NEW ZEALAND ENERGY CORP.

Management's Discussion and Analysis

Six Months Ended 30 June 2023

(Expressed in Canadian Dollars)

This Management's Discussion and Analysis ("MD&A") is dated 29 August 2023, for the quarter ended 30 June 2023. It should be read in conjunction with the Unaudited Condensed Consolidated Financial statements for the quarter ended 30 June 2023 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 Group") is engaged in the production and appraisal of and exploration for oil and natural gas, as well as the operation of midstream assets, in New Zealand. The Group'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") holds 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, 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:** Four incidents occurred in this quarter. Copper Moki 1 ¾" rods were found parted at the coupling on 57th/58th rod 500m above pump. Work is ongoing to rectify the issue. Two incidents occurred when power to Waihapa Production Station tripped and the standby generator on each occasion tripped on high temperature leaving the production station without power until the Mains power was reinstated. The standby generator fault was due to a faulty thermostat. The final incident for the quarter was a Loss of Containment where the Gas Lift Compressor Cooler had a pin hole leak in a cooler tube.

   The final report from the WorkSafe audit was received with the following issues, an improvement Notice to engage an independent person to review and complete the initial suitability of the SCEs available at Waihapa Production Station. Directives were issued to remove Denso tape from all flanges at the Waihapa Production Station and to complete a Level 1 Permit to Work audit. The level 1 PTW Audit has been completed.

2. **Copper Moki-1:** Copper Moki-1 oil production averaged 3 bopd for Q2 which is a decrease from the previous quarter (30 bopd). Copper Moki-1 was shut in due to a failure of the equipment supporting the artificial lift pump. A remediation plan has been prepared.

3. **Copper Moki-2:** Copper Moki-2 has been shut in since 30 September 2022 due to a failure of the artificial lift pump. A remediation plan has been prepared.

4. **Waihapa Production Station Low OPEX Mode:** Operations through Q2 focussed primarily on third-party oil, gas and water handling services.

5. **Waihapa-Ngaere Production:** The average rate (NZEC share) for Q2 2023 was 19 bopd (100% oil). This was a decrease from the 20 bopd NZEC share (100% oil) in Q1 2023. At quarter end the Waihapa and Ngaere Fields were producing 19 bopd. See "2023 Outlook" and "Property Review and Outlook"**.**

6. **Production:** Aggregate production for Q2 2023 was 2,004 boe (99% oil) (average 22 boe per day); compared to Q1 2023 when production was 4,656 boe (97% oil) (average 50 boe per day).

7. **Sales (oil):** Oil sales for Q2 2023 of 3,052 bbl realised $254,147 (with an average oil sale price of $83.27 per bbl) compared to the Q1 2023 sales of 4,254 bbl which realised $378,671 (with an average oil sale price of $89.02 per bbl). Lower sales are a result of lower production.

8. **Processing revenue:** The TWN Assets (NZEC share) generated $210,417 from processing fees for Q2, compared to $334,588 for the previous quarter, with 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:** During 2020, reservoir studies indicated the likely presence of undeveloped gas in the Tariki Field. Encouraged by this assessment and to better assess the viability of a gas storage development, the Tariki Joint Venture acquired a 3D seismic survey over the Tariki Permit which was completed in June 2021. Processing of the new data was completed by the end of 2021 and interpretation of the Tariki field data has been ongoing throughout 2022 and 2023. During Q3, the Tariki Joint Venture engaged RPS Energy Canada Limited ("RPS") to prepare an independent report of the oil and gas reserves of the Tariki Field which evaluation was received after the end of Q3. The Tariki Joint Venture is advancing plans for drilling a well at Tariki.

2023 OUTLOOK

Key objectives for the year include:

1. **Health and Safety:** The Group's focus remains on keeping safety as an embedded component of everyday operations and zero harm to people and the environment remains foremost in planning and implementing all Group and contractor activities. The Group continues to work with regulators, other operators, local community businesses, communities and iwi to maintain safe operations and HSE performance.

2. **Tariki**: Following the successful results of the Tariki 3D survey and the subsequent independent reserves evaluation conducted by RPS Energy Canada Limited, the Group is now focussed on advancing a gas storage project. The gas storage project will be facilitated by the presence of economically recoverable reserves within the Tariki structure. Plans to drill a well during 2023 are being advanced.

3. **Waihapa-Ngaere Production:** Gas lifting at the three production wells has been ongoing but production has been progressively declining. Investigations are underway with respect to each well in order to assess appropriate optimisation opportunities.

4. **Copper Moki:** Production at Copper Moki has been adversely affected by a mechanical failures at the Copper Moki 2 well and, more recently at Copper Moki 1.

5. **Eltham PEP 51150:** Reservoir modelling of the Arakamu-2A discovery has established 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 approved.

