TARANAKI BASIN

All of New Zealand’s oil and natural gas production comes from the Taranaki Basin, with extensive infrastructure and a well-established service industry to support expanding development and production. The basin currently produces approximately 460 mmcf/day of liquids-rich natural gas and 55,000 bbl/day of light, high-quality oil that sells at Brent pricing.

The Taranaki Basin covers approximately 100,000 km² both onshore and offshore New Zealand’s North Island. The first well was drilled in 1865 with production since the early 1900s, and there have been many significant oil and gas discoveries since 1950, both onshore and offshore. The region is structurally dominated, with faults acting as conduits for oil migration. NZEC controls more than 750 km² in the main production fairway. With less than 500 wells drilled to date, the region offers extraordinary opportunities for further exploration and development.

The Taranaki Basin sediments extend from shallow burial at 200 metres to the deep basement at more than 6,000 metres. Hydrocarbon source rocks are likely deeply buried Paleocene and Cretaceous coaly rocks and shales. Drilling targets are primarily sandstones with some carbonates, with six horizons dominating to date: the Kapuni sandstones, which tend to yield liquid-rich natural gas; the Tikorangi limestones and Tariki sands, which yield light oil and liquid-rich natural gas; and the shallower Urenui, Mt. Messenger and Moki sandstones, which tend to produce light oil and natural gas. NZEC’s exploration efforts to date have focused on the Mt. Messenger formation at a depth of approximately 2,000 metres.
NZEC controls 757 km² across three permits in the main production trend of the Taranaki Basin. The region has extensive infrastructure and a well-established oil field service industry to support oil and gas production from 18 fields.

New Zealand provides the ideal backdrop for oil and gas exploration, with a competitive tax and royalty system, straightforward permitting and regulations, Brent oil pricing, political and economic stability, and a climate that allows for year-round exploration.

NZEC’s permits are estimated to contain 996,000 boe of 3P reserves, 77.1 million bbl of prospective conventional resources (9% recovery) and 843 million bbl of ooiP, with estimates of 500,000 to 1 million bbl of recoverable oil in Mt. Messenger wells.¹

NZEC has the benefit of an in-house proprietary database containing 15 years of geological, geophysical and well data across the Taranaki Basin. More than 6,835 km² of 3D seismic and 73,364 line km of 2D seismic gives NZEC’s team great insight into the permits’ geology and prospectivity, and reduces drilling risk.

Interpretation of 3D seismic data continues to expand NZEC’s inventory of drilling leads, including some significant new targets in the deeper formations. NZEC’s team recently combined and reprocessed five separate 3D seismic surveys covering 552 km² in the main Taranaki fairway, which provides seamless data over a substantial portion of NZEC’s onshore permits.

¹ Reserve and resource estimates prepared by Deloitte LLP (AJM Deloitte).
Strategic acquisition of upstream and midstream assets

NZEC has entered into an agreement with Origin Energy to acquire strategic upstream and midstream assets in the Taranaki Basin. The acquisition is expected to close in Q2-2013, bringing near-term production potential, additional exploration opportunities, and a full-cycle production facility to NZEC’s portfolio.

- **Upstream assets**
  - 109 km$^2$ of petroleum licenses
  - 93 km$^2$ 3D seismic, 585 km 2D seismic, log data from 27 wells
  - Near-term, low-cost production potential
  - Six wells with remaining oil reserves offer reactivation potential using existing gas lift system
  - Six wells offer recompletion potential uphole in shallower formations
  - New exploration targets in five drill-proven formations
  - Gathering pipelines in place to deliver production to Waihapa Production Station, and an oil pipeline from the production station to the Omata Tank Farm and Port Taranaki

- **Midstream assets**
  - Full-cycle production facility, central to NZEC’s inventory of exploration prospects
  - Open-access facility → business opportunities
  - Full-cycle gathering and sales infrastructure
  - Capacity for 45 mmcf/d, 25,000 bbl/d

**Upcoming milestones**
- Finalize acquisition of additional acreage and full-cycle production station
- Continue to expand inventory of 3D-defined drilling leads
- Additional exploration to grow production and cash flow

**Achievements to date**
- Largest onshore exploration land package on New Zealand’s North Island
- Six oil discoveries
- Four wells producing light ~40° API oil, one well awaiting artificial lift
- Experienced team with New Zealand and Western Canadian sedimentary basin expertise
- Strategic partnership with New Zealand Oil & Gas
- Cooperation Agreement in place with Ngati Ruanui iwi

NZEC’s permits are accessible by paved roads and central to a network of oil and gas pipelines.

