NEW ZEALAND ENERGY CORP.

First Quarter 2013
Management's Discussion and Analysis

March 31, 2013

(Expressed in Canadian Dollars)

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 "Company") for the year ended December 31, 2012, and the unaudited condensed consolidated interim financial statements for the period ended March 31, 2013, as publicly filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

NZEC reports in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the following disclosure, and associated unaudited condensed consolidated interim financial statements, are presented in accordance with IFRS. This MD&A is prepared as of May 24, 2013 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" and on the OTCQX International Exchange under the symbol "NZERF". Additional information is available on SEDAR and on the Company's website at www.newzealandenergy.com.

DESCRIPTION OF BUSINESS

NZEC, through its wholly-owned subsidiaries (collectively "NZEC" or "the Company") is engaged in the exploration, development and production of oil and natural gas resources in New Zealand. The Company's major assets are located in the Taranaki Basin and East Coast Basin of New Zealand's North Island. NZEC has drilled ten exploration wells in the Taranaki Basin and made six oil discoveries. Four wells are in production, two are pending further evaluation of the installation of artificial lift, and results are pending from one well.

In the Taranaki Basin, NZEC holds a 100% interest in Petroleum Exploration Permit ("PEP") 51150 (the "Eltham Permit"), a 65% interest in PEP 51151 (the "Alton Permit") in partnership with L&M Energy Limited ("L&M"), and a 60% interest in PEP 54867 (the "Manaia Permit") in partnership with New Zealand Oil & Gas. In addition, NZEC has entered into an agreement (the "Origin Agreement") with Origin Energy Resources NZ (TAWN) Limited, a wholly-owned subsidiary of Origin Energy Limited (collectively "Origin"), to acquire upstream and midstream assets in the Taranaki Basin including four Petroleum Mining Licenses ("Petroleum Licenses") totalling 26,907 acres as well as the Waihapa Production Station and associated gathering and sales infrastructure. The acquisition is expected to close in Q2-2013, subject to certain conditions precedent and subject to increasing the Company's financial capacity in order to meet its commitments under the Origin Agreement.

In the East Coast Basin, NZEC holds a 100% interest in PEP 52694 (the "Castlepoint Permit") and a 100% interest in PEP 38342 (the "Ranui Permit"), and will hold a 100% interest in PEP 52976 (the "East Cape Permit") pending the grant of that permit by New Zealand Petroleum & Minerals ("NZPAM"). The application for the East Cape Permit is uncontested and the Company expects the permit to be granted upon completion of NZPAM's review of the application. In addition, NZEC has entered into a binding agreement with Westech Energy New Zealand ("Westech"), a wholly-owned subsidiary of Energy Company of America, to acquire 80% ownership and become operator of PEP 38346 (the "Wairoa Permit"). Preliminary approval of transfer of ownership was obtained from NZPAM on December 20, 2012 and formation of a joint arrangement with Westech is subject to completion of a joint operating agreement and final NZPAM approval.

APPROACH TO BUSINESS

New Zealand offers a unique opportunity to develop hydrocarbon resources in multiple underexplored onshore and offshore sedimentary basins. All of the current production in the country is derived from the Taranaki Basin in conventional targets using mostly vertical wells and limited enhanced technology. Despite highly prospective geology and more than 50 years of oil and gas production from significant onshore and offshore discoveries, New Zealand remains vastly underexplored. All of 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.

NZEC has chosen to focus its activities in New Zealand and has developed a business model with four main steps: identifying high-quality assets on trend with oil and gas producing fields and executing strategic acquisitions or farm-in agreements; developing local partnerships through open communication and collaboration; prioritizing exploration leads identified on 3D seismic with multiple prospective formations; growing reserves, production and cash flow with oil-focused exploration success.

As part of its commitment to developing local partnerships, in February 2012 NZEC entered into a Cooperation Agreement with Te Runanga o Ngati Ruanui Trust ("TRoNRT"), an iwi (tribe) located in South Taranaki near NZEC's Eltham and Alton permits. Under the terms of the agreement, TRoNRT will support NZEC's exploration, development and production activities within the Ngati Ruanui area and NZEC will contribute to positive cultural, economic and social outcomes for the development of Ngati Ruanui and its communities. NZEC is working closely with Ngati Ruanui as exploration and development proceeds in the Taranaki Basin, and also communicates regularly with a number of iwi groups in the East Coast Basin to discuss the Company's exploration and development plans.

NZEC's near-term exploration and production activities are focused in the Taranaki Basin, with four wells currently producing from the Mt. Messenger formation. NZEC's Taranaki permits are on trend with numerous oil and gas producing fields, some of which have been producing for decades, and the Taranaki Basin offers multi-zone potential from drill-proven formations. NZEC's Taranaki exploration strategy is to prioritize drilling of wells based on 3D seismic that have well-defined, lower-risk Mt. Messenger targets coupled with additional exploration potential from the shallower Urenui formation and the deeper Moki, Tikorangi and Kapuni formations.

In the East Coast Basin, 300 oil and gas seeps have been sourced back to two oil shale formations, the Waipawa and the Whangai. Historical exploration in the basin has been focused on conventional Miocene sands sitting above the oil shales. NZEC's goal is to unlock the potential of the oil shale formations using modern technology.

NZEC is committed to meeting the highest environmental and safety standards and bringing long-term benefits to the communities in which it works.

FINANCIAL SNAPSHOT

	Current quarter ended March 31, 2013	Preceding quarter ended December 31, 2012	Comparative quarter ended March 31, 2012
Production	30,179 bbl	29,516 bbl	39,852 bbl
Sales	27,246 bbl	29,901 bbl	34,659 bbl
Price	112.35 $/bbl	103.98 $/bbl	117.94 $/bbl
Production costs	62.08 $/bbl	59.63 $/bbl	22.25 $/bbl
Royalties	4.98 $/bbl	5.39 $/bbl	5.16 $/bbl
Field netback	45.29 $/bbl	38.96 $/bbl	90.53 $/bbl
Revenue	2,925,258	2,948,042	3,908,683
Pre-production recoveries	-	338,321	1,351,630
Total comprehensive income (loss)	1,313,397	(1,333,805)	799,032
Net finance expense (income)	17,887	(11,548)	(18,311)
(Loss) earnings per share – basic and diluted	(0.02)	(0.02)	0.00
Current assets	48,199,638	49,137,637	76,167,931
Total assets	129,545,992	116,059,939	96,979,923
Total long-term liabilities	3,273,617	2,598,840	250,559
Total liabilities	33,939,619	23,442,632	6,017,299
Shareholders' equity	95,606,373	92,617,307	90,962,624

