NEW ZEALAND ENERGY CORP.

First Quarter 2014
Management's Discussion and Analysis

March 31, 2014

(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, 2013, and the unaudited condensed consolidated interim financial statements for the period ended March 31, 2014, as publicly filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

NZEC reports in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the following disclosure, and associated consolidated financial statements, are presented in accordance with IFRS. This MD&A is prepared as of May 27, 2014 and includes certain statements that may be deemed "forward-looking statements" (see *Forward-looking Information*). 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 subsidiaries (collectively "NZEC" or "the Company") is engaged in the production, exploration and development of conventional and unconventional oil and natural gas resources in New Zealand, as well as the operation of the midstream assets in which the Company holds a working interest. The Company's assets are located in the Taranaki Basin and East Coast Basin of New Zealand's North Island.

In the Taranaki Basin, NZEC holds 97,637 net acres across three Petroleum Mining Licenses ("PMLs") and two Petroleum Exploration Permits ("PEPs"). NZEC is the operator of all of the PMLs and PEPs. Following a strategic acquisition in October 2013 ("TWN Acquisition"), NZEC holds a 50% interest in the Waihapa Production Station, PML 38138 (the "Tariki License"), PML 38140 (the "Waihapa License") and PML 38141 (the "Ngaere License") (collectively the "TWN Licenses") with L&M Energy Limited ("L&M"). NZEC also holds a 100% interest in PEP 51150 (the "Eltham Permit") and a 65% interest in PEP 51151 (the "Alton Permit") with L&M. NZEC has advanced 12 wells to production in the Taranaki Basin – four on the Eltham Permit and eight on the TWN Licenses – and expects to advance additional wells to production in 2014. The Company is actively seeking a farm-in partner for its Eltham and Alton permits to accelerate the drilling of new exploration wells on these permits.

In the East Coast Basin, NZEC holds 1,813,741 net acres across three PEPs. The Company holds a 100% interest in PEP 52694 (the "Castlepoint Permit"), a 100% interest in in PEP 52976 (the "East Cape Permit") and an 80% interest in PEP 38346 (the "Wairoa Permit") with Westech Energy New Zealand ("Westech"). To date the Company has focused on advancing its technical understanding of the East Coast oil shales, and is now looking for a farm-in partner to fund the drilling of exploration wells in the East Coast Basin.

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 benefit of Brent crude oil pricing.

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 production and exploration opportunities that are close to infrastructure, allowing for rapid tie-in of production upon success; and growing reserves, production and cash flow with oil-focused exploration success.

NZEC's near-term exploration and production activities are focused in the Taranaki Basin, which offers production potential from five drill-proven formations. NZEC's Taranaki exploration permits are on trend with numerous oil and gas producing fields that have been producing for decades, including NZEC and L&M's recently acquired TWN Licenses which have historically produced in excess of 23 million barrels of oil. NZEC's Taranaki exploration strategy is to prioritize low-cost production opportunities in existing wells drilled by previous operators, followed by drilling of new targets based on analysis of 3D seismic data. NZEC's exploration activities in the near-term will be focused in the Tikorangi and Mt. Messenger formations. Exploration of the deeper Kapuni Formation, which has been highly productive on offsetting permits, is expected to be undertaken with a joint venture partner to reduce NZEC's expenditure risk.

In the East Coast Basin, many of the basin's 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. 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.

The Company often forms joint arrangements with other oil and gas companies to advance its properties. These partnerships reduce NZEC's operating and capital risk, while bringing additional technical expertise and New Zealand operating insight. The Company has formed a key business partnership with L&M Energy Limited. The Company has also formed a joint arrangement with Westech Energy New Zealand and a strong relationship with New Zealand Oil & Gas. NZEC is actively seeking farm-in partnerships to advance its East Coast permits, along with its Eltham and Alton permits in the Taranaki Basin.

FINANCIAL SNAPSHOT

	For the quarter ended March 31, 2014	Preceding quarter ended December 31, 2013	Comparative quarter ended March 31, 2013
Production	19,682 bbl	16,790 bbl	30,179 bbl
Sales	17,630 bbl	13,968 bbl	27,246 bbl
Price	119.15 $/bbl	115.77 $/bbl	112.35 $/bbl
Production costs	44.25 $/bbl	43.39 $/bbl	62.08 $/bbl
Royalties	12.57 $/bbl	10.53 $/bbl	4.98 $/bbl
Field netback	62.33 $/bbl	61.84 $/bbl	45.29 $/bbl
Revenue	6,320,949	4,108,911	2,925,258
Total comprehensive income (loss)	8,452,444	(5,963,723)	1,313,397
Finance income (expense)	(69,854)	(30,804)	17,887
Loss per share - basic and diluted	(0.01)	(0.06)	(0.02)
Current assets	11,952,031	15,147,197	48,199,638
Total assets	124,788,600	116,782,687	129,545,992
Total long-term liabilities	7,626,669	7,068,585	3,273,617
Total liabilities	14,279,266	15,337,630	33,939,619
Shareholders' equity	110,509,334	101,445,057	95,606,373

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

At the date of this MD&A, the Company had an estimated $2.8 million in working capital (excluding materials and supplies of approximately NZ$2 million).

First Quarter Operating Results

During the three-month period ended March 31, 2014, the Company produced 19,682 bbl and sold 17,630 bbl for total oil sales of $2,100,545, with an average oil sale price of $119.15 per bbl. Total recorded production revenue, net of royalties payable to the New Zealand Government and, in the case of hydrocarbons produced from the TWN Licenses, to Origin (an average of $106.58 per bbl), was $1,878,912. Production costs during the three-month period ended March 31, 2014 totalled $780,115 or an average of $44.25 per bbl, generating an average field netback of $62.33 per bbl during the period.

