



Management's Discussion and Analysis

Three Months Ended 31 March 2021

(Expressed in Canadian Dollars)

Management's Discussion & Analysis

This Management's Discussion and Analysis ("MD&A") is dated 18 May 2021, for the quarter ended 31 March 2021. It should be read in conjunction with the Unaudited Condensed Consolidated Financial statements for the quarter ended 31 March 2021 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 PMP") 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 the Ahuroa gas storage facility, oil handling and pipeline throughput, gas processing and transport, LPG storage and produced water handling and disposal.

The following are the operating highlights for the quarter:

- 1. Safety:** There have been no HSE incidents through Q1, i.e., no First Aid or Medical Treatment Cases or Lost Time Injuries. It has been 610 days, as of end March 2021, since the last LTI. The company's operations have not had any further significant impacts from COVID-19 since Q4 2020.
- 2. Copper Moki-1:** Copper Moki-1 oil production averaged 65 bopd for Q1 and has declined slightly through the quarter, i.e. ~73 bopd at the beginning of January 2021 to be ~58 bopd the end of March 2021. This is the result of reduced water injection into Waitapu-2. A clean-up of Waitapu-2 is being scheduled.
- 3. Copper Moki-2:** Copper Moki-2 production for Q1 averaged 19 bopd and has been producing at a stable rate through the quarter. At end Q1 the well was producing at 16 bopd.
- 4. Waihapa Production Station Low OPEX Mode:** Operations through Q1 focussed primarily on third-party oil and gas handling services, processing production from the company's Copper Moki interests, and on optimising the volumes from periodic oil production from the Waihapa-Ngaere wells. Efforts are being directed to restoring the plant to continuous production operations at lower operating costs per unit than previously.
- 5. Waihapa-Ngaere Production:** The average rate (NZEC share) for Q1 2021 was 11 bopd. This was a decrease from the 20 bopd NZEC share (100% oil) in Q4 2020. At quarter end the Waihapa Field was producing 10 bopd (NZEC share). Work to increase fluid rates from this field is continuing. See "2021 Outlook".
- 6. Production:** Aggregate production for Q1 2021 was 9,501 boe (90% oil) (with an average 105 boe per day); compared to Q4 2020 when production was 10,037 boe (93% oil) (with an average 109 boe per day).
- 7. Sales (oil):** Oil sales for Q1 2021 of 11,919 bbl realised \$697,678 (with an average oil sale price of \$58.53 per bbl); compared to the Q4 2020 sales of 7,498 bbl realised \$426,999 (with an average oil sale price of \$56.95 per bbl).

Management's Discussion & Analysis

8. **Processing revenue:** The TWN Assets (NZEC share) generated \$315,997 from processing fees for Q1, compared to \$591,236 for the previous quarter, with several third-party customers accessing a range of services including site operations, oil processing and handling, oil and gas pipeline throughput services, and gas processing.
9. **Tariki PML 38138:** The Company is progressing the acquisition of 71 km² of high-resolution 3D seismic over the Tariki structure through Q1 and Q2 2021. The new seismic data aims to achieve better definition of the undeveloped resource size and structural complexity. The on-ground consenting and shot-hole surveying commenced in Q1 and at quarter end was ~80% complete. The shot-hole drilling is underway. See "2021 Outlook".

2021 OUTLOOK

Key objectives for the year include:

1. **Health and Safety:** Zero harm to people and the environment remains foremost in planning and implementing all company and contractor activities. The company continues to work with regulators, other operators, local community businesses, communities and Iwi to maintain safe operations and HSE performance. Safety audits and ongoing reviews of the contractors and personnel involved in the Tariki 3D operation is a focus for Q2 2021.
2. **Tariki 3D Seismic Survey:** The Company is on schedule with the acquisition of 71 km² of high-resolution 3D seismic over the Tariki structure expected to be completed by late Q2 2021 or early Q3 2021. The data from the recording nodes and the concurrent VSP to be carried out using the Tariki-D1 wellbore will be sent for processing in Q3 and the preliminary volumes for interpretation are expected in Q4. Final interpretation volumes are expected to be available by Q1 2022.
3. **Copper Moki Secondary Recovery Expansion Project:** The Copper Moki waterflood continues to deliver incremental ultimate recovery and better production rates in the Copper Moki-1 well. The Waitapu-2 injector requires work to restore injectivity, Copper Moki-2 performance has been flat. Reservoir modelling and analogue studies support a waterflood expansion to create a pattern including Copper Moki-2. This project is being scoped.
4. **Eltham PEP 51150:** Reservoir studies of the discovered oil-in-place in the Mt Messenger sands in well Arakamu-2A to investigate the value of adding energy, e.g., with water and/or gas injection are planned for H2, 2021.
5. **Appraisal & Exploration:** Further appraisal and exploration opportunities within the Licences and Permits operated by the Company are being reviewed, updated, and re-evaluated. These opportunities include accessing undeveloped discovered hydrocarbon in the Waihapa-Ngaere and Tariki permits.

