NEW ZEALAND ENERGY CORP.

Management's Discussion and Analysis

Three Months Ended 31 March 2020

(Expressed in Canadian Dollars)

This Management's Discussion and Analysis ("MD&A") is dated 26 August 2020, for the quarter ended 31 March 2020. It should be read in conjunction with the Unaudited Condensed Consolidated Financial statements for the quarter ended 31 March 2020 of New Zealand Energy Corp. ("NZEC" or the "Company") as publicly filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

NZEC reports in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the associated Unaudited Condensed Consolidated Financial statements, are presented in accordance with IFRS.

This MD&A includes certain statements which may be deemed "forward-looking statements" (see *Forward-looking Information*). All amounts are in Canadian dollars unless otherwise stated.

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

NZEC's BUSINESS

NZEC, through its subsidiaries (collectively "NZEC" or "the Company") is engaged in the production of and exploration for oil and natural gas, as well as the operation of midstream assets, in New Zealand. The Company's assets are located on New Zealand's North Island in the Taranaki Basin, New Zealand's only commercial oil and gas producing area.

Background

NZEC is the Operator of three Petroleum Mining Licences ("PMLs"), one Petroleum Mining Permit ("PMP") and one Petroleum Exploration Permit ("PEP") in each of which it has an interest. It holds a 50% interest in PML 38138 ("Tariki Licence"), PML 38140 ("Waihapa Licence") and PML 38141 ("Ngaere Licence") (collectively the "TWN Licences"). L&M Energy Limited ("L&M") hold the remaining 50%.

NZEC has a 100% interest in PMP 55491 ("Copper Moki") and PEP 51150 (the "Eltham Permit").

NZEC holds a 50% working interest (with New Dawn Energy Limited) in, and is operator of, the Waihapa Production Station and associated gathering and sales infrastructure (collectively the "TWN Assets"), providing a range of services to its own operated assets and to third parties including operation of the Ahuroa gas storage facility, oil handling and pipeline throughput, gas processing and transport, LPG storage and produced water handling and disposal.

OPERATING & FINANCIAL HIGHLIGHTS

The following are the operating highlights for the quarter:

1. **Safety:** There have been no HSE incidents through Q1, i.e. no First Aid Treatment cases or Lost Time Injuries. The appearance of COVID-19 in New Zealand and the subsequent Alert Level Lockdown strategy triggered the NZEC Pandemic plan prepared in the latter half of March 2020 which went into action from 25th March 2020.

2. **Copper Moki-1:** Copper Moki-1 averaged ~96 bopd oil through Q1 and finished the quarter at 85 bopd and 44 bwpd. The performance of Copper Moki-1 is closely monitored, and periodic condensate flushes are carried out as/when production is affected by sand and wax deposition.

3. **Copper Moki-2:** Copper Moki-2 production for Q1 averaged 31 bopd and was producing at 23 bopd and ~1 bwpd at quarter end. This well responds positively to periodic condensate flushes to remove wax and sand from the around the perforations and the pump intake. These are routinely carried out as required, typically on a 2 to 3 monthly basis.

4. **Waihapa Production Station Low OPEX Mode**; The collapse in oil prices through March 2020 led to implementation of the Low Operating Cost mode at the Waihapa Production Station from 23rd March 2020. This meant a change in some of the oil and gas well and plant operations to periodic mode instead of continuous operation. The result was a drop in oil production of ~25% from Waihapa-Ngaere but a substantial reduction in Operating Expenditure.

5. **Waihapa-Ngaere Production:** The average rate (NZEC share) for Q1 2020 was 20 bopd. This was a decrease from the 32 bopd NZEC share (100% oil) in Q4 2019. The field continued to see oil production suppressed by the effects of the partial tubing failure in well Ngaere-1 in Q3 2019. See #6 below. At quarter end the Waihapa Field oil rate was reduced by the switch from continuous production using gas-lift to periodic production to reduce operating costs and averaged 20 bopd (NZEC share).

6. **TWN Enhanced Oil Recovery Project:** As reported at year end 2019, the ESP in Ngaere-1 had been fully operational in Q2 2019 and initial production was as expected. By year end 2019 the well was not routinely operated due to the appearance of a hole(s) in the tubing above the ESP. A number of tubing patching technologies have been tested and by Q1 2020 a revised and likely successful patch technology had been evaluated and designed. The implementation of the patch has been deferred due to the oil price collapse in late Q1.

