New Zealand Energy Corp.

Third Quarter 2011
Management's Discussion and Analysis

September 30, 2011

(Canadian Funds)

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of New Zealand Energy Corp. ("NZEC" or the "Corporation") for the year ended December 31, 2010, and the unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2011, 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") and the following disclosure, and associated condensed consolidated interim financial statements, are presented in accordance with IFRS. This MD&A is prepared as of November 23, 2011 and includes certain statements that may be deemed "forward-looking statements". All amounts are in Canadian dollars unless otherwise noted.

NZEC's shares are listed on the TSX Venture Exchange under the symbol "NZ". Additional information related is available on SEDAR and on the Corporation's website at www.newzealandenergy.com.

DESCRIPTION OF BUSINESS

NZEC, through its subsidiaries (collectively "NZEC" or "the Corporation") is engaged in the acquisition, exploration, development and production of oil and natural gas resources in New Zealand's North Island. The Corporation's major assets (the "Properties") consist of the following Petroleum Exploration Permits ("PEPs"): a 100% interest in PEP 51150 (the "Eltham Permit") and a 50% interest in PEP 51151 (the "Alton Permit"), which are located within the Taranaki Basin; and a 100% interest in PEP 52694 (the "Castlepoint Permit"), a 100% interest in PEP 38342 (the "Ranui Permit") and a 100% interest in PEP 52976 (the "East Cape Permit") (pending the grant of that permit by New Zealand's Minister of Energy), which are located within the East Coast Basin.

New Zealand offers a unique opportunity to develop hydrocarbon resources in multiple underexplored onshore and offshore sedimentary basins. Despite its highly prospective geology and numerous oil and gas seeps, New Zealand remains highly underexplored. All of the current production is derived from the Taranaki Basin in conventional targets using vertical wells and little if any hydraulic fracturing or other enhanced technology. All the wells drilled in the past 60 years are equivalent in number to approximately two weeks of vigorous drilling activity in western Canada. With its stable geopolitical setting and supportive fiscal regime, favourable government policies and tremendous resource potential, New Zealand offers an exciting oil and gas development opportunity with the backdrop of strong crude oil prices.

FINANCIAL SNAPSHOT

	For the nine months ended September 30, 2011 $	**For the financial period ended December 31, 2010 $**
Revenue	-	-
Net loss and comprehensive loss	(6,931,816)	(10,338,136)
Interest income	54,262	-
Loss per share – basic and diluted	(0.08)	(0.24)
Current assets	23,673,029	6,229,650
Total assets	33,566,611	6,301,322
Total liabilities	5,122,691	371,958
Shareholders' equity	28,443,920	5,929,364
Working capital	18,699,022	5,857,692

RECENT DEVELOPMENTS

- On August 24, 2011, the Corporation announced that the Copper Moki-1 well was production tested earlier in August over a 48-hour period and flowed 41.8 API[1] oil at the consistent rate of 1,100 barrels per day along with 855 mcf[2] per day of natural gas.
- On September 2, 2011, the Corporation closed the over-allotment option related to the Offering and issued 1,910,500 common shares at a price of $1.00 per common share, bringing the aggregate gross proceeds of the Offering to $21,910,500.
- On October 12, 2011, the Corporation placed the Copper Moki-1 well on an extended production test at a restricted rate of approximately 500 barrels of oil per day and 500 mcf per day of natural gas through a 20/64th inch choke. The production test and subsequent shut in for pressure build-up allowed NZEC to evaluate the reservoir under constant production conditions and determine initial production rates when the well is placed on permanent production in December 2011.

PROPERTY REVIEW

Taranaki Basin

The Taranaki Basin is situated on the west coast of the North Island and is currently New Zealand's only oil and gas producing basin, producing approximately 130,000 boe/day from 18 fields. Within the Taranaki Basin, NZEC is the operator of two permits covering 152,066 net acres.

NZEC completed its Copper Moki-1 discovery well in August 2011. The well flowed 1,100 barrels of 41.8 API oil per day along with 855 mcf of natural gas per day from the Mt. Messenger Formation over a 48-hour production test through a 28/64th inch choke. In October the Copper Moki-1 well was placed on an extended production test at a restricted rate of approximately 500 barrels of oil per day and 500 mcf per day of natural gas through a 20/64th inch choke. The well was produced until it recovered 6,228 barrels of oil and was then shut-in for a pressure build-up. The produced oil was trucked and sold to the Shell-operated Omata Tank Farm, approximately 45 km north of the Copper Moki well site, and sold at a premium to the Brent reference price.

