NEW ZEALAND ENERGY CORP.

Management's Discussion and Analysis

Year Ended 31 December 2022

(Expressed in Canadian Dollars)

This Management's Discussion and Analysis ("MD&A") is dated 28 April 2023, for the year ended 31 December 2022. It should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2022 of New Zealand Energy Corp. ("NZEC" or the "Group") 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 Group'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:** Safety: Two incidents occurred in this quarter. During wax cutting operations at Waihapa 6 the tool was caught up within the production tubing which caused the weight to separate from the wire and in turn caused the wire to jump off the top sheave. The second incident was a localised weather event where a flash flood of the Ngaere stream submerged the Copper Moki site under 1 metre of water. Production was down for 39 hours while the operations and maintenance teams dried out the site**.**

   The volume of work at Waihapa has decreased during the quarter with normal operations and maintenance being the main focus. An ongoing effort by the operators has seen an elevated number of observation cards.

   Regular ongoing audits on the "Top 10 Process Alarms Annunciating" has led to nuisance alarms being removed. Pipeline Remaining Life Reviews are ongoing.

2. **Copper Moki-1:** Copper Moki-1 oil production averaged 34 bopd for Q4 which is an increase from the previous quarter (25 bopd).

3. **Copper Moki-2:** Copper Moki-2 production for Q4 was 0 bopd a decrease from the previous quarter (18 bopd). 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 Q4 focussed primarily on third-party oil, gas and water handling services and on processing and transporting production from the Group's Copper Moki interests. Gas lifting has commenced on the Waihapa wells at a lower operating cost per unit. Gas lifting from the other northern Ngaere wells began late Q3 2022.

5. **Waihapa-Ngaere Production:** The average rate (NZEC share) for Q4 2022 was 31 bopd (100% oil). This was a decrease from the 35 bopd NZEC share (100% oil) in Q3 2022. At quarter end the Waihapa and Ngaere Fields were producing 33 bopd. See "2022 Outlook" and "Property Review and Outlook"**.**

6. **Production:** Aggregate production for Q4 2022 was 5,888 boe (98% oil) (average 64 boe per day); compared to Q3 2022 when production was 7,928 boe (88% oil) (average 86 boe per day).

7. **Sales (oil):** Oil sales for Q4 2022 of 6,178 bbl realised $653,683 (with an average oil sale price of $105.81 per bbl) compared to the Q3 2022 sales of 6,450 bbl which realised $751,895 (with an average oil sale price of $116.57 per bbl). Lower sales are a result, in part, of two liftings occurring during the quarter and lower production compared with Q3.

8. **Processing revenue:** The TWN Assets (NZEC share) generated $296,685 from processing fees for Q4, compared to $383,759 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:** 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. 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 now advancing plans for drilling a well at Tariki in 2023.

   A summary of the RPS evaluation follows:

   - Undeveloped reserves have been assigned to the planned new well which is to be drilled in the crest of the Tariki sandstone member in the overthrust structure of the field during 1H 2023;
   - Gross (before royalties) remaining reserves net to NZEC are:
     - 3.20PJ (2.56 Bcf) gas and 51.9 thousand stock tank barrels condensate of Proven (1P)
     - 6.88PJ (5.50 Bcf) gas and 136.9 thousand stock tank barrels condensate of Proven plus Probable (2P)
     - 9.24PJ (7.39 Bcf) gas and 205.8 thousand stock tank barrels condensate of Proven plus Probable plus Possible (3P) (1)
   - Net Present Value of Future Cash Flow net to NZEC of:
     - NZ$14.7 million after tax for Proved reserves (1P) at a discount of 10%
     - NZ$37.1 million after tax for Proved and Probable reserves (2P) at a discount of 10%
     - NZ$45.6 million after tax for Proved and Probable and Possible reserves (3P) at a discount of 10% (1)
     - Tax losses of NZ$100 million have been assumed in all cases
   - Key assumptions (on a 100% basis with 50% of the subject costs net to NZEC) are:
     - New well drilled in 1H 2023 at a cost of NZ$8.25 million
     - Production facilities installed 1H 2023 at a cost of NZ$1.75 million
     - Pipelines exist from the Tariki-A site to the NZEC Waihapa Production Facility and are connected to export routes
     - Fixed operating costs of NZ$0.5 million per annum inflated at 2%
     - Variable operating costs of NZ$1.50/Mcf and $8.24/stb inflated at 2%
     - Gas price of NZ$8.93 in 2023 escalated at 2% per annum
     - Condensate price of NZ$139.56/bbl (derived from Brent at $95/bbl) in 2023 and $124.06/bbl (derived from Brent at $85/bbl) in 2024 inflated at 2% per annum thereafter