7. **Production:** Production for the first quarter was 13,302 boe (99% oil) (with an average 146 boe per day); compared to the last quarter of 2019 when production was 14,211 boe (100% oil) (with an average 154 boe per day).

8. **Sales (oil):** Oil sales for Q1 of 14,451 bbl realised $869,751 (with an average oil sale price of $60.57 per bbl); compared to the prior quarters 17,729 bbl realised $1,403,923 (with an average oil sale price of $79.19 per bbl).

9. **Processing revenue:** Third party processing volumes were stable through the quarter. The temporary suspension of the LPG storage revenue was addressed through the quarter by the submission of the Waihapa Facility Safety Case to the regulator. The LPG bullets have since resumed storage revenue (See "Recent Developments"). The TWN Assets (NZEC share) generated $520,541 from processing fees for the quarter, compared to $519,902 for the previous quarter, with a number of third-party customers accessing a range of services including site operations, oil processing and handling, oil and gas pipeline throughput services, gas processing, and produced water disposal.

10. **Tariki PML 38138;** On 21 October 2019 the company applied to the regulator for a change to the Work Program and an extension of licence duration by an additional 5 years to enable the new program to be completed. An updated Work Program was agreed with the regulator in February to focus on undeveloped gas and on the potential of gas storage or carbon sequestration facility. The application was granted by the regulator on 19 June 2020. See "Recent Developments".

11. **Eltham PEP 51150:** The Work Program for the Appraisal Extension of this permit included the plug and abandonment of the Wairere-1A well, which was completed on schedule in mid March 2020. The studies to firm up the next stage of appraising this permit are in progress as planned. See "Recent Developments".

2020 OUTLOOK

Key objectives for the balance of 2020 include:

1. Maintaining our Safety Culture in order to progress our goal of zero harm to people and the environment in partnership with the local community in respect of the Company assets. The effects of the COVID-19 pandemic posed substantial challenges to maintaining safe operations within the regulatory restrictions imposed in the first half of this year.

2. Approval of the Waihapa Area Safety Case and the restoration of LPG storage services at the WPS location was a focus for the rest of 2020. The approval by the regulator received in May has allowed the LPG storage to resume and has unified operational and safety processes and procedures across the company's sites.

3. Optimising the management of the Copper Moki-1/Waitapu-2 waterflood and extending the waterflood area where commercially viable, potentially into the Copper Moki-2 pool;

4. Re-evaluating the Waihapa-Ngaere Enhanced Oil Recovery Project to determine whether to proceed with a wireline based tubing patch of the Ngaere-1 ESP tubing or a more expensive but high probability of success rig based repair. An alternative scenario installing an ESP in Waihapa-6A is being evaluated and may be preferred. The re-configuring of the water disposal strategy to improve pressure depletion in the Waihapa-Ngaere Tikorangi reservoir by water disposal to shallower intervals at the Waihapa B site will be further reviewed;

5. After the award of the Tariki PML 38138 extension of duration and work program change was approved on 19 June 2020, the company is progressing the revised Work Program as a priority through Q3 and Q4 of 2020.

6. Identifying and maturing opportunities within the Company assets for low cost and/or low risk developments. This includes opportunities within the producing Waihapa, Ngaere and Copper Moki assets as well as those in the Eltham Appraisal Extension which may be accessible from existing wells and/or other commercial opportunities.

7. Exploration and appraisal opportunities within the Licences and Permits operated by the Company will be updated and re-evaluated with the objective of being able to quickly implement the best of these when the Company and/or its Joint Venture choose, later in 2020 or in 2021. The opportunities to be evaluated include:
   - improved recovery in the Copper Moki area;
   - undeveloped discovered oil in the Copper Moki, Waihapa-Ngaere and Tariki permits;

- undeveloped discovered gas in the Tariki Permit and the Mangahewa Formation gas in the Waihapa and Ngaere permits; and
- Mt Messenger exploration prospects in the Waihapa-Ngaere permit adjacent to existing infrastructure.

RECENT DEVELOPMENTS

1. **Business Reorganisation & Cost Reductions;** The COVID-19 Pandemic and the collapse of oil prices in March 2020 triggered a substantial restructuring of the company's operations and a change in operating practices to further reduce costs. There have been 3 major components of the change during 2020, namely;
   a. Implementation of the Low Operating Cost Mode at Waihapa
   b. An across the Organisation wage and salary reduction.
   c. Business restructure and consequent redundancy process which has resulted in office staff being reduced by 30%.

