Management's Discussion and Analysis

Nine Months Ended 30 September 2019

(Expressed in Canadian Dollars)

Management's Discussion & Analysis

This Management's Discussion and Analysis ("MD&A") is dated 29 November 2019, for the nine months ended 30 September 2019. It should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2018, and the unaudited condensed consolidated interim financial statements for the period ended 30 September 2019 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 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 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 operation of the Ahuroa gas storage facility, oil handling and pipeline throughput, gas processing and transport, LPG storage and produced water handling and disposal.

OPERATING & FINANCIAL HIGHLIGHTS

The following are the operating and financial highlights for the quarter and nine months to date:

1. **Safety:** Three lost time injuries have been recorded in 2019. In March a minor trip and fall resulting in bruising; in July a trip resulting in an ankle sprain and in September a vehicle door blew open in strong wind causing a contusion to an arm.

2. **Copper Moki-1:** A condensate flush to remove wax and sand deposition in late June saw production rates increase to over ~110 bopd (from ~97 bopd) with minor associated water. In Q3-19 production averaged ~105 bopd and at end September production was ~97 bopd. Periodic flushes will be continued as/when production is affected by sand and wax deposition. Work to improve the waterflood injection well rate is being progressed following from the success of an acidization to remove calcite scale and substantially improve injectivity in water injection well Waitapu-2 late in quarter 2.

3. **Copper Moki-2:** In early July the well was restored to production following a new pump installation (using a crane). Subsequently the stroke was shortened to enable steady 24-hour operation. Production for Q3-19 averaged ~51 bopd having eased back to ~38 bopd by end September. A condensate flush was successfully carried out in early November to remove wax and sand disposition and improve productivity. See "*Recent Developments*".

4. **Waihapa-Ngaere Production:** The average rate (NZEC share) for the quarter was 37 boe per day (84% oil). This was a decrease from the 44 boe per day NZEC share (100% oil) in the second quarter. The field continues to see oil production suppressed by the effects of injection of produced water into the southern end of the field Tikorangi Formation through well Waihapa-5 that occurred until early June this year. See #5 below.

5. **TWN Enhanced Oil Recovery Project:** The ESP in Ngaere-1 was fully operational in April 2019 and initial production was as expected with the well's oil rate up to more than 120 bopd by late April. This was subsequently dramatically

reduced through May and to late June (the end of Q2-19). Reservoir analysis supports the interpretation this is the result of the water injected into Waihapa-5 making its way to the Ngaere-1 well due to the increased fluid offtake and pressure drawdown caused by the ESP. As of early June this produced water was diverted to the much more distal Tikorangi well Toko-2B and the field oil-cut began to improve from very late June and into Q3. The observed oil rate production improvement trend was not sustained through to end Q3 due to a reducing overall fluid production from mid-August onwards from Ngaere-1. Testing and wireline surveys in October and mid-November indicates a hole has developed in the tubing above the pump and an intervention to resolve this using wireline was underway at the end of November. See "Recent Developments".

6. **Production:** Production for the third quarter was 17,893 boe (97% oil) (with an average 194 boe per day); and for the nine months to date 43,293 boe (99% oil) (with an average 159 boe per day).

7. **Sales (oil):** Oil sales for the quarter of 12,553 bbl realised $969,143 (with an average oil sale price of $77.20 per bbl); and for the nine months to date 40,386 bbl realised $3,292,779 (with an average oil sale price of $81.53 per bbl).

8. **Processing revenue:** Reduced third party processing volumes were achieved in the nine months to date. The TWN Assets generated $549,418 from processing fees for the quarter, and $1,811,659 for the nine months to date, with a number of third-party customers accessing a range of services including site operations, oil processing and handling, pipeline throughput services, LPG storage and handling, and produced water disposal. Work to expand these revenues continues in the current quarter.

9. **Annual General Meeting (AGM):** The Company held its AGM on 31 July 2019 with all resolutions being passed, including resolutions to set the number of directors at three (3) and re-elect James Willis, Mark Dunphy and David Llewellyn to the Board. In addition, PricewaterhouseCoopers (New Zealand) were re-appointed auditors.