The Company produced oil from seven reactivated Tikorangi wells on the TWN Licenses, for total production from the TWN Licenses during the quarter of 9,958 bbl net to NZEC. This resulted in an overall increase in production (total 19,682 bbl) compared to the previous quarter (total 16,790 bbl). The field netback also increased during the quarter as a result of higher oil prices, as well as increased oil production coupled with reduced New Zealand Dollar ("NZ$") production costs. However, due to the strengthening of the NZ$ relative to the Canadian Dollar, the reported production costs are slightly higher during the quarter ended March 31, 2014 when compared to the quarter ended

December 31, 2013. The Company achieved an overall field netback of $62.33 per bbl for the three months ended March 31, 2014, compared to $61.84 per bbl during the previous quarter ended December 31, 2013.

RECENT DEVELOPMENTS

In the first quarter of 2014, the Company appointed Derek Gardiner to the position of Chief Financial Officer, commencing January 2014. The Company also hired David Robinson to the new position of Chief Executive Officer of the Company's New Zealand business. Mr. Robinson commenced his employment on May 19, 2014, and has also joined NZEC's Board of Directors.

Subsequent to the quarter end, NZEC released an updated reserve estimate and decided to relinquish its interest in the early-stage Manaia Permit in the Taranaki Basin. The Company also announced the decision to retract is year-end 2014 production guidance, as previously announced on August 6, 2013, as a result of the decision to delay drilling of a new Tikorangi well.

NZEC continues to focus on low-cost, low-risk opportunities that are expected to bring near-term production and cash flow to the Company. Year-to-date, NZEC has advanced three additional wells to production on the TWN Licenses and recommenced production from one well on the Eltham Permit.

The Company's ability to execute its exploration and development activities is contingent on its financial capacity. Based on available working capital, as well as forecasted positive net cash flow from operations, management estimates that the Company has sufficient working capital to meet short-term operating requirements. However, since these estimates rely on certain development activities that are still underway as at the date of this report, there is no assurance that these activities will be successful, or that the Company will be able to attain sufficient profitable operations from those activities. In light of the reliance on successful completion of ongoing development activities in order to increase net cash flow from operations, there is significant doubt about the Company's ability to continue as a going concern.

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.

PROPERTY REVIEW & OUTLOOK

Reserves & Resources

As required under National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities, the Company commissioned Deloitte LLP to prepare a year-end oil reserve estimate and economic evaluation with an effective date of December 31, 2013. NZEC's Proved + Probable (2P) reserves, reflecting the Company's 100% interest in the Eltham Permit and its 50% interest in the Waihapa and Ngaere PMLs, are estimated at 1.2 million barrels of oil (1.6 million barrels of oil equivalent[1]) with an after tax net present value, discounted at 10%, of $57.9 million. Additional information regarding the Company's reserves is available in the Company's Form 51-101F1 Statement of Reserves Data dated April 2, 2014, which is filed on SEDAR. NZEC also has additional conventional contingent resources (580,000 barrels of oil equivalent[1], best estimate) and conventional prospective resources (196.1 million barrels of oil equivalent[1], best estimate), as outlined in the Company's Interim Statement of Reserves and Resources dated October 28, 2013, which is filed on SEDAR.

Taranaki Basin

The Taranaki Basin is situated on the west coast of New Zealand's North Island and is currently the country's only oil and gas producing basin, with total production of approximately 130,000 barrels of oil equivalent per day ("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 with L&M, and a 50% interest in the TWN Licenses and the TWN Assets with L&M. The Eltham Permit currently covers 47,387 acres (191.8 km^2), of which approximately 2,029 acres (24.4 km^2) is offshore. The Company has lodged an application with NZPAM to convert 939 acres (3.8 km^2) of the Eltham Permit into a PMP. When approved, the Eltham Permit acreage will be reduced by the size of the PMP. The Alton Permit covers approximately 59,565 onshore acres (241 km^2). The TWN Licenses cover approximately 23,049 onshore acres (93 km^2).

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

NZEC is actively seeking farm-in partners for its Eltham and Alton permits, with the intention that the farm-in partner would fund the drilling of high-priority targets on the properties in return for an interest in the permits.

The Taranaki Basin offers production potential from multiple prospective formations, ranging from the Kapuni sandstones at a depth of approximately 4,000 metres, the Tikorangi limestones at approximately 3,000 metres, the Moki sandstones at approximately 2,500 metres, and the shallower Mt. Messenger and Urenui sandstones at approximately 2,000 metres. All of NZEC's production to date is from the Tikorangi and Mt. Messenger formations.

NZEC remains focused on reducing costs while increasing production from existing wells with the objective of organically building up working capital through internally-generated cash flow. The Company will prioritize low-cost, low-risk opportunities that are expected to bring near-term production and cash flow, and will defer higher-cost, higher-risk operations until the Company has established a strong production and cash flow base. Details regarding the Company's efforts to increase production from existing wells and bring new wells into production are outlined below.