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

During the three-month period ended March 31, 2013, the Company produced 30,179 barrels of oil and sold 27,246 barrels for total oil sales of $3,061,064, averaging $112.35 per barrel. Total recorded production revenue net of a 5% royalty payable to the New Zealand Government (an average of $4.98 per barrel) was $2,925,258. Production costs during the three-month period ended March 31, 2013 totalled $1,691,405, or an average of $62.08 per barrel, generating a field netback on average of $45.29 per barrel during the first quarter. NZEC calculates the netback as the oil sale price less fixed and variable operating costs and a 5% royalty. While the field netback in Q1-2013 increased compared to the last quarter as the result of a higher realized oil price, field netbacks have declined compared to Q1-2012 as the result of decreased oil production related to well declines coupled with higher fixed production costs as a result of more wells coming into production during the prior year. Each new well site brings additional production costs to the Company in the form of equipment rentals and manpower. The Company has also undertaken a number of reservoir and production tests in recent months with the objective of optimizing oil production, and these tests have added to production costs. During the three-month period ended March 31, 2013, fixed production costs represented approximately 89% of total production costs. The Company is implementing measures to reduce production costs and increase oil production. In order to reduce production costs associated with manpower and equipment rentals, the Company installed permanent production facilities at the Copper Moki site. Installation was completed in May and the facilities are currently being commissioned. Permanent facilities are expected to reduce production costs considerably in future quarters as the equipment is owned by NZEC and operated and maintained by NZEC employees. In addition, the Company has engaged an independent reservoir management company to review the Copper Moki wells and identify opportunities to enhance recovery and optimize oil production from the wells.

At May 22, 2013, the Company had an estimated $12.0 million in net working capital. This includes US$35 million that has been placed on deposit to satisfy the balance of the purchase price of the acquisition of assets from Origin, as summarized below in *Property Review*, *Origin Agreement*. The Company has secured a US$34.5 million operating line of credit against the US$35 million deposit and to date has drawn down US$27.4 million.

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, with total production of approximately 130,000 boe/d from 18 fields. Within the Taranaki Basin, NZEC holds a 100% interest in the Eltham Permit; a 65% interest in the Alton Permit in joint arrangement with L&M and a 60% interest in the Manaia Permit in joint arrangement with New Zealand Oil & Gas ("NZOG"). The Eltham Permit covers approximately 93,166 acres (377 km^2) of which approximately 31,877 acres (129 km^2) are offshore in shallow water. The Alton Permit covers approximately 119,204 onshore acres (482 km^2). NZEC increased its interest in the Alton Permit from 50% to 65% by completing the acquisition and processing of approximately 50 km^2 of 3D seismic across the northern end of the permit. Transfer of the additional 15% interest was approved by NZPAM on December 21, 2012. The Manaia Permit covers approximately 27,426 onshore acres (111 km^2) and was granted to NZEC and NZOG in December 2012 as part of the annual New Zealand block offer for exploration permits.

NZEC also expects to acquire four Petroleum Licenses and the Waihapa Production Station upon completion of the acquisition of assets from Origin, as outlined below under *Origin Agreement*.

<u>Production</u>

At the date of this MD&A, four wells have been advanced to commercial production. The wells are producing light oil that is trucked to the Shell-operated Omata tank farm and sold at Brent pricing. Cumulatively, as of the date of this report, the Company has produced approximately 251,581 barrels of oil, with cumulative pre-tax oil sales of approximately $26.8 million, including sales from oil produced during testing (net results of operations are discussed under *Results of Operations*). Over 20 production days in May 2013, the wells have collectively produced oil at an average rate of 225 bbl/day and generated gas at an average rate of 621 mcf/day.

Copper Moki-1 has been producing from the Mt. Messenger formation since December 10, 2011. Copper Moki-2 has been producing from the Mt. Messenger formation since April 1, 2012. Copper Moki-3 has been producing from the Mt. Messenger formation since July 2, 2012. The wells produce ~42^o API oil and flowed from natural reservoir pressure until October 2012, when NZEC began installing artificial lift (pump jacks) to stabilize production rates. All three wells are now producing with artificial lift.

Waitapu-2 has been producing from the Mt. Messenger formation since December 20, 2012. The well produces ~40^o API oil and has continued to flow from natural reservoir pressure, and will require artificial lift in the near term. To assist with reservoir studies at the Copper Moki wells, NZEC has run down-hole gauges into Waitapu-2 that will continually measure the bottom hole temperature and pressure of the reservoir. Like the Copper Moki wells, Waitapu-2 is producing from the Mt. Messenger formation and the data will provide a good analogue for the Copper Moki reservoir. Waitapu-2 will be shut in towards the end of May for up to 90 days to gather valuable information for the planned reservoir study, while the Company also evaluates artificial lift options for the well.

Production declines from the Copper Moki wells have been greater than expected and have prompted the Company to initiate a reservoir review. These wells are known to produce low pour point oil with associated wax. While a decline in production is expected over time, it is possible that the higher decline rates may be due not to reservoir conditions but rather to mechanical issues, including wax build-up down-hole. Oil analysis shows that the wax appearance temperature may be only slightly lower than the bottom-hole temperature, allowing wax to build up around the pump, in the perforations and potentially in the formation itself. The Company has conducted a number of tests to resolve this issue and has found that flow from the wells improves following condensate washes, which dissolve wax that has formed around the pump. The team is analysing the results of condensate washes conducted to date in order to identify the optimal interval between each wash. Information collected from the Waitapu-2 gauges will provide additional insight into the formation temperature and wax issues. Further work has been carried out by an independent firm to develop a pour point depressant that could be used to treat wax deposition at the pump and well bore. A trial is planned in the near term. In addition, the Company has engaged an independent reservoir management company to investigate the cause of and identify remedies to these issues in an effort to optimize oil production. Such remedies may include stimulation of well flow with condensate washes, modified pumping mechanisms or other forms of reservoir stimulation.

All four producing wells generate both oil and liquids-rich natural gas; however, the Company is not yet generating cash flow from natural gas production. The Company has completed a natural gas pipeline from the Copper Moki site to the Waihapa Production Station and is considering a number of options to tie-in the Waitapu site, including the possibility of building a pipeline to deliver Waitapu's rich gas to the Copper Moki site and on to the Waihapa Production Station through the existing Copper Moki pipeline. A pipeline would minimise infrastructure at the Waitapu site, and ultimately reduce production costs associated with the well. The Company will consider all options as it evaluates the economics associated with artificial lift and infrastructure at the Waitapu site.

Well Sites

NZEC has drilled ten wells on its Eltham Permit and made six oil discoveries, with results still pending from one well. The wells have been drilled from four separate sites, demonstrating repeatability in the Mt. Messenger formation as the Company drilled away from its original Copper Moki discovery.