Within the Taranaki Basin, the following PEPs have been acquired:

- On March 3, 2011, New Zealand's Minister of Energy granted an assignment of the Eltham Permit to NZEC. The Eltham Permit covers approximately 92,467 acres (374 km^2) of which approximately 31,877 acres (129 km^2) are offshore in shallow water.
- On June 24, 2011, NZEC entered into the Alton Agreement with AGL pursuant to which the Corporation agreed to acquire a 50% interest in the Alton Permit and associated joint venture with L&M, which owns the other 50% of the permit. Approval for the assignment of the 50% interest was granted on October 4, 2011. The Alton Permit is adjacent to the Eltham Permit and covers approximately 119,203 acres (482 km^2).

East Coast Basin

The East Coast Basin of New Zealand's North Island hosts two highly prospective shale formations, the Waipawa and Whangai, which are the source of more than 300 oil and gas seeps. NZEC is the operator of three permits covering more than 1.8 million acres.

NZEC has completed the coring of two test holes on its 100% working interest Castlepoint Permit. The Orui (125 metres total depth) and Te Mai (195 metres total depth) test holes were cored in the Waipawa

[1] American Petroleum Institute
[2] Thousand cubic feet

Shale. The cores are being analysed to determine the potential of the Waipawa Shale, with results expected by year-end.

NZEC has secured a rig commitment to re-drill the Ranui-1 well, located on its 100% working interest Ranui Permit, to collect core information for the Whangai Shale.

Within the East Coast Basin, the following PEPs have been, or are in the process of being, acquired:

- On September 3, 2010, NZEC applied to the Minister of Energy for the East Cape Permit. The application is uncontested and the Corporation expects the East Cape Permit to be granted to NZEC upon completion of Crown Mineral's review of the application. The East Cape Permit covers approximately 1,067,495 onshore acres (4,320 km^2) on the northeast tip of the North Island.

- On November 24, 2010, the Minister of Energy granted the Castlepoint Permit to NZEC. The Castlepoint Permit covers approximately 551,042 onshore acres (2,230 km^2).

- On February 22, 2011, NZEC entered into a permit acquisition agreement with Discovery Geo, pursuant to which Discovery Geo agreed to assign its 100% interest in the Ranui Permit to NZEC upon completion of certain conditions. Those conditions have been completed and approval for assignment of the permit was granted on June 27, 2011. The Ranui Permit is adjacent to the Castlepoint Permit and covers approximately 223,087 acres (903 km^2). The Corporation has completed the geophysical and geochemical studies required to re-enter the Ranui-1 well.

PETROLEUM PROPERTY ACTIVITIES, OPERATIONS AND CAPITAL EXPENDITURES FOR NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2011

Taranaki Basin

During the nine-month period ended September 30, 2011, the Corporation incurred $4,784,160 in capitalized exploration and development costs relating to the Eltham Permit. Of the costs incurred during the period, $110,131 related to asset retirement costs, $353,172 was recorded for consulting services and $4,443,971 for well development. As a result of funding and drilling the Copper Moki-1 discovery well, reprocessing 438 km of 2D seismic data and carrying out a number of other technical studies to the satisfaction of the Ministry of Energy, the Corporation earned a 100% interest in the Eltham Permit which was assigned to NZEC on March 3, 2011. Total expenditures incurred as of September 30, 2011 relating to the Eltham Permit amounted to $4,792,428.

As of September 30, 2011, the Corporation paid $2,140,203 for the acquisition of the Alton Permit pursuant to the Alton Agreement and incurred $33,098 in asset retirement costs relating to the Alton Permit due to the drilling of the Talon-1 well. Well development costs of $2,519,750 were initially capitalized in relation to the drilling of the Talon-1 well but were then written off as the Corporation does not believe that these costs will generate future economic benefits due to the geological assessment of the well results.

East Coast Basin

During the nine-month period ended September 30, 2011, the Corporation incurred $327,276 in capitalized exploration costs on the Castlepoint Permit. Total expenditures incurred as of September 30, 2011 relating to the Castlepoint Permit amounted to $379,229.

In February 2011, the Corporation entered into the Ranui Assignment Agreement with Discovery Geo, pursuant to which Discovery Geo agreed to assign to NZEC its 100% interest in the Ranui Permit. Upon satisfaction of the conditions of assignment, NZEC paid Discovery Geo US$1,000,000 and issued 1,000,000 common shares to Discovery Geo. As of September 30, 2011, the Corporation had incurred $2,164,136 in capitalized acquisition costs relating to the Ranui Permit.

During the nine-month period ended September 30, 2011, the Corporation did not capitalize any exploration or acquisition costs relating to the East Cape Permit.

