



Management's Discussion and Analysis

Nine Months Ended 30 September 2017

(Expressed in Canadian Dollars)

Management's Discussion & Analysis

This Management's Discussion and Analysis ("MD&A") is dated 28 November 2017, for the nine months ended 30 September 2017. It should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2016, and the unaudited condensed consolidated interim financial statements for the period ended 30 September 2017 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 associated consolidated financial statements, are presented in accordance with IFRS.

This MD&A includes certain statements which 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 285 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 one Petroleum Exploration Permit ("PEP") in which it has an interest. It holds a 50% interest in PML 38138 ("Tariki Licence"), PML 38140 ("Waihapa Licence") and PML 38141 ("Ngaere Licence") (collectively the "TWN Licences"). L&M Energy Limited ("L&M") hold the remaining 50%.

NZEC has a 100% interest in PMP 55491 ("Copper Moki PMP") and PEP 51150 (the "Eltham Permit").

NZEC holds a 50% working interest (with New Dawn Holdings No.2 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 through-put, gas processing and transport, LPG storage, and produced water handling and disposal.

OPERATING & FINANCIAL HIGHLIGHTS

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

1. **Safety:** achieved over 2 years Harm Free until a first aid treatment case was reported on 5 May 2017. There have been no harm cases reported since then.
2. **Waihapa-Ngaere Production:** The average rate for the second quarter was 72 boe per day (76% oil) which reduced to 46 boe per day NZEC share (84% oil) in the third quarter. The reduction was primarily due to the time required for the production wells to recover oil cut following the planned, and some unplanned, compressor down time in July and early August.
3. **TWN Enhanced Oil Recovery Project (Stages 1&2):** The project is successfully reducing reservoir pressure and at voidage rates of 5000 to 7000 bfpd or more the natural aquifer effects are negated. Stage 2 is complete with continuous gas-lift being implemented in two additional wells, making a total of four wells on continuous production and 4 wells on cyclical production (i.e. 8 producers in total). Planning for an additional high fluid rate well and associated gas and water management, i.e. Stages 3 & 4, is progressing to schedule.
4. **TWN Waihapa Production Station:** Upgrades to the gas processing system to restore full gas dehydration and measurement have been completed. Arrangements to enable sales of non-specification gas to third parties, beyond blending within the production system, are being finalised with the relevant infrastructure operators.

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5. **Copper Moki:** Production from Copper Moki-1, stable in this quarter at ~40bopd, remains higher than before water injection commenced (~26bopd) in late 2015. Water cut commenced in February 2017 and some decline in oil rates was seen through the first half of 2017. The stable production through the third quarter is largely the result of the removal of production system back-pressure at the Copper Moki site in early July 2017.

Copper Moki-2 currently produces with no significant decline in oil rate through the last 9 months and with no significant water. The average rate from the Copper Moki wells for the third quarter was 61 boe per day all NZEC share (99% oil); and for the nine months to date was 109 boe per day (93% oil).

6. **Production:** Production for the quarter was 9,774 boe (93% oil) (with an average 106 boe per day); and for the nine months to date 37,271 boe (87% oil) (with an average 206 boe per day).
7. **Sales (oil):** Oil sales for the quarter of 12,393 bbl realised \$746,594 (with an average oil sale price of \$60.24 per bbl); and for the nine months to date 39,348 bbl realised \$2,469,999 (with an average oil sale price of \$62.77 per bbl).
8. **Processing revenue:** Increased third party processing volumes have been achieved in the nine months to date. The TWN Assets generated \$621,713 from processing fees for the quarter, and \$1,839,502 for the nine months to date, with multiple third-party customers accessing a range of services including operation of the Ahuroa gas storage facility, oil processing and handling, pipeline throughput services, gas processing, LPG storage and handling, and produced water disposal. Ahuroa Gas Storage related contracts have been renewed on substantially the same terms as previously.
9. **Operating Cost Reductions:** The Company has completed implementing a series of changes and achieved a reduction of ~\$1 million in annualised cash operating costs for both joint venture partners. This included moving the New Plymouth Operations office to smaller and less expensive premises closer to oil service companies and pipe yards in May.
10. **Royalty Transfer Transaction:** In March, an Overriding Royalty (Royalty Agreement) was acquired from a third party which contained an obligation due by a related party. Concurrently it was agreed to fully discharge and cancel the related party's obligations under the Royalty Agreement in return for payment from the related party. Payment to the third party and receipt from the related party is spread over 2 years, with future payments/receipts secured by back-to-back bank guarantees. The arrangement was immediately cash positive for NZEC by the amount of the gain under the arrangement of NZ\$154,000 (after transaction costs).
11. **Annual General Meeting (AGM):** The Company held its AGM on 27 July 2017 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. In addition, PricewaterhouseCoopers (New Zealand) were appointed auditors.
12. **NZ Regulator Annual Permit Reviews:** Reviews completed for producing fields and the Regulator is pleased with progress against our work programs, with the results of waterflooding at Copper Moki, and the increased production and learning from the Waihapa-Ngaere Enhanced Oil Project Stages 1 and 2.