2. **Waihapa Safety Case;** The Waihapa Area Safety Case was approved by the regulator on May 26th. 2020. The LPG Storage service at Waihapa became available on June 10th, 2020.

3. **TWN Enhanced Oil Recovery Project:** The wireline-based repairs to the tubing in Ngaere-1 in late 2019 and early 2020 were partially successful. The well is currently on cyclic production rather than continuous production due to leaks around the base of the tubing patch and the Low Operating Cost mode at the Waihapa Production Station. The failure mode of the patches is now well understood and an alternative through tubing wireline patch has been designed and may be installed in Ngaere-1 pending the re-evaluation of the forward plan for the Enhanced Oil Project.

4. **Tariki Licence (PML38138)**: The regulator has awarded the application to extend the current licence term by 5 years to July 2026 and to modify the existing work programme such that the identified undeveloped gas and gas storage projects can be advanced. The company is nearing completion of detailed reservoir simulation modelling and is proceeding with facilities scoping and commercial analyses in order to be able to progress the opportunities in this Licence through the latter part of 2020. See "*Property Review and Outlook*"

5. **Eltham Permit (PEP 51150):** The abandonment of the Wairere-1A well was completed in March 2020. The work was completed on time and budget.

FINANCIAL SNAPSHOT

	Quarter ended 31 March 2020	***Preceding quarter ended 31 December 2019***	***Comparative quarter ended 31 March 2019***
	bbl	***bbl***	***bbl***
Production (oil)	13,211	14,211	13,717
Sales (oil)	14,361	17,729	13,792
	$/bbl	***$/bbl***	***$/bbl***
Price	60.57	79.19	79.08
Production costs	34.25	33.58	20.30
Royalties	3.59	3.12	5.03
Field netback	22.73	42.49	53.75
	$	**$**	**$**
Revenue	1,707,447	2,437,926	2,631,519
Total comprehensive loss	(791,036)	(545,804)	(161,325)
Net finance expense	(51,015)	(92,348)	(70,478)
Loss per share – basic and diluted	(0.003)	(0.007)	(0.003)
Current Assets	2,217,429	3,186,990	3,401,421
Total Assets	16,363,204	16,849,590	19,694,607
Total long-term liabilities	12,519,790	11,703,515	12,696,554
Total liabilities	14,185,332	13,779,726	14,982,027
Shareholders' equity	2,177,872	3,069,864	4,712,580

Note: The abbreviation bbl means barrel of oil.

PROPERTY REVIEW AND OUTLOOK

This section reviews activities and developments during the reporting period in respect of the Company's assets (see map following).

The Company produces from Waihapa and Ngaere production wells in the TWN Petroleum Mining Licences and from the Copper Moki wells in the Copper Moki Mining Permit.

TWN Petroleum Mining Licences

Waihapa/Ngaere

The Waihapa Ngaere enhanced oil recovery project mobilizes stranded oil by reducing reservoir pressure and increasing pressure differentials on lower conductivity fractures in the reservoir.

The lattermost stages of the enhanced oil recovery project consisted of installation of an ESP (Electric Submersible Pump) in the Ngaere-1 well and the produced water system being re-routed to the Toko E site in the very north of the Tikorangi Field area. Total fluid rates from Waihapa-Ngaere were reduced to ~2,500-4,000 bfpd from early October 2019 to late February 2020 due to the problems with the tubing hole at Ngaere-1 reducing the ESP lifting efficiency.

Work has progressed to enable future expected produced water disposal into the over-lying Mount Messenger Formation at the Waihapa B site to maximise the pressure depletion effects possible with increased reservoir production rates. The Mount Messenger water disposal capacity has been available from the end of 2019 and the shallower Kiore Sand capability has been planned and is ready to implement, if required, later this year.

A re-evaluation of the optimum way to progress the Enhanced Oil Project using results to date and updated commercial and reservoir models is underway and will be completed in Q3 2020. This work will inform the next stages of the Waihapa-Ngaere Field re-development.