   (1) Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

The Net Present Value of the Future Cash Flow net to NZEC was assessed by RPS across a range of assumptions including a zero discount rate which produced a Net Present Value of Future Cash Flow higher than the values above. There are a variety of risks inherent in any such assessment and the discounted net present value will be a matter of commercial judgment and could include values less than those shown above.

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:** A right-sized compressor to facilitate the more efficient gas lifting in respect of existing wells was commissioned in Q1 2022.

4. **Copper Moki:** Production at Copper Moki has been adversely affected by a mechanical failure at the Copper Moki 2 well. A plan to remediate has been formulated and is expected to be undertaken during 2023.

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 sought.

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

	Three months ended 31 December 2022	***Year ended 31 December 2022***	***Year ended 31 December 2021***	***Year ended 31 December 2020***
	bbl	***bbl***	***bbl***	***bbl***
Production (oil)	5,772	26,118	31,836	43,144
Sales (oil)	6,178	25,842	35,879	42,026
	$/bbl	***$/bbl***	***$/bbl***	***$/bbl***
Price	105.81	122.29	76.09	49.92
Production costs	47.13	56.47	39.13	29.80
Royalties	6.07	6.92	3.88	2.06
Field netback	52.61	58.90	33.08	18.05
	$	**$**	**$**	**$**
Revenue	979,155	4,692,856	5,109,671	5,657,058
Total comprehensive profit/(loss)	2,225,302	1,840,340	(993,008)	(1,092,350)
Net finance expense	(132,705)	(487,291)	(239,078)	(201,105)
Profit/(loss) per share – basic and diluted	0.10	0.08	(0.04)	(0.04)
Current Assets		2,182,759	2,691,454	2,288,931
Total Assets		15,892,545	14,995,224	13,093,341
Total long-term liabilities		8,269,574	9,129,665	9,397,239
Total liabilities		12,440,663	13,383,682	10,488,791
Shareholders' equity		3,451,882	1,611,542	2,604,550

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 recoverable component of this oil volume was a target of the Enhanced Oil Recovery project which commenced as a staged development in 2017 but has been interrupted due to 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 remaining recoverable oil and how best to produce it is a key management focus.

Tariki

Analysis of the Tariki 3D seismic data is substantially complete. 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 possible counterparties have been initiated.

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 to drill a well in 2023. 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 24,000,000 barrels of oil 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 several fields within the onshore Taranaki Basin, including at Copper Moki. Evaluation of these leads is continuing.