RECENT DEVELOPMENTS

1. **Waihapa-Ngaere Production:** Waihapa-Ngaere oil production has continued to recover, as expected, during October, with Waihapa-6A increasing oil cut from 1.9% to more than 2.5% through the month. This is despite the well being out of service for 2 days due to wellhead piping changes to remove any restrictions in the flow path between the 4" well head wings and the 4" pipeline to the Waihapa Production Station. This work has been successful and has substantially increased the gas-lift efficiency in this well.
2. **Copper Moki-1:** Pump related mechanical issues resulted in the well being shut in on 14 November. Replacement of the pump (using a crane) is being expedited, with the activity anticipated to be completed in 7-10 days.

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FINANCIAL SNAPSHOT

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>bbl</i>	<i>bbl</i>	<i>bbl</i>	<i>bbl</i>
Production	9,069	11,641	32,595	48,016
Sales	12,393	12,443	39,348	46,262
	<i>\$/bbl</i>	<i>\$/bbl</i>	<i>\$/bbl</i>	<i>\$/bbl</i>
Price	60.24	54.93	62.77	49.96
Production costs	12.44	44.80	24.17	26.85
Royalties	1.65	0.95	4.47	2.54
Field netback	46.15	9.18	34.13	20.57
	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
Revenue	2,074,599	1,356,500	6,124,371	4,389,984
Total comprehensive loss	(849,855)	(657,210)	(1,865,692)	(2,980,587)
Net finance expense	82,945	71,863	245,169	212,680
Loss per share – basic and diluted	(0.001)	(0.005)	(0.006)	(0.012)
Current Assets			3,144,783	3,309,914
Total Assets			23,908,933	27,767,054
Total non-current liabilities			12,057,804	13,577,576
Total liabilities			15,132,109	14,640,560
Shareholders' equity			8,776,824	13,126,494

Note: The abbreviation bbl means barrel of oil.

RESERVES

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 2016. 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 1,024,000 barrels of oil (1,213,000 boe equivalent, including associated gas) with an after-tax net present value discounted at 10% (at 31 December 2016) of \$21.7 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 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 enhanced oil recovery project, currently being implemented, is designed to mobilize stranded oil by reducing reservoir pressure and hence increasing pressure differentials on lesser quality reservoir. Recent measurements confirm that this is being achieved through increasing total fluid production (reservoir voidage) to levels substantially greater than the natural aquifer can recharge and reservoir pressures are dropping at around 50 psia per annum at current voidage rates. Stage-1 was successfully implemented in H2-2016 with a new high fluid rate gas-lift valve system fitted to Waihapa-6 (late July 2016). Oil cut subsequently rose in that well and it produced and continues to produce approximately three times as much oil when compared to July 2016. This encouraging result provided confidence in the next stages of the project.

Stage 2 was completed in Q1-17 with continuous gas-lift being implemented in two additional wells bringing the total number of wells on continuous production to four.

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Planning for an additional high fluid rate well and associated gas and water management (Stages 3 & 4) is progressing according to schedule and this is taking time to implement as some infrastructure changes are required. The objective of these Phases is to bring total fluid production to the system maximum capacity (of 18,000 bbls per day), a level not seen since 1995.

A subsequent Stage 5 is also envisaged to enable further oil production optimisation within the plant limits, and will most likely include a further ESP or high rate gas-lift completion and would make use of the additional water disposal capacity matured in Stage 4.

Copper Moki Petroleum Mining Permit

Copper Moki-1: Oil production, after increasing during 2016 as a result of the waterflood implemented in late 2015, stabilised at approximately 45b/d in the last quarter of 2016. While water cut commenced in February 2017 and some decline in oil rates was seen through the first half of 2017, the oil rate from Copper Moki-1 has been stable at around 40 ~bopd through the third quarter. This stable production is largely the result of the removal of production system back-pressure at the Copper Moki site in early July 2017. Hence oil rates are close to what they were in Q4 of 2016.