6. **Appraisal & Exploration:** Further appraisal and exploration opportunities within the Licences and Permits operated by the Group are being reviewed, updated, and re-evaluated. These opportunities include accessing undeveloped discovered hydrocarbons in the Waihapa-Ngaere and Tariki permits and the potential for the overthrust reservoir in Tariki to be used for gas storage and/or carbon sequestration. Assessment of other hydrocarbon reservoir potential in Tariki is also under evaluation.

7. **Third Party services:** The Group continues to provide a number of services to third parties including disposal of drilling fluids, water disposal and storage of LPG all of which provide a helpful source of additional revenue.

FINANCIAL SNAPSHOT

	Six months ended 30 June 2023	***Three months ended 30 June 2023***	***Six months ended 30 June 2022***	***Three months ended 30 June 2022***
	bbl	***bbl***	***bbl***	***bbl***
Production (oil)	6,515	1,991	13,383	6,880
Sales (oil)	7,306	3,052	13,214	9,184
	$/bbl	***$/bbl***	***$/bbl***	***$/bbl***
Price	86.62	83.27	132.79	140.67
Production costs	92.65	135.94	58.10	72.83
Royalties	4.64	4.97	7.29	7.69
Field netback	(10.67)	(57.64)	67.41	60.15
	$	**$**	**$**	**$**
Revenue less Royalties	1,225,614	502,968	2,451,978	1,680,944
Total comprehensive profit/ (loss)	(1,385,085)	(931,585)	(66,221)	32,783
Net finance expense	263,108	135,966	224,735	116,626
Loss per share – basic and diluted	(0.06)	(0.04)	(0.03)	0.001
Current assets	1,275,949		3,473,855	
Total assets	13,760,994		14,380,213	
Total non-current liabilities	7,747,739		7,721,394	
Total liabilities	11,694,197		12,834,892	
Shareholders' equity	2,066,797		1,545,321	

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 Group's assets (see map following).

The Group 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 up to 18,000 bopd in the past and has produced ~24 mmstb cumulative oil. Reservoir modelling indicates that there was initially ~44 mmstb Oil-In-Place and after ~24 mmstb cumulative oil production there remains ~20 mmtb Oil-In-Place in the field.

The current focus is on enhancing the effectiveness of gas lifting utilising the right sized compressor installed in 2022. All producing wells within the licence areas are being individually assessed to determine the optimal gas lifting methodologies against a key management focus to maximise production of the remaining recoverable oil.

Tariki

Following completion of the assessment of the 3D seismic survey across the Tariki field a number of opportunities are being evaluated as a result of this analysis.

a) Tariki formation – gas storage

   The data indicates that 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 (and up to 75TJ/day from 3 wells). Discussions with counterparties are ongoing.

   Tariki formation – gas production

   RPS has provided an independent evaluation confirming there are proved and probable reserves within Tariki. The Tariki Joint Venture is planning a well. The presence of economically recoverable reserves within Tariki is of material benefit to a gas storage project.

b) Tikorangi formation

   The Tikorangi formation from which over 24 mmstb have 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 fields within the onshore Taranaki Basin, including at Copper Moki. Evaluation of these leads is continuing.

