



Management's Discussion and Analysis

Nine Months Ended 30 September 2018

(Expressed in Canadian Dollars)

Management's Discussion & Analysis

This Management's Discussion and Analysis ("MD&A") is dated 27 November 2018, for the nine months ended 30 September 2018. It should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2017, and the unaudited condensed consolidated interim financial statements for the period ended 30 September 2018 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, 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") – see *Property Review and Outlook* for the PEP 51150 Application for Appraisal Extension status.

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 1-year Harm Free until a first aid treatment case was reported on 4 May 2018. There has been no harm recorded since then.
2. **Copper Moki-1:** Production results since being returned to production with a new completion in February 2018 have been above expectation, peaking at close to 195 bopd in late Q1. Oil production rates eased over Q3 averaging ~105 bopd over the quarter (Q2: 171 bopd) and ~92 bopd in September. Mechanical issues with the pump rods have affected production after September. The well was permanently repaired in late November by running a new pump and rod-string and production rates are expected to be restored close to 100 bopd. See *Recent Developments*.
3. **Waihapa-Ngaere Production:** The average rate for the quarter was 33 boe per day (99% oil), a decrease from the 70 boe per day NZEC share (75% oil) in the second quarter. In late October the effect of produced water injection being re-directed into the producing Tikorangi Formation through Waihapa-5 was observed in the producing wells as a decrease in oil-cut. Work is underway to mitigate this response and to increase oil production from the current well stock. See *Recent Developments*.
4. **TWN Enhanced Oil Recovery Project:** The joint venture approved the implementation of Stage 4 of the Enhanced Oil Project - the installation of an ESP in the Ngaere-1 well. Installation has been deferred due to third party specialist contractors not being available to coincide with workover rig timing. It is now planned this activity will be completed in early 2019.

Management's Discussion & Analysis

5. **Production:** Production for the third quarter was 14,221 boe (100% oil) (with an average 155 boe per day); and for the nine months to date 50,173 boe (92% oil) (with an average 184 boe per day).
6. **Sales (oil):** Oil sales for the quarter of 13,302 bbl realised \$1,243,876 (with an average oil sale price of \$93.51 per bbl); and for the nine months to date 45,722 bbl realised \$4,198,060 (with an average oil sale price of \$91.82 per bbl).
7. **Processing revenue:** Increased third party processing volumes have been achieved in the nine months to date. The TWN Assets generated \$705,565 from processing fees for the quarter, and \$2,039,131 for the nine months to date, with a number of third-party customers accessing a range of services including site operations, oil processing and handling, pipeline throughput services, gas processing, LPG storage and handling, and produced water disposal.
8. **Eltham PEP 51150:** An Appraisal Extension Application has been lodged with a modified Work Program over a reduced area of PEP 51150. The application area includes the 2012 Arakamu-2 discovery well, which produced oil from the Miocene Mt. Messenger Formation when tested in Q1 2013. The Appraisal Extension is being assessed by the regulatory authority, New Zealand Petroleum and Minerals and progress continues on finalising the work program for the Appraisal Extension. Abandonment of the Wairere-1A well, which is outside the Application area, will be a requirement.
9. **Annual General Meeting (AGM):** The Company held its AGM on 8 August 2018 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 re-appointed auditors

RECENT DEVELOPMENTS

1. **Copper Moki:** In early October Copper Moki-1 stopped pumping due to a parted rod. Temporary remedial action was undertaken to re-start production in mid-October using a rod-overshot which enabled production to continue at slightly restricted rates. A further stoppage occurred in late October due to the pump locking up. This was permanently repaired in late November by running a new pump and rod-string and production rates are expected to be restored close to 100 bopd and 70bwpd.
2. **Waihapa-Ngaere:** On 31 July a produced water leak was identified. Production operations were not initially impacted as produced water disposal was switched to the back-up water disposal well, Waihapa-5, which injects back into the main producing Tikorangi formation reservoir. In late October the effect of using Waihapa-5 was observed on the most southern of the producing wells as a decrease in oil-cut. Work is underway to mitigate this response and to increase oil production from the current well stock by opening up additional water injection locations.

