



Management's Discussion and Analysis

Three Months Ended 31 March 2022

(Expressed in Canadian Dollars)

Management's Discussion & Analysis

This Management's Discussion and Analysis ("MD&A") is dated 25 May 2022, for the quarter ended 31 March 2022. It should be read in conjunction with the Unaudited Condensed Consolidated Financial statements for the quarter ended 31 March 2022 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, 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:** Two notifiable events occurred in this quarter. Both events are due to Pressure Safety Valves failing the leakage test during conducting "as received" testing. Both valves did lift as per their respective pressure settings. Both valves were overhauled and retested and returned to service. A vehicle incident occurred in March where an operator, while conducting production station routines, damaged the passenger side of the vehicle. The remainder of the incidents recorded in the quarter were from equipment/hardware failure that have caused a process trip and classed operational. The volume of work at Waihapa has increased due to the Supplejack compressor commissioning which is seeing an increase in operational issues as the process is optimised.
- 2. Copper Moki-1:** Copper Moki-1 oil production averaged 42 bopd for Q1 which is a decrease from the previous quarter (49 bopd). A condensate wash was completed during Q1 2022.
- 3. Copper Moki-2:** Copper Moki-2 production for Q4 averaged 18 bopd a decrease from the previous quarter (22 bopd).
- 4. Waihapa Production Station Low OPEX Mode:** Operations through Q1 focussed primarily on third-party oil, gas and water handling services, on processing and transporting production from the company's Copper Moki interests, and on optimising the volumes from periodic oil production from the Waihapa-Ngaere wells. Efforts began midway through Q1 2022 to restore the Waihapa-Ngaere field to continuous production operations at lower operating costs per unit than previously by utilising appropriately sized gas compression.
- 5. Waihapa-Ngaere Production:** The average rate (NZEC share) for Q1 2022 was 13 bopd. This was a decrease from the 19 bopd NZEC share (100% oil) in Q4 2021. At quarter end the Waihapa Field was producing 13 bopd (NZEC share) with an expectation this should increase in 2022 following the commissioning of alternative gas compression. See "2022 Outlook" and "Property Review and Outlook".
- 6. Production:** Aggregate production for Q1 2022 was 7,751 boe (84% oil) (average 86 boe per day); compared to Q4 2021 when production was 9,427 boe (83% oil) (with an average 102 boe per day).

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7. **Sales (oil):** Oil sales for Q1 2022 of 4,030 bbl realised \$462,801 (with an average oil sale price of \$114.84 per bbl); compared to the Q4 2021 sales of 8,292 bbl which realised \$746,892 (with an average oil sale price of \$90.07 per bbl). Lower sales are a result of a deferred lifting.
8. **Processing revenue:** The TWN Assets (NZEC share) generated \$297,934 from processing fees for Q1, compared to \$327,029 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, water disposal and gas processing.
9. **Tariki PML 38138:** The Company progressed the processing of the data acquired from 71 km² of high-resolution 3D seismic over the Tariki structure through Q2 2021. Analysis of the data indicates gas storage is a viable opportunity. Furthermore, the data indicates there may be undrained gas remaining in an updip location in the Tariki sandstone.

2022 OUTLOOK

Key objectives for the year include:

1. **Health and Safety:** The company's focus remains on having safety as an embedded component of everyday operations and 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.
2. **Tariki 3D Seismic Survey:** Analysis of the data collected from the completed 71 km² high-resolution 3D seismic over the Tariki structure has been undertaken. The data confirms the overthrust Tariki structure is a candidate for gas storage. The joint venture has notified the regulator of its commitment to transform the Tariki field into a gas storage facility
3. **Waihapa-Ngaere Production:** The Company acquired in Q2 2021 a right-sized compressor to facilitate the re-commencement of more efficient gas lifting of existing wells with the compressor being commissioned and becoming operational in Q1 2022. A further project to allow gas lifting from the northern Ngaere wells is underway and is expected to be commissioned in Q3 2022.
4. **Copper Moki Secondary Recovery Expansion Project:** A reservoir simulation study during late 2021 and completed in Q1 2022 has provided technical assurance around the beneficial effects of water flood to the ultimate recovery in Copper Moki. Additional water injection was consented and is being initiated using well Copper Moki-3. This is in addition to the existing water flood at Waitapu-2 well.
5. **Eltham PEP 51150:** Reservoir modelling of the Arakamu-2A discovery has proven the benefits of water injection and pressure monitoring is ongoing to determine which wells are in lateral communication. A 4 year appraisal extension has been sought.
6. **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 hydrocarbons in the Waihapa-Ngaere and Tariki permits and development of the overthrust reservoir in Tariki for gas storage.