Copper Moki-2: As with Copper Moki-1, Copper Moki-2 has also seen very little production decline through the first three quarters of 2017. The well is maintaining oil rates of 25 to 30 bopd. This production rate maintenance is largely the result of the same reduction in production system back-pressure that created benefits for Copper Moki-1.

Eltham Petroleum Exploration Permit

The Company is finalising its appraisal and exploration opportunities portfolio in the Eltham PEP. This will lead to a decision on the 2018 activity(ies) by the end of 2017.

TWN Midstream Assets

Services are provided to Contact Energy in relation to operation of the Ahuroa Gas Storage facility. Contracts related to the operation of the facility have been renewed on substantially the same terms.

In addition, other parties are accessing services for oil processing, handling and pipeline throughput, gas processing and transport, and handling and disposal of produced water. Increased third-party processing volumes and revenues seen in the nine-months to September are anticipated to be sustained in Q4.

Refurbishment, in Q2-17, of the gas processing system to restore full gas dehydration and measurement have been completed. Arrangements to enable sales of non-specification gas are being finalised with the relevant infrastructure operators.

The Company continues to explore opportunities with existing and new customers.

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SUMMARY OF QUARTERLY RESULTS

	2017 Q3 \$	2017 Q2 \$	2017 Q1 \$	2016 Q4 \$
Total assets	23,908,933	25,476,119	24,358,299	23,066,531
Exploration and evaluation assets	-	-	-	-
Oil and gas assets	18,095,034	19,677,449	18,890,865	19,360,187
Working capital	70,478	(1,961)	138,203	226,866
Revenues	2,074,599	2,143,077	1,906,695	1,476,623
Accumulated deficit	(135,597,393)	(135,277,017)	(134,714,568)	(134,133,724)
Total comprehensive income (loss)	(849,855)	(87,814)	(928,023)	(2,532,614)
Basic (loss) earnings per share	(0.001)	(0.002)	(0.003)	(0.010)
Diluted (loss) earnings per share	(0.001)	(0.002)	(0.003)	(0.010)

	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)	*(128,907,840)
Total comprehensive income (loss)	(657,210)	(473,974)	(1,849,401)	*(1,415,821)
Basic (loss) earnings per share	(0.005)	(0.004)	(0.004)	*(0.014)
Diluted (loss) earnings per share	(0.005)	(0.004)	(0.004)	*(0.014)

*Note: Restated for Change in Accounting Policy. See details provided in *2016 Consolidated Financial Statements - Note 2, Changes in accounting policies*

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

RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2017

This section of the MD&A provides analysis of the Company's operations in respect of the third quarter of 2017 ("Three Month Period") and the year to date ("Nine Month Period") compared to results achieved for the same periods in 2016. See *Operating & Financial Highlights* and *Property Review and Outlook* for a summary of the third quarter 2017 operational events and activities.

Production and sales

	Three Month Period ended 30 September		Nine Month Period ended 30 September	
	2017	2016	2017	2016
Barrels or BOE				
Production - Oil	9,069	11,671	32,595	48,016
Sales - Oil	12,393	12,443	39,348	46,262
Sales - Gas (BOE)	705	2,150	4,676	15,197
TOTAL Production (BOE)	9,774	13,821	37,271	63,213

The lower production in 2017 arises principally from the performance of the Copper Moki-2 well. Production during the same period in 2016 exceeded expectations following installation of the new pump in December 2015.

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Revenues

	Three Month Period ended 30 September		Nine Month Period ended 30 September	
	2017	2016	2017	2016
	\$	\$	\$	\$
Oil Sales	746,594	683,556	2,469,999	2,311,189
Gas Sales	11,110	120,303	107,638	551,018
Processing Revenue	621,713	527,299	1,839,502	1,546,193
Other Revenue	117,216	37,111	236,560	99,292
Purchased light oil sold*	598,384	-	1,646,541	-
Royalty**	(20,418)	(11,769)	(175,869)	(117,708)
Oil sales per bbl	60.24	54.93	62.77	49.96

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.