Management's Discussion & Analysis

FINANCIAL SNAPSHOT

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>bbl</i>	<i>bbl</i>	<i>bbl</i>	<i>bbl</i>
Production (oil)	14,199	9,069	46,278	32,595
Sales (oil)	13,302	12,393	45,722	39,348
	<i>\$/bbl</i>	<i>\$/bbl</i>	<i>\$/bbl</i>	<i>\$/bbl</i>
Price	93.51	60.24	91.82	62.77
Production costs	14.59	12.44	20.49	24.17
Royalties	7.47	1.65	6.40	4.47
Field netback	71.46	46.15	64.93	34.13
	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
Revenue	2,941,542	2,177,195	9,245,165	6,226,967
Total comprehensive loss	(246,053)	(849,855)	(46,861)	(1,865,692)
Net finance expense	78,719	82,945	320,803	245,169
Loss per share – basic and diluted	(0.001)	(0.001)	(0.001)	(0.006)
Current Assets			4,512,791	3,144,783
Total Assets			19,995,634	23,908,933
Total non-current liabilities			11,370,699	12,057,804
Total liabilities			14,282,687	15,132,109
Shareholders' equity			5,712,947	8,776,824

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 2017. 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 767,000 barrels of oil (1,039,000 barrels of oil equivalent, including associated gas¹) with an after tax net present value discounted at 10% (at 31 December 2017) of \$13.2 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 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 being implemented is targeted at mobilising stranded oil by reducing reservoir pressure and thereby increasing pressure differentials on lesser quality reservoir.

Stage-1 was implemented in H2-16 with a high fluid rate gas-lift valve system in Waihapa-6 (late July 2016). Stage 2 was completed in Q1-17 with continuous gas-lift being implemented in two additional wells (Ngaere-2A and 3), bringing the total number of wells on continuous production using gas-lift to four. The increase in water and gas throughput generated

¹ Barrels of oil equivalent (boe) may be misleading, particularly if used in isolation. The boe conversion ratio of 6 Mcf : 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Management's Discussion & Analysis

by this necessitated gas processing modifications and upgrades (Stage-3) prior to bringing further fluid production volumes on line. This work was completed late in 2017.

The joint venture has approved Stage 4, the installation of an ESP (Electric Submersible Pump) in the Ngaere-1 well. The workover to install the ESP is expected in early 2019. Coincident with the timing of Stage 4 will be the implementation of the revised water disposal strategy to mitigate the reduced voidage effects of the ESP pending the return to disposing of produced water in horizons other than the Tikorangi Formation – see *Recent Developments*.

See also *Permit Expenditure Plans* below.

Copper Moki Petroleum Mining Permit

Copper Moki-1: Oil rates from Copper Moki-1 began easing from July with average production for Q3-18 production of ~105bopd (135 boe/d) with a 39% water-cut. The decline was assessed as being well/near well related rather than due to reducing reservoir inflow and pump gas-oil interface monitoring and wax management procedure frequencies were increased to mitigate this easing. Some short-term rate increases were achieved but overall well oil inflow performance appears to be decreasing from July onwards. See *Recent Developments*.

Copper Moki-2: Since mid-July 2018 Copper Moki-2 oil production has been producing ~15–18 bopd on a on a 10-12 hour cycle every day. Water production has remained stable and typically at less than 2 stb/d.

Eltham Petroleum Exploration Permit

Having completed its assessment of appraisal and exploration opportunities portfolio in the Eltham PEP, the Company has applied for an Appraisal Extension over a reduced area (898 acres or 3.6km²) of PEP 51150. The application area includes the 2012 Arakamu- 2 discovery well, which produced oil from the Miocene Mt. Messenger Formation when tested in Q1-13.

The previous flow testing at Arakamu-2 was hampered by sand production and the low reservoir gas content and hence there remains significant uncertainty about the nature of the petroleum deposit. Further evaluation and testing will reduce this uncertainty and allow the Operator to determine the commerciality of this resource.

The exploration permit has expired (22 September 2018) together with the related well commitment. An Appraisal Extension is being assessed by the regulatory authority New Zealand Petroleum and Minerals and a Work Program for the next term of the Appraisal Extension Area is being negotiated. Discussions regarding the area being relinquished are also near agreement. In addition, plug and abandonment of well Wairere-1A, which is outside the Application area is expected to be required in the near future.

TWN Midstream Assets

Services were provided to Contact Energy in relation to operation of the Ahuroa Gas Storage (AGS) facility. Effective 1 October the AGS facility has been sold to Gas Services New Zealand (GSNZ), a third-party infrastructure owner, and since then the same operating services have been provided to them. NZEC has been actively involved in the ownership and management transition process and remains in place as facility operator.

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.

