



Management's Discussion and Analysis

Three Months Ended 31 March 2024

(Expressed in Canadian Dollars)

Management's Discussion & Analysis

This Management's Discussion and Analysis ("MD&A") is dated 30 May 2024, for the quarter ended 31 March 2024. It should be read in conjunction with the Unaudited Condensed Consolidated Financial statements for the quarter ended 31 March 2024 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:** One incident occurred in this quarter. A contractor required medical assistance while on an unmanned site. The incident was classed as Non-Work Related as it was a pre-existing condition that caused the contractor to need medical assistance. The volume of work at Waihapa has remained low during the quarter with normal operations and maintenance being the main focus. A consistent volume of observation cards has been raised by operators during the quarter.
- 2. Copper Moki-1:** Copper Moki-1 has been shut in since 30 April 2023 due to a failure of the equipment supporting the artificial lift pump. A remediation plan has been prepared and work commenced in late May 2024.
- 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 and work commenced in late May 2024.
- 4. Waihapa Production Station Low OPEX Mode:** Operations through Q1 focussed primarily on third-party oil, gas and water handling services. Two production remediation proposals have been prepared and are in the process of being costed and scheduled for implementation, likely in the next quarter.
- 5. Waihapa-Ngaere Production:** The average rate (NZEC share) for Q1 2024 was 17 bopd (100% oil). This was a decrease from the 20 bopd NZEC share (100% oil) in Q4 2023. At quarter end the Waihapa and Ngaere Fields were producing 17 bopd. See "2024 Outlook" and "Property Review and Outlook".
- 6. Production:** Aggregate production for Q1 2024 was 1,587 boe (100% oil) (average 17 boe per day); compared to Q4 2023 when production was 1,809 boe (100% oil) (average 20 boe per day).
- 7. Sales (oil):** Oil sales for Q1 2023 of 1,834 bbl realised \$175,482 (with an average oil sale price of \$95.68 per bbl) compared to the Q4 2023 sales of 1,546 bbl which realised \$152,375 (with an average oil sale price of \$98.56 per bbl). Lower sales are a result of lower production.

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8. **Processing revenue:** The TWN Assets (NZEC share) generated \$119,877 from processing fees for Q1, compared to \$66,425 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 2019 and 2020, reservoir studies indicated the likely presence of remaining 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 in May through June 2021. Processing of the new data was completed by the end of 2021 and interpretation of the Tariki field data through 2022 and 2023 has confirmed the likely presence of remaining producible gas. The Tariki Joint Venture also engaged RPS Energy Canada Limited ("RPS") to prepare an independent report of the oil and gas reserves of the Tariki Field which an updated evaluation was received in Q1 2024. The Tariki Joint Venture is advancing plans for drilling a well with Tariki-5 scheduled to commence in August 2024.

2024 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, 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:** The primary focus for the Company in 2024 is the development of the independently verified gas -condensate reserves at the Tariki Field in central Taranaki. Plans are well advanced for the development well Tariki-5 to drilled in August & September 2024 with the well commencing early production soon after completion, i.e. in September/October 2024. Once this work is completed, the Group will assess advancing a gas storage project using the balance of the Tariki Field structure.
3. **Waihapa-Ngaere Production:** Production has been operating on cyclic well unloads without the use of gas-lift. This has been to manage the cost of fuel gas for the gas-lift compressor. As of Q1 2024 plans are advanced to re-enter up to two (2) wells to restore them to continuous production in the middle of 2024. More details on these activities will be released as the project is matured.
4. **Copper Moki:** Production at Copper Moki has been offline due to mechanical failures in Copper Moki 2 well in 2022 and in Copper Moki 1 in 2023. Activities to restore these two wells to production have commenced. As of the date of this MD&A, the Company anticipates at least one, and possibly both, of the Copper Moki wells will be producing by mid-year using new, and more efficient, pumps. The associated gas produced along with oil production from these two wells will be used to offset fuel use at other Company operated sites.
5. **Eltham PEP 51150:** Water injection at, and offset well monitoring of, the Arakamu-2A discovery is on hold impending a review of results to date and testing of alternative improved recovery technologies, i.e. heat and/or solvent injection. An updated test program is being prepared with implementation planned for the second half of 2024. The results of these field tests will inform the next stage of the appraisal and development program.
6. **Appraisal & Exploration:** In January 2024 the Company initiated a review of the hydrocarbon shows and tests in all of the wells within its operated Licences and Permits. A portfolio of appraisal and exploration activities has been completed in April 2024 and work is underway to prioritise and mature these opportunities to build an ongoing work program once the Tariki development has progressed. These opportunities include accessing undeveloped discovered hydrocarbons in the Waihapa-Ngaere and Tariki permits and exploration potential within the Waihapa-Ngaere and Tariki Licences and the Copper Moki and Arakamu Permits
7. **Third Party services:** The Group continues to provide a number of services to third parties including disposal of oil processing and transportation, deep well waste fluids disposal, and storage of LPG, all of which provide a helpful source of additional revenue
8. **Private placement:** The Group undertook a private placement in December 2023 for \$2,280,000. The Group undertook another private placement in March 2024, the placement has now closed with \$5,000,000 worth of shares subscribed, the shares were oversubscribed and have been approved by the TSXV in early May 2024.