PERMIT EXPENDITURE REQUIREMENTS

The Corporation participates in oil and gas exploration and development and is contractually committed under various agreements to complete certain exploration activities. The Corporation's management estimates that the total commitments for the balance of 2011 under its current permits held at September 30, 2011 are as follows:

Oil and Gas Property	Working Interest %	Work Commitment or Obligation to December 31, 2011 $
Eltham Permit	100	1,750,000
Alton Permit	50	-
Ranui Permit	100	500,000
Castlepoint Permit	100	300,000
Total		2,550,000

The Corporation may choose to alter the exploration programs, request extensions, reject development costs, relinquish certain permits or farm out its interest in permits, where practical.

The Corporation's total commitments include those that are required to be incurred to maintain its permits in good standing during the current permit term, prior to the Corporation committing to the next stage of the permit term where additional expenditure would be required.

The Corporation estimates that the following expenditures will be required in the five-year period commencing December 31, 2010 to complete the minimum work programs required in relation to the Eltham Permit, the Alton Permit, the Castlepoint Permit, the Ranui Permit and the East Cape Permit (assuming that this PEP is granted to the Corporation):

Properties	2011 $	2012 $	2013 $	2014 $	2015 $	Total $
Eltham Permit(1)	3,300,000	2,475,000	Nil	N/A	N/A	5,775,000
Alton Permit(2)	3,500,000	2,000,000	Nil	N/A	N/A	5,500,000
Castlepoint Permit(3)	364,000	1,757,000	3,089,000	7,703,000	7,703,000	20,616,000
Ranui Permit(4)	2,500,000(5)	675,000(6)	3,750,000(7)	100,000(8)	N/A	7,025,000
East Cape Permit(9)	-	290,000	987,000	1,471,000	3,677,000	6,425,000
	9,664,000	7,197,000	7,826,000	9,274,000	11,380,000	45,341,000

The expenditures in the table above are management's estimates regarding the minimum work program under the permits. Maintaining the permits in good standing during the permit term is based on the fulfilment of the minimum work program and is not based on a specific expenditure level.

Notes:

(1) The Eltham Permit was granted September 23, 2008 for a five-year term expiring September 22, 2013. The minimum work program for each year of the Eltham Permit must be completed by September 22 of each year.
(2) The Alton Permit was granted September 23, 2008 for a five-year term expiring September 22, 2013. The minimum work program for each year of the Alton Permit must be completed by September 22 of each year.

(3) The Castlepoint Permit was granted November 24, 2010 for a five-year term expiring November 24, 2015. The minimum work program for each year of the Castlepoint Permit must be completed by November 24 of each year.
(4) The Ranui Permit was granted June 28, 2004, and on December 18, 2009 was extended to June 27, 2014.
(5) This minimum work program must be completed by October 27, 2011. This amount includes $1,000,000 paid and 1,000,000 common shares of the Corporation issued to Discovery Geo to complete the transfer of the Ranui Permit.
(6) This minimum work program must be completed by June 27, 2012.
(7) This minimum work program must be completed by August 27, 2013.
(8) This minimum work program must be completed by June 27, 2014, the expiry of the term of the Ranui Permit.
(9) The East Cape Permit has not yet been granted. The estimates above reflect expenditures required to complete the anticipated minimum work program for each year of the permit commencing in fiscal 2012.

The amounts above represent the minimum expenditure requirements for each year necessary to complete the minimum work program and maintain each of the Permits; otherwise, the relevant PEP must be surrendered.

OUTLOOK

Taranaki Basin

During October the Copper Moki-1 well was placed on an extended production test at a restricted rate of approximately 500 barrels of oil per day and 500 mcf per day of natural gas, and then shut-in for a pressure build-up. The production test and subsequent shut in for pressure build-up allowed NZEC to evaluate the reservoir under constant production conditions and determine initial production rates when the well is placed on permanent production in early December. NZEC expects to bring the well on-stream at production levels similar to the extended test, but is installing surface facilities to accommodate well production of up to 1,000 barrels of oil per day to allow for well production optimization. Produced oil is trucked to the Shell-operated Omata Tank Farm, approximately 45 km north of the Copper Moki well site, and sold to Shell as per an off-take agreement. The oil is sweet and high quality and sells at a premium to the Brent reference price. The Company estimates netbacks in excess of US$60 per barrel. NZEC is also evaluating options to market its natural gas production, given the close proximity of open-access gas pipelines and significant in-country demand for natural gas.