Management's Discussion & Analysis

FINANCIAL SNAPSHOT

	<i>Quarter ended 31 March</i>	<i>Preceding quarter ended 31 December</i>	<i>Comparative quarter ended 31 March</i>
	<i>2021</i>	<i>2020</i>	<i>2020</i>
Production (oil)	<i>bbl</i> 8,535	<i>bbl</i> 9,053	<i>bbl</i> 13,211
Sales (oil)	11,919	7,498	14,361
Price	<i>\$/bbl</i> 58.54	<i>\$/bbl</i> 56.95	<i>\$/bbl</i> 60.57
Production costs	31.74	33.06	28.29
Royalties	3.77	0.97	3.59
Field netback	23.03	22.92	28.69
Revenue	\$ 1,523,491	\$ 1,278,973	\$ 1,758,941
Total comprehensive loss	(360,262)	225,847	(891,992)
Net finance expense	(35,262)	(68,250)	(51,015)
Loss per share – basic and diluted	(0.002)	0.001	(0.003)
Current Assets	2,224,643		2,217,429
Total Assets	12,164,641		13,550,343
Total long-term liabilities	8,838,849		9,079,893
Total liabilities	9,920,353		10,745,435
Shareholders' equity	2,244,288		2,804,908

Note: The abbreviation bbl means barrel of oil.

Management's Discussion & Analysis

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 petroleum from Waihapa and Ngaere 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 wells produce oil and gas from the fractured Oligocene Tikorangi Limestone at a depth of ~2700m. The field has been on production since 1988 and while it has produced as much as 18,000 bopd in the past, it currently produces at less than 30 bopd (100%).

Reservoir modelling indicates that there was initially ~44 mmstb Oil-In-Place and after ~24 mmstb cumulative oil production there remains ~20 mmstb Oil-In-Place in the field. The recoverable component of this oil volume is the target of the Enhanced Oil Recovery project which commenced as a staged development in 2017.

The substantial reduction in oil price from March to November 2020 meant the Waihapa-Ngaere Enhanced Oil Project was placed on hold. The Company used that time to re-evaluate how to optimise the production of the field in a low OPEX and low oil price scenario. Re-interpretation of the results to date and updated reservoir modelling is in progress with the objective of cost-effective implementation by year end 2021.

Tariki

The Tariki licence (PML38138) was awarded an extension of duration to 20 July 2026 along with a modified work programme in Q2 2020. This Work Program refocuses on potential by-passed gas and on a gas storage (and/or carbon sequestration) project.

The Work Program is being progressed throughout 2021. This includes acquisition of 3D seismic covering the Tariki Field area to better define the by-passed gas-condensate and the structural compartments. This will be followed by data processing and interpretation in early 2022.

See also *Permit Expenditure Plans* below.