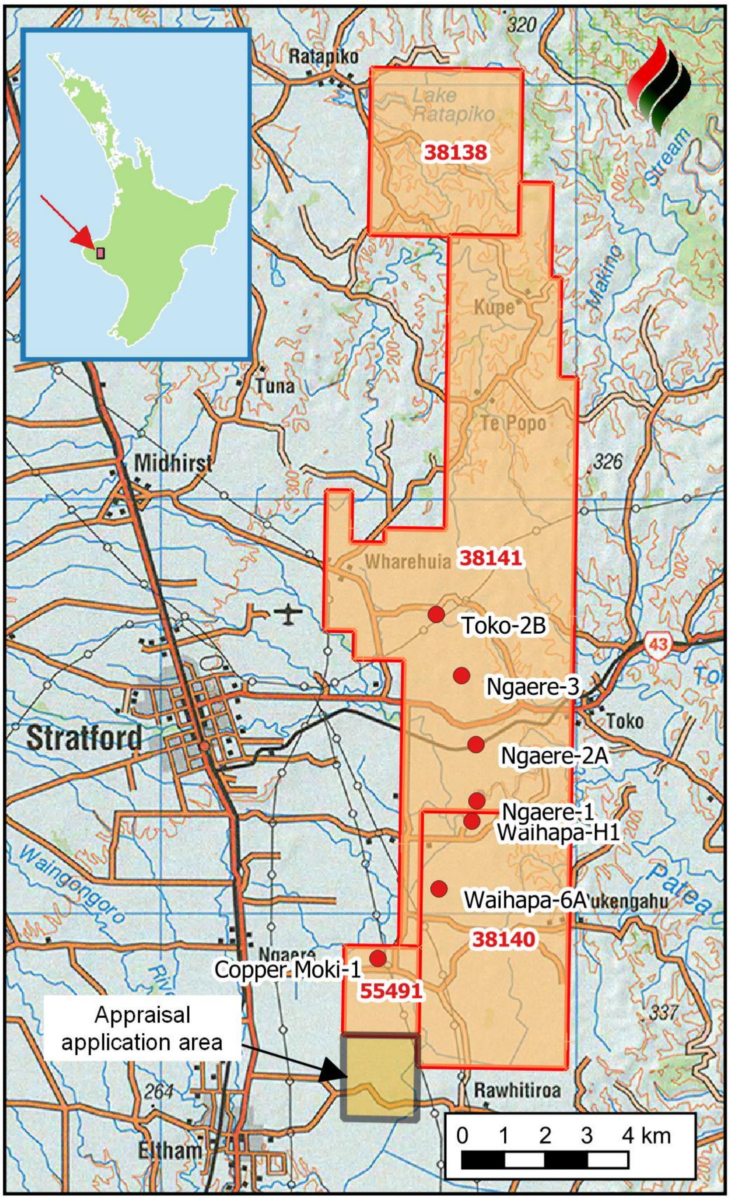
d) Drilling

   The Group is advancing plans to drill a well. While any such well will primarily target the Tariki formation it is expected to penetrate the Tikorangi formation.

Copper Moki Petroleum Mining Permit

<u>Copper Moki-1:</u> In Q2 2023 production averaged ~3 bopd.

<u>Copper Moki-2:</u> In Q2 2023 - no production.



Copper Moki-2 has been shut in since 30 September 2022 due to failure of the artificial lift pump. Work is underway to remedy this. Copper Moki 1 is also shut-in due to mechanical issues.

A reservoir simulation study completed in Q1 2022 has provided technical assurance concerning the beneficial effects of water flood on the ultimate recovery in Copper Moki. Additional water injection is being considered using the Copper Moki-3 well. This is in addition to the water flood via the Waitapu-2 well.

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.

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.

SUMMARY OF QUARTERLY RESULTS

	2023 Q2 $	2023 Q1 $	2022 Q4 $	2022 Q3 $
Total assets	13,760,994	15,860,553	15,892,545	13,227,488
Exploration and evaluation assets	-	-	-	-
Property, plant and equipment	12,135,894	13,230,269	13,316,930	9,962,176
Working capital	(2,670,509)	(2,172,120)	(1,988,330)	(1,951,896)
Revenue less royalty	502,968	741,344	979,155	1,120,254
Accumulated deficit	(141,945,119)	(141,262,009)	(106,286,824)	(142,690,658)
Total comprehensive income (loss)	(931,585)	(453,500)	1,840,340	(318,741)
Basic (loss) earnings per share	(0.04)	(0.02)	0.08	(0.01)
Diluted (loss) earnings per share	(0.04)	(0.02)	0.08	(0.01)

	2022 Q2 $	2022 Q1 $	2021 Q4 $	2021 Q3 Restated $
Total assets	14,380,213	13,847,061	14,995,224	14,298,744
Exploration and evaluation assets	-	-	-	-
Property, plant and equipment	10,534,274	11,802,182	11,901,903	11,386,822
Working capital	(1,639,643)	(1,744,129)	(1,562,563)	(1,120,937)
Revenue less royalty	1,680,944	796,702	1,338,064	1,256,247
Accumulated deficit	(142,436,001)	(142,779,068)	(142,658,164)	(142,332,210)
Total comprehensive income (loss)	32,783	(99,004)	(364,406)	(385,465)
Basic (loss) earnings per share	0.001	(0.004)	(0.02)	(0.02)
Diluted (loss) earnings per share	0.001	(0.004)	(0.02)	(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 AND SIX MONTH PERIODS ENDED 30 JUNE 2023

This section of the MD&A provides analysis of the Company's operations in respect of the second quarter of 2023 ("Three Month Period") compared to results achieved for the same period in 2022. See *Operating & Financial Highlights* and *Property Review and Outlook* for a summary of the second quarter 2023 operational events and activities.

Production and sales

	Three Month Period ended 30 June		Six Month Period ended 30 June	
Barrels or BOE	**2023**	**2022**	**2023**	**2022**
Production - Oil	1,991	6,880	6,515	13,383
Sales - Oil	3,052	9,184	7,306	13,214
Sales – Gas (BOE)	-	1,651	-	2,899
TOTAL Production (BOE)	2,004	8,531	6,660	16,282

Production is lower than achieved in 2022. This is the result of lower production in Copper Moki.