RECENT DEVELOPMENTS

1. **TWN Enhanced Oil Recovery Project**: A hole in the Ngaere-1 production tubing was confirmed in mid November by wireline survey. Repair work was underway at the end of November and is expected to be achievable through tubing, i.e. without requiring a workover rig.

2. **Copper Moki 2**: Following a condensate wash on 8 November (to remove wax and sand disposition) the well's production has averaged 55 bopd over the 14 days following.

3. **Tariki Licence (PML38138)**: An application to the regulator extend the current licence term and to modify the existing work programme has been filed. See "*Property Review and Outlook*".

4. **Eltham Permit (PEP51150):** On 5 November the regulator granted an Appraisal Extension over a substantially reduced area (898 acres or 3.6km^2) of PEP 51150. The revised Work Program for the Appraisal Extension includes evaluating and testing an artificial lift system in Arakamu-2 by March 2021. A further condition is the plug and abandonment of the Wairere-1A well by end Q1-20. This well is outside the Extension area and planning for the activity is on schedule.

FINANCIAL SNAPSHOT

	Three months ended 30 September		Nine months ended 30 September	
	2019	**2018**	**2019**	**2018**
	bbl	**bbl**	**bbl**	**bbl**
Production (oil)	17,360	14,199	42,760	46,278
Sales (oil)	12,553	13,302	40,386	45,722
	$/bbl	**$/bbl**	**$/bbl**	**$/bbl**
Price	77.20	93.50	81.53	91.82
Production costs	16.35	14.59	27.03	20.49
Royalties	3.21	7.47	4.92	6.40
Field netback	57.64	71.46	49.58	64.93
	$	**$**	**$**	**$**
Revenue	1,888,520	2,941,542	7,225,978	9,245,165
Total comprehensive loss	(402,656)	(246,052)	(1,277,127)	(46,861)
Net finance expense	36,519	78,719	156,373	320,803
Loss per share – basic and diluted	(0.001)	(0.001)	(0.004)	(0.001)
Current Assets			2,843,066	4,512,791
Total Assets			19,964,456	19,995,634
Total non-current liabilities			14,677,123	11,370,699
Total liabilities			16,348,788	14,282,687
Shareholders' equity			3,615,668	5,712,947

Note: The abbreviation bbl means barrel of oil.

RESERVES

As required under National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities, the Company commissioned Deloitte LLP to prepare a year-end oil reserve estimate and economic evaluation with an effective date of 31 December 2018. NZEC's Proved + Probable ("2P") reserves, reflecting the Company's 100% interest in the Copper Moki Permit and its 50% interest in the Waihapa, Tariki and Ngaere PMLs, are estimated at 753,600 barrels of oil (990,000 barrels of oil equivalent, including associated gas) with an after tax net present value discounted at 10% (at 31 December 2018) of $15.2 million.

See the Company's *Form 51-101F1 Statement of Reserves Data* which is filed on SEDAR for full information on the Company reserves.

PROPERTY REVIEW AND OUTLOOK

This section reviews activities and developments during the reporting period in respect of the Company's assets.

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

TWN Petroleum Mining Licences

Waihapa/Ngaere

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

The lattermost stages of the enhanced oil recovery project consist of the installation of an ESP (Electric Submersible Pump) in the Ngaere-1 well and the produced water system re-routing to the Toko E site in the very north of the Tikorangi Field area. The workover to install the ESP was completed during mid-March 2019 and the pump was fully operational on 5 April 2019. The work to move produced water disposal away from the core Tikorangi Field has been completed (using the Toko-2 well at Toko E) in early June. Total fluid rates from the Waihapa-Ngaere field have been reduced to ~2,500 bfpd from early October to late November due to the tubing hole at Ngaere-1 reducing the ESP lifting efficiency (see Recent Developments).