d) Drilling

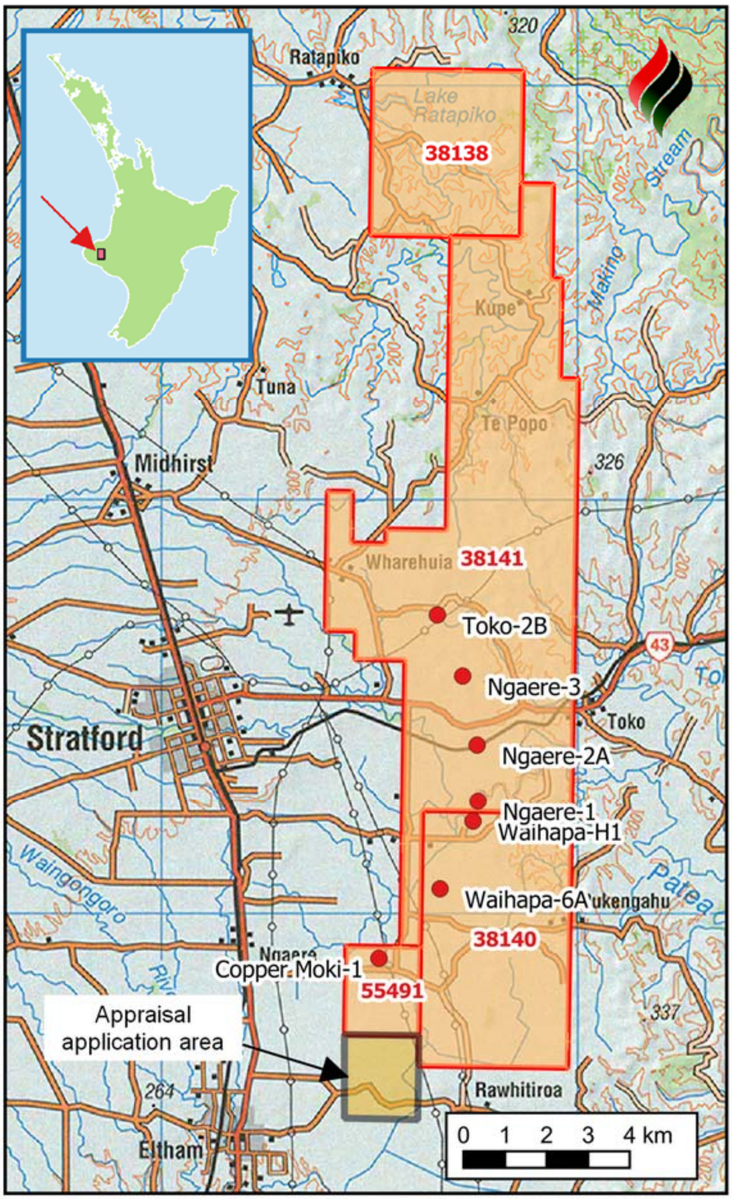
The Group is advancing plans to drill a well during 2023. While any such well will primarily target the crest of the Tariki formation it is also intended to also penetrate the prospective parts of the Tikorangi formation.

Copper Moki Petroleum Mining Permit

Copper Moki-1: In Q4 2022 production averaged ~34 bopd.

Copper Moki-2: In Q4 2022 there was 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.



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 initiated 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.

An application has been lodged to extend the term of this permit to July 2026 and the application is being assessed by the regulator. If the permit extension is granted work will be undertaken to assess the effects of the water flood 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.

RESERVES

As required under National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities, the Group commissioned RPS Energy Canada Limited to prepare year-end oil reserve estimates and economic evaluations with an effective date of 31 December 2022.

NZEC's Proved + Probable ("2P") reserves, reflecting the Group's 100% interest in the Copper Moki Permit and its 50% interest in the Waihapa, Tariki and Ngaere PMLs, are estimated at 576,800 barrels of oil (1,658,000 barrels of oil equivalent, including associated gas) with an after tax net present value discounted at 10% (at 31 December 2022) of $50.4 million.

Technical revisions removed ~106,300 bbl of oil reserves in 2022. After producing ~26,100 bbl of oil, the net reduction in remaining oil reserves at 31 December 2022 was ~54,100 bbl. Excluding production:

1. **Copper Moki** – increased ultimate oil recovery largely attributable to reservoir simulation study during late 2021 providing technical assurance around the beneficial effects of water flood to the ultimate recovery in Copper Moki.

2. **Waihapa/Ngaere** – reduced oil reserves attributable to volumes produced during the calendar year and a revision on reserves based on extraction via gas lift.

3. **Tariki** – increase in undeveloped reserves following processing of seismic data that was acquired **.**

See the Group's *Form 51-101F1 Statement of Reserves Data* dated 28 April 2022 which is filed on SEDAR for full information on the Group reserves, and in particular, *Part 4 Reconciliation of Changes in Reserves*.