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FINANCIAL SNAPSHOT

	<i>Quarter ended 31 March</i>	<i>Preceding quarter ended 31 December</i>	<i>Comparative quarter ended 31 March</i>
	2024	2023	2023
	<i>bbl</i>	<i>bbl</i>	<i>bbl</i>
Production (oil)	1,587	1,809	4,524
Sales (oil)	1,834	1,546	4,254
	<i>\$/bbl</i>	<i>\$/bbl</i>	<i>\$/bbl</i>
Price	95.68	98.56	89.02
Production costs	64.09	66.59	61.59
Royalties	6.22	(5.53)	4.40
Field netback	25.37	37.50	23.03
	\$	\$	\$
Revenue	327,620	254,681	741,344
Total comprehensive loss	(914,919)	(298,870)	(453,500)
Net finance expense	(127,289)	(124,202)	(127,142)
(Loss) per share – basic and diluted	(0.11)	(0.11)	(0.02)
Current Assets	1,985,440	2,331,789	2,242,839
Total Assets	14,777,783	15,269,475	15,860,553
Total long-term liabilities	10,543,802	10,361,353	8,447,212
Total liabilities	12,097,699	11,674,472	12,862,171
Shareholders' equity	2,680,084	3,595,003	2,998,382

Note: The abbreviation bbl means barrel of oil.

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PROPERTY REVIEW AND OUTLOOK

This section reviews activities and developments during the reporting period in respect of the 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 assessing the opportunities for restoring production from wells which have had mechanical issues. Two of these wells have been prioritised, i.e. Waihapa H1 and Waihapa-6A, and work is progressing to implement these opportunities in mid 2024, with actual depending on Long Lead delivery times, workover rig selection and availability, and budget.

Tariki

Following completion of the updated reservoir modelling based on the results of the 2021 3D seismic survey at the Tariki field, a number of opportunities are being progressed.

a) 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) 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.

c) Tikorangi formation

The Tikorangi formation, from which over 24 mmstb oil has been produced at Waihapa/Ngaere, is present in the Tariki permit. The Tariki-2C well produced over 100,000 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.

d) Mt Messenger formation

The 2021 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 a number of fields within the onshore Taranaki Basin, including at Copper Moki. Evaluation of these leads is continuing.