Gas sales in 2017 are lower due to reduced sales volumes, and were also affected by a year-to-date reclassification of costs between Gas sales and Production costs. If the reclassification was applied consistently the 2016 sales would have been \$385,973 (for the nine month period) and \$46,822 (for the three month period).

Processing revenue – the increase reflects higher third-party processing volumes.

Other revenue – the increase in the three month period is due to consulting work done by the Company's staff for another company's abandonment program at the Ahuroa site.

*Purchased light oil sold: The Company has an arrangement with a third party whereby the Company purchases light oil, charges a processing and blending fee and subsequently on sells the resulting light oil blend for export. Any unsold light oil is carried as inventory.

**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 Lattice Energy (previously 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 30 September		Nine Month Period ended 30 September	
	2017	2016	2017	2016
	\$	\$	\$	\$
Production costs	154,216	557,461	951,221	1,241,904
Production cost per bbl	12.44	44.80	24.17	26.85

Three Month Period: Production costs include the impact of oil inventory value changes* and a reclassification of costs with Gas sales. If these impacts are excluded, the comparable costs would have been \$239,948 (2016: \$404,217), and production cost per barrel \$19.36 (2016: \$32.49).

The 2017 comparable variable costs are lower due to lower production of \$119,000, and repairs and maintenance costs of \$59,000.

Nine Month Period: Production costs include the impact of oil inventory value changes* and a reclassification of costs with Gas sales. If these impacts are excluded, the comparable costs would have been \$930,163 (2016: \$1,366,164) and production cost per barrel \$23.64 (2016: \$25.96).

The 2017 comparable variable costs are lower due to lower production of \$373,000, and repairs and maintenance costs of \$78,000; offset by an increase in operational water flood costs of \$138,000, and costs associated with the enhanced oil project of \$8,000.

**Oil inventory value changes. Where higher oil inventory volumes occur (production being greater than sales) it results in an increase in the oil inventory value, hence a decrease in production cost.*

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Processing costs

	Three Month Period ended 30 September		Nine Month Period ended 30 September	
	2017	2016	2017	2016
	\$	\$	\$	\$
Processing costs	332,895	298,047	876,954	712,759

The 2017 costs are higher due to variable costs associated with the processing of light oil.

Depreciation and depletion

	Three Month Period ended 30 September		Nine Month Period ended 30 September	
	2017	2016	2017	2016
	\$	\$	\$	\$
Depreciation and depletion	297,615	451,873	985,534	1,530,447

Depletion on oil and gas assets is calculated using the unit-of-production method by reference to the ratio of production during the respective periods compared to the related total proved and probable reserves of oil and natural gas, taking into account estimated future development costs necessary to access those reserves.

The decrease in 2017 principally reflects the lower levels of production.

Share Based Compensation

	Three Month Period ended 30 September		Nine Month Period ended 30 September	
	2017	2016	2017	2016
	\$	\$	\$	\$
Share Based Compensation	12,159	12,387	36,476	38,713

The 2017 and 2016 expense reflect the fair market value attributed to options issued in November 2015. See also further detail in *Consolidated Financial Statements - Note 9a Share Purchase Options*.

General and Administrative Expenses

	Three Month Period ended 30 September		Nine Month Period ended 30 September	
	2017	2016	2017	2016
	\$	\$	\$	\$
General and administrative expense	913,845	1,024,177	2,933,239	3,139,970

Cost reductions continue to be a focus, with the reductions referred to in *Quarterly Operating & Financial Highlights (#8)* above. Most notable reductions have come from Salary and wages, and Consulting fees. See further breakdown in *Consolidated Financial Statements - Note 11, General and Administrative Expenses*.

Finance Expense

	Three Month Period ended 30 September		Nine Month Period ended 30 September	
	2017	2016	2017	2016
	\$	\$	\$	\$
Finance expense	82,945	71,863	245,169	212,680

Finance expense reflects the accretion expense associated with asset retirement obligations. It also includes interest on the revolving credit facility for the nine month period of \$13,832 (2016: \$1,075).

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Abandonment Provision movement

	Three Month Period ended 30 September		Nine Month Period ended 30 September	
	2017	2016	2017	2016
	\$	\$	\$	\$
Abandonment provision movement	(4,552)	55,068	22,927	375,035

Abandonment provision movement arises from the change in estimate for abandonment on wells which have previously been fully impaired. The 2016 movement arose from underlying estimate changes over the then 20-year (now 5 year) abandonment period following renewal of the Tariki PML.