OIL AND GAS RESERVES SUMMARY
As at December 31, 2022

	Light/Medium Crude Oil		Natural Gas		Barrels Oil Equivalent	
CATEGORY	**Gross [2] Mstb [1]**	**Net [3] Mstb**	**Gross MMcf [1]**	**Net MMcf**	**Gross Mboe [1]**	**Net Mboe**
Proved						
Developed Producing	181.3	166.5	190.2	172.5	213.0	195.3
Developed Non-Producing	121.6	110.2	308.0	277.5	172.9	156.5
Undeveloped	51.9	46.7	2,563.5	2,307.1	479.2	431.2
Total Proved	354.8	323.4	3,061.7	2,757.2	865.1	783.0
Probable	222.0	201.5	3,425.6	3,083.7	792.9	715.4
Total Proved and Probable	576.8	524.9	6,487.3	5,840.8	1,658.0	1,498.4

(1) Mstb – Thousand barrels; MMcf – Million cubic feet; Mboe – Thousand barrels of oil equivalent using a conversion ratio of 6 Mcf:1 bbl. Barrels of oil equivalent (boe) may be misleading, particularly if used in isolation. The boe 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
(2) Gross reserves are the Group's working interest share before the deduction of royalty obligations payable to the New Zealand Government.
(3) Net reserves are the Group's working interest share after deduction of royalty obligations payable to the New Zealand Government.

SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE December 31, 2022 Forecast Pricing						
	Net Present Value of Future Net Revenues Before and After Income Tax Discounted at %/year					
RESERVES CATEGORY	**0% M$**	**5% M$**	**10% M$**	**15% M$**	**20% M$**	**Unit Value 10% $/boe**
Proved Developed Producing	5,091.4	5,275.0	5,136.4	4,912.9	4,675.9	24.1
Proved Developed Non-Producing	11,171.7	8,797.9	7,311.5	6,313.4	5,596.6	42.3
Proved Undeveloped	17,263.5	15,679.1	14,238.1	12,943.1	11,785.5	0.0
Proved	31,523.1	27,939.1	25,037.1	22,664.0	20,678.0	28.9
Probable	42,187.2	31,612.5	25,413.3	21,280.7	18,298.2	32.0
Proved Plus Probable	73,711.1	59,551.6	50,450.4	43,944.6	210,726.1	30.4

(1) Net present value of future net revenue to NZEC after deduction of royalty obligations payable to the New Zealand Government. Numbers may not sum due to rounding.

SUMMARY OF QUARTERLY RESULTS

	2022 Q4 $	2022 Q3 $	2022 Q2 $	2022 Q1 $
Total assets	15,892,545	13,227,488	14,380,213	13,847,061
Exploration and evaluation assets	-	-	-	-
Property, plant and equipment	13,316,930	9,962,176	10,534,274	11,802,182
Working capital	(1,988,330)	(1,951,896)	(1,639,643)	(1,744,129)
Revenues	979,155	1,120,254	1,680,944	796,702
Accumulated deficit	(106,286,824)	(142,690,658)	(142,436,001)	(142,779,068)
Total comprehensive income (loss)	1,840,340	(318,741)	32,783	(99,004)
Basic (loss) earnings per share	0.08	(0.01)	0.001	(0.004)
Diluted (loss) earnings per share	0.08	(0.01)	0.001	(0.004)

	2021 Q4 $	2021 Q3 $	2021 Q2 $	2021 Q1 $
Total assets	14,995,224	14,298,744	13,224,234	12,164,641
Exploration and evaluation assets	-	-	-	-
Property, plant and equipment	11,901,903	11,386,822	10,572,161	9,486,445
Working capital	(1,562,563)	(1,120,937)	(507,647)	1,143,139
Revenues	1,338,064	1,256,247	991,869	1,523,491
Accumulated deficit	(142,658,164)	(142,332,210)	(141,919,813)	(142,067,100)
Total comprehensive income (loss)	(364,406)	(385,465)	117,125	(360,262)
Basic (loss) earnings per share	(0.02)	(0.02)	0.01	(0.02)
Diluted (loss) earnings per share	(0.02)	(0.02)	0.01	(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 AND YEAR ENDED 31 DECEMBER 2022

This section of the MD&A provides analysis of the Group's operations in respect of the fourth quarter of 2022 ("Three Month Period") and the full year ("Year Ended" or "Twelve Month Period") compared to results achieved for the same periods in 2021. See *Operating & Financial Highlights* and *Property Review and Outlook* for a summary of the fourth quarter and full year 2022 operational events and activities.