Work has progressed to enable contingent produced water disposal into the over-lying Mount Messenger Formation to maximise the pressure depletion effects possible with the increased reservoir production rates. The Mount Messenger capacity will be available by the end of 2019 and the shallower Kiore Sand capability will be planned and ready to implement, if required, also by the end of 2019.

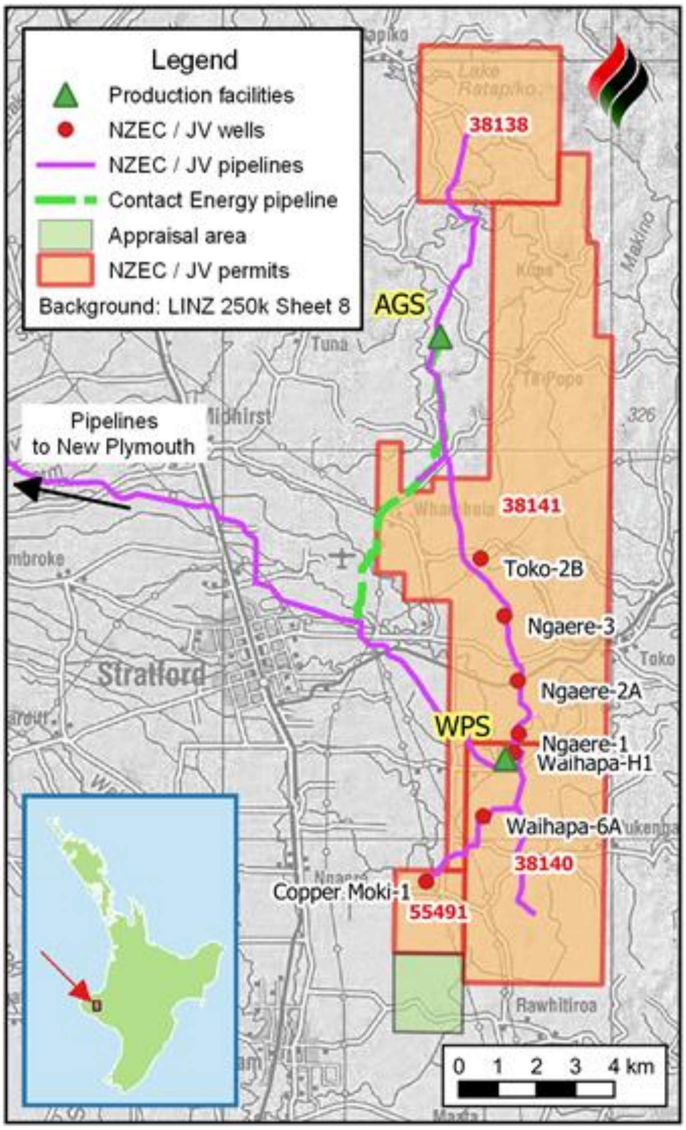
A subsequent Stage 5 is also envisaged to enable further oil production increases within the Waihapa Production Station maximum processing capacity of 18,000 bbls per day of fluid. Implementation of Stage 5 is planned for mid 2020, subject to a continuing positive response from Ngaere-1.

Tariki

The Tariki licence (PML38138) is due to expire in July 2021. An application to extend the licence term and to modify the current work programme was submitted to the regulator in October 2020. The application is in order to refocus the existing work effort on both potential by-passed gas and gas storage (or carbon sequestration) opportunities. The latter reflects the changes in the NZ regulatory and economic environment since the previous licence extension awarded in 2016.

Copper Moki Petroleum Mining Permit

Copper Moki-1: Since the well was restored in late November 2018 production has been in the range of 80 to 130 bopd. In Q1-19 production averaged ~97 bopd, in Q2-19 ~82 bopd and in Q3-19 ~105 bopd (with minimal water). Since the late 2018 pump repair there have been a few periods of sand and/or wax build-up which temporarily restricts the wells performance. These have been successfully managed by annulus-to-tubing washes using condensate as a solvent, as a sand carrier and as a power fluid. The most recent of these was in late June with an immediate sustained increase in production of more than 20 bopd.



