new zealand
ENERGY CORP

Management's Discussion and Analysis

Three Months Ended 31 March 2025

(Expressed in Canadian Dollars)

This Management's Discussion and Analysis ("MD&A") is dated 4 June 2025, for the quarter ended 31 March 2025. It should be read in conjunction with the Unaudited Condensed Consolidated Financial statements for the quarter ended 31 March 2025 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, development, appraisal, 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") (known collectively as the "TWN Licences"). L&M Energy Limited ("L&M") holds the remaining 50% in these licences.

NZEC has a 100% interest in Mining Permit PMP 55491 ("Copper Moki PMP") and Exploration Permit 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 (known collectively as the "TWN Assets"). These provide 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:** First quarter of 2025 has been quiet as Waihapa progressed the MOC to reactivate the oil process to operate along with gas production from the Tariki and Copper Moki. There were no incidents for the quarter. An ongoing effort by the operators has seen consistent volume of observation cards. The annual HSE Management System and Level 1 PTW audit were conducted this quarter. Work also proceeded through the quarter on updating and revising the Waihapa Production Station Safety Case, which is due for its 5-yearly renewal in May 2025.

2. **Copper Moki Workovers:** The Copper Moki-1 and -2 wells have been out of service since 2022 and 2023, respectively, due to pump failures. Plans to work over these wells commencing in early June 2025 were progressed during the quarter, including the purchase of long lead items, and the identification and contracting of the workover rig and crew. At the end of the quarter , this project remains on schedule and in budget. This joint project with Monumental Energy Corp. (MNRG) has the potential to add more than 200 barrels of oil per day (bopd) and associated gas to the company's production before the end of Q2 2025.

3. **Waihapa-Ngaere Production:** The average rate (NZEC share) for Q1 2025 was 9 bopd (100% oil). This was a decrease from the 14 bopd NZEC share (100% oil) in Q4 2024. Oil production from Waihapa-Ngaere was nil at the start of the quarter due to the priority given to Tariki production. Work to reinstate production from these wells was carried out in the latter part of the quarter and at quarter end the Waihapa-Ngaere Field was averaging 9 bopd (NZEC share). See "2025 Outlook" and "Property Review and Outlook".

4. **Production:** Aggregate production for Q1 2025 was 786 boe (69% oil) (average 6 boe per day); compared to Q4 2024 when production was 1,249 boe (86% oil) (average 15 boe per day).

5. **Sales (oil):** Oil sales for Q1 2025 of 152 bbl realised $15,679 (with an average oil sale price of $103.15 per bbl) compared to the Q4 2024 sales of 2,161 bbl which realised $186,771 (with an average oil sale price of $86.45 per bbl). Lower sales are a result of lower production and fewer liftings during the year.

6. **Processing revenue:** The TWN Assets (NZEC share) generated $136,374 from processing fees for Q1, compared to $75,882 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.

7. **Tariki PML 38138**: In the final quarter of 2024, the Tariki-5A gas development and storage well was successfully drilled, confirming the anticipated excellent reservoir quality, and the initial flow test results were encouraging. However, the gas flow rates began to decline from the 4 mmscf/d seen in early January to be ~0.5 mmscf/d by mid-January. Well pressure-temperature surveys showed that this was due to observable depletion in the two thin sands, i.e. ~4 m each, perforated at the top of the Tariki Sand section in the well. These two sands were selected as they were vertically baffled from the next sand down, which was much thicker at 15m but interpreted to have water invaded towards the base. Perforations into the upper 5m of this sand were added on January 15th and this immediately increased the pressures seen on surface, confirming no depletion of these sands. The well was re-opened, and flow recommenced at more than 2 mmscf/d. Within a few days of restarting, the wellhead temperatures were observed to increase and the flowing pressures started to decline. Sampling indicated that water was being produced along with the gas and condensate and by month end the Tariki-5A well had ceased flowing due to liquid loading in the tubing. The 3 ½" tubing in the well requires more than 2.5 mmscf/d to lift water. Reservoir modelling late in the quarter indicated that lifting the water and gas for a 1-to-2-week period should be sufficient to establish gas production via coning from the up-dip gas volume, and Tariki-5A could then produce at commercially attractive gas rates. Well and facility engineering is in progress to restart gas flow by use of a velocity string in Q2 of 2025.

2025 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 is maturation of the Tariki Field to a Gas Storage Project within the next 18 months. There are three workstreams associated with this work;

   a. <u>Sub-surface</u> – Reservoir Static and Dynamic modelling commenced in Q1 2025. Gas Storage performance models will be reviewed by external experts with the resulting models expected to be completed by mid-August 2025.
   b. <u>Facility/Infrastructure</u> – Concept Selection and Feasibility Studies have been scoped and are scheduled to commence in June 2025 with the
   c. <u>Commercia</u>l – Work to development the framework for providing storage capacity rights and usage fees has commenced. This work will progress through Q2 to Q4 and includes further engagement with Genesis Energy limited, who have priority gas storage negotiation rights.

3. **Waihapa-Ngaere Production:** Production is now back on operating on cyclic well unloads without the use of gas-lift, from 4 wells. A further 2 wells will be restored to production during Q2, including Ngaere-1, which has been off line due to a hole in tubing since January 2020.