Production and sales

	Three Month Period ended 31 December		Year ended 31 December	
Barrels or BOE	**2022**	**2021**	**2022**	**2021**
Production - Oil	5,772	7,829	26,118	31,836
Sales - Oil	6,178	8,292	25,842	35,879
Sales – Gas (BOE)	116	1,598	3,445	4,315
TOTAL Production (BOE)	5,888	9,427	29,563	36,151

Production is lower than that achieved in 2021, due to a reduction in production in Copper Moki.

Revenues

	Three Month Period ended 31 December		Year ended 31 December	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Oil Sales	653,683	746,882	3,160,285	2,729,980
Gas Sales	48	16,387	21,833	61,535
Processing Revenue	296,685	327,029	1,401,854	1,082,095
Other Revenue	28,739	244,057	108,884	353,649
Purchased oil sold	-	2,875	-	880,814
Royalty	(37,482)	(17,682)	(178,951)	(139,122)
Oil sales per bbl	105.81	90.07	122.29	76.09

Note. In relation to 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 exchange rate.

Processing Revenue: Revenue for the year is higher as result of an increase in water disposal services. This was offset by the cessation of gas boosting services midway through Q3. Opportunities for increasing processing revenue are being pursued, including providing water disposal services for various other third parties

Other Revenue – relates mainly to LPG storage, the prior year included the sale of casing and tubing held in inventory.

Purchased oil sold: The Group had an arrangement with a third party whereby the Group purchased oil, charged a processing fee and subsequently on-sold the oil. Any unsold oil was carried as inventory. This arrangement has ceased.

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. In addition, for the TWN Licences, there was a 9% overriding royalty payable. The Group was released from this royalty obligation in 2021.

Production costs

	Three Month Period ended 31 December		Year ended 31 December	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Production costs	291,169	301,199	1,459,252	1,403,952
Production cost per bbl	47.13	36.32	56.47	39.13

The increase in production costs are attributable to an increase in gas lift costs to realise increased production.

Processing costs

	Three Month Period ended 31 December		Year ended 31 December	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Processing costs	245,296	489,016	965,307	1,045,374

Depreciation and depletion and amortisation

	Three Month Period ended 31 December		Year ended 31 December	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Depreciation, depletion and amortisation	104,953	199,166	419,172	605,553

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.

General and Administrative Expenses

	Three Month Period ended 31 December		Year ended 31 December	
	2022	**2021**	**2022**	**2022**
	$	**$**	**$**	**$**
General and administrative expense	332,018	346,133	1,664,069	1,631,246

See further breakdown in *Consolidated Financial Statements - Note 16, General and Administrative Expenses*

Finance Expense

	Three Month Period ended 31 December		Year ended 31 December	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Accretion	82,294	135,148	287,291	239,078
Total Finance expense	**82,294**	**135,148**	**287,291**	**239,078**

Accretion reflects the expense associated with asset retirement obligations. See *Consolidated Financial Statements - Note 9, Long Term Asset Retirement Obligations,* for more information.

Abandonment Provision movement

	Three Month Period ended 31 December		Year ended 31 December	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Abandonment provision movement	(132,106)	47,706	(399,064)	(217,035)

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

Exchange Difference on Translation of Foreign Currency

	Three Month Period ended 31 December		Year ended 31 December	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Exchange Difference – gain / (loss)	63,975	9,210	46,349	16,754
Exchange rate at beginning of period	0.7842	0.8760	0.8704	0.9212
Exchange rate at end of period	0.8588	0.8704	0.8588	0.8704

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

The NZD exchange rate has strengthened against the CAD over the Twelve Month and Three Month Periods to 31st December 2022.