Production and Processing Revenue

At the date of this MD&A, the Company had advanced 12 wells to production: four wells on the Eltham Permit and eight wells on the TWN Licenses. Total corporate production during the first quarter of 2014 averaged 219 bbl/d net to NZEC (not including production from the Waihapa-8 well). On March 29, 2014 the Waihapa-8 well commenced production, on April 12, 2014 the Toko-2B well recommenced production following installation of high-volume lift, and on April 17, 2014 the Waihapa-2 well commenced production following a successful uphole completion. Production from Toko-2B, Ngaere-2 and Ngaere-3 is combined into one single gathering pipeline that goes through the B-train separator at the Waihapa Production Station. Ngaere-2 and Ngaere-3 were taken offline on April 12, 2014 in order to allow for full evaluation of Toko-2B's production performance. Total corporate production during April 2014 averaged 228 bbl/d net to NZEC. Ngaere-2 and Ngaere-3 resumed production on May 4, 2014, while the Toko-2B well was shut-in to allow for installation of a permanent power source. Toko-2B resumed production on May 19, 2014. The Waihapa-2 well produced for eight days during May and is currently shut-in awaiting evaluation and installation of an alternative artificial lift method. The Copper Moki-3 well has been shut-in since early March awaiting installation of a new pump. Total corporate production during May 2014 averaged 201 bbl/d net to NZEC.

TWN Licenses

NZEC and L&M formed the TWN Joint Arrangement ("TWN JA"), with NZEC as the operator, to explore and develop the TWN Licenses and operate the Waihapa Production Station and associated infrastructure. The TWN JA has identified two avenues to achieve low-cost, near-term production on the TWN Licenses: reactivating oil production from the Tikorangi and Mt. Messenger formations in existing wells that were produced historically, and recompleting existing wells uphole in shallower formations that have not been produced. Reactivations and uphole completions are significantly less expensive and faster than drilling new wells, and economic discoveries can often be tied in to the Waihapa Production Station using existing oil and gas gathering pipelines.

At the date of this MD&A, the TWN JA had advanced eight wells to production for a total of 42,620 bbl produced since closing of the TWN Acquisition (21,310 bbl net to NZEC), with cumulative pre-tax oil sales net to NZEC of approximately $2,324,833 (net results of operations are discussed under *Results of Operations*). The wells produce light ~41^{o} API oil that is delivered by pipeline to the Waihapa Production Station and then piped to the Shell-operated Omata tank farm, where it is sold at Brent pricing less standard Shell costs.

Following closing of the TWN Acquisition, the TWN JA immediately proceeded with the work required to reactivate oil production from the Tikorangi Formation in six wells drilled by previous operators. On December 2, 2013, NZEC announced that all six wells had been reactivated and were flowing into the Waihapa Production Station. In March 2014, the TWN JA also reactivated oil production from the Mt. Messenger Formation in a well that had been drilled and produced from the Mt. Messenger Formation by a previous operator (Waihapa-8). The Waihapa-8 well produced an average of 20 bbl/d (10 bbl/d net to NZEC) over the last two weeks of May. The TWN JA is evaluating alternative methods of artificial lift that could produce the well more effectively than the current heated gas lift.

The TWN JA continues to evaluate and optimize production from the reactivated wells. As part of the optimization process, in April 2014, the TWN JA installed high-volume lift ("ESP") on one of the reactivated wells (Toko-2B). Toko-2B was chosen as the first well for ESP installation because the well had a high oil cut of approximately 20%, but had to be shut-in every few days to allow the Company to unload a water column that would build up in the well. The TWN JA expected that an ESP would allow the well to be produced continuously and would maximize oil recovery. The ESP was operated initially using a portable generator, which limited the pumping capacity and did not adequately draw down fluid levels in the well. In May 2014 the TWN JA connected the Toko-2B high-volume lift to a permanent power source and is gradually increase the pumping rate. The Toko-2B well has produced an average of 10 bbl/d (5 bbl/d net to NZEC) over the last five days, with the ESP pumping at a rate of 2,500 bbl/d. Current pumping rates are still not sufficiently drawing down fluid in the well, as evidenced by the oil cut of 1.2%, which is lower than expected. The TWN JA is hopeful that higher pumping rates will draw down fluid levels in the well and allow the oil cut to increase, and is steadily increasing pumping rates with the expectation of ramping up to 8,000–10,000 bbl/d by June 2, 2014.

A number of wells on the TWN Licenses, with previous production from the Tikorangi Formation, have uphole completion potential in the shallower Mt. Messenger Formation. The TWN JA has recompleted one well uphole in the Mt. Messenger Formation (Waihapa-2) and achieved production from that well in April 2014. This successful recompletion confirms that production can be achieved from an uphole reservoir. The Waihapa-2 well had produced an average of 120 bbl/d (60 bbl/d net to NZEC) over a period of eight days in May with an oil cut of approximately 67%. The presence of sand is not uncommon in the Miocene Formation, and the downhole pump is designed to handle some sand. The inflow of water and oil into the well, however, is drawing in volumes of sand that make the current artificial lift ineffective. The TWN JA is evaluating alternative methods of artificial lift which could service both the Waihapa-8 and Waihapa-2 wells.

The TWN JA continues to review well logs, historical drilling records and seismic data across the TWN Licenses to identify additional opportunities to advance existing wells to production. The TWN JA has identified four additional production opportunities in existing wells on the TWN Licenses: three uphole completions in the Mt. Messenger Formation and one well that offers production potential from both a Tikorangi reactivation and a Mt. Messenger uphole completion. The TWN JA will continue to evaluate these opportunities with the objective of advancing these wells to production.