NZEC is finalizing its multi-well drilling contract for Copper Moki-2 and Copper Moki-3, delineation wells for the Copper Moki pool, and expects to start drilling the wells by year-end. The Copper Moki-2 well will be drilled directionally from the same pad as the Copper Moki-1 well to target both the Urenui and Mt. Messenger formations. NZEC will continue to produce Copper Moki-1 as drilling proceeds. The Copper Moki-3 well will be drilled approximately 1.3 km south of the Copper Moki-1 site and will target multi-zone potential in the Mt. Messenger, Urenui and Moki formations. The Copper Moki-1 well was completed in three sands over an interval of 12.2 metres within the Mt. Messenger formation. The Copper Moki-2 and Copper Moki-3 targets were identified using 3D seismic and are analogous to the Mt. Messenger Formation in Copper Moki-1.

NZEC is building an inventory of drill-ready targets in the Taranaki Basin and plans to execute a 3D seismic-defined exploration strategy in 2012. Using the Company's extensive technical database, NZEC has identified a number of features similar to Copper Moki-1 on 3D seismic. NZEC's in-country team is initiating the resource consent and surface access approval process for the 3D targets to prepare for continued advancement of multiple prospects in 2012. NZEC has also identified additional targets on 2D seismic and has initiated the steps required for a 3D seismic program in 2012 that will cover 100-km2 of the northern region of the Eltham and Alton permits, to more accurately define drilling targets and significantly reduce exploration risk.

NZEC's exploration strategy is to prioritize wells that have a well-defined, lower-risk Mt. Messenger target coupled with deeper exploration targets such as the Moki Formation and the Kapuni Group.

East Coast Basin

On its East Coast Basin properties, NZEC is expanding its knowledge of the extensive shale packages that are the source of more than 300 oil and gas seeps. NZEC is on track to re-drill and deepen the Ranui-1 well in late December (NTD: is this correct >>> thought we were doing and offsetting core drill). Originally drilled by the previous permit holder in 2008, Ranui-1 encountered 224 metres of prospective Whangai Shale before reaching total depth of 1,134 metres, but did not penetrate the base of the Whangai Shale. NZEC's Ranui-2 core well will core the Whangai Shale across several intervals and will drill though the base of the Whangai Shale and into the underlying conventional reservoir sands.

NZEC is also interpreting the results of two test holes that cored the Waipawa Shale formation on NZEC's Castlepoint Permit. The information obtained from the Ranui and Castlepoint core holes will help determine the potential of the Whangai and Waipawa Shale formations and focus NZEC's exploration strategy for 2012.

Use of Proceeds

On August 3, 2011, NZEC closed the Offering for gross proceeds of $20,000,000. NZEC's intended use of the net proceeds over the next 12 to 15 months, compared to the anticipated use of proceeds as outlined in the Prospectus, is shown below.

Property	Operation	Anticipated use of proceeds in the Prospectus $	Current anticipated use of proceeds $
Taranaki Basin			
Eltham Permit	• Drill and tie in 1 well targeting Urenui/ Mt. Messenger Formation • Complete and tie in Copper Moki-1 Well • Reprocess 3D seismic survey	6,600,000	6,600,000
Alton Permit	• Drill and complete Talon-1 Well • Commence drilling of second exploration well	6,500,000	6,500,000
East Coast Basin			
Castlepoint Permit	• Drill 2 core wells • Technical studies • Reprocess 2D seismic data	625,000	625,000
Ranui Permit	• Re-enter and evaluate Ranui-1 Well • Technical studies, seismic reprocessing and core sampling	3,175,000	3,175,000
East Cape Permit *	• Technical studies and surveys • Evaluate and analyze data	290,000	290,000
Working capital as at June 30, 2011		206,000	442,904
Other			
Costs of the Offering (Paid) (including legal, regulatory, audit and printing expenses)		400,000	431,700
Agents' commission (Paid)		730,000	511,395
Reserves for acquisition opportunities		2,500,000	2,500,000
		25,284,000	**25,333,999**

* Budget contingent on receipt of permit.

As at the date of the filing of the MD&A, management does not anticipate any significant changes to its current anticipated use of proceeds. Furthermore, the above anticipated use of proceeds does not account for the over-allotment option related to the Offering that closed on September 2, 2011 for $1,910,500 in additional proceeds available for future corporate and resource development.

RESULTS OF OPERATIONS FOR THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2011

Period Expenses

During the three-month period ended September 30, 2011, the Corporation incurred total expenses of $3,826,072. A stock-based compensation of $663,997 was recorded during the period for the fair value of stock options granted. The Corporation recorded a resource property write-off of $2,526,773 for the Talon-1 well as the Corporation does not believe that the costs will generate future economic benefits due to the geological assessment of the well results. The Corporation reclassified $286,805 in prior period professional fees relating to share issuance costs resulting in a credit balance as at period end. The Corporation reclassified $28,427 in prior period consulting fees relating to resource property development costs which also resulted in an ending credit balance. Management fees were in line with the consulting agreements entered into with J. Proust & Associates Ltd. ("JPA") and Wexford Energy Ltd ("Wexford") as detailed in the related party transactions recorded during the period. Travel and promotion materially related to travel costs associated with marketing of the Offering. On February 21, 2011, the Corporation entered into an asset purchase agreement ("IRBA Agreement") with Ian R. Brown Associates Limited ("IRBA") pursuant to which the Corporation acquired certain assets and agreed to offer employment to certain IRBA employees. As a result of the IRBA Agreement, the Corporation began incurring office and general costs for a larger office in Wellington, along with the additional salary and wages of its in-country staff. The remaining general and administrative costs were reflective of the Corporation's current stage of development.