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

A number of statutory inspection and maintenance activities were completed during Q3 and early Q4 2018 at WPS. This included the condensate tank inspection (in July) and the oil plant A-train and gas process regulatory integrity assessment inspections and the new bypass piping of the LPG plant installed in October. No issues were identified.

Management's Discussion & Analysis

SUMMARY OF QUARTERLY RESULTS

	2018 Q3 \$	2018 Q2 \$	2018 Q1 \$	2017 Q4 \$
Total assets	19,995,634	20,613,614	20,487,574	21,157,962
Exploration and evaluation assets	-	-	-	-
Oil and gas assets	14,933,065	15,397,744	16,738,567	16,567,342
Working capital	1,600,803	1,246,055	(109,862)	8,689
Revenues	2,941,542	4,261,327	2,042,297	2,553,907
Accumulated deficit	(138,521,200)	(138,473,149)	(139,215,296)	(138,670,524)
Total comprehensive income (loss)	(246,053)	497,962	(298,771)	(3,053,491)
Basic (loss) earnings per share	(0.001)	0.003	(0.002)	(0.013)
Diluted (loss) earnings per share	(0.001)	0.003	(0.002)	(0.013)

	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	-	-	-	-
Property, plant and equipment	18,095,034	19,677,449	18,890,865	19,360,187
Working capital	70,478	(1,961)	138,203	226,866
Revenues	2,177,195	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)

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 2018

This section of the MD&A provides analysis of the Company's operations in respect of the third quarter of 2018 ("Three Month Period") and the year to date ("Nine Month Period") compared to results achieved for the same periods in 2017. See *Operating & Financial Highlights* and *Property Review and Outlook* for a summary of the third quarter 2018 operational events and activities.

Production and sales

	Three Month Period ended 30 September		Nine Month Period ended 30 September	
	2018	2017	2018	2017
Barrels or BOE				
Production - Oil	14,199	9,069	46,278	32,595
Sales - Oil	13,302	12,393	45,722	39,348
Sales – Gas (BOE)	22	705	3,894	4,676
TOTAL Production (BOE)	14,221	9,774	50,173	37,271

The higher production in 2018 arises principally from the performance of the Copper Moki-1 well, which saw an increase in production after the completion of the work-over in Q1-18.

Management's Discussion & Analysis

Revenues

	Three Month Period ended 30 September		Nine Month Period ended 30 September	
	2018	2017	2018	2017
	\$	\$	\$	\$
Oil Sales	1,243,876	746,594	4,198,060	2,469,999
Gas Sales	124,449	113,706	207,989	210,234
Processing Revenue	705,565	621,713	2,039,131	1,839,502
Other Revenue	(49,365)	117,216	103,724	236,560
Purchased light oil sold*	1,003,215	598,384	2,899,346	1,646,541
Royalty**	(99,347)	(20,418)	(292,389)	(175,869)
Oil sales per bbl	93.51	60.24	91.82	62.77

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 2018 are lower due to reduced sales volumes available from the Waihapa/Ngaere wells.

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

*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	
	2018	2017	2018	2017
	\$	\$	\$	\$
Production costs	194,013	154,216	937,047	951,221
Production cost per bbl	14.59	12.44	20.49	24.17

Three Month Period: Production costs include the impact of oil inventory value changes*. If this impact was excluded, the comparable costs would have been \$315,994 (2017: \$239,948), and production cost per barrel \$23.76 (2017: \$19.36).

The 2018 comparable costs per barrel are higher largely due to higher production volumes.

Nine Month Period: Production costs include the impact of oil inventory value changes*. If this impact was excluded, the comparable costs would have been \$1,182,507 (2017: \$930,163) and production cost per barrel \$36.97 (2017: \$23.64).

The 2018 comparable costs are higher due to higher production volumes and costs associated with the Copper Moki-1 workover.

**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.*

Management's Discussion & Analysis

Processing costs

	Three Month Period ended 30 September		Nine Month Period ended 30 September	
	2018	2017	2018	2017
	\$	\$	\$	\$
Processing costs	498,261	435,491	1,080,561	979,550

The 2018 costs are higher due to variable costs associated with the processing (and lifting) of greater volumes of light oil (see Processing Revenue above).

Depreciation and depletion

	Three Month Period ended 30 September		Nine Month Period ended 30 September	
	2018	2017	2018	2017
	\$	\$	\$	\$
Depreciation and depletion	430,871	297,615	1,398,745	985,534

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 increase in 2018 principally reflects the higher levels of production.