The TWN JA continues to identify opportunities to generate revenue from the Waihapa Production Station and associated infrastructure. Third-party revenue from the Waihapa Production Station since closing the TWN Acquisition totals approximately $979,704 net to NZEC. In addition, during February 2014, the TWN JA entered into an agreement with a gas marketing counterparty to transport gas along a section of the TAW gas pipeline for a term of four years with a five-year right of renewal. The arrangement is expected to generate between NZ$250,000 and NZ$1 million revenue per year (net to NZEC). First gas commenced flowing on May 5, 2014, with revenue to be received from the counterparty from July 1, 2014. From May 5 to July 1, the counterparty will pay all reasonable direct costs and charges incurred by the Company with regards to this arrangement.

Eltham Permit

To date the Company has drilled ten exploration wells on its 100%-owned Eltham Permit. Four have been advanced to production. Of the ten wells drilled on the Eltham Permit, only one well (Wairere-1) failed to encounter hydrocarbons and was immediately sidetracked. One well (Copper Moki-4) made an oil discovery in the Urenui Formation and has been shut-in pending additional economic analysis and evaluation of artificial lift options. Wairere-1A was drilled to the Mt. Messenger Formation and encountered hydrocarbon shows, with completion pending. Arakamu-2 made an oil discovery in the Mt. Messenger Formation and has been shut-in pending evaluation of artificial lift options. Waitapu-1 is shut-in pending further testing or sidetrack to an alternate target and Arakamu-1A, a Moki Formation well, is suspending pending further evaluation. The Company continues to assess and reprioritize these Eltham Permit opportunities as new reservoir data becomes available from the Company's activities on the TWN Licenses.

At the date of this MD&A, the Company has produced approximately 260,879 bbl from its Eltham Permit wells (including oil produced during testing), with cumulative pre-tax oil sales from inception of approximately $28.3 million (net results of operations are discussed under *Results of Operations*). Production from the Eltham wells has been very stable year to date, exhibiting only modest declines of 1.5% over the first five months of 2014, with average production of 108 bbl/d during the first quarter of 2014 and 131 bbl/d during May 2014. The Waitapu-2 well recommenced production on March 6, 2014 following installation of artificial lift. The Copper Moki-3 well was shut-in during early March 2014, and is expected to resume production in Q2-2014 following installation of a new pump.

All of the Eltham Permit wells produce light ~41^{o} API oil from the Mt. Messenger Formation. Oil is trucked to the Shell-operated Omata tank farm and sold at Brent pricing less standard Shell costs. During January 2014, NZEC began delivering natural gas produced from wells on the Copper Moki site through a pipeline to the Waihapa Production Station, where it is blended with gas produced from the TWN Licenses and used by the TWN Partnership to lift the TWN JA reactivated wells and run the Waihapa Production Station compressors. Using internally generated gas for these activities, rather than purchasing it, has significantly reduced operating costs at the Waihapa Production Station and brought modest natural gas revenue to the Company.

NZEC is actively seeking farm-in partnerships to allow the Company to accelerate exploration of additional high-priority drill targets on the Eltham Permit.

Alton Permit

During 2014, the Company plans to drill a new exploration well on the Alton Permit. The current work program for the Alton Permit requires the Company to drill an exploration well by November 22, 2014. The Company has identified a drill target in the Mt. Messenger Formation and has initiated the community engagement and technical assessments required to obtain land access consents and permits. NZEC is actively seeking farm-in partnerships to allow the Company to accelerate exploration of additional high-priority drill targets on the Alton Permit.

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 believed to be 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 East Cape Permit which covers approximately 1,048,406 onshore acres (4,243 km^2) on the northeast tip of the North Island. In addition, NZEC holds an 80% working interest in the Wairoa Permit, which covers approximately 267,862 onshore acres (1,084 km^2) south of the East Cape Permit. NZEC is the operator of all three permits.

The Company is actively seeking a farm-in partner for its East Coast permits, to participate in and fund exploration and development in the East Coast Basin in return for an interest in the permits.

Castlepoint Permit

NZEC used information from two stratigraphic test holes and a 35-km 2D seismic survey to focus its exploration plans for the Castlepoint Permit. The current work program requires the Company to drill an exploration well by November 23, 2014. The Company has identified its preferred drill location and has initiated the community engagement and technical assessments required to obtain land access and resource consents.

Wairoa Permit

The Wairoa Permit has been actively explored for many years, with extensive 2D seismic data across the permit and log data from more than 16 wells drilled on the property. During Q1-2013 the Company completed a 50-km 2D seismic program on the Wairoa Permit. The current work program for the Wairoa Permit requires the Company to drill an exploration well by July 2, 2014. The Company has identified the preferred drill location and progressed the community engagement and technical assessments required to obtain land access and resource consents. The Company applied for but has been unable to obtain an extension to the work program commitment, and is considering relinquishing the Wairoa Permit.

East Cape Permit

The Company anticipates completing fieldwork and geochemical studies on the East Cape Permit in 2014.

SUMMARY OF QUARTERLY RESULTS

	2014-Q1 $	2013-Q4 $	2013-Q3 $	2013-Q2 $
Total assets	124,788,600	116,782,687	105,313,813	127,318,182
Exploration and evaluation assets	56,876,779	51,500,037	55,859,632	52,357,470
Property, plant and equipment	54,786,347	49,169,997	26,621,043	26,135,651
Working capital	5,299,434	6,878,152	4,748,797	9,517,742
Revenues	6,320,949	4,108,911	1,519,010	2,109,700
Accumulated deficit	(37,122,556)	(35,099,834)	(27,292,947)	(24,616,053)
Total comprehensive income (loss)	8,452,444	(5,963,723)	1,347,788	(6,000,775)
Basic (loss) earnings per share	(0.01)	(0.06)	(0.02)	(0.02)
Diluted (loss) earnings per share	(0.01)	(0.06)	(0.02)	(0.02)