Tariki

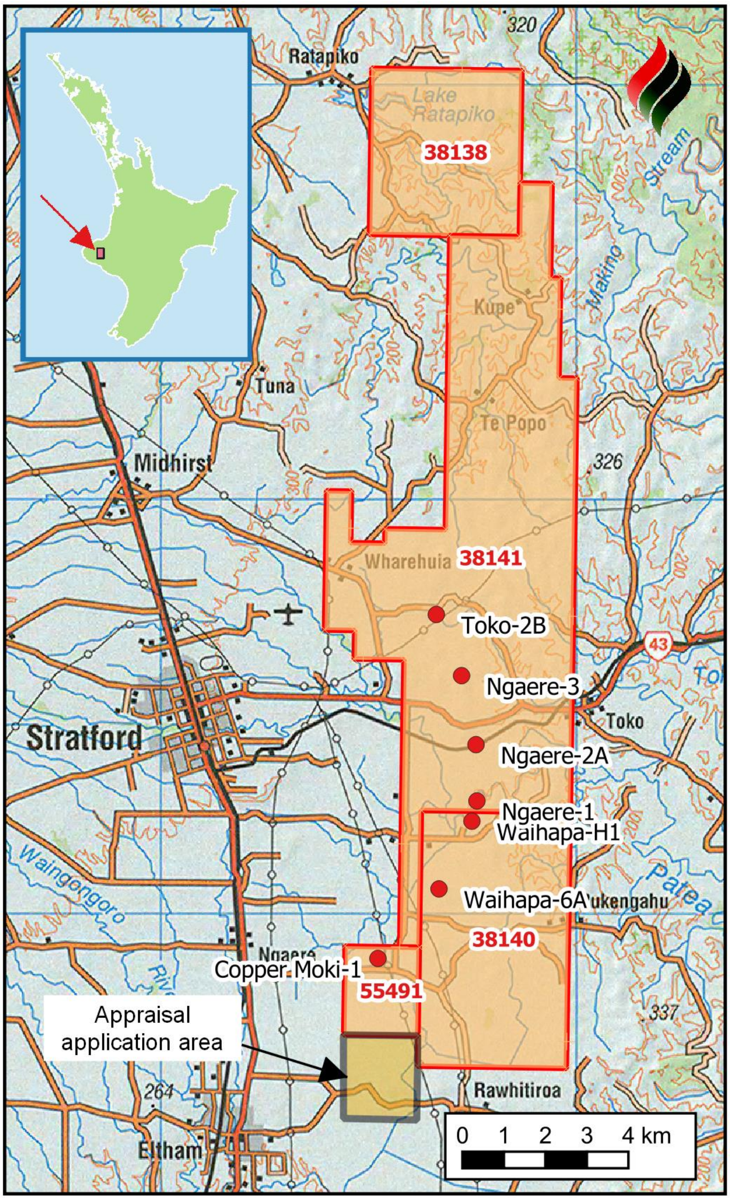
The Tariki licence (PML38138) extension of duration to 20 July 2026 has been awarded along with agreement to a modified work programme as submitted to the regulator in October 2020. The new Work Program refocuses the work on both potential by-passed gas and on gas storage (or carbon sequestration) projects. Recent geological and reservoir studies have firmed up the scale and certainty of contingent by-passed gas-condensate resources and gas storage. The latter reflects the changes in the NZ regulatory and economic environment since the previous licence extension awarded in 2016. It is apparent to the Company there is commercial impetus for another gas storage project in the local market.

See also *Permit Expenditure Plans* below.

Copper Moki Petroleum Mining Permit

<u>Copper Moki-1:</u> Since the well was restored in late November 2018 production has been in the range of 80 to 130 bopd. In Q1 2020 production averaged ~96 bopd. Since the late 2018 pump repair there have been a few periods of sand and/or wax build-up which temporarily restricts the wells performance. These have been successfully managed by annulus-to-tubing washes using condensate as a solvent, as a sand carrier and as a power fluid. The most recent of these was in late Q4. Other changes have involved re-configuring the pumpjack to a shorter stroke so that the pump fluid rate can be matched to the well inflow within the motor speed range.

<u>Copper Moki-2:</u>. A new pump installation in Copper Moki-2 was carried out in Q3 2019. This saw production increase and in Q1 2020 averaged ~31 bopd. A series of condensate flushes to remove wax and sand deposition has been successfully carried out approximately every 2 to 3 months. Water production has remained stable and typically at less than 2 bwpd. Reservoir analyses indicate that the OIIP is larger than prior estimates and there is likely to be more recoverable oil than previously interpreted in this pool. A waterflood implementation will be evaluated in the latter half of 2020.