Share Based Compensation

	Three Month Period ended 30 September		Nine Month Period ended 30 September	
	2018	2017	2018	2017
	\$	\$	\$	\$
Share Based Compensation	(348)	12,159	23,969	36,476

The 2018 and 2017 expense reflect the fair market value attributed to options issued in November 2015. With no further options issued since 2015, no further expense is recognised in Q3-18 and going forward. 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	
	2018	2017	2018	2017
	\$	\$	\$	\$
General and administrative expense	763,025	913,845	2,483,726	2,933,239

Cost reductions continue to be a focus, with reductions in most categories over the nine-month period. 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	
	2018	2017	2018	2017
	\$	\$	\$	\$
Finance expense	78,719	82,945	320,803	245,169

Finance expense reflects the accretion expense associated with asset retirement obligations.

Management's Discussion & Analysis

Abandonment Provision movement

	Three Month Period ended 30 September		Nine Month Period ended 30 September	
	2018	2017	2018	2017
	\$	\$	\$	\$
Abandonment provision movement	24,319	(4,552)	(30,523)	22,927

Abandonment provision movement arises from the change in estimate for abandonment on wells which have previously been fully impaired.

Exchange Difference on Translation of Foreign Currency

	Three Month Period ended 30 September		Nine Month Period ended 30 September	
	2018	2017	2018	2017
	\$	\$	\$	\$
Exchange Difference – gain / (loss)	(198,002)	(529,479)	(196,185)	(402,023)
Exchange rate at beginning of period	0.8942	0.9505	0.9061	0.9385
Exchange rate at end of period	0.8620	0.8978	0.8620	0.8978

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 the Three and Nine-Month Periods to 30 September 2018 resulting in a translation loss.

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	
	2018	2017	2018	2017
	\$	\$	\$	\$
Waihapa	100,862	-	182,823	-
TWN Assets	76	5,510	697	62,493
Copper Moki	-	-	204,592	-
TOTAL	100,938	5,510	388,112	62,493

2018 expenditure in Waihapa relates to the spend associated with the Ngaere-1 ESP project and in Copper Moki is the capital component of the Copper Moki-1 workover.

In the TWN Assets, 2017 spend relates to a glycol dehydration unit refurbishment and a replacement export gas moisture analyser.

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*.

Management's Discussion & Analysis

LIQUIDITY AND CAPITAL RESOURCES

	30 September 2018	31 December 2017
	\$	\$
Cash and cash equivalents	706,414	55,351
Revolving credit facility	-	(331,968)
Working capital	1,600,803	8,689

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 2018	30 September 2017
<i>Cash provided by / (used in)</i>	\$	\$
Operating activities	1,209,853	(104,829)
Investing activities	(213,840)	(65,560)
Financing activities	(331,968)	117,294

Net profit for the nine-month period was \$149,324 (2017: loss \$1,463,669). The more significant non-cash items included in the net profit during the period included \$1,636,434 in depreciation, depletion and accretion (2017: \$1,236,800) together with a change in non-cash working capital items of \$612,855 (2017: -\$15,152).

Investing activities were for the purchase of property, plant and equipment (net of sale proceeds).

Financing activities represent repayment of the revolving credit facility.

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 audited annual consolidated financial statements for the year ended 31 December 2017, except as disclosed in the Changes in Accounting Policies (IFRS 9 "Financial Instruments" and IFRS 15 "Revenue with Contracts from Customers"). See details provided in *Consolidated Financial Statements - Note 2, Changes in Accounting Policies*.

Management's Discussion & Analysis

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 2018 and 2017:

	Three Month Period ended 30 September		Nine Month Period ended 30 September	
	2018	2017	2018	2017
	\$	\$	\$	\$
Net Revenue				
Oil sales	1,243,876	746,594	4,198,060	2,469,999
Royalties	(99,347)	(20,418)	(292,389)	(175,869)
Production Costs	(194,013)	(154,216)	(937,047)	(951,221)
Sub-total net revenue (a)	950,516	571,960	2,968,624	1,342,909
Barrels of Oil sold (b)	14,199	12,393	46,278	39,348
Field Netback [(a)/(b)] \$/bbl	71.46	46.15	64.93	34.13

SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of voting common shares. As at 30 September 2018, 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 10,566,000 share options, of which 10,566,000 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

Management's Discussion & Analysis

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.