Interest Income

The Corporation earned $27,586 of interest income on its excess cash and cash equivalent balances held during the three-month period ended September 30, 2011.

Net Loss and Funds from Operations

The Corporation generated net loss of $3,798,486 ($0.04 per share) for the period ended September 30, 2011.

RESULTS OF OPERATIONS FOR NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2011

Period Expenses

During the nine-month period ended September 30, 2011, the Corporation incurred total expenses of $6,773,260. A one-off non-cash stock-based compensation adjustment of $1,000,000 was recognized during the period to reflect the issuance of 2,000,000 common shares pursuant to the IRBA Agreement. Also, stock-based compensation of $663,997 was recorded during the period for the fair value of stock options granted. The Corporation recorded a resource property write-off of $2,526,773 for the Talon-1 well after no positive results were identified in drillings during the period. Professional and consultant fees recorded during the period were significant as the Corporation continued its development activities and as a result of the ongoing Offering and Listing process. Management fees were in line with the consulting agreements entered into with JPA and Wexford as detailed in the related party transactions recorded during the period. Travel and promotion included additional costs associated with a senior management and brokers' trip to New Zealand in February and traveling costs associated with marketing the Offering. On March 1, 2011, as a result of IRBA Agreement, the Corporation began incurring office and general costs for a larger office in Wellington, along with the additional salary and wages of its in-country staff. The remaining general and administrative costs were reflective of the Corporation's current stage of development.

Interest Income

The Corporation earned $54,262 of interest income on its excess cash and cash equivalent balances held during the nine-month period ended September 30, 2011.

Net Loss and Funds from Operations

The Corporation generated net loss of $6,718,998 ($0.08 per share) for the period ended September 30, 2011.

SUMMARY OF QUARTERLY RESULTS

	September 30, 2011 $	June 30, 2011 $	March 31, 2011 $	From incorporation on October 29, 2010 to December 31, 2010 $
Total assets	33,566,611	10,683,239	11,491,806	6,301,322
Resource properties	9,509,095	4,641,525	3,161,561	60,222
Working capital	18,699,022	5,333,999	7,596,329	5,857,692
Accumulated deficit	(17,057,134)	(13,258,649)	(12,168,826)	(10,338,136)
Total comprehensive loss	(4,279,538)	(773,524)	(1,878,754)	(10,338,136)
Basic and diluted loss per share	(0.04)	(0.01)	(0.03)	(0.24)

CAPITAL SPENDING

For the nine-month period ended September 30, 2011, the Corporation incurred $9,448,873 in expenditures on the Properties. This amount included $110,131 of asset retirement costs relating to the Eltham Permit due to the drilling of the Copper Moki-1 well, along with $353,172 on consulting expenditures and $4,443,970 for well development. The Corporation incurred acquisition costs of $2,140,203 toward acquisition of the Alton Permit Agreement and incurred $33,098 in asset retirement costs relating to the Alton Permit due to the drilling of the Talon-1 well. Well development costs of $2,519,750 were initially capitalized in relation to the drilling on the Talon-1 well but were then written off as the Corporation does not believe that these costs will generate future economic benefits since no positive results were identified. The Corporation also incurred acquisition costs of $2,147,603 related to acquisition of the Ranui Permit.

LIQUIDITY AND CAPITAL RESOURCES

The consolidated financial statements of the Corporation for the period ended September 30, 2011 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. At September 30, 2011, the Corporation had working capital of $18,699,022.

As at September 30, 2011 the Corporation had earned a 100% interest in the Eltham Permit, acquired the Castlepoint Permit, made application for the East Cape Permit, entered into a permit acquisition agreement to obtain a 100% interest in the Ranui Permit and entered into a second permit acquisition agreement to obtain a 50% working interest in the Alton Permit. These PEP acquisition activities have been financed through a series of private placement offerings. Management believes the Corporation has sufficient capital to discharge the Corporation's liabilities and commitments in the normal course of business and fund ongoing operations and planned capital expenditures over the next 12 to 15 months.

