Current oil production rates have not been seen from Copper Moki-1 since mid-2013. Produced gas levels and gas-oil ratios have declined since the waterflood commenced, as expected.

Copper Moki-2 - After running a new pump in December 2015, oil production exceeded expectations through the first quarter. The expected natural decline in production was observed in late April 2016. The Company continues to trial various production modes to manage annulus fluid levels and optimise well production. As with Copper Moki-1, a decline in gas-oil-ratios has been observed in Copper Moki-2 despite relatively constant oil production. The behaviour is atypical for a Mt Messenger oil pool on depletion drive, and provides an indication that the waterflood via Waitapu-2 may also be providing some support to the Copper-Moki-2 pool. Studies are underway to assess this behaviour and the remaining oil and gas in place in this pool.

These initiatives have resulted in increased oil and gas production through the first three quarters of 2016. In October/November 2015 production from Copper Moki averaged 48 boe per day (60% oil) which had increased to an average of 189 boe per day (71% oil) over the 9-month period to 30 September 2016.

Eltham Petroleum Exploration Permit

The Company is assessing exploration opportunities in the Eltham PEP. By February 2017, complete processed data from the seismic ingress overlap survey from the recent adjacent Kapuni licence seismic acquisition (by the Kapuni JV) is expected to be received. This will then be integrated with NZEC's existing dataset and interpreted. The Company received notification from NZP&M (26 August 2016) the Company's application for a change of conditions regarding the Eltham Permit work programme had been approved. This defers its September 2017 well commitment by 6 months to allow for the interpretation of the new data.

Alton Petroleum Exploration Permit

The Company received notification from NZP&M (26 April 2016) the Company's application for a change of conditions (on behalf of the joint venture) regarding the Alton Permit work programme had been approved. This deferred the drilling of this exploration well by 1 year (to 22 November 2016) and restructured the timing of the subsequent permit works.

Subsequent to 30 September, the Company (as operator) has submitted an application to relinquish the Alton Permit (NZEC holds a 65% interest and L&M Energy Limited the remaining 35% interest). See "*Recent Developments*".

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.

The Waihapa Oil Plant was shut down for 6 days in May for its statutory inspection. Some 33 vessels were cleaned and inspected (maintaining the harm free safety record). Overall the oil plant was found to be in good condition. The requisite engineering verifications were completed in early October and all but one vessel in the plant has been recertified for operation for 4 years. During the shutdown, the opportunity was also taken to upgrade the plant control system and complete a number of minor maintenance tasks.

SUMMARY OF QUARTERLY RESULTS

	2016 Q3 $	2016 Q2 $	2016 Q1 $	2015 Q4 $
Total assets	27,767,054	27,760,038	26,626,239	28,200,578
Exploration and evaluation assets	-	-	-	-
Property, plant and equipment	24,416,925	23,697,976	22,350,797	23,583,681
Working capital	2,246,930	2,330,257	2,599,423	2,944,931
Revenues	1,356,500	1,574,491	1,458,994	1,218,832
Accumulated deficit	(132,152,473)	(131,026,279)	(130,225,100)	(129,266,015)
Total comprehensive income (loss)	(657,210)	(473,974)	(1,849,401)	(4,936,206)
Basic (loss) earnings per share	(0.005)	(0.004)	(0.004)	(0.030)
Diluted (loss) earnings per share	(0.005)	(0.004)	(0.004)	(0.030)

	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	(0.004)	(0.005)	(0.006)	(0.409)
Diluted (loss) earnings per share	(0.004)	(0.005)	(0.006)	(0.409)

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 2016

This section of the MD&A provides analysis of the Company's operations in respect of the third quarter of 2016 ("Three Month Period") and the year to date ("Nine Month Period") compared to results achieved for the same periods in 2015. See *Operating & Financial Highlights* and *Property Review and Outlook* for a summary of the third quarter 2016 operational events and activities.

Production and sales

	Three months ended 30 September		Nine months ended 30 September	
Barrels or BOE	2016	2015	2016	2015
Production - Oil	11,671	10,589	48,016	33,328
Sales - Oil	12,443	9,636	46,262	32,610
Sales – Gas (BOE)	2,150	2,013	15,197	6,842
TOTAL Production (BOE)	13,821	12,602	63,213	40,170

The production increase results principally from the water flood project started in the Copper Moki-1 pool, and the performance of the Copper Moki-2 well following the downhole pump replacement in mid-December 2015.

Revenues

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	$	$	$	$
Oil Sales	683,556	553,168	2,311,189	2,084,245
Gas Sales	120,303	87,253	551,018	239,316
Processing Revenue	527,299	669,732	1,546,193	1,515,407
Royalty*	(11,769)	(26,891)	(117,708)	(150,169)
Oil sales per bbl	54.93	57.41	49.96	63.91

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.

Processing revenues, from Waihapa Production Station are lower for the Three Month period, principally due to the back payment received in September 2015 for the gas priority processing agreement reached with Contact effective 1 July 2015.

*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 months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	$	$	$	$
Production costs	557,461	251,638	1,241,904	796,266
Production cost per bbl	44.80	26.12	26.85	24.42

Three Month Period: Production costs (largely variable in nature) for Three Month period have increased with the increase in oil and gas production volumes from Copper Moki together with operational water flood costs ($105,000), and costs associated with stage one of the enhanced oil project ($45,000). The production cost per bbl figure has also been affected by the impact of lower oil inventory volumes (sales being greater than production) resulting in a reduction in oil inventory value and hence an additional production cost. The reduction in oil inventory value for Q3-16 was ~$80,000 compared to an increase of ~$1,000 in Q3-15. If the changes in oil valuation are excluded, production cost per barrel is $38.39 (2015: $26.01) on a consistent basis.