The table below summarizes the drilling Company's drilling results:

	Formation		
Well	**Urenui**	**Mt. Messenger**	**Moki**
Copper Moki-1		✓	
Copper Moki-2		✓	
Copper Moki-3		✓	
Copper Moki-4	✓		
Waitapu-1		Pending further evaluation	
Waitapu-2		✓	
Arakamu-1A			Pending further evaluation
Arakamu-2		✓	
Wairere-1		Sidetracked	
Wairere-1A		Pending completion	

✓ - Successful hydrocarbon discovery

Copper Moki site

The Copper Moki-1, Copper Moki-2 and Copper Moki-3 wells discovered oil in the Mt. Messenger formation and were subsequently placed into production.

Copper Moki-4, discovered oil in the Urenui formation, which is shallower than the Mt. Messenger formation and produces heavier oil (~29^o API) with a pour point of approximately 42^{o}C, which is very close to the reservoir temperature. Copper Moki-4 is currently shut in pending the well test analyses and economic evaluation of artificial lift systems required to make a production decision.

Waitapu site

The Waitapu site is located approximately 1.3 km south of the Copper Moki site.

The Waitapu-1 well was drilled to a total measured depth of 2,213 metres (1,926 metres true vertical depth) and encountered a sand interval within the Mt. Messenger formation with oil and natural gas shows. However, the permeability and porosity was such that the well did not immediately yield economic production. The well has been suspended pending further evaluation and/or sidetrack to an alternate target.

The Waitapu-2 well was drilled to a total measured depth of 2,085 metres (1,977 metres true vertical depth), encountering approximately 6.2 metres of net pay in the Mt. Messenger formation. The well was flow tested in November and commenced commercial production on December 20, 2012. The well produces ~40^o API oil and has been flowing from natural reservoir pressure, and will require artificial lift in the near term. To assist with reservoir studies at the Copper Moki wells, NZEC has run down-hole gauges into Waitapu-2 that will continually measure the bottom hole temperature and pressure of the reservoir. Waitapu-2 will be shut in towards the end of May for up to 90 days to gather valuable information for the planned reservoir study, while the Company also evaluates artificial lift options for the well.

Arakamu site

The Arakamu site is located approximately 3.8 km southwest of the Copper Moki site and 2.5 km south of the Waitapu site.

The Arakamu-1A well reached measured depth of 2,900 metres in the Moki formation (2,653 meters true vertical depth). NZEC perforated and flow tested two zones in the Moki formation but was unable to demonstrate recoverable hydrocarbons, and the well has been suspended pending additional evaluation.

The Arakamu-2 well was drilled to a measured depth of 2,380 metres (1,870 metres true vertical depth), encountering 18 metres of net pay over two separate intervals in the Mt. Messenger formation. Following extensive work over operations to recover stuck tubing and a perforating gun, NZEC commenced testing the Arakamu-2 well in mid-March and swab tested both intervals separately and in tandem over 13 days. The well demonstrated strong inflow of oil, gas and water, with the oil cut increasing over the last three days of swab testing to more than 20%. The well is currently shut in pending the evaluation of artificial lift options.

Wairere site

The Wairere site is located approximately 3.75 km southwest of the Copper Moki site.

The Wairere-1 well was drilled to a measured depth of 1,971 metres (1,875 metres true vertical depth) but did not encounter any hydrocarbon-bearing sands. The Company immediately sidetracked the well to a second target (Wairere-1A), kicking off at a depth of 394 metres and reaching a measured depth of 2,152 metres (1,879 metres true vertical depth). The Wairere-1A well intersected sands in the Mt. Messenger formation with elevated hydrocarbon indications. The well was cased to total depth and completion is pending.

Origin Agreement

In May 2012, the Company entered into the Origin Agreement with Origin to acquire upstream and midstream assets (the "Acquisition"). These assets include four Petroleum Licenses totalling 26,907 acres as well as the Waihapa Production Station and associated gathering and sales infrastructure.

Under the terms of the Origin Agreement, and pursuant to an exclusive arrangement, the Company has agreed to pay Origin consideration in the amount of $42 million in cash, payable in the US$ equivalent at a fixed C$/US$ exchange rate of 1.0349 (US$40.6 million), and such other adjustments as may be required at closing. A $5 million deposit was paid with the remainder due on closing.

Closing of the Acquisition is conditional on the following:

Condition	Status
1. NZPAM approval for transfer of the Petroleum Licenses	NZPAM has voiced support for the transaction
2. New Zealand's Overseas Investment Office approval for acquisition of the land upon which the Waihapa Production Station is situated	Approval obtained
3. Origin completing recommissioning of the TAWN LPG plant	Plant has been certified for operation
4. Origin and/or NZEC entering into an agreement with Contact Energy regarding the use and development of the Ahuroa gas storage facility	In process
5. TSX Venture Exchange conditional approval	Approval obtained

While certain delays have been experienced in completing the Acquisition and related documentation, the Company has continued to engage with Origin in order to finalize certain terms contained in the Origin Agreement. Management continues to work diligently with the aim of concluding this transaction during Q2-2013, subject to increasing the Company's financial capacity in order to meet its commitments under the Origin Agreement.

East Coast Basin

The East Coast Basin of New Zealand's North Island hosts two prospective oil shale formations, the Waipawa and Whangai, which are the source of more than 300 oil and gas seeps. Within the East Coast Basin, NZEC holds a 100% interest in the Castlepoint Permit, which covers approximately 551,042 onshore acres (2,230 km^2), and a 100% interest in the Ranui Permit, which covers approximately 223,087 onshore acres (903 km^2) and is adjacent to the Castlepoint Permit. On September 3, 2010, NZEC applied to the Minister of Energy to obtain a 100% interest in the East Cape Permit. The application is uncontested and the Company expects the East Cape Permit to be granted to NZEC upon completion of NZPAM'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. In addition, NZEC has entered into a binding agreement with Westech to acquire 80% ownership and become operator of the Wairoa Permit, which covers approximately 267,862 onshore acres (1,084 km^2) south of the East Cape Permit. Preliminary approval of transfer of ownership was obtained from NZPAM on December 20, 2012 and formation of a joint arrangement with Westech is subject to completion of a joint operating agreement and final NZPAM approval.

NZEC has completed the coring of two test holes on the Castlepoint Permit. The Orui (125 metres total depth) and Te Mai (195 metres total depth) collected core data across the Waipawa and Whangai shales. NZEC also completed a test hole on the Ranui Permit. Ranui-2 was drilled to 1,440 metres, coring the Whangai shale across several intervals. In Q2-2012, NZEC completed 70 line km of 2D seismic data across the Castlepoint and Ranui permits to further its technical understanding of the area and identify targets for exploration in 2013.