Revenues

	Three Month Period ended 30 June		Six Month Period ended 30 June	
	2023	**2022**	**2022**	**2022**
	$	**$**	**$**	**$**
Oil Sales	254,147	1,291,906	632,818	1,754,707
Gas Sales	-	6,981	-	17,470
Processing Revenue	210,417	423,476	545,005	721,410
Other Revenue	53,582	29,205	81,667	54,683
Royalty	(15,178)	(70,624)	(33,876)	(96,292)
Oil sales per bbl	83.27	140.67	86.62	132.79

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

Processing Revenue: Revenue is higher as result of 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

Royalty: Royalties paid are based on an ad valorem Crown royalty of 5% for Copper Moki and 10% (less allowable costs) for the TWN Licences.

Production costs

	Three Month Period ended 30 June		Six Month Period ended 30 June	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Production costs	414,880	668,845	676,866	767,710
Production cost per bbl	135.94	72.83	92.65	58.10

Processing costs

	Three Month Period ended 30 June		Six Month Period ended 30 June	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Processing costs	209,417	192,609	451,211	425,401

Depreciation and depletion

	Three Month Period ended 30 June		Six Month Period ended 30 June	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Depreciation and depletion	102,410	114,503	207,678	234,472

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.

General and Administrative Expenses

	Three Month Period ended 30 June		Six Month Period ended 30 June	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
General and administrative expense	349,804	461,546	679,559	795,102

See further breakdown in *Unaudited Condensed Consolidated Financial Statements - Note 13, General and Administrative Expenses.*

Finance Expense

	Three Month Period ended 30 June		Six Month Period ended 30 June	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Accretion	86,103	66,763	163,930	125,557
Loan interest accrued	49,863	49,863	99,178	99,178
Total Finance expense	**135,966**	**116,626**	**263,108**	**224,735**

Accretion reflects the expense associated with unwinding the discounting of the asset retirement obligations. Loan interest accrued, relates to accrual of interest on the convertible loan. See *Unaudited Condensed Consolidated Financial Statements - Note 8, Asset Retirement Obligations and note 10 Convertible Loan,* for more information.

Abandonment Provision movement

	Three Month Period ended 30 June		Six Month Period ended 30 June	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Abandonment provision movement	(23,501)	(197,530)	19,148	(215,424)

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 30 June		Six Month Period ended 30 June	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Exchange Difference – gain / (loss)	2,898	18,722	(2,430)	2,181
Exchange rate at beginning of period	0.8484	0.8716	0.8657	0.8704
Exchange rate at end of period	0.8052	0.8012	0.8052	0.8012

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 30 June 2023.

PETROLEUM PROPERTY ACTIVITIES, OPERATIONS AND CAPITAL EXPENDITURES

Capital Expenditure
The Company recognised the following additions in Oil and Gas assets during the three and six month Periods:

	Three Month Period ended 30 June		Six Month Period ended 30 June	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
TWN Assets	-	111,451	17,862	207,925
Tariki	11,123	71,084	14,068	208,775
TOTAL	**11,123**	**182,535**	**31,930**	**416,700**

Tariki is expenditure incurred in 2023 for processing the 3D Seismic survey acquired in 2021. TWN is the purchase of a motor vehicle.

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

	30 June 2023	31 December 2022
	$	**$**
Cash and cash equivalents	201,525	527,611
Working capital	(2,670,509)	(1,988,330)

The Company is pursuing alternatives to improve its financial capacity, including cash flow from oil and gas production, water disposal, 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

	30 June 2023	30 June 2022
Cash provided by / (used in)	**$**	**$**
Operating activities	(292,118)	238,563
Investing activities	(31,930)	(416,700)
Financing activities	-	-

Net Loss for the six-month period was $1,074,386 (2022: Profit: $222,163). The more significant non-cash items included during the period were $470,786 in depreciation, depletion and accretion (2022: $459,207) and a change in working capital items of $289,904 (2021: $(225,202)).

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.

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 2022, 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 and Six Month periods ended 30 June 2023 and 2022:

	Three Month Period ended 30 June		Six Month Period ended 30 June	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Net Revenue				
Oil sales	254,147	1,291,906	632,818	1,754,707
Royalties	(15,178)	(70,624)	(33,876)	(96,292)
Production Costs	(414,880)	(668,845)	(676,866)	(767,710)
Sub-total net revenue (a)	(175,911)	552,437	(77,924)	890,705
Barrels of Oil sold (b)	3,052	9,184	7,306	13,214
Field Netback [(a)/(b)] $/bbl	**(57.64)**	**60.15**	**(10.67)**	**67.41**

SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of voting common shares. As at 30 June 2023, the Company had 23,212,346 common shares outstanding.

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 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.