Nine Month Period: Production costs for the Nine Month period have increased for the same reason as the Three Month period. If the changes in oil valuation are excluded, production cost per barrel is $29.53 (2015: $26.71) on a consistent basis.

Processing costs

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	$	$	$	$
Processing costs	298,047	318,457	712,759	684,289

These costs represent direct costs associated with operation of the TWN Assets. The 2015 costs for the Nine Month period are lower principally due to a $30,000 credit received for historical power overcharges.

Depreciation

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	$	$	$	$
Depreciation	451,873	377,857	1,530,447	1,237,707

Depreciation is calculated using the unit-of-production method by reference to the ratio of production during the Three and Nine Month Periods 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 months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	$	$	$	$
Stock Based Compensation	12,387	(99,284)	38,713	(18,926)

The 2016 expense reflects the fair market value attributed to options issued in November 2015. The 2015 expense reflects a number of forfeited options. See also further detail in Consolidated Financial Statements - Note 8b Share Purchase Options.

General and Administrative Expenses

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	$	$	$	$
General and administrative expense	1,024,177	1,009,138	3,139,970	3,442,847

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

Finance Expense

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	$	$	$	$
Finance expense	71,863	(39,235)	212,680	106,340

Finance expense during the Three and Nine Month Periods reflects the accretion expense associated with asset retirement obligations.

Abandonment Provision movement

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	$	$	$	$
Abandonment provision movement	55,068	143,810	375,035	86,747

Abandonment provision movement expense during the Three and Nine Month Periods reflects the change in estimate for abandonment on wells that have been previously fully impaired. The larger movement in the Nine Month period ended 30 September 2016 is due to the renewal, in quarter two, of the Tariki PML for a reduced 5-year term (previously assumed 20 years).

Exchange Difference on Translation of Foreign Currency

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	$	$	$	$
Exchange Difference – gain / (loss)	468,984	265,349	(94,129)	(1,288,664)
Exchange rate at beginning of period	0.9195	0.8470	0.9498	0.9043
Exchange rate at end of period	0.9516	0.8560	0.9516	0.8560

Exchange differences arise 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, as it also did in the comparative period in 2015, resulting in translation gains. A large loss over the 2015 Nine Month period is due to the significant weakening in the rate over that period.

PETROLEUM PROPERTY ACTIVITIES, OPERATIONS AND CAPITAL EXPENDITURES

Exploration & Evaluation Expenditure

There has been no expenditure during the Nine Month Period in 2016. 2015 expenditure was $21,682 (Three Month Period) and $36,883 (Nine Month Period) 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 and Nine Month Periods:

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
	$	$	$	$
TWN Assets	(6,035)	15,410	264,893	120,994
Copper Moki	(2)	16,123	90,655	59,788
Other	-	(32,854)		(22,066)
TOTAL	**(6,037)**	**(1,321)**	**355,548**	**158,716**

In the TWN Assets, 2016 spend relates to the oil plant inspection and certification and 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.

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.

COMMITMENTS

See details provided in *Consolidated Financial Statements - Note 13, Commitments*.

PERMIT EXPENDITURE PLANS

See details provided in *Consolidated Financial Statements - Note 14, Permit Expenditure Plans*.

LIQUIDITY AND CAPITAL RESOURCES

	30 September 2016	31 December 2015
	$	$
Cash and cash equivalents	(14,496)	431,976
Working capital	2,246,930	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 (including the revolving credit facility implemented in the current quarter) 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 Company's MD&A for Q4-2015 – "2016 OUTLOOK" (p3).

CASH FLOW

	30 September 2016	30 September 2015
Cash provided by / (used in)	$	$
Operating activities	(131,768)	(1,351,631)
Investing activities	(280,740)	(239,979)
Financing activities	-	1,339,221

Cash was used from operating activities after generating a net loss of $2,886,458 (2015: $3,209,549). The more significant non-cash items contributing to the net loss during the Nine Month Period included $1,741,293 in depreciation and accretion (2015: $1,429,850), abandonment provision $375,035 (2015: $86,747) and working capital changes $584,075 (2015: $146,839).

Investing activities were for the purchase of property plant and equipment.

Financing activities in 2015 were 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

See details provided in *Consolidated Financial Statements - Note 11, Related Party Transactions*.

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 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 and nine month periods ended 30 September 2016 and 2015:

	Three months ended 30 September		***Nine months ended 30 September***	
	2016	***2015***	***2016***	***2015***
	$	***$***	***$***	***$***
Net Revenue				
Oil sales	683,556	553,168	2,311,189	2,084,245
Royalties	(11,769)	(26,891)	(117,708)	(150,169)
Production Costs	(557,461)	(251,638)	(1,241,904)	(796,266)
Sub-total net revenue (a)	114,326	274,639	951,577	1,137,810
Barrels of Oil sold (b)	12,443	9,636	46,262	32,610
Field Netback [(a)/(b)] $/bbl	**9.18**	**28.50**	**20.57**	**34.89**

SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of voting common shares. As at 30 September 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 12,284,200 stock options, of which 2,284,200 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 venture parties 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.