	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

During Q1-2013, following the drilling of three more wells and side-tracking of another, the Company announced that it was delaying the remaining two wells in the Eltham/Alton drill program in order to focus on the commercial opportunities in the pending acquisition of the TWN Licenses and TWN Assets. During Q2-2013, the Company continued to work towards the completion of the TWN Acquisition, negotiating a revised purchase consideration of $33.7 million with simplified deal terms. The Company also entered into the TWN JA with L&M. The Company also shut in its Waitapu-2 well while completing a Mt. Messenger reservoir study and evaluating and installing artificial lift. During Q3-2013, the Company continued to produce its Copper Moki wells and continued workover activities on Waitapu-2 to install artificial lift and surface facilities. The Company met the financing condition precedent related to the TWN Acquisition at the quarter-end. During Q4-2013, the Company progressed to completion of the TWN Acquisition and continued with its development plan for the TWN Licenses, reactivating the six Tikorangi wells on existing gas lift system and also initiating the first uphole completion to the Mt. Messenger Formation. The Company also decided to focus its East Coast Basin exploration activities on the Castlepoint, East Cape and Wairoa permits, and relinquished its Ranui Permit.

During Q1-2014, the Company completed its first full quarter of operations of the TWN Assets and TWN Licenses, while also continuing operation of its producing wells on the Eltham Permit. The Company, along with its joint arrangement partner, continued to focus on executing low-cost development activities on the TWN Licenses, as described in *Property Review & Outlook.*

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. The Company continues to take significant steps to reduce overhead, consolidating its three New Plymouth premises into one office and eliminating a number of consulting and employment positions.

RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2014

Revenue

During the three-month period ended March 31, 2014, the Company produced 19,682 bbl (2013: 30,179 bbl) of oil and sold 17,630 bbl (2013: 27,246 bbl) for total oil sales of $2,100,545 (2013: $3,061,064), or $62.33 per bbl (2013: $112.35). Reduced production compared to the same period in 2013 is the result of production declines in the Copper Moki wells, which is to be anticipated in oil wells. Production from the Copper Moki wells has since stabilized.

During the three-month period ended March 31, 2014, the Company recorded sales from purchased oil and condensate of $2,588,219 and $1,491,358, respectively (2013: $nil and $nil). The Company also received $362,459 (2013: $nil) of processing revenue from the Company's interest in the Waihapa Production Station.

Total recorded revenue during the three-month period ended March 31, 2014 was $1,878,912 (2013: $2,925,258), which is accounted for net of royalties of $221,633 (2013: $135,806).

Expenses and Other Items

Production costs related to oil sales during the three-month period ended March 31, 2014 totalled $780,115 (2013: $1,691,405) or $44.25 per bbl (2013: $62.08). The decrease in production costs in Q1-2014 compared to Q1-2013 was from cost efficiencies due to the installation of production facilities on the Copper Moki site. Other costs of $4,079,577 are for costs directly related to the sale of purchased oil and condensate. During the three-month period ended March 31, 2014, fixed operating costs represented approximately 74% of total production costs, giving rise to higher field netbacks in light of reduced production cost compared to Q1-2013.

Processing costs of $294,622 (2013: $nil) relate to direct costs associated with the operations of the TWN Assets.

Depreciation costs incurred during the three-month period ended March 31, 2014 totalled $829,446 (2013: $867,042), or $37.45 per bbl of oil sold (2013: $31.82). 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, 2014 resulted in an expense of $249,620 (2013: $580,017). The decrease is because the Company granted fewer share purchase options to employees, directors and officers of the Company.

General and administrative expenses for the three-month period ended March 31, 2014 totalled $1,823,498 (2013: $1,682,505). The increase in general and administrative costs corresponds to an increase in travel and insurance in connection with the TWN licenses. General and administrative expenses are net of legal fee rebates received in the amount of $249,444.

Net finance expense for the three-month period ended March 31, 2014 totalled $69,854 (2013: $17,887). Finance expense relates accretion of the Company's asset retirement obligations, presented net of interest earned on the Company's cash and cash-equivalent balances held in treasury and on term deposits. During the quarter ended March 31, 2014, the Company incurred more accretion expense due to an increase in asset retirement obligations incurred from the acquisition of the TWN Licenses and TWN Assets.

Foreign exchange loss for the three-month period March 31, 2014 amounted to $216,939 (2013: $316,338). The foreign exchange loss incurred in the current period is a result of the strengthening of the New Zealand dollar against the US dollar, during a period in which the Company's subsidiaries (which have a New Zealand dollar functional currency) held US dollar denominated assets and working capital.

Total Comprehensive Income / Loss

Total comprehensive income for the three-month period ended March 31, 2014 totalled $8,452,444 after taking into account a foreign translation reserve gain of $10,475,166 on the translation of foreign operations and monetary items that form part of NZEC's net investment in foreign operations. Total comprehensive loss for the three-month period ended March 31, 2013 was $1,313,397.

Based on a weighted average shares outstanding balance of 170,873,459, the Company realized a $0.01 basic and diluted loss per share for the three-month period ended March 31, 2014. During the three-month period ended March 31, 2013, the Company realized a $0.02 basic and diluted loss per share, based on a weighted average share balance of 121,933,549.

PETROLEUM PROPERTY ACTIVITIES, OPERATIONS AND CAPITAL EXPENDITURES

Taranaki Basin

During the three-month period ended March 31, 2014, the Company incurred $4,201,371 in exploration and evaluation expenditures on its Taranaki Basin permits. This was mainly due to a positive foreign currency translation adjustment of $4,166,918, seismic expenditure of $223,232 and a reduction of $145,877 in capitalized asset retirement provisions.