Exchange Difference on Translation of Foreign Currency

	Three Month Period ended 30 September		Nine Month Period ended 30 September	
	2017	2016	2017	2016
	\$	\$	\$	\$
Exchange Difference – gain / (loss)	(529,479)	468,984	(402,023)	(94,129)
Exchange rate at beginning of period	0.9505	0.9195	0.9385	0.9498
Exchange rate at end of period	0.8978	0.9516	0.8978	0.9516

Exchange differences arise from the translation of foreign operations and monetary items (largely based in NZD).

The NZD exchange rate has weakened against the CAD over both the Three and Nine Month Periods to 30 September 2017 resulting in translation losses.

PETROLEUM PROPERTY ACTIVITIES, OPERATIONS AND CAPITAL EXPENDITURES

Capital Expenditure

The Company recognised the following additions in Oil and gas assets during the Three and Nine Month Periods:

	Three Month Period ended 30 September		Nine Month Period ended 30 September	
	2017	2016	2017	2016
	\$	\$	\$	\$
TWN Assets	5,510	(6,035)	62,493	264,893
Copper Moki	-	(2)	-	90,655
TOTAL	5,510	(6,037)	62,493	355,548

In the TWN Assets, 2017 spend relates to a glycol dehydration unit refurbishment and a replacement export gas moisture analyser; while 2016 spend relates to the oil plant inspection and certification and Waihapa-1B jet pump installation.

In Copper Moki, 2016 expenditure relates to the Copper Moki-2 pump-change and the Waitapu-2 to Copper Moki-1 water flood.

COMMITMENTS

See details provided in *Consolidated Financial Statements - Note 14, Commitments*.

PERMIT EXPENDITURE PLANS

See details provided in *Consolidated Financial Statements - Note 15, Permit Expenditure Plans*.

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LIQUIDITY AND CAPITAL RESOURCES

	30 September 2017	31 December 2016
	\$	\$
Cash and cash equivalents	10,108	57,969
Revolving credit facility	(480,477)	(363,183)
Working capital	70,478	226,866

The Company continues to pursue opportunities 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 *Consolidated Financial Statements - Note 1, Going Concern*.

CASH FLOW

	30 September 2017	30 September 2016
<i>Cash provided by / (used in)</i>	\$	\$
Operating activities	(104,829)	(131,768)
Investing activities	(65,560)	(280,740)

Although there was a net loss for the nine month period of \$1,463,669 (2016: \$2,886,458) minimal cash was used in operating activities. The more significant non-cash items included in the net loss during the period included \$1,236,800 in depreciation, depletion and accretion (2016: \$1,741,293) together with a working capital change of (\$15,152) (2016: \$584,075).

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

RELATED PARTY TRANSACTIONS

See details provided in *Consolidated Financial Statements - Note 12, Related Party Transactions*.

OFF-BALANCE SHEET ARRANGEMENTS

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

CHANGE OF ACCOUNTING POLICY and 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 2016.

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NON-IFRS DISCLOSURES

NZEC uses certain terms for measurement within this MD&A which 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 the 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 2017 and 2016:

	Three Month Period ended 30 September		Nine Month Period ended 30 September	
	2017	2016	2017	2016
	\$	\$	\$	\$
Net Revenue				
Oil sales	746,594	683,556	2,469,999	2,311,189
Royalties	(20,418)	(11,769)	(175,869)	(117,708)
Production Costs	(154,216)	(557,461)	(951,221)	(1,241,904)
Sub-total net revenue (a)	571,960	114,326	1,342,909	951,577
Barrels of Oil sold (b)	12,393	12,443	39,348	46,262
Field Netback [(a)/(b)] \$/bbl	46.15	9.18	34.13	20.57

SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of voting common shares. As at 30 September 2017, 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 10,815,200 share options, of which 815,200 share options have vested and are exercisable.

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 which 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 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

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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, affecting the 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 which prevent the Company from raising the funds necessary for exploration and development on acceptable terms or at all; global financial market events which 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 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 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 which can be estimated with a high degree of certainty to be recoverable. It is likely the actual remaining quantities recovered will exceed the estimated proved reserves. Probable Reserves are those additional reserves which are less certain to be recovered than proved reserves. It is equally likely 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 the reserves described can be profitably produced in the future. These statements are based on current expectations which 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 any portion of the reported resources will be discovered and, if discovered, will be economically viable or technically feasible to produce.