The Wairoa Permit has been actively explored for many years, with extensive 2D seismic data across the permit and log data from more than 15 wells drilled on the property. Historical exploration focused on the conventional Miocene sands. NZEC's technical team has identified conventional opportunities as well as potential in the unconventional oil shales that underlie the property. NZEC's team knows the property well and provided extensive consulting services (through the consulting company Ian R Brown Associates) to previous permit holders, assisting with seismic acquisition and interpretation, wellsite geology and regional prospectivity evaluation. In addition, NZEC's team assisted with permitting and land access agreements and worked extensively with local district council, local service providers, land owners and iwi groups, allowing the team to establish an excellent relationship with local communities. During Q1-2013 the Company initiated a 50 km 2D seismic program on the property that will help to identify exploration targets on the permit, the results of which are currently being processed and reviewed.

OUTLOOK

On February 25, 2013, the Company announced the decision to delay the remaining two wells in its Eltham/Alton drill program to focus on commercial opportunities in the pending acquisition of assets from Origin. The Company's objective is to increase near-term production and cash flow while reducing exploration expenses, and the Company believes that opportunities exist on the Petroleum Licenses to achieve this objective. While this decision in no way diminishes the Company's view of the prospectivity of the Eltham and Alton permits, NZEC intends to focus in the near-term on lower-cost opportunities that are close to infrastructure. The acquisition from Origin includes Petroleum Licenses that are central to a network of oil and gas gathering pipelines and the full-cycle Waihapa Production Station.

The Company is also considering a number of options to increase its financial capacity in order to carry out other anticipated activities, as described below. Details on minimum work program requirements for each permit are outlined in *Permit Expenditure Requirements*.

Taranaki Basin

NZEC is focused on optimizing production and cash flow from its existing wells. The Company's technical and engineering teams, working with independent experts, continue to investigate options to enhance recovery and performance from the Copper Moki and Waitapu wells. In addition, a review is underway to evaluate NZEC's drilling and completion operations to date, in parallel with reprocessing and interpretation of the Company's extensive 3D seismic data, with the goal of recommencing drilling operations early in the third quarter of 2013. The Company has one remaining commitment well on its Alton permit and expects to commence drilling a Mt. Messenger target well in Q3-2013. The Company is responsible for expenditures and is entitled to profits for its respective interest (65% NZEC / 35% L&M).

Upon closing of the acquisition of assets from Origin, NZEC plans to reactivate six wells in the Tikorangi formation using an established gas lift system. Reactivation of these wells is pending the completion and commissioning of Contact Energy's new 18" pipeline, which is expected to provide the gas source to lift these wells. NZEC has also determined that six previously drilled wells on the Petroleum Licenses have uphole completion potential. Recompletion of these wells would be significantly less expensive and faster than drilling new wells, and economic discoveries could be quickly tied in to the Waihapa Production Station using existing oil and gas gathering pipelines. Both the reactivations and uphole completions could bring near-term, low-cost production and cash flow to the Company.

NZEC's technical team has also identified five high-priority Mt. Messenger targets in the southwest corner of the Petroleum Licenses. NZEC has completed permitting for a new site called Waipapa (Oru Rd) and expects that drill pad construction will be complete by mid Q3-2013, allowing the Company to access these targets shortly after the acquisition has closed.

Longer-term exploration plans on the Petroleum Licenses include accessing Mt. Messenger targets from existing drill pads, many of which have gathering pipelines in place, that offer lower-cost exploration potential and can be tied-in to the Waihapa Production Station on an expedited basis. NZEC is advancing a number of new commercial opportunities to use the Waihapa Production Station to its full potential and in order to maximize facility revenues, while ensuring that NZEC's gas and associated natural gas liquids production can be efficiently delivered to market.

Commercial oil discoveries on NZEC's properties and those of its peers have confirmed the prospectivity of the Mt. Messenger formation, which remains NZEC's primary exploration target in the near term. Mt. Messenger leads continue to be refined as the Company interprets its propriety database of 3D seismic. NZEC's technical team has also identified a number of leads in the deeper Moki, Tikorangi and Kapuni formations on both the Petroleum Licenses and the Eltham and Alton permits. Discoveries by other companies have demonstrated significant flow rates and long-term production from reservoirs in these deeper formations. NZEC will continue to advance these leads to drillable prospects and will move these targets higher on the Company's priority list as warranted.

East Coast Basin

NZEC has drilled two stratigraphic holes on its 100% working interest Castlepoint Permit and one stratigraphic hole on its 100% working interest Ranui Permit. These three stratigraphic test wells have advanced NZEC's understanding of the Waipawa and Whangai formations. A review of the geochemical and physical properties of the two shale packages, coupled with information from seismic data, has focused NZEC's exploration strategy for the area. NZEC plans to drill one exploration well on both the Ranui and Castlepoint permits in 2013. The Company has met regularly with local communities to discuss its exploration plans, and has initiated the permitting and consent process for the drill locations.

NZEC completed a 50 km 2D seismic survey on the Wairoa Permit subsequent to March 31, 2013 and is currently processing the data, and will finalize its exploration plans for the permit after reviewing all of the seismic and well log data.

The Company's application for the East Cape Permit is uncontested and NZEC expects the permit to be granted upon completion of NZPAM's review of the application.

SUMMARY OF QUARTERLY RESULTS

	2013 Q1 $	2012 Q4 $	2012 Q3 $	2012 Q2 $
Total assets	129,545,992	116,059,939	98,882,087	98,814,102
Exploration and evaluation assets	49,610,922	37,379,726	26,377,188	25,373,718
Property, plant and equipment	25,793,089	23,867,758	16,293,123	8,674,152
Working capital	17,533,636	28,293,845	45,204,695	53,844,035
Revenues	2,925,258	2,948,041	3,708,254	5,910,993
Accumulated deficit	(22,386,089)	(19,992,243)	(17,804,045)	(15,613,594)
Total comprehensive income (loss)	1,313,397	(1,333,805)	(2,018,634)	1,317,915
Basic (loss) earnings per share	(0.02)	(0.02)	(0.02)	0.01
Diluted (loss) earnings per share	(0.02)	(0.02)	(0.02)	0.01

	2012 Q1 $	2011 Q4 $	2011 Q3 $	2011 Q2 $
Total assets	96,979,923	31,152,804	33,566,611	10,683,239
Exploration and evaluation assets	12,103,712	6,052,699	9,509,095	4,641,525
Property, plant and equipment	8,150,802	5,509,511	63,421	68,366
Working capital	70,401,191	18,030,398	18,699,022	5,333,999
Revenues	3,908,683	974,517	-	-
Accumulated deficit	(16,548,180)	(16,911,070)	(17,057,134)	(13,258,649)
Total comprehensive income (loss)	799,032	(1,258,314)	(4,279,538)	(773,524)
Basic (loss) earnings per share	0.00	0.01	(0.04)	(0.01)
Diluted (loss) earnings per share	0.00	0.01	(0.04)	(0.01)