Copper Moki-2: From mid-2018 Copper Moki-2 oil production had been averaging 15–20 bopd and this continued through to the end of Q1-19. In April 2019 the well stopped producing due to problems with the pump downhole. A new pump installation (using a crane) in early July saw production for Q3-19 average ~51 bopd easing back to ~38 bopd by end September. Subsequently the pumpjack stroke was shortened to optimise the operating range enabling routine 24-hour operation. A condensate flush to remove wax and sand deposition was successfully carried out in early November (see "*Recent Developments*"). Water production has remained stable and typically at less than 2 stb/d. Reservoir modelling studies are planned for the end of 2019 to update the interpreted Oil-In-Place and drive mechanisms in this pool, as the continued strong performance indicates there is likely to be more recoverable oil than previously interpreted in this pool and that a waterflood implementation may be beneficial.

Eltham Petroleum Exploration Permit

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

The revised Work Program for the Appraisal Extension Area includes evaluating and testing an artificial lift system in Arakamu-2 by March 2021. A further condition is the plug and abandonment of the Wairere-1A well by end Q1-20. The Wairere-1A well is outside the Extension area and planning for the abandonment activity is on schedule.

TWN Midstream Assets

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

A safety case is currently being prepared for the Waihapa Production Station, to meet both anticipated future regulatory requirements and to operate and utilise the plant to its full potential (e.g. utilise the 3 LPG storage bullets to enhance third party revenue). The submission of the safety case to Worksafe (the regulator) is on target for late Q4-19.

The Company continues to explore opportunities with existing and new customers.

SUMMARY OF QUARTERLY RESULTS

	2019 Q3 $	2019 Q2 $	2019 Q1 $	2018 Q4 $
Total assets	19,964,456	19,771,288	19,694,607	19,482,944
Exploration and evaluation assets	-	-	-	-
Property, plant and equipment	16,604,971	16,176,264	15,708,927	14,595,173
Working capital	1,171,401	938,318	1,115,948	1,254,314
Revenues	1,888,520	2,705,940	2,631,519	3,017,229
Accumulated deficit	(140,544,059)	(140,353,014)	(139,809,509)	(139,667,184)
Total comprehensive income/(loss)	(402,656)	(694,256)	(180,215)	(820,151)
Basic income/(loss) earnings per share	(0.001)	(0.002)	(0.001)	(0.005)
Diluted income/(loss) earnings per share	(0.001)	(0.002)	(0.001)	(0.005)

	2018 Q3 $	2018 Q2 $	2018 Q1 $	2017 Q4 $
Total assets	19,995,634	20,613,614	20,487,574	21,157,962
Exploration and evaluation assets	-	-	-	-
Property, plant and equipment	14,933,065	15,397,744	16,738,567	16,567,342
Working capital	1,600,803	1,246,055	(109,862)	8,689
Revenues	2,941,542	4,261,327	2,042,297	2,553,907
Accumulated deficit	(138,521,200)	(138,473,149)	(139,215,296)	(138,670,524)
Total comprehensive income (loss)	(246,052)	497,962	(298,771)	(3,053,491)
Basic (loss) earnings per share	(0.001)	0.002	(0.002)	(0.013)
Diluted (loss) earnings per share	(0.001)	0.002	(0.002)	(0.013)

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 NINE MONTH PERIODS ENDED 30 SEPTEMBER 2019

This section of the MD&A provides analysis of the Company's operations in respect of the third quarter of 2019 ("Three Month Period") and the year to date ("Nine Month Period") compared to results achieved for the same periods in 2018. See *Operating & Financial Highlights* and *Property Review and Outlook* for a summary of the third quarter 2019 operational events and activities.

Production and sales

	Three Month Period ended 30 September		Nine Month Period ended 30 September	
Barrels or BOE	**2019**	**2018**	**2019**	**2018**
Production - Oil	17,360	14,199	42,760	46,278
Sales - Oil	12,553	13,302	40,386	45,722
Sales – Gas (BOE)	533	22	533	3,894
TOTAL Production (BOE)	17,893	14,221	43,293	50,173

The production decrease for the nine month period results principally from the lower production in Copper Moki-2, which experienced pump related mechanical issues in Q2-19, reducing production in May and June.