East Coast Basin

During the three-month period ended March 31, 2014, the Company incurred $502,420 in capitalized exploration costs on the Castlepoint Permit. These exploration costs consist of $67,407 related to well development costs, $80,828 related to overhead costs including stock-based compensation, and positive $354,185 arising from a foreign currency translation adjustment. Cumulative expenditures incurred as of March 31, 2014 relating to the Castlepoint Permit amounted to $4,143,006.

During the three-month period ended March 31, 2014, the Company incurred $496,796 in capitalized exploration costs on the Wairoa Permit, including $84,689 related to overhead costs including stock-based compensation, and positive $412,107 attributed to a foreign currency translation adjustment.

During the three-month period ended March 31, 2014, the company capitalized $116,104 of overhead costs to the East Cape Permit. The company also recognized a positive foreign currency translation exchange of $15,310.

CAPITAL SPENDING

During the three-month period ended March 31, 2014, cumulative expenditure of property, plant and equipment increased to $64,363,027 from $56,990,540 in the prior period. Current year additions included a $22,015 reduction for furniture and fixture, plant and equipment of $160,697, $1,717,559 of oil and gas properties, reduced asset retirement cost of $56,808, and a foreign currency translation and other adjustments of $5,573,054.

During the three-month period ended March 31, 2014, exploration and evaluation assets increased by $5,376,742, from $51,500,037 to $57,281,674. The Company incurred $4,201,371 in exploration, evaluation and overhead costs associated with the Taranaki Basin, of which $3,268,839 related specifically to the Eltham Permit, $784,472 related specifically to the Alton Permit, negative $111,293 related specifically to the TWN Licenses and $259,353 related to Manaia Permit. The Company incurred $502,420 of exploration and evaluation expenditure on the Castlepoint Permit, $496,796 on the Wairoa Permit and $131,414 on the East Cape Permit.

COMMITMENTS

As at March 31, 2014, the Company had the following undiscounted contractual obligations:

	2014	2015 to 2016	2017 and onwards	Total
Accounts payable	6,257,393	-	-	6,257,393
Operating lease obligations (1)	157,844	439,022	147,849	744,715
Contract and purchase commitments (2)	3,307,271	524,935	1,243,584	5,075,790
Environmental obligations (3)	355,219	1,082,981	17,222,622	18,660,822
Minimum work program requirements (4)	18,668,521	57,177,935	10,827,700	86,674,156
Total	**$ 28,746,248**	**$ 59,224,873**	**$ 29,441,755**	**$ 117,412,876**

(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 program commitments.
(3) The Company has recognized an undiscounted asset retirement obligation of $18.66 million.
(4) The Company has committed to complete certain minimum work program requirements in order to maintain its various resource permits. See *Permit Expenditure Requirements*.

PERMIT EXPENDITURE REQUIREMENTS

The Company undertakes oil and gas exploration and development activities and has contractual commitments under various agreements to complete certain exploration activities. The Company and, where relevant, the joint arrangement partner at the permit, may apply to alter the exploration programs, request extensions, reject development costs, relinquish certain permits or farm out an 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.

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. The table below reflects management's estimates of future expenditures required to complete the minimum work programs required to maintain its permits in good standing, as at March 31, 2014.

Properties	2014 $	2015 $	2016 $	2017 $	2018 $	Total $
Taranaki Basin						
Eltham Permit (1)	320,000	200,000	-	4,500,000	-	5,020,000
Alton Permit (2)	2,877,568	-	2,615,000	-	-	5,492,568
Manaia Permit (3)	1,511,000	2,586,060	3,160,740	102,000	-	7,359,800
	4,708,568	2,786,060	5,775,740	4,602,000	-	17,872,368
East Coast Basin						
Castlepoint Permit (4)	6,146,203	35,438,600	-	-	-	41,584,803
Wairoa Permit (5)	7,750,000	-	4,980,560	-	-	12,730,560
East Cape Permit (6)	63,750	2,586,975	5,610,000	-	6,225,700	14,486,425
	13,959,953	38,025,575	10,590,560	-	6,225,700	68,801,788
Total	**18,668,521**	**40,811,635**	**16,366,300**	**4,602,000**	**6,225,700**	**86,674,156**

Notes:

(1) In December 2010, NZEC acquired a 100% working interest in the Eltham Permit, which was granted to the previous permit holder on September 23, 2008 for a five-year term expiring September 22, 2013. The Company has been granted an extension for a second five-year term to September 23, 2018, and as part of that process relinquished 50% of the permit area. The Company has also lodged an application with NZPAM to convert 939 acres (3.8 km^2) of the Eltham Permit into a PMP with an initial duration of 15 years. The land included in the PMP application comprises the Copper Moki and Waitapu fields. The total acreage of the current Eltham Permit, including the area that will be separated into the PMP, is 47,387 acres (191.8 km^2), of which approximately 2,029 acres (24.4 km^2) is offshore. The work program for 2014 requires the Company to reprocess 360 km^2 of 3D seismic data from the Kapuni 3D seismic survey.

(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 fourth quarter of 2012 the Company earned 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 km2 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. The Company and L&M have received government approval to extend the exploration term to September 23, 2018. Concurrent with the extension, the Company and L&M relinquished 50% of the Alton Permit, bringing the total Alton Permit acreage to 59,565 acres (net 38,717 to NZEC). The Company and L&M also received approval of a new work program for the Alton Permit and an extension to November 22, 2014 for their obligation to drill a commitment well. In addition to drilling the commitment well, the Company is required to also submit a technical study during 2014. The Company is actively seeking a farm-in partner to accelerate exploration and development of the Alton Permit.