New Zealand Energy Corp. was incorporated on October 29, 2010 under the Business Corporations Act of British Columbia. Upon incorporation, 40,000,000 common shares were granted to certain directors and officers of the Company in lieu of the services performed and substantial financial guarantees provided to assist in obtaining legal rights to the Castlepoint and East Cape exploration permits within the East Coast Basin. The Company then raised seed capital of $7,000,000 upon the subsequent issuance of 28,000,000 common shares in Q4-2010 and Q1-2011 to engage in the exploration, acquisition and development of petroleum and natural gas assets in New Zealand. This financing was followed by another private placement completed in Q1-2011 for gross proceeds of $5,257,500 on the issuance of 7,010,000 common shares. The Company also entered into an agreement in Q1-2011 with Ian R Brown Associates ("IRBA") pursuant to which it would acquire certain assets and provide employment to certain personnel in consideration for $400,000 and the issuance of 2,000,000 common shares. Also in Q1-2011, upon satisfying the conditions of a deed of assignment, the Company took ownership of its Eltham Permit. Further exploration and evaluation expenditures continued on the Eltham Permit throughout fiscal 2011, which ultimately saw the commercialization of the Copper Moki-1 well in Q4-2011. All costs related to the Copper Moki-1 well were transferred to property, plant and equipment in Q4-2011. In Q2-2011, the Company agreed to acquire a 50% interest in the Alton permit for AUD2,000,000 and fund 100% of the Talon-1 well development costs, which totalled $2,544,131. The Talon-1 well development costs were written off in Q3-2011 due to management's view that the well would not provide any future benefits. In Q2-2011, the Company completed the acquisition of its Ranui permit for US$1,000,000 and the issuance of 1,000,000 common shares.

In Q1-2012, the Company continued its development plans by drilling Copper Moki-2 and Copper Moki-3. In addition, the Company entered into an agreement to increase its interest by 15% within the Alton Permit and completed a bought deal financing for gross proceeds of $63.5 million during the first quarter through issuance of 21,160,000 common shares at a price of $3.00/share. During Q2-2012, the Company reached commercial production with Copper Moki-2, initiated testing of Copper Moki-3 and drilled Copper Moki-4. Copper Moki-3 produced and sold 7,456 barrels of oil during the start-up and testing phase and recorded recoveries of $759,280. During Q2-2012, the Company also entered into the Origin Agreement with Origin to acquire upstream and midstream assets for $42 million in cash, payable in the US$ equivalent of US$40.6 million applying a fixed C$/US$ exchange rate of 1.0349, and such other adjustments as may be required at closing. A $5 million deposit was paid with the remainder due on closing, which is anticipated to occur in Q2-2013. During Q3-2012, the Company reached commercial production with Copper Moki-3, and commenced drilling the first of eight wells planned in the Company's second Eltham/Alton drill program. During Q4-2012 the Company drilled a total of four exploration wells. The Waitapu-2 well reached commercial production towards the end of the quarter. The Waitapu-1 well was suspended pending further evaluation or potential sidetrack. As at the end of Q4-2012, the Company issued a reserve update based on reservoir and production data from the Copper Moki-1, Copper Moki-2, Copper Moki-3 and Waitapu-2 wells, resulting in a 151% increase to 2P reserves compared to year-end 2011. During Q4-2012 the Company also expanded its exploration portfolio by 230,673 net acres and entered into two strategic partnerships; the Company entered into an agreement with Westech to acquire 80% and assume operatorship of the Wairoa Permit in the East Coast Basin, and entered into a joint arrangement with NZOG to explore the Manaia Permit in the Taranaki Basin.

Since the Company's inception, general and administrative costs have been incurred to assist in establishing the operating structure, setting up offices in both Canada and New Zealand, securing key personnel and general business development.

RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2013

Revenue

During the three-month period ended March 31, 2013, the Company produced 30,179 barrels (2012: 39,852 barrels) of oil and sold 27,246 barrels (2012: 34,659) for total oil sales of $3,061,064 (2012: $4,087,676), or $112.35 per barrel (2012: $117.94). Total recorded revenue was $2,925,258 (2012: $3,908,683), which is accounted for net of royalties of $135,806 (2012: $178,993), or $4.98 per barrel sold (2012: $5.16).

Expenses and Other Items

Production costs during the three-month period ended March 31, 2013 totalled $1,691,405 (2012: $771,309) or $62.08 per barrel (2012: $22.25). The increase in production costs in Q1-2013 compared to Q1-2012 was due to the higher fixed production costs to operate four producing wells in Q1-2013 compared to only one producing well in Q1-2012. Included in production costs are all site expenditures relating to the Company's four producing wells, including applicable equipment rental fees, site services, overheads and labour; transportation and storage costs including trucking, testing, tank storage, processing and handling; and port dues as incurred prior to the sale of oil. During the three-month period ended March 31, 2013, fixed operating costs represented approximately 89% of total production costs, giving rise to lower field netbacks in light of reduced oil production. However, the Company is in the process of establishing permanent facilities at several of its wells, some of which will be unmanned, which are expected to reduce the level of fixed operating costs in the longer term.

Depreciation costs incurred during the three-month period ended March 31, 2013 totalled $867,042 (2012: $921,633), or $31.82 per barrel of oil sold (2012: $26.63). Depreciation is calculated using the unit-of-production method by reference to the ratio of production in the period 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.

Stock-based compensation for the three-month period ended March 31, 2013 totalled $580,017 compared to $579,230 during the same period in 2012. The decrease in stock-based compensation corresponds to fewer stock options granted during the period.

General and administrative expenses for the three-month period ended March 31, 2013 totalled $1,682,505 compared to $1,261,136 incurred in the same period in fiscal 2012. The increase in general and administrative costs corresponds to increases in salaries related to new hires, professional fees and travel and administrative expenses, as the Company prepares for the expansion of operations following the Acquisition.

Transaction costs for the three-month period ended March 31, 2013 totalled $163,910 compared to $Nil incurred in the same period in fiscal 2012. The transaction costs incurred during the period included legal and professional fees incurred for the Origin Agreement, which are expensed as they are incurred in relation to the anticipated business combination.

Net finance expense for the three-month period ended March 31, 2013 totalled $17,887 compared to a net finance income of $17,111 in the same period in fiscal 2012. Finance expense relates to interest payable on the Company's operating line of credit, accretion of the Company's asset retirement obligations, presented net of interest earned on the Companies cash and cash-equivalent balances held in treasury and on term deposits.

Foreign exchange loss for the three-month period ended March 31, 2013 amounted to $316,338 compared to a $29,596 loss realized in the same period of fiscal 2012. The foreign exchange loss incurred in the current year is a result of the strengthening of the New Zealand dollar against the US dollar, during a period that the Company's subsidiaries (which have a New Zealand dollar functional currency) held significant US dollar cash balances and deposits in anticipation of completion of the Origin Agreement.