Eltham Petroleum Exploration Permit

On 5 November 2019 the regulator granted an Appraisal Extension over a substantially reduced area (898 acres or 3.6km^2) of PEP 51150. The application area includes the 2012 Arakamu- 2 discovery well, which produced oil from the Miocene Moki Formation when tested in Q1-13.

The revised Work Program for the Appraisal Extension Area includes evaluating and testing an artificial lift system in Arakamu-2 by March 2021. The abandonment of the Wairere-1A well was completed in March 2020 as required using Tiger Rig 2. The Wairere-1A well was outside the Extension area.

TWN Midstream Assets

Services are provided to Gas Services New Zealand in relation to operation of the Ahuroa Gas Storage facility. In addition, other parties are accessing services for oil processing, handling and pipeline throughput, and handling and disposal of produced water.

A safety case has been in-place for the Waihapa Production Station since May 2020. This meets both anticipated future regulatory requirements and allows for utilisation of the plant to its potential (e.g. allowing third party storage of LPG in the 3 LPG storage bullets) thus enhancing third party revenue).

The Company continues to explore opportunities with existing and new customers for liquids and gas handling and transportation.

SUMMARY OF QUARTERLY RESULTS

	2020 Q1 $	2019 Q4 $	2019 Q3 $	2019 Q2 $
Total assets	16,363,204	16,849,590	19,964,456	19,771,288
Exploration and evaluation assets	-	-	-	-
Property, plant and equipment	13,699,525	13,198,851	16,604,971	16,176,264
Working capital	551,887	1,110,779	1,171,401	938,318
Revenues	1,707,447	2,437,926	1,888,520	2,705,940
Accumulated deficit	(142,083,101)	(141,292,065)	(140,544,059)	(140,353,014)
Total comprehensive income (loss)	(891,992)	(545,804)	(402,656)	(694,256)
Basic (loss) earnings per share	(0.003)	(0.003)	(0.001)	(0.002)
Diluted (loss) earnings per share	(0.003)	(0.003)	(0.001)	(0.002)

	2019 Q1 $	2018 Q4 $	2018 Q3 $	2018 Q2 $
Total assets	19,694,607	19,482,944	19,995,634	20,613,614
Exploration and evaluation assets	-	-	-	-
Property, plant and equipment	15,708,927	14,595,173	14,933,065	15,397,744
Working capital	1,115,948	1,254,314	1,600,803	1,246,055
Revenues	2,631,519	3,017,229	2,941,542	4,261,327
Accumulated deficit	(139,809,509)	(139,667,184)	(138,521,200)	(138,473,149)
Total comprehensive income (loss)	(180,215)	(820,151)	(246,052)	497,962
Basic (loss) earnings per share	(0.001)	(0.005)	(0.001)	0.002
Diluted (loss) earnings per share	(0.001)	(0.005)	(0.001)	0.002

See "*NZEC's Business", "Property Review & Outlook" and "Results of Operations"*, for the activities to which this summary of quarterly results relates.

RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD 31 MARCH 2020

This section of the MD&A provides analysis of the Company's operations in respect of the first quarter of 2020 ("Three Month Period") compared to results achieved for the same period in 2019. See *Operating & Financial Highlights* and *Property Review and Outlook* for a summary of the first quarter 2020 operational events and activities.

Production and sales

	Three Month Period ended 31 March	
Barrels or BOE	**2020**	**2019**
Production - Oil	13,211	13,717
Sales - Oil	12,056	13,792
Sales – Gas (BOE)	90	-
TOTAL Production (BOE)	13,302	13,717

Production has remained consistent with 2019.

Revenues

	Three Month Period ended 31 March	
	2020	**2019**
	$	**$**
Oil Sales	869,751	1,090,566
Gas Sales	1,437	-
Processing Revenue	520,541	619,707
Other Revenue	95,531	89,187
Purchased oil sold*	270,101	888,426
Royalty**	(51,494)	(69,325)
Oil sales per bbl	60.57	79.08

Note. In respect to Oil Sales, revenue is derived from oil sales volume, oil price and exchange rate. The realised per barrel price is based on the Brent crude oil price.