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FINANCIAL SNAPSHOT

	<i>Quarter ended 31 March</i>	<i>Preceding quarter ended 31 December</i>	<i>Comparative quarter ended 31 March</i>
	2022	2021	2021
Production (oil)	<i>bbl</i> 6,503	<i>bbl</i> 7,829	<i>bbl</i> 8,535
Sales (oil)	4,030	8,292	11,919
Price	<i>\$/bbl</i> 114.84	<i>\$/bbl</i> 90.07	<i>\$/bbl</i> 58.54
Production costs	69.61	36.32	31.74
Royalties	6.37	2.13	3.77
Field netback	38.86	51.62	23.03
Revenue	\$ 796,702	\$ 1,338,064	\$ 1,523,491
Total comprehensive loss	(99,004)	(364,406)	(360,262)
Net finance expense	(108,109)	(135,148)	(35,262)
(Loss) per share – basic and diluted	(0.004)	(0.02)	(0.03)
Current Assets	1,639,386		2,224,643
Total Assets	13,847,061		12,164,641
Total long-term liabilities	8,951,008		8,838,849
Total liabilities	12,334,523		9,920,353
Shareholders' equity	1,512,538		2,244,288

Note: The abbreviation bbl means barrel of oil.

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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. It has produced as much as 18,000 bopd in the past and has produced ~24 mmstb cumulative oil but 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 but has been interrupted twice due to unexpected events, i.e. a failure of the water disposal well at Waihapa-7A and a hole in the Ngaere-1 well 3 months after installation of an ESP.

The Enhanced Oil Recovery project was placed on hold in March 2020 due to the oil price collapse and the COVID-19 pandemic. The Company used this time to re-evaluate how to optimise the production of the field at a lower OPEX principally involving the acquisition and commissioning of an appropriately sized gas-lift compressor. Which was commissioned and became operational in Q1 2022

Tariki

Analysis of the Tariki 3D seismic data is now substantially complete. A number of opportunities are being evaluated as a result of this analysis.

a) Tariki formation

The data indicates more than 10PJ of gas can be stored in the Tariki formation with injection and production at a rate of 25TJ/day from a single well. Analysis of the AVO attributes at the crest of the structure from which gas has been produced are consistent with the structure containing remaining crestal gas. The data from a pulsed neutron log provides additional support for this analysis. Reserves evaluators are being engaged to review this analysis.

b) Tikorangi formation

The Tikorangi formation from which over 24,000,000 barrels of oil has been produced at Waihapa/Ngaere is present in the Tariki permit. The Tariki-2C well produced over 180,000 barrels of oil from the Tikorangi formation – a fractured limestone. The new seismic data indicates the Tariki-2C well penetrated the Tikorangi formation approximately 200 metres down dip from the crest of the structure. Image log data is being evaluated to gain further insight in respect of the fracture network distribution.

c) Mt Messenger formation

The 3D seismic data has identified AVO bright spots and anomalies in the Mt Messenger formation. Oil has been produced from the Mt Messenger formation in several fields within the onshore Taranaki Basin, including at Copper Moki. Evaluation of these leads is continuing.

Copper Moki Petroleum Mining Permit

Copper Moki-1: In Q1 2022 production averaged ~42 bopd.