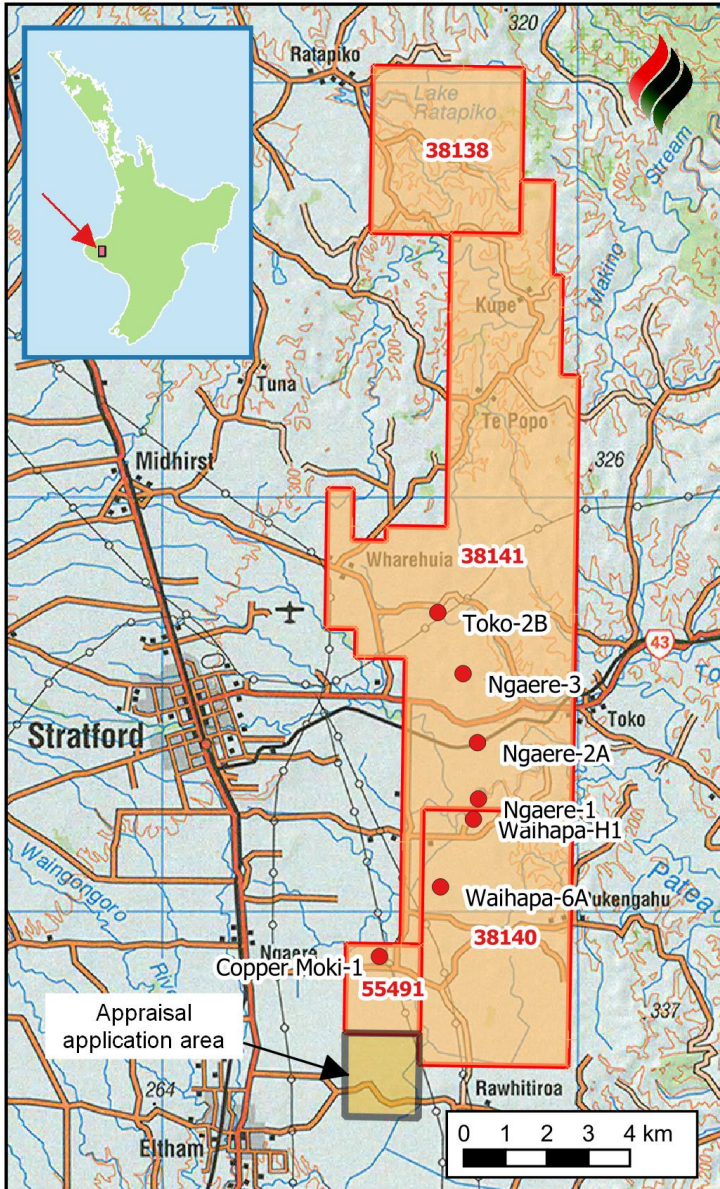
Copper Moki Petroleum Mining Permit

Copper Moki-1: In Q1 2021 production averaged ~65 bopd. The performance of the water-injection well, Waitapu-2, continued to dominate the production response seen at Copper Moki-1. The injectivity of Waitapu-2 declined through Q1 2021 and remediation of Waitapu-2 is planned.

Copper Moki-2: The new pump installation in Copper Moki-2 in Q3 2019 increased production but this had declined to 19 bopd into Q1 2021, primarily due to sand and wax build-up in the well.

Copper Moki-2 water production has remained stable and is typically less than 1 bwpd. Reservoir analyses and modelling studies support the concept of more recoverable oil in this pool. These studies continue through Q2 2021.

Management's Discussion & Analysis



Eltham Petroleum Exploration Permit

The PEP 51150 Appraisal Extension area includes the 2012 Arakamu-2 discovery well, which produced oil from the Miocene Moki and Mt Messenger Formations when tested in Q1-13. This well had oil produced to surface and is the target of the Appraisal Extension Work Program.

The work scheduled includes studies to assess the means of recovering oil from this discovery by adding reservoir energy.

TWN Midstream Assets

Services are provided to Gas Services New Zealand in relation to boosting gas pressure ahead of injection into the Ahuroa Gas Storage facility. Other parties access services for oil processing, handling and pipeline throughput and for storage of LPG.

Management's Discussion & Analysis

SUMMARY OF QUARTERLY RESULTS

	2021 Q1	2020 Q4	2020 Q3 Restated	2020 Q2 Restated
	\$	\$	\$	\$
Total assets	12,164,641	13,093,341	14,305,124	13,278,623
Exploration and evaluation assets	-	-	-	-
Property, plant and equipment	9,486,445	10,329,305	12,024,834	11,201,636
Working capital	1,143,139	1,197,379	731,634	415,483
Revenues	1,523,491	1,278,973	1,593,195	1,025,949
Accumulated deficit	(142,067,100)	(141,907,094)	(141,972,412)	(141,910,173)
Total comprehensive income (loss)	(360,262)	225,847	(35,053)	(391,152)
Basic (loss) earnings per share	(0.002)	0.001	(0.006)	(0.002)
Diluted (loss) earnings per share	(0.002)	0.001	(0.006)	(0.002)

	2020 Q1 Restated	2019 Q4 Restated	2019 Q3 Restated	2019 Q2 Restated
	\$	\$	\$	\$
Total assets	13,550,343	14,036,729	17,151,595	16,958,427
Exploration and evaluation assets	-	-	-	-
Property, plant and equipment	10,856,664	10,385,990	13,792,110	13,363,403
Working capital	551,887	1,110,779	1,171,401	938,318
Revenues	1,758,941	2,493,224	1,928,857	2,795,019
Accumulated deficit	(141,456,065)	(140,665,029)	(139,752,253)	(139,561,208)
Total comprehensive income (loss)	(891,992)	(710,574)	(402,656)	(694,256)
Basic (loss) earnings per share	(0.003)	(0.003)	(0.002)	(0.003)
Diluted (loss) earnings per share	(0.003)	(0.003)	(0.002)	(0.003)

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 2021

This section of the MD&A provides analysis of the Company's operations in respect of the first quarter of 2021 ("Three Month Period") compared to results achieved for the same period in 2020. See *Operating & Financial Highlights* and *Property Review and Outlook* for a summary of the first quarter 2021 operational events and activities.