Gas sales – Gas sales through the quarter have not been material, primarily due to the lack of injection to the Ahuroa Gas Storage Facility (AGS) via Waihapa, which to date has been the gas sales route. We continue to pursue alternative routes to sell produced gas using both existing and new pipeline connections to the Waihapa Production Station.

Processing Revenue – the decrease is a result of less third-party processing volumes, including LPG storage, as noted in point 9 of Operating and Financial Highlights above.

Other Revenue – consulting services provided for third parties: 2020 Ahuroa Gas Storage expansion project and Ahuroa Reservoir Operational support.

<u>*Purchased oil sold:</u> The Company has an arrangement with a third party whereby the Company purchases oil, charges a processing fee and subsequently sells the oil. Any unsold oil is carried as inventory.

<u>**Royalty</u>: Royalties paid are based on an ad valorem Crown royalty of 5% at Copper Moki and 10% (less allowable costs) for the TWN Licences. In addition, for the TWN Licences, there is a 9% overriding royalty payable to Beach Energy with a calculation based on the Crown royalty calculation. Total costs are related to the mix and source of production.

Production costs

	Three Month Period ended 31 March	
	2020	**2019**
	$	**$**
Production costs	491,839	279,928
Production cost per bbl	34.25	20.30

Production costs include the impact of oil inventory value changes*. If this impact was excluded, the comparable costs would have been $403,815 (2019: $297,523) and production cost per barrel $28.12 (2019: $21.57).

Production costs per bbl are higher in 2020 due to costs associated with a CM1 workover ($36,000) and additional Emissions trading carbon credits required to settle historical obligations arising from an audit. ($86,000)

**Oil inventory value changes. Where lower oil inventory values occur (due to drop in Brent oil price) it results in a decrease in the oil inventory value, hence an increase in production cost.*

Processing costs

	Three Month Period ended 31 March	
	2020	**2019**
	$	**$**
Processing costs	587,086	326,850

Processing costs include the impact of oil inventory value changes* on the volume of oil held in the pipeline. This resulted in additional costs in the quarter of $226,893 (2019: ($110,345)).

**Oil inventory value changes. Where lower oil inventory values occur (due to drop in Brent oil price) it results in a decrease in the oil inventory value, hence an increase in processing cost.*

Depreciation and depletion

	Three Month Period ended 31 March	
	2020	**2019**
	$	**$**
Depreciation and depletion	259,569	312,890

Depletion on oil and gas assets is calculated using the unit-of-production method by reference to the ratio of production during the respective periods as compared to the related total proved and probable reserves of oil and natural gas, taking into account estimated future development costs necessary to access those reserves.

General and Administrative Expenses

	Three Month Period ended 31 March	
	2020	**2019**
	$	**$**
General and administrative expense	842,576	907,227

The decrease in 2020 reflects lower salary and wages, and administrative expenses, with cost reductions continuing to be a focus. See further breakdown in *Unaudited Condensed Consolidated Financial Statements - Note 11, General and Administrative Expenses*

Finance Expense

	Three Month Period ended 31 March	
	2020	**2019**
	$	**$**
Accretion	51,015	57,560
Interest on Financial Payables	-	12,918
Total Finance expense	51,015	70,748

Accretion reflects the expense associated with asset retirement obligations. See *Unaudited Condensed Consolidated Financial Statements - Note 7, Asset Retirement Obligations,* for more information.

Interest on Financial Payables has been recognised using the effective interest method. There was full repayment of the Financial Payable in Q1-19.

Abandonment Provision movement

	Three Month Period ended 31 March	
	2020	**2019**
	$	**$**
Abandonment provision movement	2,559	1,950

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

Exchange Difference on Translation of Foreign Currency

	Three Month Period ended 31 March	
	2020	**2019**
	$	**$**
Exchange Difference – gain / (loss)	(100,956)	(18,890)
Exchange rate at beginning of period	0.8796	0.9145
Exchange rate at end of period	0.8508	0.9112

Exchange differences arise from the translation of foreign operations and monetary items (largely based in NZD).

The NZD exchange rate has weakened against the CAD over both the Three Month Periods to 31st March 2019 and 2020 resulting in translation losses.

PETROLEUM PROPERTY ACTIVITIES, OPERATIONS AND CAPITAL EXPENDITURES

Capital Expenditure

The Company recognised the following additions in Oil and gas assets during the Three Month Periods:

	Three Month Period ended 31 March	
	2020	**2019**
	$	**$**
Copper Moki	49,895	-
Waihapa	-	354,469
Administrative	-	1,169
TOTAL	**49,895**	**355,638**

Waihapa spend in 2019 relates to the Ngaere-1 ESP project.