(3) In December 2012, the Company was granted a 60% interest in the Manaia Permit for a five-year term and entered into a joint arrangement with New Zealand Oil & Gas, with NZEC as the operator of the permit. The Company commenced technical studies and the acquisition of 2D seismic data in 2013, but in April 2014 decided to relinquish the permit. As a result, no additional exploration expenditures are expected to be incurred on this permit.

(4) The Company has a 100% working interest in the Castlepoint Permit. The permit was granted on November 24, 2010 for a five-year term expiring November 24, 2015. NZEC has received approval from NZPAM to extend the deadline for drilling an exploration well on the Castlepoint Permit to November 23, 2014. The current minimum work program requirements include drilling four contingent exploration wells by November 23, 2015, and completing 150 km of 2D seismic. The Company is actively seeking a farm-in partner to fund exploration on the Castlepoint Permit.

(5) In October 2012, the Company entered into a binding agreement with Westech to acquire 80% ownership and become operator of the Wairoa Permit. NZEC assumed all permit obligations when the acquisition was announced. The current work program requires the Company to drill an exploration well by July 2, 2014. The Company has identified the preferred drill location and progressed the community engagement and technical assessments required to obtain land access and resource consents. The Company has applied for but has been unable to obtain an extension to this work program commitment, and is considering relinquishing the Wairoa Permit.

(6) In December 2013, the Company was granted a 100% working interest in the East Cape Permit. The Company's work program for the permit includes technical studies, reprocessing 145 km of 2D seismic and acquiring 40 km of new 2D seismic data, and drilling an exploration well by Q2-2016. The Company anticipates completing fieldwork and geochemical studies in 2014. The Company is actively seeking a farm-in partner for the East Cape Permit.

The amounts above represent the anticipated 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 total PEP period not exceeding ten years from the commencement date of the PEP. However, there are some conditions that apply, including relinquishment of part of the area comprising the PEP, up to a maximum of 75% over the total duration of the PEP.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2014, the Company had $2,525,108 in cash and cash equivalents (December 31, 2013: $4,902,888) and $5,299,434 in working capital (December 31, 2013: $6,878,152).

Subsequent to the period ended March 31, 2014, the Company reached agreements to dispose of a number of non-core assets for total net proceeds of approximately NZ$1.47 million, which added to the Company's working capital after March 31, 2014.

Based on available working capital, as well as forecasted positive net cash flow from operations, management estimates that the Company has sufficient working capital to meet short-term operating requirements. However, since these estimates rely on certain development activities which are still underway as at the date of this report, there is no assurance that these activities will be successful, or that the Company will be able to attain sufficient profitable operations from those activities. In light of the reliance on successful completion of ongoing development activities in order to increase net cash flow from operations, there is significant doubt about the Company's ability to continue as a going concern.

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.

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, in order 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 reviewed regularly 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, 2014, the Company generated a net loss of $2,022,722 (2013: $2,393,846). Non-cash income statement amounts recorded during the period included $249,620 (2013: $580,017) in stock-based compensation, $909,055 (2013: $890,146) in depreciation and accretion, and $112,229 (2013: $537,946) in foreign exchange loss. Total increase to non-cash working capital items during the period amounted to $538,979 (2013: $992,317) resulting in aggregate cash used in operating activities of $212,839 (2013: cash generated by operating activities of $606,580).

Investing Activities

For the three-month period ended March 31, 2014, the Company incurred $499,336 (2013: $10,738,054) in expenditures on its resource properties. The Company incurred $180,804 (2013: $95,556) in development of a proprietary database and software and $1,594,892 (2013: $1,310,259) for the purchase of property and equipment. Total cash used by investing activities for the period was $2,275,032 (2013: $12,143,869).

Financing Activities

For the three-month period ended March 31, 2014, the company had no financing activities (2013: $11,350,631).

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, 2014 $	Three months ended March 31, 2013 $
Salary and management fees	610,357	731,251
Share-based compensation	82,201	571,888
	692,558	1,303,139

The above transactions occurred in the normal course of operations and were measured at the consideration established and agreed to by the related parties.

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 (released)
February 3, 2014	8,851,200 (released)
August 3, 2014	6,713,400
Total	**46,394,334**

OFF-BALANCE SHEET ARRANGEMENTS

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

ADOPTION OF NEW OR REVISED IFRSs

The Company has used the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended December 31, 2013, other than the following new standard that was adopted by the Company effective January 1, 2014.

a) IAS 32 – Financial Instruments: Presentation

The amendments to IAS 32 pertain to the application guidance on the offsetting of financial assets and financial liabilities. The changes focus on four main areas: the meaning of "currently has a legally enforceable right of set-off", the application of simultaneous realization and settlement, the offsetting of collateral amounts, and the unit of account for applying the offsetting requirements. The Company concluded that the adoption of this standard does not have a material impact on its financial statements.

b) IAS 36 – Impairment of Assets

The amendments to IAS 36 outline the additional disclosures that will be required with regards to the recoverable amount of impaired assets. The Company concluded that the application of this IAS did not have any material impact on the disclosures for the current or prior years but may affect the disclosures of future transactions or arrangements.

c) **International Financial Reporting Interpretations Committee Interpretation ("IFRIC") 21 - Levies**

This interpretation clarifies the accounting treatment for a liability to pay a levy, where a levy is an outflow of economic benefits imposed by governments on entities in accordance with legislation. The Company concluded that the application of this IFRIC did not have any material impact on its financial statements.