Production and sales

	Three Month Period ended 31 March	
Barrels or BOE	2021	2020
Production - Oil	8,535	13,211
Sales - Oil	11,919	12,056
Sales – Gas (BOE)	966	90
TOTAL Production (BOE)	12,885	13,302

Production is reduced from production achieved in the first quarter of 2020. This is the result of both the implementation of the Low OPEX production mode at Waihapa, i.e. no longer on continuous gas-lift and ceasing to run the ESP. The implementation of Low OPEX production mode was due to sub-economic operating costs associated with the previous operating mode. Production has also been reduced due to the decrease in oil production from the two Copper Moki wells, associated with the natural decline of Copper Moki-2 in particular.

Revenues

	Three Month Period ended 31 March	
	2021	2020
	\$	\$
Oil Sales	697,678	869,751
Gas Sales	16,435	1,437
Processing Revenue	315,997	520,541
Other Revenue	86,861	95,531
Purchased oil sold*	406,520	270,101
Royalty**	(44,885)	(51,494)
Oil sales per bbl	58.54	60.57

Management's Discussion & Analysis

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.

Processing Revenue – the decrease is a result of the cessation of facilities operations income from one of the company's customers, i.e., operation of the Ahuroa Gas Storage facility, as previously reported. Opportunities for increasing processing revenue are being pursued.

*Purchased oil sold: 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.

**Royalty: 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 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	
	2021	2020
	\$	\$
Production costs	378,307	406,261
Production cost per bbl	31.74	28.29

Production costs include lease termination costs for the current quarter (\$50k).

Processing costs

	Three Month Period 31 March	
	2021	2020
	\$	\$
Processing costs	180,729	394,068

Processing costs reflect the lower cost model implemented in the second quarter of the prior year.

Depreciation and depletion

	Three Month Period ended 31 March	
	2021	2020
	\$	\$
Depreciation and depletion	171,997	259,569

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	
	2021	2020
	\$	\$
General and administrative expense	510,449	842,576

The decrease in 2021 reflects lower salary and wages with cost reductions continuing to be a focus. See further breakdown in *Unaudited Condensed Consolidated Financial Statements - Note 11, General and Administrative Expenses*.

Management's Discussion & Analysis

Finance Expense

	Three Month Period ended 31 March	
	2021	2020
	\$	\$
Accretion	35,262	51,015
Total Finance expense	35,262	51,015

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

Abandonment Provision movement

	Three Month Period ended 31 March	
	2021	2020
	\$	\$
Abandonment provision movement	(30,600)	2,559

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	
	2021	2020
	\$	\$
Exchange Difference – gain / (loss)	(200,256)	(100,956)
Exchange rate at beginning of period	0.9212	0.8796
Exchange rate at end of period	0.8817	0.8508

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 the three Month Period to 31 March 2021, resulting in a translation loss.

Management's Discussion & Analysis

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 30 September	
	2021	2020
	\$	\$
Copper Moki	-	49,895
TOTAL	-	49,895

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 2021	31 December 2020
	\$	\$
Cash and cash equivalents	1,047,354	1,020,085
Working capital	1,138,507	1,197,379

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 2021	31 March 2020
Cash provided by / (used in)	\$	\$
Operating activities	134,442	(107,701)
Investing activities	-	(49,895)
Financing activities	-	-

Net loss for the three-month period was \$160,006 (2020: \$791,036). The more significant non-cash items included during the period were \$207,259 in depreciation, depletion and accretion (2019: \$310,584) and a change in working capital items of \$133,114 (2020: \$658,541).

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.

Management's Discussion & Analysis

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 2020, 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 period ended 31 March 2021 and 2020:

	Three Month Period ended 31 March	
	2021	2020
	\$	\$
Net Revenue		
Oil sales	697,678	869,751
Royalties	(44,885)	(51,494)
Production Costs	(378,307)	(406,261)
Sub-total net revenue (a)	274,486	411,996
Barrels of Oil sold (b)	11,919	14,361
Field Netback [(a)/(b)] \$/bbl	23.03	28.69

SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of voting common shares. As at 31 March 2021, 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

Management's Discussion & Analysis

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.