Copper Moki, 2020 spend relates to Flare line pipes, gas ejector, and new gas metering equipment.

COMMITMENTS

See details provided in *Unaudited Condensed Consolidated Financial Statements - Note 14, Commitments*.

PERMIT EXPENDITURE PLANS

See details provided in *Unaudited Condensed Consolidated Financial Statements - Note 15, Permit Expenditure Plans*.

LIQUIDITY AND CAPITAL RESOURCES

	31 March 2020	31 December 2019
	$	**$**
Cash and cash equivalents	1,253,335	1,474,809
Working capital	551,887	1,110,779

The Company continues to pursue a number of options to improve its financial capacity, including cash flow from oil and gas production, credit facilities, commercial arrangements or other financing alternatives to enable it to undertake operations required to further exploit the permits and licences it holds, with the objective of increasing petroleum production. Its ability to improve its financial capacity including its ability to maintain financing facilities it currently has in place and the relative success of, and cash flow generated from, intended operations including the production achieved and the oil price obtained cannot be assured. See the *Unaudited Condensed Consolidated Financial Statements - Note 1, Going Concern*.

CASH FLOW

	31 March 2020	31 March 2019
Cash provided by / (used in)	**$**	**$**
Operating activities	(107,701)	(168,695)
Investing activities	(49,895)	(110,005)
Financing activities	-	-

Net loss for the twelve-month period was $791,036 (2019: $161,325). The more significant non-cash items included in the net profit during the period included $315,613 in depreciation, depletion and accretion (2019: $376,615) together with a change in non-cash working capital items of $658,542 (2019: ($391,030)).

Investing activities were for the purchase of oil and gas properties.

RELATED PARTY TRANSACTIONS

See details provided in *Unaudited Condensed Consolidated Financial Statements - Note 12, Related Party Transactions*.

OFF-BALANCE SHEET ARRANGEMENTS

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

CHANGE OF ACCOUNTING POLICY and ADOPTION OF NEW OR REVISED IFRSs

The Company has used the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended 31 December 2019, refer *Unaudited Condensed Consolidated Financial Statements - Note 2, Summary of Significant Accounting Policies*.

NON-IFRS DISCLOSURES

NZEC uses certain terms for measurement within this MD&A which do not have standardized meanings prescribed by IFRS, and these measurements may differ from other companies' and accordingly may not be comparable to measures used by other companies. The term "field netback" is not a recognized measure under the applicable IFRSs. Management of the Company believes the measure is useful to provide shareholders and potential investors with additional information, in addition to profit and loss and cash flow from operating activities as defined by IFRS, for evaluating the Company's operating performance. Field netback is reconciled as follows to the Company's Consolidated Financial statements for the Three Month periods ended 31 March 2020 and 2019:

	Three Month Period ended 31 March	
	2020	**2019**
	$	**$**
Net Revenue		
Oil sales	869,751	1,090,566
Royalties	(51,494)	(69,325)
Production Costs	(491,839)	(279,928)
Sub-total net revenue (a)	326,418	741,313
Barrels of Oil sold (b)	14,361	13,792
Field Netback [(a)/(b)] $/bbl	**22.73**	**53.75**

SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of voting common shares. As at 31 March 2020, the Company had 232,123,459 common shares outstanding.

As of the date of this MD&A, the Company's share capitalization included 232,123,459 common shares, nil warrants and nil share options, the remaining balance having expired on 24 June 2020.

RISK FACTORS

Natural resources exploration and development involves a number of risks and uncertainties, many of which are beyond management's control. The Company's business is subject to the risks normally encountered in the oil and natural gas industry such as the marketability of, and prices for, oil and natural gas, competition with companies having greater resources, acquisition, exploration and production risks, need for capital, fluctuations in the market price and demand for oil and natural gas, the regulation of the oil and natural gas industry by various levels of government and public protests. The success of further development and exploration projects cannot be assured. In addition, the Company's operations are outside of Canada and are subject to risks arising from foreign exchange and foreign regulatory regimes. The Company works to mitigate these risks through such mechanisms as its project and opportunity evaluation processes, engagement with joint venture parties and employing appropriately skilled staff. In addition, insurance policies, consistent with industry practice, are maintained to protect against loss of assets, well blowouts and third party liability. The Company is committed to operating in accordance with all applicable laws and regulations, safely and with due regard to the environment.