Total Comprehensive Loss

Total comprehensive income for the three-month period ended March 31, 2013 totalled $1,313,397 after taking into account a foreign translation reserve gain of $3,707,243 on the translation of foreign operations and monetary items that form part of NZEC's net investment in foreign operations. Total comprehensive income for the three-month period ended March 31, 2012 was $799,032.

Based on a weighted average shares outstanding balance of 121,933,549, the Company realized a $0.02 basic and diluted loss per share for the three-month period ended March 31, 2013. During the three-month period ended March 31, 2012, the Company realized a $0.00 basic and diluted earnings per share, based on a weighted average share balance of 102,934,380.

PETROLEUM PROPERTY ACTIVITIES, OPERATIONS AND CAPITAL EXPENDITURES FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2013

Taranaki Basin

During the three-month period ended March 31, 2013, the Company incurred $11,081,214 in exploration and evaluation expenditures on its Taranaki Basin permits which includes $612,629 of asset retirement costs. Upon the Copper Moki-2, Copper Moki-3, and Waitapu-2 wells being advanced to commercial production, the Company transferred $13,756,783 of historical accumulated expenditures, net of $2,449,231 in pre-production recoveries during the wells' start-up and testing phase, from exploration and evaluation properties to property, plant and equipment. The transferred amount is attributed to the respective wells as follows: Copper Moki-2: $2,766,733 (net of $1,351,630 in pre-production recoveries realized on the sale of 14,827 barrels of oil); Copper Moki-3: $6,505,903 (net of $759,280 in pre-production recoveries realized on the sale of 7,530 barrels of oil); Waitapu-2: $4,484,147 (net of $338,321 in pre-production recoveries realized on the sale of 3,209 barrels of oil). Also during the three-month period ended March 31, 2013, the Company recorded a positive foreign currency translation adjustment of $1,257,507. Factoring additional exploration expenditure and foreign currency translation adjustment, total exploration and evaluation assets relating to the Taranaki Basin permits increased $11,081,214 over the period to a cumulative balance of $38,943,557 as at March 31, 2013. The current year net increase can be attributed to additional exploration costs associated with the Eltham Permit ($10,689,580) and the Alton Permit ($391,634), respectively.

East Coast Basin

During the three-month period ended March 31, 2013, the Company incurred $294,197 in capitalized exploration costs on the Castlepoint Permit. These exploration costs consist of $35,170 related to well development costs, $88,807 for stock-based compensation, $55,980 related to other overhead costs, and $114,240 arising from a foreign currency translation adjustment. Cumulative expenditures incurred as of March 31, 2013 relating to the Castlepoint Permit amounted to $3,012,803.

During the three-month period ended March 31, 2013, the Company incurred $314,075 in capitalized exploration costs on the Ranui Permit, including $6,540 related to well development costs, $25,904 for stock-based compensation, $39,698 arising from other overhead costs, $10,913 reduction related to asset retirement obligations, and $252,846 attributed to a foreign currency translation adjustment. As of March 31, 2013, the Company had incurred $6,386,270 in cumulative capitalized acquisition costs relating to the Ranui Permit.

During the three-month period ended March 31, 2013, the Company incurred $541,710 in capitalized exploration costs on the Wairoa Permit, including $356,915 related to the 50 km 2D seismic survey, $67,528 for stock-based compensation, $81,558 arising from other overhead costs and $35,709 attributed to a foreign currency translation adjustment. This number represents the cumulative capitalized acquisition costs relating to the Wairoa Permit.

The Company did not capitalize any exploration or acquisition costs relating to the East Cape Permit during the three-month period ended March 31, 2013.

CAPITAL SPENDING

During the three-month period ended March 31, 2013, cumulative expenditure of property, plant and equipment increased to $31,600,400 from $28,434,778 in the prior year. Current year expenditures included $2,041,829 for furniture, equipment and fixtures and a reduction of $66,253 for oil and gas properties (due to a change in estimate related to asset retirement costs), and a net of foreign currency translation and other adjustments of $1,190,046.

During the three month period ended March 31, 2013, exploration and evaluation assets increased by $12,231,196 to $49,610,922 .The Company incurred $11,081,234 in exploration, evaluation and overhead costs associated with the Taranaki Basin, of which $10,689,580 related specifically to the Eltham Permit and $391,634 related specifically to the Alton Permit. The Company incurred $1,149,982 in exploration, evaluation and overhead costs associated with the East Coast Basin, of which $294,197 related to the Castlepoint Permit, $314,075 related to the Ranui Permit, and $541,710 related to the Wairoa Permit.

COMMITMENTS

As at December 31, 2012, the Company had the following undiscounted contractual obligations:

	Less than 1 year	1–3 years	3–5 years	Total
Accounts payable	8,159,000	-	-	8,159,000
Operating lease obligations (1)	160,000	428,000	444,000	1,032,000
Contract and purchase commitments (2)	5,982,000	-	-	5,982,000
Minimum work program requirements (3)	17,234,000	21,478,000	6,592,000	45,304,000
Origin Agreement (4)	37,000,000	-	-	37,000,000
Operating line of credit	21,849,000	-	-	21,849,000
Environmental obligations (5)	-	350,000	3,805,000	4,155,000
Total	90,384,000	22,256,000	10,841,000	123,481,000

(1) The Company has office leases for its offices in Vancouver, Wellington and New Plymouth.
(2) The Company entered into several management and consulting agreements, some of which relate to services to be rendered in connection with exploration work programs commitments.
(3) The Company has committed to complete certain minimum work program requirements in order to maintain its various resource permits.

(4) The Company entered into the Origin Agreement whereby the Company would acquire Origin's Waihapa Production Station and four Petroleum Licences in exchange for $42 million (US$40.6 million at 1.0349 C$/US$). The Company has paid a $5 million deposit and will pay the balance of the purchase price and such other adjustments as may be required upon completion of the Origin Agreement.

(5) The Company has recognized an undiscounted asset retirement obligation of $4.16 million

PERMIT EXPENDITURE REQUIREMENTS

The Company undertakes oil and gas exploration and development activities and is contractually committed under various agreements to complete certain exploration activities. The Company 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 Company'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 Company committing to the next stage of the permit term, where additional expenditure would be required.

NZEC has satisfied its work commitments and obligations for 2012 and estimates that the following future expenditures will be required to complete the minimum work programs required to maintain its permits in good standing:

Properties	**2013** **$**	**2014** **$**	**2015** **$**	**2016** **$**	**2017** **$**	**Total** **$**
Eltham Permit (1)	-	-	-	-	-	-
Alton Permit (2)	3,546,000	-	-	-	-	3,546,000
Manaia Permit (3)	200,000	1,585,000	1,333,000	2,694,000	98,000	5,910,000
Castlepoint Permit (4)	6,290,000	7,960,000	7,960,000	-	-	22,210,000
Ranui Permit (5)	4,200,000	100,000	-	-	-	4,300,000
Wairoa Permit (6)	2,773,000	-	-	-	-	2,773,000
East Cape Permit (7)	225,000	1,020,000	1,520,000	3,800,000	-	6,565,000
	17,234,000	10,665,000	10,813,000	6,494,000	98,000	45,304,000

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 Company has a 100% working interest in the Eltham Permit. The permit was granted to the previous permit holder on September 23, 2008 for a five-year term expiring September 22, 2013. The 2013 minimum work program has been substantially met. In 2013 the Company is required to process 60 km^2 of 3D seismic data and to prepare various technical studies. By September 22, 2013, the Company is required to relinquish 50% of the Eltham Permit as part of its application to extend the permit to September 2018.