Copper Moki-2: In Q1 2022 production averaged ~18 bopd

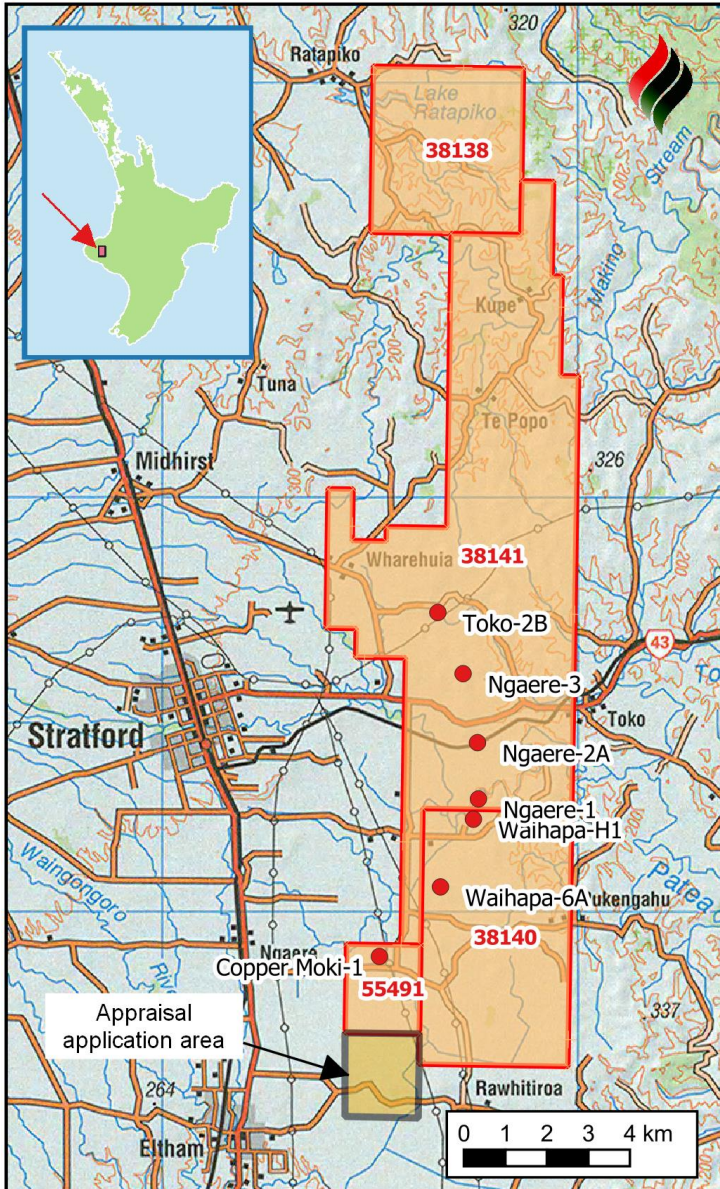
A reservoir simulation study during late 2021 and completed in Q1 2022 has provided technical support concerning the beneficial effects of water flood for the ultimate recovery at Copper Moki.

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Following the study, increased water injection has been pursued. Additional water injection is consented and is being initiated using the well Copper Moki-3. This is in addition to the existing water flood at the Waitapu-2 well.

This increase in water injection is expected to support production and lead to enhanced oil from Copper Moki.

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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 2013. This well had oil produced to surface and is the target of the Appraisal Extension Work Program.

An application has been lodged to extend the term of this permit to July 2026. If the permit extension is granted work will be undertaken to assess the effects of the water flood underway at Copper Moki on the Arakamu well.

TWN Midstream Assets

A number of third parties access services for oil, gas and water processing, handling, and pipeline throughput and for storage of LPG.

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SUMMARY OF QUARTERLY RESULTS

	2022 Q1	2021 Q4	2021 Q3	2021 Q2
	\$	\$	\$	\$
Total assets	13,847,061	14,995,224	14,298,744	13,224,234
Exploration and evaluation assets	-	-	-	-
Property, plant and equipment	11,802,182	11,901,903	11,386,822	10,572,161
Working capital	(1,744,129)	(1,562,563)	(1,120,937)	(507,647)
Revenues	796,702	1,338,064	1,256,247	991,869
Accumulated deficit	(142,779,068)	(142,658,164)	(142,332,210)	(141,919,813)
Total comprehensive income (loss)	(99,004)	(364,406)	(385,465)	117,125
Basic (loss) earnings per share	(0.004)	(0.02)	(0.02)	0.01
Diluted (loss) earnings per share	(0.004)	(0.02)	(0.02)	0.01

	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	(0.02)	0.01	(0.002)	(0.02)
Diluted (loss) earnings per share	(0.02)	0.01	(0.002)	(0.02)

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 2022

This section of the MD&A provides analysis of the Company's operations in respect of the first quarter of 2022 ("Three Month Period") compared to results achieved for the same period in 2021. 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	
	2022	2021
Barrels or BOE		
Production - Oil	6,503	8,535
Sales - Oil	4,030	11,919
Sales – Gas (BOE)	1,248	966
TOTAL Production (BOE)	7,751	12,885

Production is lower than achieved in 2021. This is the result of lower production in Copper Moki.

Revenues

	Three Month Period ended 31 March	
	2022	2021
	\$	\$
Oil Sales	462,801	697,678
Gas Sales	10,489	16,435
Processing Revenue	297,934	315,997
Other Revenue	25,478	86,861
Purchased oil sold	-	406,520
Royalty	(25,668)	(44,885)
Oil sales per bbl	114.84	58.54

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 less contractual discounts.