PETROLEUM PROPERTY ACTIVITIES, OPERATIONS AND CAPITAL EXPENDITURES

Capital Expenditure
The Group recognised the following additions in Oil and gas assets during the Three & Twelve Month Periods:

	Three Month Period ended 31 December		Year ended 31 December	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
TWN Assets	54,659	-	349,585	530,053
Copper Moki	-	-	-	-
Tariki	24,320	86,353	312,551	2,229,178
TOTAL	**78,979**	86,353	**662,136**	2,759,231

Tariki relates to development expenditure incurred for the 3D Seismic survey acquired in Q2 2021 and Q3 2021 and TWN Assets relates to the purchase of surface equipment for gas lift.

COMMITMENTS

See details provided in *Consolidated Financial Statements - Note 20, Commitments*.

PERMIT EXPENDITURE PLANS

See details provided in *Consolidated Financial Statements - Note 21, Permit Expenditure Plans*.

LIQUIDITY AND CAPITAL RESOURCES

	31 December 2022	31 December 2021
	$	**$**
Cash and cash equivalents	527,611	463,272
Working capital	(1,988,330)	(1,562,563)

The Group continues to pursue 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 and increase petroleum production. Its ability to improve its financial capacity, including its ability to maintain financing facilities it currently has in place, cannot be assured. See the *Consolidated Financial Statements - Note 1, Going Concern*.

CASH FLOW

	31 December 2022	31 December 2021
Cash provided by / (used in)	**$**	**$**
Operating activities	720,088	(198,130)
Investing activities	(662,136)	(2,423,663)
Financing activities	-	2,000,000

Net profit for the year was $18,248,986 (2021: Loss: $751,070). The more significant non-cash items included in the net profit during the period included $667,747 in depreciation, depletion, accretion and other items (2021: $644,350), $18,491,456 in impairment reversals (2021: Nil) and a change in working capital items of $294,811 (2021: ($91,410)) all contributing to cash provided in operating activities of $720,088 (2021: ($198,130)).

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

Financing activities in the prior year relate to the Group drawing down CAD $2,000,000 under the convertible loan agreement it entered into with Arizona Finance Limited (“Arizona”). The maximum number of common shares issuable if Arizona elects to convert the entire principal amount of the loan will be 6,666,667 shares, at an exercise price of 30 cents per share. Any common shares issued to Arizona upon conversion of the principal amount under the loan agreement are subject to a hold period that expired on November 21, 2021.

RELATED PARTY TRANSACTIONS

See details provided in *Consolidated Financial Statements - Note 18, Related Party Transactions*.

OFF-BALANCE SHEET ARRANGEMENTS

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

CHANGE OF ACCOUNTING POLICY and ADOPTION OF NEW OR REVISED IFRSs

The Group has used the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended 31 December 2021.

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 Group 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 Group’s operating performance. Field netback is reconciled as follows to the Group’s consolidated financial statements for the Three and Twelve Month periods ended 31 December 2022 and 2022:

	Three Month Period ended 31 December		Year ended 31 December	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Net Revenue				
Oil sales	653,683	746,882	3,160,285	2,729,980
Royalties	(37,482)	(17,682)	(178,951)	(139,122)
Production Costs	(291,169)	(301,199)	(1,459,252)	(1,403,952)
Sub-total net revenue (a)	325,032	428,001	1,522,082	1,186,906
Barrels of Oil sold (b)	6,178	8,292	25,842	35,879
Field Netback [(a)/(b)] $/bbl	**52.61**	**51.62**	**58.90**	**33.08**

SHARE CAPITAL

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

On 21 June 2021, the Group 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 Group'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 Group'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 Group's operations are outside of Canada and are subject to risks arising from foreign exchange and foreign regulatory regimes. The Group 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 Group 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 Group 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 Group's oil and natural gas resources; supply and demand for oil and natural gas and the Group's ability to market crude oil and natural gas; expectations regarding the Group's ability to continually add to reserves and resources through acquisitions and development; the Group's ability to obtain qualified staff and equipment in a timely and cost-efficient manner; the Group's ability to raise capital on appropriate terms, or at all; the ability of the Group's subsidiaries to obtain mining permits and access rights in respect of land and resource and environmental consents; the recoverability of the Group's crude oil, natural gas reserves and resources; and future capital expenditures to be made by the Group.

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 Group 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 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 Group 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.