(2) The Minister of Energy approved the transfer of a 50% interest in the Alton Permit to the Company on October 4, 2011. In the first quarter of 2012 the Company entered into a farm-in agreement with L&M pursuant to which the Company would earn an additional 15% interest in the Alton Permit, increasing the Company's interest from 50% to 65%, by funding the collection and processing of 3D seismic data over approximately 50 km^2 of the permit. The Alton Permit was granted to the previous permit holder on September 23, 2008 for a five-year term expiring September 22, 2013. In 2013 the Company is required to drill an exploration well and prepare two technical reports.

(3) The Company has entered into a joint arrangement with NZOG whereby the Company obtained a 60% working interest in the Manaia Permit. The permit was granted for a five-year term on December 11, 2012 as part of the 2012 New Zealand block offer. The minimum work program requires the Company to collect and process 70 km of 2D seismic data and to prepare various technical studies within 18 months of the grant date. The Company anticipates commencing activities related to land access and permitting in late 2013.

(4) The Company has a 100% working interest in the Castlepoint Permit. The permit was granted November 24, 2010 for a five-year term expiring November 24, 2015. The minimum work program requirements for 2013 include drilling an exploration well and making a commitment to continue with the following year's work program.

(5) The Company has a 100% working interest in the Ranui Permit. The Minister of Energy approved the transfer of the Ranui Permit to the Company on June 27, 2011. The Ranui Permit was granted to the previous permit holder on June 28, 2004, and was subsequently extended to June 27, 2014. The minimum work program requirements for 2013 include drilling an exploration well and the acquisition, processing and interpretation of 30 km of 2D seismic data.

(6) In the fourth quarter of 2012, the Company entered into a binding agreement with Westech to acquire 80% ownership and become operator of the Wairoa Permit. While acquisition of an 80% interest in the Wairoa Permit is subject to completion of the joint operating agreement and final approval by NZPAM, NZEC assumed all permit obligations when the acquisition was announced in October 2012. Upon the approval of the acquisition, the minimum work program requirements to maintain the permit in good standing will be confirmed by NZPAM.

(7) The East Cape Permit has not yet been granted. The above reflect expenditures required to complete the expected minimum work program for each year of the permit, once granted. It is expected that the minimum work program will include reprocessing of seismic data, geochemical sampling and technical studies.

The amounts above represent the minimum expenditure requirements for each year necessary to complete the minimum work program and maintain each of the Permits in good standing; otherwise, the relevant PEP must be surrendered. A PEP holder may, at the end of the initial five-year term, apply to extend the duration of an exploration permit for a second term for a period not exceeding ten years from the commencement date of the PEP. However, there are some conditions that apply, including relinquishment of 50% of the area comprising the PEP at the time of the end of the first term.

The Company may engage in technical work and exploration and development activities that exceed the minimum work program requirements for some or all of its permits. The activities planned for the permits in 2013 are outlined in the *Outlook* section.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2013 the Company had $5,826,848 in cash and cash equivalents (December 31, 2012: $5,983,121) and $17,533,636 in working capital (December 31, 2012: $28,293,845). Based on the available working capital, as well as forecasted positive net cash flow from operations, management has estimated that the Company has sufficient capital to meet short-term operating requirements and the Company is considering a number of options to increase its financial capacity (including increasing cash flow from oil production, credit facilities, joint arrangements, commercial arrangements or other financing alternatives) in order to meet all required and planned capital expenditures for the next 12 months.

Under the terms of the Origin Agreement, the Company was required to place the balance of the purchase price (US$35 million) on deposit with a registered bank in New Zealand. On October 17, 2012, the Company placed US$35 million on deposit with The Hong Kong Shanghai Banking Company Limited ("HSBC") and subsequently secured an operating line of credit against such deposit with HSBC. The operating line of credit is limited to an amount of US$34.5 million and, to the extent drawn upon, bears interest at LIBOR plus 0.3% with an initial maturity date of May 16, 2013. Subsequent to March 31, 2013, HSBC agreed to an extension of the maturity date to September 30, 2013 and to date NZEC has drawn US$5.9 million against the operating line of credit.

The Company's objective is to maintain an adequate capital base in order to maintain financial flexibility and investor confidence and to sustain the future development of the business. The Company's capital includes share capital and the cumulative deficit. The Company'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 Company 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 Company's objective is met by maintaining adequate equity and working capital to meet future capital expenditure requirements. Due to the nature of the oil and natural gas industry, budgets are regularly reviewed in light of the success of the expenditures and other opportunities which may become available to the Company. To the extent required, the Company's current treasury and funds raised in financing during the period will be used to fund any negative operating cash flows in future periods.

CASH FLOWS

Operating Activities

For the three-month period ended March 31, 2013 the Company generated a net loss of $2,393,846 (2012: net income of $362,890). Non-cash income statement amounts recorded during the period included $580,017 (2012: 579,230) in stock-based compensation, $890,146 (2012: $922,833) in depreciation and accretion and

$537,946 in foreign exchange loss (2012: $29,596). Total increase to non-cash working capital items during the period amounted to $992,317 (2012: reduction of $1,893,430) for aggregate cash provided by operating activities of $524,839 (2012: cash provided in operating activities of $1,119).

Investing Activities

For the three-month period ended March 31, 2013, the Company incurred $10,738,054 (2012: 3,860,822) on expenditures on its resource properties. The majority of these costs included the well development activities on the Eltham, Alton and Ranui permits. The Company incurred $95,556 (2012: $135,951) in development of a proprietary database and $1,310,259 (2012: $1,105,545) for the purchase of property and equipment. Total cash used in investing activities for the period was $12,143,869 (2012: 5,102,318).

Financing Activities

For the three-month period ended March 31, 2013, financing activities provided $11,350,631 (2012: $59,456,506). Cash provided from financing activities was the result a withdrawal of $11,150,631 (2012: $Nil) from the operating line of credit and the exercise of 200,000 advisor warrants at a price of $1.00 per share (2012: $Nil).