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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. This was partially offset by an increase in water disposal services. Opportunities for increasing processing revenue are being pursued, including providing water disposal services for various third parties

Other Revenue – relates mainly to LPG storage

Purchased oil sold: The Company had 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 was a 9% overriding royalty payable with a calculation based on the Crown royalty calculation. The Company has now been released from this royalty obligation.

Production costs

	Three Month Period ended 31 March	
	2022	2021
	\$	\$
Production costs	280,524	378,307
Production cost per bbl	69.61	31.74

Production costs per bbl sold are higher with an oil lifting being deferred.

Processing costs

	Three Month Period 31 March	
	2022	2021
	\$	\$
Processing costs	232,792	180,729

Processing costs include the impact of oil inventory value changes on the volume of oil held in the pipeline.

Depreciation and depletion

	Three Month Period ended 31 March	
	2022	2021
	\$	\$
Depreciation depletion and amortisation	119,969	171,997

Depletion on oil and gas assets is calculated using the unit-of-production method i.e the ratio of production during the respective periods to the 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	
	2022	2021
	\$	\$
General and administrative expense	333,556	510,449

The decrease in 2022 reflects lower salary and wages with cost reductions continuing to be a focus. See further breakdown in *Unaudited Condensed Consolidated Financial Statements - Note 13, General and Administrative Expenses*.

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Finance Expense

	Three Month Period ended 31 March	
	2022	2021
	\$	\$
Accretion	58,794	35,262
Loan Interest accrued	49,315	-
Total Finance expense	108,109	35,262

Accretion reflects the expense associated with asset retirement obligations. See *Unaudited Condensed Consolidated Financial Statements - Note 8, Asset Retirement Obligations*, for more information.

Abandonment Provision movement

	Three Month Period ended 31 March	
	2022	2021
	\$	\$
Abandonment provision movement	(17,894)	(30,600)

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

Exchange Difference on Translation of Foreign Currency

	Three Month Period ended 31 March	
	2022	2021
	\$	\$
Exchange Difference – gain / (loss)	16,541	(21,675)
Exchange rate at beginning of period	0.8704	0.9212
Exchange rate at end of period	0.8716	0.8817

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

The NZD exchange rate has strengthened slightly against the CAD over the three Month Period to 31 March 2022.

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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	
	2022	2021
	\$	\$
TWN Assets	96,474	
Tariki	137,691	-
TOTAL	234,165	-

Tariki relates to processing expenditure incurred for the 3D Seismic survey acquired in 2021, and TWN relates to the implementation of surface equipment to derive lower operating costs and associated expenditure.

COMMITMENTS

See details provided in *Unaudited Condensed Consolidated Financial Statements - Note 16, Commitments*.

PERMIT EXPENDITURE PLANS

See details provided in *Unaudited Condensed Consolidated Financial Statements - Note 17, Permit Expenditure Plans*.

LIQUIDITY AND CAPITAL RESOURCES

	31 March 2022	31 December 2021
	\$	\$
Cash and cash equivalents	460,955	463,272
Working capital	(1,744,129)	(1,562,563)

The Company continues to pursue a number of alternatives 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 2022	31 March 2021
Cash provided by / (used in)	\$	\$
Operating activities	232,065	134,442
Investing activities	(234,165)	-
Financing activities	-	-

Net loss for the three-month period was \$120,904 (2021: \$160,006). The more significant non-cash items included during the period were \$178,763 in depreciation, depletion, amortisation and accretion (2021: 207,259) and a change in working capital items of \$126,244 (2021: \$139,464).

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

RELATED PARTY TRANSACTIONS

See details provided in *Unaudited Condensed Consolidated Financial Statements - Note 14, Related Party Transactions*.

OFF-BALANCE SHEET ARRANGEMENTS

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

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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 2021, 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 2022 and 2021:

	Three Month Period ended 31 March	
	2022	2021
	\$	\$
Net Revenue		
Oil sales	462,801	697,678
Royalties	(25,668)	(44,885)
Production Costs	(280,524)	(378,307)
Sub-total net revenue (a)	156,609	274,486
Barrels of Oil sold (b)	4,030	11,919
Field Netback [(a)/(b)] \$/bbl	38.86	23.03

SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of voting common shares. As at 31 March 2022, the Company had 23,212,346 common shares outstanding.

On 21 June 2021, the company consolidated its shares on a 10:1 basis. Earnings per share has been retrospectively adjusted to ensure comparability.

As of the date of this MD&A, the Company's share capitalization included 23,212,346 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

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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.