FORWARD-LOOKING INFORMATION

This document contains certain forward-looking information and forward-looking statements within the meaning of applicable securities legislation (collectively "forward-looking statements"). The use of any of the words "will", "objective", "plan", "seek", "expect", "potential", "pursue", "subject to", "can", "could", "hopeful", "contingent", "anticipate", "look forward", and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors which may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such forward-looking statements should not be unduly relied upon. The Company believes the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given these expectations will prove to be correct.

This document contains forward-looking statements and assumptions pertaining to the following: business strategy, strength and focus; the granting of regulatory approvals; the timing for receipt of regulatory approvals; geological and engineering estimates relating to the resource potential of the properties; the estimated quantity and quality of the Company's oil and natural gas resources; supply and demand for oil and natural gas and the Company's ability to market crude oil and natural gas; expectations regarding the Company's ability to continually add to reserves and resources through acquisitions and development; the Company's ability to obtain qualified staff and equipment in a timely and cost-efficient manner; the Company's ability to raise capital on appropriate terms, or at all; the ability of the Company's subsidiaries to obtain mining permits and access rights in respect of land and resource and environmental consents; the recoverability of the Company's crude oil, natural gas reserves and resources; and future capital expenditures to be made by the Company.

Actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in the document, such as the speculative nature of exploration, appraisal and development of oil and natural gas properties; uncertainties associated with estimating oil and natural gas resources; changes in the cost of operations, including costs of extracting and delivering oil and natural gas to market, affecting the potential profitability of oil and natural gas exploration; operating hazards and risks inherent in oil and natural gas operations; volatility in market prices for oil and natural gas; market conditions which prevent the Company from raising the funds necessary for exploration and development on acceptable terms or at all; global financial market events which cause significant volatility in commodity prices; unexpected costs or liabilities for environmental matters; competition for, among other things, capital, acquisitions of resources, skilled personnel, and access to equipment and services required for exploration, development and production; changes in exchange rates, laws of New Zealand or laws of Canada affecting foreign trade, taxation and investment; failure to realize the anticipated benefits of acquisitions; and other factors. Readers are cautioned the foregoing list of factors is not exhaustive.

Statements relating to "reserves and resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources described can be profitably produced in the future. This document includes references to management's forecasts of future development, probability of success, production and cash flows from such operations, which represent management's best estimates at the time. The forward-looking statements contained in the document are expressly qualified by this cautionary statement. These statements speak only as of the date of this document and the Company does not undertake to update any forward-looking statements contained in this document, except in accordance with applicable securities laws.

CAUTIONARY NOTE REGARDING RESERVE & RESOURCE ESTIMATES

The oil and gas reserves calculations and income projections were estimated in accordance with the Canadian Oil and Gas Evaluation Handbook ("COGEH") and National Instrument 51-101 ("NI 51-101"). The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of six Mcf: one bbl was used by NZEC. This conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on: the analysis of drilling, geological, geophysical, and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable.

Reserves are classified according to the degree of certainty associated with the estimates. Proved Reserves are those reserves which can be estimated with a high degree of certainty to be recoverable. It is likely the actual remaining quantities recovered will exceed the estimated proved reserves. Probable Reserves are those additional reserves which are less certain to be recovered than proved reserves. It is equally likely the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

Revenue projections presented are based in part on forecasts of market prices, current exchange rates, inflation, market demand and government policy which are subject to uncertainties and may in future differ materially from the forecasts above. Present values of future net revenues do not necessarily represent the fair market value of the reserves evaluated. The report also contains forward-looking statements including expectations of future production and capital expenditures. Information concerning reserves may also be deemed to be forward looking as estimates imply the reserves described can be profitably produced in the future. These statements are based on current expectations which involve a number of risks and uncertainties, which could cause the actual results to differ from those anticipated. Contingent resources are those quantities of oil and gas estimated on a given date to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters, or a lack of markets. Prospective resources are those quantities of oil and gas estimated on a given date to be potentially recoverable from undiscovered accumulations. The resources reported are estimates only and there is no certainty any portion of the reported resources will be discovered and, if discovered, will be economically viable or technically feasible to produce.