RELATED PARTY TRANSACTIONS

Key Management and Personnel Compensation

The key management personnel include the directors and other officers of the Company. Key management compensation consists of the following:

	Three months ended March 31, 2013 $	Three months ended March 31, 2012 $
Salary and management fees	731,251	374,150
Share-based compensation	571,888	770,653
	1,303,139	1,144,803

The above transactions occurred in the normal course of operations and were measured at the consideration established and agreed to by the related parties. The related party balances have no fixed payment term and bear no interest.

ESCROWED SHARES AND TRADING SUMMARY

Escrowed Shares

In accordance with a lock-up agreement, an escrow agreement and a pooling agreement, 46,394,334 common shares owned or controlled by certain directors and officers of the Company were escrowed at August 3, 2011. The shares will be released over 36 months from August 3, 2011 as follows:

Release Date	Number of Common Shares
August 3, 2011	200,000 (released)
February 3, 2012	300,000 (released)
July 19, 2012	5,853,934 (released)
August 3, 2012	6,773,400 (released)
February 3, 2013	8,851,200 (released)
August 3, 2013	8,851,200
February 3, 2014	8,851,200
August 3, 2014	6,713,400
Total	**46,394,334**

Trading Summary

	Price Range ($)		
Period	**High**	**Low**	**Volume**
August (4 – 31), 2011	1.39	0.93	3,566,048
September 2011	1.77	1.03	8,765,348
October 2011	1.24	0.95	3,715,769
November 2011	1.10	0.93	2,670,892
December 2011	1.18	0.91	4,339,356
January 2012	1.78	1.08	11,879,904
February 2012	3.79	1.60	26,680,505
March 2012	3.45	2.79	14,666,716
April 2012	3.19	2.39	13,108,060
May 2012	2.90	2.16	9,855,900
June 2012	2.09	1.52	6,837,600
July 2012	1.98	1.61	5,311,600
August 2012	2.39	1.54	6,944,900
September 2012	2.18	2.04	4,998,700
October 2012	2.15	1.59	7,368,000
November 2012	1.74	1.15	7,313,900
December 2012	1.48	1.23	3,376,500
January 2013	1.41	0.78	10,806,663
February 2013	0.86	0.33	10,634,364
March 2013	0.70	0.40	3,999,444
April 2013	0.53	0.32	4,941,571
May 1, 2013 to May 24, 2013	0.44	0.30	5,414,201

OFF-BALANCE SHEET ARRANGEMENTS

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

ADOPTION OF NEW OR REVISED IFRSs

The Company adopted the following new International Financial Reporting Standards with an effective date of January 1, 2013:

IFRS 10 – Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10 *Consolidated Financial Statements* ("IFRS 10"), which replaces IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company has determined that there is no impact on its consolidated interim financial statements arising from this standard.

IFRS 11 – Joint Arrangements

In May 2011, the IASB issued IFRS 11 *Joint Arrangements* ("IFRS 11"), which replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. The Company has determined that there is no impact on its consolidated interim financial statements arising from this standard.

IFRS 12 – Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12 *Disclosure of Interests in Other Entities* ("IFRS 12"), which establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

The Company has determined that there is no impact on its consolidated interim financial statements arising from this standard, however, additional disclosures may be included in the Company's annual consolidated financial statements.

SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of voting common shares. As at March 31, 2013, the Company had 121,969,105 common shares outstanding.

As of the date of this MD&A, the Company's share capitalization included 121,769,105 common shares and 9,981,200 stock options, of which 4,650,250 stock options are exercisable.

MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management has overseen the design and evaluation of internal controls over financial reporting and has concluded that the design and operation of these internal controls over financial reporting were effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

RISK FACTORS

Natural resources exploration and development involves a number of risks and uncertainties, many of which are beyond management's control. The Company's business is subject to the risks normally encountered in the oil and natural gas industry such as the marketability of, and prices for, oil and natural gas, competition with companies having greater resources, acquisition, exploration and production risks, need for capital, fluctuations in the market price and demand for oil and natural gas, the regulation of the oil and natural gas industry by various levels of government and public protests. The success of further exploration or development 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.

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 "anticipate", "continue", "estimate", "expect", "may", "will", "should", "believe", "initiate", "with the objective of", "plan", "strategy", "goal", "pending", "could result", "is engaging", "investigate", "effort to", "may include", "subject to", "conditional on", "intends", "considering", "entitled to", "could", "would", "will begin", "advancing", "will finalize" 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. The Company believes the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct. Such forward-looking statements included in the document should not be unduly relied upon. These statements speak only as of the date of the document. 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 Company's future production levels; 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, natural gas and natural gas liquids production; and expectations regarding the ability to raise capital and to continually add to resources through acquisitions and development; future commodity prices; the Company's ability to obtain qualified staff and equipment in a timely and cost-efficient manner; the ability of the Company to progress through the conditions precedent to conclude the acquisition of assets from Origin on schedule, 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 and natural gas liquids resources;

future capital expenditures to be made by the Company; and future cash flows from production meeting the expectations stated herein. 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 presentation, such as the speculative nature of exploration, appraisal and development of oil and natural gas properties; uncertainties associated with estimating oil and natural gas resources; changes in the cost of operations, including costs of extracting and delivering oil and natural gas to market, that affect potential profitability of oil and natural gas exploration; operating hazards and risks inherent in oil and natural gas operations; volatility in market prices for oil and natural gas; market conditions that prevent the Company from raising the funds necessary for exploration and development on acceptable terms or at all; global financial market events that cause significant volatility in commodity prices; unexpected costs or liabilities for environmental matters; competition for, among other things, capital, acquisitions of resources, skilled personnel, and access to equipment and services required for exploration, development and production; changes in exchange rates, laws of New Zealand or laws of Canada affecting foreign trade, taxation and investment; failure to realize the anticipated benefits of acquisitions; and other factors. Readers are cautioned that the foregoing list of factors is not exhaustive. Statements relating to "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. The forward-looking statements contained in the document are expressly qualified by this cautionary statement. These statements speak only as of the date of this document and the Company does not undertake to update any forward-looking statements that are contained in this document, except in accordance with applicable securities laws.

CAUTIONARY NOTE REGARDING RESERVE ESTIMATES

The oil and gas reserves calculations and income projections, upon which the Report was based, were estimated in accordance with the Canadian Oil and Gas Evaluation Handbook ("COGEH") and National Instrument 51-101 ("NI 51-101"). The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of six Mcf: one bbl was used by NZEC. This conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on: the analysis of drilling, geological, geophysical, and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are classified according to the degree of certainty associated with the estimates. Proved Reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves. Probable Reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves. Possible Reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves. Revenue projections presented in the Report 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 documented in the Report do not necessarily represent the fair market value of the reserves evaluated in the Report. The Report also contains forward-looking statements including expectations of future production and capital expenditures. Information concerning reserves may also be deemed to be forward looking as estimates imply that the reserves described can be profitably produced in the future. These statements are based on current expectations that involve a number of risks and uncertainties, which could cause the actual results to differ from those anticipated.