Since the commencement of operations on April 19, 2010, the Corporation has incurred general and administrative expenses relating to the legal and auditing costs associated with the formation of the Corporation, completion of private placements, acquisitions, opening offices in Vancouver, Canada and Wellington, New Zealand, hiring of personnel, and the completion of the Offering and the Listing. On February 21, 2011, the Corporation entered into the IRBA Agreement with IRBA through which the Corporation acquired certain assets and agreed to offer employment to certain IRBA employees. As a result of the IRBA Agreement, the Corporation began incurring office and general costs for a larger office in Wellington, along with the additional salary and wages of its in-country staff. The Corporation's estimated general and administrative costs over the next 12 months are expected to be approximately $284,000 per month.

The Corporation's policy is to maintain an adequate capital base for the objective of maintaining financial flexibility and investor confidence and to sustain the future development of the business.

The Corporation's capital includes share capital and the cumulative deficit. The Corporation's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Corporation's objective is met by maintaining adequate equity and working capital to meet future capital expenditure requirements.

The Corporation's oil and natural gas interests are in the exploration and evaluation stage and the Corporation has not yet determined whether its oil and natural gas properties contain reserves that are economically recoverable. Accordingly, the recoverability of amounts recorded as oil and natural gas resources is dependent upon the existence and discovery of economically recoverable oil and natural gas reserves and the ability of the Corporation to secure adequate sources of financing to fund the development of its assets and achieve production. The outcome of these matters cannot be predicted with certainty at this time.

CASH FLOWS

Operating Activities

For the period ended September 30, 2011, the Corporation incurred a net loss of $6,718,998. Non-cash income statement amounts recorded during the period included $1,663,997 in stock-based compensation, $34,390 in amortization and accretion, $2,526,773 resource property write-offs, and $13,110 in additional items factoring a foreign exchange gain. Total change to non-cash working capital items during the period amounted to $526,640 for an aggregate use of cash in operating activities of $3,033,588.

Investing Activities

For the period ended September 30, 2011, the Corporation incurred $5,885,818 on the continued acquisition and development of the Properties. The majority of these costs included the acquisition of the Alton and Ranui permits and the drilling of the Copper Moki-. The Corporation incurred $326,927 on intangible assets and $67,913 on property, plant and equipment due to the negotiated acquisition on certain of the IRBA assets. Total cash used in investing activities for the period was $6,277,598.

Financing Activities

For the period ended September 30, 2011, financing activities provided for $26,452,375. All cash provided from financing activities was a result of issuing seed capital and the completion of the Offering for gross proceeds of $21,910,500.

RELATED PARTY TRANSACTIONS

Consulting Agreement between J. Proust & Associates Inc., John G. Proust and the Corporation

The Corporation entered into an amended and restated consulting agreement dated July 13, 2011 with John G. Proust and JPA. Pursuant to the agreement, the Corporation has agreed to pay:

a. $15,000 (plus HST) per month to JPA for providing the business advice, management and advisory services of Mr. Proust commencing November 12, 2010;

b. $37,000 (plus HST) per month to JPA for providing the services of the Corporation's Chief Financial Officer, Corporate Secretary and Vice President Corporate and Legal Affairs and for finance, accounting and administrative services provided to the Corporation commencing December 31, 2010; and

c. $7,000 (plus HST) per month to JPA for providing the services of the Corporation's Vice President Communications and Investor Relations commencing July 11, 2011.

Period-end balances arising from the purchase of goods and services under this agreement totalled $nil.

As at September 30, 2011, the CEO of the Corporation owes the Corporation $30,000 for the subscription of 30,000 common shares of the Corporation issued during the period. This amount was included in the account receivable balance and was fully received subsequent to the period-end.

Consulting Agreement between Wexford Energy Ltd., Bruce G. McIntyre and the Corporation

The Corporation entered into a consulting agreement effective November 1, 2010 with Wexford and Bruce G. McIntyre, pursuant to which it has agreed to pay Wexford $16,000 (plus HST) per month for management services provided to the Corporation. The consulting agreement also retains the services of Mr. McIntyre as President of the Corporation. Period-end balances arising from the purchase of goods and services under this agreement totalled $20,160. Subsequent to period end, the consulting agreement was amended to increase the monthly consulting fee to $18,000 (plus HST).

IRBA Agreement

NZEC entered into an asset purchase agreement with IRBA pursuant to which NZEC acquired certain of IRBA's assets, including geological data, office equipment, personnel and an office lease in Wellington, New Zealand. In consideration for the transfer of the assets, NZEC paid $400,000 and issued 2,000,000 common shares to IRBA, at a deemed price of $0.50 per common share.