NON-IFRS DISCLOSURES

NZEC uses certain terms for measurement within this MD&A that do not have standardized meanings prescribed by IFRS, and these measurements may differ from other companies' and accordingly may not be comparable to measures used by other companies. The term "field netback" is not a recognized measure under the applicable IFRSs. Management of the Company believes that this measure is useful to provide shareholders and potential investors with additional information, in addition to profit and loss and cash flow from operating activities as defined by IFRS, for evaluating the Company's operating performance. Field netback is reconciled as follows to the Company's condensed consolidated financial statements for the three-month periods ended March 31, 2014 and 2013:

	Three months Ended March 31, 2014 $	Three months Ended March 31, 2013 $
Revenue		
Oil sales	**2,100,545**	3,061,064
Royalties	**(221,632)**	(135,806)
	1,878,913	2,925,258
Production costs	**(780,115)**	(1,691,405)
Subtotal (a)	**1,098,798**	1,233,853
Barrels of oil sold (b)	**17,630**	27,246
Field netback [(a)/(b)] $/bbl	**62.33**	45.29

SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of voting common shares. As at March 31, 2014, the Company had 170,873,459 common shares outstanding.

As of the date of this MD&A, the Company's share capitalization included 170,873,459 common shares, 24,452,173 warrants, 3,045,849 advisor warrants and 12,091,700 stock options, of which 7,556,850 stock options have vested and are exercisable.

MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

RISK FACTORS

Natural resources exploration and development involves a number of risks and uncertainties, many of which are beyond management's control. The Company's business is subject to the risks normally encountered in the oil and natural gas industry such as the marketability of, and prices for, oil and natural gas, competition with companies having greater resources, acquisition, exploration and production risks, need for capital, fluctuations in the market price and demand for oil and natural gas, the regulation of the oil and natural gas industry by various levels of government and public protests. The success of further 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 "will", "intend", "objective", "become", "transforming", "potential", "continuing", "pursue", "subject to", "look forward", "unlocking" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such forward-looking statements should not be unduly relied upon. The Company believes the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct. This document contains forward-looking statements and assumptions pertaining to the following: business strategy, strength and focus; the granting of regulatory approvals; the timing for receipt of regulatory approvals; geological and engineering estimates relating to the resource potential of the properties; the estimated quantity and quality of the Company's oil and natural gas resources; supply and demand for oil and natural gas and the Company's ability to market crude oil and natural gas; expectations regarding the Company's ability to continually add to reserves and resources through acquisitions and development; the Company's ability to obtain qualified staff and equipment in a timely and cost-efficient manner; the Company's ability to raise capital on appropriate terms, or at all; the ability of the Company's subsidiaries to obtain mining permits and access rights in respect of land and resource and environmental consents; the recoverability of the Company's crude oil, natural gas reserves and resources; and future capital expenditures to be made by the Company. Actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in the document, such as the speculative nature of exploration, appraisal and development of oil and natural gas properties; uncertainties associated with estimating oil and natural gas resources; changes in the cost of operations, including costs of extracting and delivering oil and natural gas to market, that affect potential profitability of oil and natural gas exploration; operating hazards and risks inherent in oil and natural gas operations; volatility in market prices for oil and natural gas; market conditions that prevent the Company from raising the funds necessary for exploration and development on acceptable terms or at all; global financial market events that cause significant volatility in commodity prices; unexpected costs or liabilities for environmental matters; competition for, among other things, capital, acquisitions of resources, skilled personnel, and access to equipment and services required for exploration, development and production; changes in exchange rates, laws of New Zealand or laws of Canada affecting foreign trade, taxation and investment; failure to realize the anticipated benefits of acquisitions; and other factors. Readers are cautioned that the foregoing list of factors is not exhaustive. Statements relating to "reserves and resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources described can be profitably produced in the future. This document includes references to management's forecasts of future development, probability of success, production and cash flows from such operations, which represent management's best estimates at the time. The forward-looking statements contained in the document are expressly qualified by this cautionary statement. These statements speak only as of the date of this document and the Company does not undertake to update any forward-looking statements that are contained in this document, except in accordance with applicable securities laws.

CAUTIONARY NOTE REGARDING RESERVE & RESOURCE ESTIMATES

The oil and gas reserves calculations and income projections were estimated in accordance with the Canadian Oil and Gas Evaluation Handbook ("COGEH") and National Instrument 51-101 ("NI 51-101"). The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of six Mcf: one bbl was used by NZEC. This conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on: the analysis of drilling, geological, geophysical, and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are classified according to the degree of certainty associated with the estimates. Proved Reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves. Probable Reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves. Revenue projections presented are based in part on forecasts of market prices, current exchange rates, inflation, market demand and government policy which are subject to uncertainties and may in future differ materially from the forecasts above. Present values of future net revenues do not necessarily represent the fair market value of the reserves evaluated. The report also contains forward-looking statements including expectations of future production and capital expenditures. Information concerning reserves may also be deemed to be forward looking as estimates imply that the reserves described can be profitably produced in the future. These statements are based on current expectations that involve a number of risks and uncertainties, which could cause the actual results to differ from those anticipated. Contingent resources are those quantities of oil and gas estimated on a given date to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters, or a lack of markets. Prospective resources are those quantities of oil and gas estimated on a given date to be potentially recoverable from undiscovered accumulations. The resources reported are estimates only and there is no certainty that any portion of the reported resources will be discovered and that, if discovered, it will be economically viable or technically feasible to produce.