Revenues

	Three Month Period ended 30 September		Nine Month Period ended 30 September	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Oil Sales	969,143	1,243,876	3,292,779	4,198,060
Gas Sales	17,514	124,449	17,514	207,989
Processing Revenue	549,418	705,565	1,811,659	2,039,131
Other Revenue	96,579	(49,365)	262,753	103,724
Purchased light oil sold*	294,806	1,003,215	2,025,806	2,899,346
Royalty**	(40,337)	(99,347)	(178,741)	(292,389)
Oil sales per bbl	77.20	93.50	81.53	91.82

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

Gas sales – Gas sales through the quarter have not been material, primarily due to the lack of injection to the Ahuroa Gas Storage Facility (AGS) via Waihapa, which to date has been the gas sales route. We are pursuing alternative routes to sell produced gas from late Q4 onwards.

Processing Revenue – the decrease is a result of less third-party processing volumes, particularly processing of light oil.

Other Revenue – consulting services provided for third parties: 2019 Ahuroa Gas Storage expansion project (2018 well abandonment program at AGS).

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 to Beach Energy with a calculation based on the Crown royalty calculation. Total costs are related to the mix and source of production.

Production costs

	Three Month Period ended 30 September		Nine Month Period ended 30 September	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Production costs	205,261	194,013	1,091,580	937,047
Production cost per bbl	16.35	14.59	27.03	20.49

Three Month Period: Production costs include the impact of oil inventory value changes*. If this impact was excluded, the comparable costs would have been $409,685 (2018: $239,948) and production cost per barrel $32.64 (2018: $19.36).

The 2019 comparable costs are higher due to costs associated with the CM1 workover in Q3-19 ($177,000).

Nine Month Period: Production costs include the impact of oil inventory value changes*. If this impact was excluded, the comparable costs would have been $1,220,793 (2018: $1,182,507) and production cost per barrel $30.23 (2018: $25.86).

Production costs per bbl are higher in 2019 due to costs associated with the CM1 ($177,000) and CM2 ($64,000) workovers, and associated reduction in production, while the workovers were being undertaken.

**Oil inventory value changes. Where higher oil inventory volumes occur (production being greater than sales) it results in an increase in the oil inventory value, hence a decrease in production cost.*

Processing costs

	Three Month Period ended 30 September		Nine Month Period ended 30 September	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Processing costs	275,215	498,261	1,054,356	1,080,561

These costs represent direct costs associated with operation of the TWN assets. The 2019 costs have reduced in line with the reduction in processing revenue, particularly the variable and lifting costs associated with the reduced volumes of light oil (see Revenue above).

Depreciation and depletion

	Three Month Period ended 30 September		Nine Month Period ended 30 September	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Depreciation and depletion	379,081	430,871	974,780	1,398,745

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 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.

The decrease in 2019 reflects the impairment of the TWN Assets cash generating unit ($919,317) in 2018, as well as reduced production.

General and Administrative Expenses

	Three Month Period ended 30 September		Nine Month Period ended 30 September	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
General and administrative expense	811,741	763,025	2,586,111	2,483,726

The increase in 2019 reflects higher consulting fees incurred in providing services to the AGS Expansion Project for the Three and Nine Month periods. See Revenues. See further breakdown in *Consolidated Financial Statements - Note 11, General and Administrative Expenses*.

Finance Expense

	Three Month Period ended 30 September		Nine Month Period ended 30 September	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Accretion	36,908	65,504	143,845	221,710
Interest on Revolving Credit Facility	-	(377)	-	40,199
Interest on Financial Payables	(389)	13,592	12,528	58,894
Total Finance Expense	36,519	78,719	156,373	320,803

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

The interest on the Revolving Credit Facility is nil in 2019 as the facility was not utilised. In 2018 the facility was drawn down for the first six months.