Employment Agreement between Ian R. Brown and NZEC Management Limited

NZEC entered into an employment agreement effective March 1, 2011 with Dr. Ian R. Brown, pursuant to which it has agreed to pay Dr. Brown $15,000 per month for providing his services as Chief Operating Officer of the Corporation.

Consulting Agreement between Cliff P. Butchko and the Corporation

The Corporation entered into a consulting agreement effective April 1, 2011 with Cliff P. Butchko, pursuant to which it has agreed to pay Mr. Butchko $15,000 (plus HST) per month for consulting services provided to the Corporation. The consulting agreement also retains the services of Mr. Butchko as Vice President, Engineering of the Corporation. Period-end balances arising from the purchase of goods and services under this agreement totalled $16,800.

The related party transactions incurred during the year were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed by the related parties.

ESCROWED SHARES AND TRADING SUMMARY

Escrowed Shares

In accordance with a lockup agreement, escrow agreement and pooling agreement, 45,064,334 common shares owned or controlled by certain directors and officers of the Corporation were escrowed at the Listing Date. The shares will be released over 36 months from the Listing Date as follows:

Release date	Number of common shares
August 3, 2011	200,000 (released)
February 3, 2012	300,000
May 3, 2012	5,853,934
August 3, 2012	6,773,400
February 3, 2013	8,851,200
August 3, 2013	8,851,200
February 3, 2014	8,851,200
August 3, 2014	6,713,400
Total	46,394,334

Voluntary Escrowed Shares

In accordance with a voluntary pooling agreement, 25,104,000 additional common shares not owned or controlled by certain directors and officers of the Corporation were escrowed at the Listing Date. The shares will be released over 12 months from the Listing Date as follows:

Release Date	Number of Common Shares
August 3, 2011	851,600 (released)
September 3, 2011	851,600 (released)
October 3, 2011	851,600 (released)
November 3, 2011	6,063,100 (released)
December 3, 2011	851,600
February 3, 2012	5,211,500
May 3, 2012	5,211,500
August 3, 2012	5,211,500
Total	25,104,000

Trading Summary

	Price Range ($)		
Period	**High**	**Low**	**Volume**
August (4 – 31)	1.39	0.93	3,424,848
September	1.77	1.03	8,534,598
October	1.24	0.95	3,221,224
November (1 – 23)	1.08	0.93	2,055,420

OFF-BALANCE SHEET ARRANGEMENTS

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Corporation's critical accounting estimates are those estimates having a significant impact on the Corporation's financial position and operations and that require management to make judgments, estimates and assumptions in the application of IFRS. Judgments, estimates and assumptions are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As events occur and additional information is obtained, these judgments, estimates and assumptions may be subject to change. The following are the critical accounting estimates used in the preparation of the Corporation's audited financial statements.

Assessment of Commercial Reserves

Management is required to assess the level of the Corporation's commercial reserves together with the future expenditures to access those reserves, which are used in determining the amortization and depletion charge for the period and assessing whether any impairment charge is required. The Corporation employs independent reserve specialists who periodically assess the Corporation's level of commercial reserves by reference to data sets including geological, geophysical and engineering data together with reports, presentation and financial information pertaining to the contractual and fiscal terms applicable to the Corporation's assets. In addition, the Corporation undertakes its own assessment of commercial reserves and related future capital expenditures by reference to the same datasets using its own internal expertise. As the Corporation is in the exploration phase of its development, there are presently no identifiable commercial reserves.

Impairment

At each reporting date, the Corporation reviews the carrying amounts of its facilities and equipment and exploration and evaluation assets to determine whether there is any indication that those assets have suffered an impairment loss. Individual assets are grouped together as a cash-generating unit for impairment assessment purposes at the lowest level at which there are identifiable cash inflows that are independent from other group assets. In the case of exploration and evaluation assets, this will normally be at the Corporation's field level. If any such indication of impairment exists, the Corporation makes an estimate of its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. Where the carrying amount of a cash-generating unit exceeds its recoverable amount, the cash generating unit is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are adjusted for the risks specific to the cash generating unit and are discounted to their present value with a discount rate that reflects the current market indicators. Where an impairment loss subsequently reverses, the carrying amount of the asset cash generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the cash generating unit in prior periods. A reversal of an impairment loss is immediately recognized as income.

Decommissioning Provisions

Management of the Corporation has determined, based on its understanding of the contractual agreements in New Zealand to which the Corporation is a party, that the Corporation had an asset retirement obligation of $148,684 as at September 30, 2011. The Corporation's asset retirement obligations resulted from net ownership in oil and gas development activity. The Corporation estimates the total undiscounted amount of cash flows required to settle its asset retirement obligations to be approximately NZ$210,000 which will be incurred after 2013. However, these assumptions involve judgment, which may be subject to change, and therefore the position will be reviewed on an ongoing basis. A change in circumstances may also result in additional liabilities being recorded in future periods.