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Experienced team, focused on growth

Drilling / Production report card

NZEC’s wells are producing light, high-quality ~40° API crude and liquids-rich natural gas. Oil is trucked approximately 45km on paved roads to the Shell-operated Omata Tank Farm in New Plymouth, where it is sold at Brent crude pricing.

<table>
<thead>
<tr>
<th>WELL NAME</th>
<th>TARGET FORMATION</th>
<th>TOTAL DEPTH</th>
<th>STATUS</th>
<th>TOTAL OIL PROD. (END MARCH 2013)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copper Moki-1</td>
<td>Mt. Messenger</td>
<td>2,220 m</td>
<td>Producing since December 2011</td>
<td>105,172 bbl</td>
</tr>
<tr>
<td>Copper Moki-2</td>
<td>Mt. Messenger</td>
<td>2,084 m</td>
<td>Producing since April 2012</td>
<td>79,079 bbl</td>
</tr>
<tr>
<td>Copper Moki-3</td>
<td>Mt. Messenger / Moki</td>
<td>3,167 m</td>
<td>Producing from Mt. Messenger since July 2012</td>
<td>40,176 bbl</td>
</tr>
<tr>
<td>Copper Moki-4</td>
<td>Mt. Messenger / Urenui</td>
<td>2,125 m</td>
<td>Urenui oil discovery, shut in pending further testing</td>
<td>14,088 bbl</td>
</tr>
<tr>
<td>Waitapu-1</td>
<td>Mt. Messenger</td>
<td>2,213 m</td>
<td>Shut in pending further testing or sidetrack</td>
<td></td>
</tr>
<tr>
<td>Waitapu-2</td>
<td>Mt. Messenger</td>
<td>2,085 m</td>
<td>Producing since December 2012</td>
<td></td>
</tr>
<tr>
<td>Arakamu-1A</td>
<td>Moki</td>
<td>2,900 m</td>
<td>Suspended</td>
<td></td>
</tr>
<tr>
<td>Arakamu-2</td>
<td>Mt. Messenger</td>
<td>2,380 m</td>
<td>Oil discovery in April 2013, awaiting artificial lift</td>
<td></td>
</tr>
<tr>
<td>Wairere-1</td>
<td>Mt. Messenger</td>
<td>1,971 m</td>
<td>Plugged back for sidetrack</td>
<td></td>
</tr>
<tr>
<td>Wairere-1A</td>
<td>Mt. Messenger</td>
<td>2,152 m</td>
<td>Completion pending</td>
<td></td>
</tr>
</tbody>
</table>

Technical and management expertise

NZEC has recruited an experienced team with New Zealand and Western Canadian sedimentary basin knowledge and a wide range of oil and gas industry expertise.

**John Proust, Chief Executive Officer**  
Founder and principal shareholder of numerous successful public and private companies focused in the resource sector. Expert in corporate financing and corporate governance.

**Chris Bush, New Zealand Country Manager**  
Chemical engineer and CFA with more than 30 years of oil and gas experience, most recently as New Zealand Country Manager/ Director for Origin Energy.

**Bruce McIntyre, Executive Director**  
Professional geologist with over 32 years of oil and gas experience. Proven track record of advancing both projects and companies from grassroots exploration through to production.

**Ian Brown, Chief Operating Officer**  
Professional engineer and founder of Ian R Brown Associates Ltd, a geological engineering consulting company focused on New Zealand oil and gas exploration and development.

**Chris Ferguson, Chief Financial Officer**  
Chartered Accountant with more than 18 years of financial, accounting and operational experience in the New Zealand public and private sectors.

**Simon Ward, Principal Geologist**  
Professional geologist with over 15 years of oil and gas consulting experience focused on drilling project management, wellsite geology, production data analysis and regulatory compliance.

**June Cahill, Manager Exploration**  
Senior geoscientist with several years of consultancy experience and particular expertise in spatial data analysis and project management.

**In-country Technical Team**

A team of geologists, geophysicists and logistics experts oversee the technical review, exploration and development activities, permitting and community engagement at NZEC’s properties.