e) Drilling

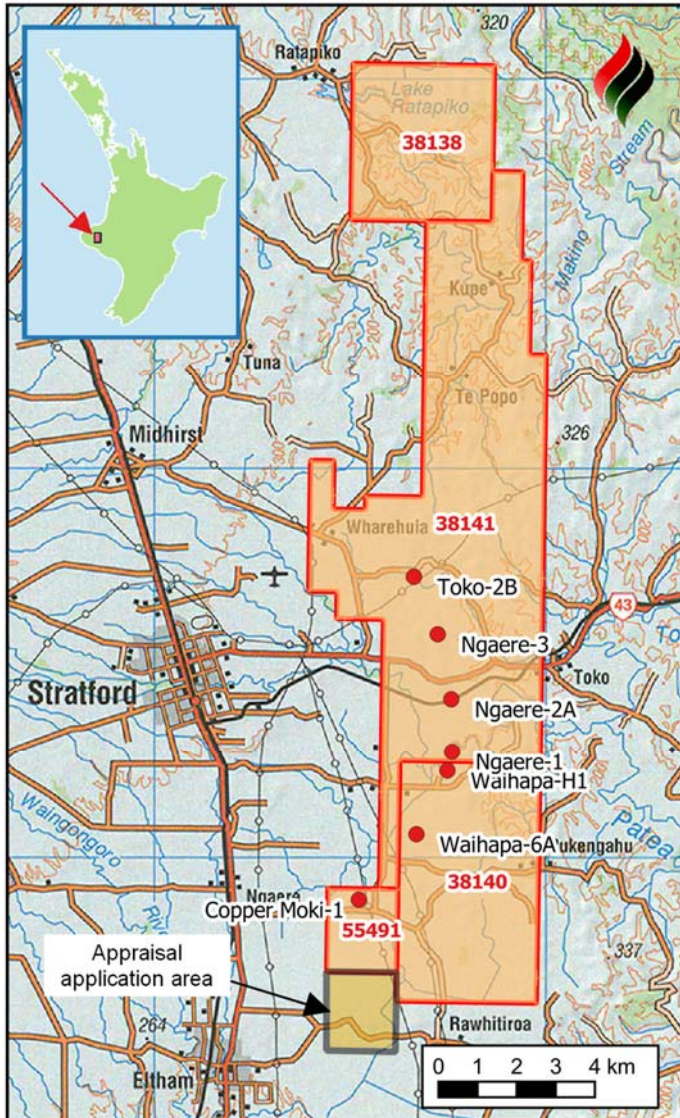
The Tariki-5 well is scheduled for drilling in August & September of 2024. Long Leads have been ordered and contracts, including for the drilling rig, are in the process of being finalised. The required consents are either in place already or expected by early June 2024. Tariki-5 is a gas production well and the well results will also inform a Tariki gas Storage project and help define the Tikorangi oil prospectivity in the south and more crestal (at Tikorangi level) part of the Tariki Licence.

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Copper Moki Petroleum Mining Permit

Copper Moki-1: In Q1 2024 - no production.

Copper Moki-2: In Q1 2024 - 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.

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SUMMARY OF QUARTERLY RESULTS

	2024 Q1	2023 Q4	2023 Q3	2023 Q2
	\$	\$	\$	\$
Total assets	14,777,783	15,269,475	13,298,867	13,760,994
Exploration and evaluation assets	-	-	-	-
Property, plant and equipment	12,387,675	12,519,607	11,475,566	12,135,894
Working capital	431,543	1,018,670	(2,984,734)	(2,670,509)
Revenues	327,620	262,981	428,481	502,968
Accumulated deficit	(143,563,638)	(142,809,446)	(142,339,971)	(141,945,119)
Total comprehensive income (loss)	(914,919)	(298,870)	(391,974)	(931,585)
Basic (loss) earnings per share	(0.11)	(0.11)	(0.14)	(0.33)
Diluted (loss) earnings per share	(0.11)	(0.11)	(0.14)	(0.33)

	2023 Q1	2022 Q4	2022 Q3	2022 Q2
	\$	\$	\$	\$
Total assets	15,860,553	15,892,545	13,227,488	14,380,213
Exploration and evaluation assets	-	-	-	-
Property, plant and equipment	13,230,269	13,316,930	9,962,176	10,534,274
Working capital	(2,172,120)	(1,988,330)	(1,951,896)	(1,639,643)
Revenues	741,344	979,155	1,120,254	1,680,944
Accumulated deficit	(141,262,009)	(140,870,733)	(142,690,658)	(142,436,001)
Total comprehensive income (loss)	(453,500)	2,225,302	(318,741)	32,783
Basic (loss) earnings per share	(0.16)	0.27	(0.04)	0.004
Diluted (loss) earnings per share	(0.16)	0.27	(0.04)	0.004

See "NZEC's Business", "Property Review & Outlook" and "Results of Operations", for the activities to which this summary of quarterly results relates.

RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD 31 MARCH 2024

This section of the MD&A provides analysis of the Company's operations in respect of the first quarter of 2024 ("Three Month Period") compared to results achieved for the same period in 2023. See *Operating & Financial Highlights* and *Property Review and Outlook* for a summary of the first quarter 2024 operational events and activities.