Income Taxes

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be used. To the extent that the Corporation does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Stock-based Payment Transaction

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in share-based payment reserve. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value for employee options is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the non-employee provides the goods or the services.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

FUTURE ACCOUNTING POLICIES

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board ("IASB") or International Financial Reporting Interpretations Committee that are mandatory for accounting periods. The standards impacted that are applicable to the Corporation are as follows:

Financial Instruments

IFRS 9 Financial instruments ("IFRS 9") was issued by IASB on November 12, 2009 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Corporation is currently evaluating the impact of IFRS 9 on its financial statements.

Related Party Disclosures – Revised Definition of Related Parties

On November 4, 2009, IASB issued a revised version of IAS 24 Related Party Disclosures ("IAS 24"). IAS 24 requires entities to disclose in their financial statements information about transactions with related parties. Generally, two parties are related to each other if one party controls, or significantly influences, the other party. IAS 24 has simplified the definition of a related party and removed certain of the disclosures required by the predecessor standard. The revised standard is effective for annual periods beginning on or after January 1, 2011. The Corporation is currently evaluating the impact of the change to IAS 24 on its financial statements.

Other Recently Issued Accounting Standards

IASB issued and amended the following standards which have not yet been adopted by the Corporation: IFRS 7 amendments "Financial Instruments: Disclosures", IFRS 9 "Financial Instruments: Classification and Measurement", IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities", and IFRS 13 "Fair Value Measurement". Each of the new standards is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Corporation has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

FINANCIAL INSTRUMENTS

The Corporation's principal financial liabilities are composed of trade and other payables and amounts due to related parties. The main purpose of these financial instruments is to manage short-term cash flow and raise finances for the Corporation's capital expenditure program. The Corporation has various financial assets, including cash and amounts receivable, which arise directly from its operations. The carrying value of these financial instruments is approximated by their fair value due to their short-term nature.

The Corporation's activities expose it to a variety of financial risks: interest rate risk, credit risk, foreign exchange risk, liquidity risk and market risk. The Corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Corporation's financial performance.

Risk management is carried out by senior management and is overseen by the Board of Directors.

Interest Rate Risk

The Corporation's only significant interest-bearing asset as at September 30, 2011 is its cash equivalents of $23,187,827. The Corporation's income and operating cash flows are not significantly affected by changes in market interest rates.

The Corporation has no debt which carries interest rate risk.

Credit Risk

Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions.

There is no significant concentration of credit risk other than cash deposits. The Corporation's cash deposits are primarily held with a high-quality Canadian financial institution.

Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Corporation incurs expenditures in currencies other than Canadian dollars and is thereby exposed to foreign exchange risk arising from currency exposures. Where this risk exists, and is material, the Corporation holds cash in currencies in amounts approximately equivalent to the amount of expenditure that the Corporation expects to incur in that currency. Alternatively, the Corporation may enter into forward exchange contracts.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash or marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to pay obligations as they fall due. Due to the dynamic nature of the underlying businesses, the Corporation aims to maintain the maximum flexibility in funding options as deemed prudent. Financial liabilities at September 30, 2011 included $4,937,007 of accounts payable and accrued liabilities, and $37,000 due to related parties balance that have a contractual maturity date of less than one year from September 30, 2011. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

The Corporation is currently considering funding options that are available, including raising additional funds from institutional investors or current shareholders, and is confident that funding will be available to meet its near- and long-term work programs.

Market Risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. The market price movements that could adversely affect the value of the Corporation's financial assets, liabilities and expected future cash flows include commodity price risk and foreign exchange risk.

SHARE CAPITAL

The Corporation's authorized share capital consists of an unlimited number of voting common shares. As at September 30, 2011, the Corporation had 100,609,105 common shares outstanding.

As of the date of this MD&A, the Corporation's share capitalization included 100,609,105 common shares, 637,315 warrants and 5,048,000 stock options for a fully diluted capitalization of 106,294,420.

FORWARD-LOOKING INFORMATION

This MD&A 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 "anticipate", "continue", "estimate", "expect", "may", "will", "project", "propose", "should", "believe", "initiate", "with the objective of", "plan", 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, including without limitation, 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 cots 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 discussed under "Risk Factors" in NZEC's Prospectus dated July 19, 2011. NZEC 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. Such forward-looking statements included in this news release should not be unduly relied upon. These statements speak only as of the date of this MD&A and NZEC does not undertake to update any forward-looking statements that are contained in this MD&A, except in accordance with applicable securities laws.