Interest on Financial Payables has been recognised using the effective interest method. The lower cost for the Three Month period reflects full repayment of the Financial Payable in Q1-19.

Abandonment Provision movement

	Three Month Period ended 30 September		Nine Month Period ended 30 September	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Abandonment provision movement	76,154	24,319	217,891	(30,523)

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 30 September		Nine Month Period ended 30 September	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Exchange Difference – gain / (loss)	(211,611)	(198,002)	(400,252)	(196,185)
Exchange rate at beginning of period	0.8768	0.8942	0.9071	0.9061
Exchange rate at end of period	0.8311	0.8620	0.8311	0.8620

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 and Nine Month Periods to 30 September 2019 resulting in translation losses.

PETROLEUM PROPERTY ACTIVITIES, OPERATIONS AND CAPITAL EXPENDITURES

Capital Expenditure

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

	Three Month Period ended 30 September		Nine Month Period ended 30 September	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
TWN Assets	86,084	76	161,312	697
Copper Moki	-	-	-	204,592
Waihapa	8,109	100,862	356,476	182,823
Other	2,626	**-**	4,949	-
TOTAL	**96,819**	100,938	**522,737**	388,112

Copper Moki expenditure in 2018 is the capital component of the Copper Moki-1 workover.

Waihapa spend in both 2018 and 2019 relates to the Ngaere-1 ESP project.

In TWN, 2019 spend relates to a Gas Chromatograph Replacement ($20,089), Sealing and Hydrotest of the Storage Tank Bunds ($55,139), Pipework for new water disposal routing ($68,092) and the balance on long term statutory inspections.

COMMITMENTS

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

PERMIT EXPENDITURE PLANS

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

LIQUIDITY AND CAPITAL RESOURCES

	30 September 2019	31 December 2018
	$	**$**
Cash and cash equivalents	991,935	1,237,019
Working capital	1,171,401	1,254,314

During 2018 the Company improved its financial position, finishing the year in a much stronger working capital and cash position (as described in the Q4-18 MD&A). This has largely been sustained into 2019.

A number of opportunities are now being actively considered (see Q4-18 MD&A - *2019 Outlook* and *Property Review and Outlook* sections) as a result of the improvement in the Company's financial position.

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 *Consolidated Financial Statements - Note 1, Going Concern*.

CASH FLOW

	30 September 2019	30 September 2018
Cash provided by / (used in)	**$**	**$**
Operating activities	293,690	1,209,853
Investing activities	(425,740)	(213,840)
Financing activities	-	(331,968)

Net loss for the nine-month period was $876,875 (2018: profit $149,324). The more significant non-cash items included in the net profit during the period included $1,136,443 in depreciation, depletion and accretion (2018: $1,636,434) together with a change in non-cash working capital items of ($179,725) (2018: $551,866).

Investing activities were for the purchase of property, plant and equipment.

Financing activities in 2018 represent repayment of the revolving credit facility.

RELATED PARTY TRANSACTIONS

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

OFF-BALANCE SHEET ARRANGEMENTS

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

CHANGE OF ACCOUNTING POLICY and ADOPTION OF NEW OR REVISED IFRSs

The Company has used the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended 31 December 2018, except as disclosed in the Changes in Accounting Policies in *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 and nine month periods ended 30 September 2019 and 2018:

	Three Month Period ended 30 September		Nine Month Period ended 30 September	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Net Revenue				
Oil sales	969,143	1,243,876	3,292,779	4,198,060
Royalties	(40,337)	(99,347)	(178,741)	(292,389)
Production Costs	(205,261)	(194,013)	(1,091,580)	(937,047)
Sub-total net revenue (a)	723,545	950,516	2,022,458	2,968,624
Barrels of Oil sold (b)	12,553	14,199	40,386	45,722
Field Netback [(a)/(b)] $/bbl	**57.64**	**71.46**	**49.58**	**64.93**

SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of voting common shares. As at 30 September 2019, 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 and 10,000,000 share options, of which 10,000,000 share options have vested and are exercisable.

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 primarily 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 the 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.