Production and sales

Barrels or BOE	Three Month Period ended 31 March	
	2024	2023
Production - Oil	1,587	4,524
Sales - Oil	1,834	4,254
Sales – Gas (BOE)	-	-
TOTAL Production (BOE)	1,587	4,656

Production is lower than achieved in 2023. This is the result of lower production in Copper Moki and Waihapa/Ngaere

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Revenues

	Three Month Period ended 31 March	
	2024	2023
	\$	\$
Oil Sales	175,482	378,671
Gas Sales	-	-
Processing Revenue	119,877	334,588
Other Revenue	23,731	24,920
Royalty	(11,406)	(18,698)
Oil sales per bbl	95.68	89.02

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 lower as result of a decrease 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 31 March	
	2024	2023
	\$	\$
Production costs	117,545	261,986
Production cost per bbl	64.09	61.59

Processing costs

	Three Month Period ended 31 March	
	2024	2023
	\$	\$
Processing costs	149,976	241,794

Depreciation and depletion

	Three Month Period ended 31 March	
	2024	2023
	\$	\$
Depreciation and depletion	75,737	105,270

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.

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General and Administrative Expenses

	Three Month Period ended 31 March	
	2024	2023
	\$	\$
General and administrative expense	565,235	329,755

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

Finance Expense

	Three Month Period ended 31 March	
	2024	2023
	\$	\$
Accretion	77,426	77,827
Loan Interest accrued	49,863	49,315
Total Finance expense	127,289	127,142

Accretion reflects the expense associated with asset retirement obligations. Loan interest accrued, relates to accrual of interest on 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 31 March	
	2024	2023
	\$	\$
Abandonment provision movement	66,466	42,647

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

Exchange Difference on Translation of Foreign Currency

	Three Month Period ended 31 March	
	2024	2023
	\$	\$
Exchange Difference – gain / (loss)	(31,842)	5,328
Exchange rate at beginning of period	0.8220	0.8588
Exchange rate at end of period	0.8139	0.8484

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

The NZD exchange rate has weakened slightly against the CAD over the three Month Period to 31 March 2024.

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PETROLEUM PROPERTY ACTIVITIES, OPERATIONS AND CAPITAL EXPENDITURES

Capital Expenditure

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

	Three Month Period ended 31 March	
	2024	2023
	\$	\$
NZEC	8,325	-
TWN Assets	-	18,179
Tariki	82,523	2,945
TOTAL	90,848	21,124

Tariki relates to processing and drilling related expenditure for the 3D Seismic survey acquired in 2021, and NZEC relates to the purchase of office equipment.

COMMITMENTS

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

PERMIT EXPENDITURE PLANS

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

LIQUIDITY AND CAPITAL RESOURCES

	31 March 2024	31 December 2023
	\$	\$
Cash and cash equivalents	702,977	1,180,393
Working capital	431,543	1,018,670

The Company continues to pursue a number of options 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

	31 March 2024	31 March 2023
<i>Cash provided by / (used in)</i>	\$	\$
Operating activities	(397,608)	(56,152)
Investing activities	(90,848)	(21,124)
Financing activities	-	-

Net loss for the three-month period was \$754,192 (2023: \$391,276). The more significant non-cash items included during the period were \$153,163 in depreciation, depletion, amortisation and accretion (2023: 183,097) and a change in working capital items of \$118,934 (2023: \$54,737).

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*.

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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 2023, refer *Unaudited Condensed Consolidated Financial Statements - Note 2, Summary of Significant Accounting Policies*.

NON-IFRS DISCLOSURES

NZEC uses certain terms for measurement within this MD&A which do not have standardized meanings prescribed by IFRS, and these measurements may differ from other companies' and accordingly may not be comparable to measures used by other companies. The term "field netback" is not a recognized measure under the applicable IFRSs. Management of the Company believes the measure is useful to provide shareholders and potential investors with additional information, in addition to profit and loss and cash flow from operating activities as defined by IFRS, for evaluating the Company's operating performance. Field netback is reconciled as follows to the Company's Consolidated Financial statements for the Three Month period ended 31 March 2024 and 2023:

	Three Month Period ended 31 March	
	2024	2023
	\$	\$
Net Revenue		
Oil sales	175,482	378,671
Royalties	(11,406)	(18,698)
Production Costs	(117,545)	(261,986)
Sub-total net revenue (a)	46,531	97,987
Barrels of Oil sold (b)	1,834	4,254
Field Netback [(a)/(b)] \$/bbl	25.37	23.03

SHARE CAPITAL

The Group's authorized share capital consists of an unlimited number of voting common shares. As at 31 March 2024, the Group had 8,321,235 common shares outstanding.

On 31 October 2023, the Group consolidated its shares on a 10:1 basis. Earnings per share has been retrospectively adjusted to ensure comparability.

Under a private placement 6,000,000 shares were issued during the 2023 year at a price of \$0.38 per share.

As of the date of this MD&A, the Group's share capitalization included 8,321,235 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.

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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.