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. The RIVAL workover rig and crew move to the Copper Moki site on June 4th for a ~17 day program (excluding the rig move) on the two Copper Moki wells commencing June 8th. The two wells are both having their tubing, rods, and pumps pulled, the wells cleaned out of any sand, and then new optimally sized rod-pumps and tubing run. The forecast rates post workover are ~100 to 150 bopd for each well, making a total of more than 200 barrels per day (bopd) oil production increase expected by the end of Q2 2025. Note that this project is being carried out in partnership with Monumental Energy Limited.

5. **Eltham PEP 51150:** Arakumu-2A is an oil discovery well that has produced minor volumes of oil to surface but has a viscous waxy low GOR oil, and hence no reservoir energy or drive. A trial of water injection into nearby offset wells was carried out through 2023/24 and a review of the data from this shows that no communication between these wells and Arakamu-2A was seen. Reservoir studies to evaluate alternative improved recovery technologies, i.e. heat and/or solvent injection are scheduled for Q3 2025 in order to meet the permit requirements.

6. **Appraisal & Exploration:** The Company's portfolio of appraisal and exploration activities has been prioritised and further maturation has been on hold while the Company has focused on what has become the Tariki Gas Storage project. The appraisal and exploration projects will be restarted in priority through the balance of 2025 after external review and as funding becomes available. 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

FINANCIAL SNAPSHOT

	Quarter ended 31 March	***Preceding quarter ended 31 December***	***Comparative quarter ended 31 March***
	2025	***2024***	***2024***
	bbl	***bbl***	***bbl***
Production (oil)	541	1,077	1,587
Sales (oil)	152	2,161	1,834
	$/bbl	***$/bbl***	***$/bbl***
Price	103.15	86.45	95.68
Production costs	2,401.17	79.39	64.09
Royalties	6.70	(2.20)	6.22
Field netback	(2,304.72)	9.26	25.37
	$	**$**	**$**
Revenue	246,653	307,335	327,620
Total comprehensive loss	(994,550)	(2,877,056)	(914,919)
Net finance expense	(125,521)	(135,640)	(127,289)
(Loss) per share – basic and diluted	(0.05)	(0.11)	(0.11)
Current Assets	1,340,706	2,190,841	1,985,440
Total Assets	17,016,588	18,822,124	14,777,783
Total long-term liabilities	8,496,821	8,283,315	10,543,802
Total liabilities	13,850,992	13,348,158	12,097,699
Shareholders' equity	3,165,596	5,473,966	2,680,084

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 (i.e. recovery factor of ~55%) there remains ~20 mmtb Oil-In-Place in the field. The recovery factor in reservoirs of this type, where the connected porosity is entirely within open fracture networks, can be more than 80%.

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 2025, with actual timing depending on the selected intervention methodology, Long Lead delivery times, and budget. Waihapa-H1 is a horizontal penetration of the crestal Tikorangi that produced well for ~6 weeks until the section of the open-hole close to the shoe collapsed. The well unloads ~70 bbls of oil that has seeped through the collapse every week. Waihapa-6A is the highest oil cut well in the field but has a poorly performing gas lift completion.

Tariki

Updated reservoir static and dynamic modelling is underway in Q2 and planned to be completed in Q3. In the meantime, the results of earlier reservoir studies and the Tariki-5/5A well are being used to support the following opportunities.

a) Tariki formation – gas production

   Deloitte has provided an independent evaluation confirming there are proved and probable reserves within Tariki, primarily up-dip of wells Tariki-5A and Tariki-1A. The Tariki Joint Venture is planning activity(ies) to access this gas and confirm its presence and size from performance analyses. The presence of economically recoverable reserves within Tariki is not essential to a Gas Storage project but would be of material benefit to the Joint Venture and any storage participants.

b) Tariki formation – gas storage

   Reservoir modelling, the results from Tariki-5/5A, and the subsequent re-interpretation of the structure supports the position that more than 20 PJ of gas can reliably be stored in the Tariki formation, and at pressures less than the initial reservoir pressure of 4620 psia.

   The achievable injection and extraction rates are in the range of 25TJ/day from a single well (and up to 75TJ/day from 3 wells). Discussions with counterparties are ongoing and concept/feasibility studies commence late in Q2 2025. The Company plans to be in a position to commit to Gas Storage Development and/or Tariki Storage Asset Sale within 12 months.

c) Tikorangi formation

   The Tikorangi formation, from which over 24 mmstb oil has been produced at Waihapa/Ngaere, is present in the Tariki permit. Existing well Tariki-2C produced over 100,000 barrels of oil from the Tikorangi. The 2021 seismic data indicates the Tariki-2C well penetrated the Tikorangi formation approximately 200 metres down dip from the crest of the structure. Hydrocarbon shows were also seen in the Tikorangi section drilled near the crest in Tariki-5 and in the earlier 1996 Kupara-1 well, both drilled from the Tariki A site. Kupara-1/1A and Tariki-4A are being reviewed for possible use to access the Tikorangi in this vicinity.

   In addition, a restart of production from Tariki-2C is being investigated and this may be achievable in Q3 2025.

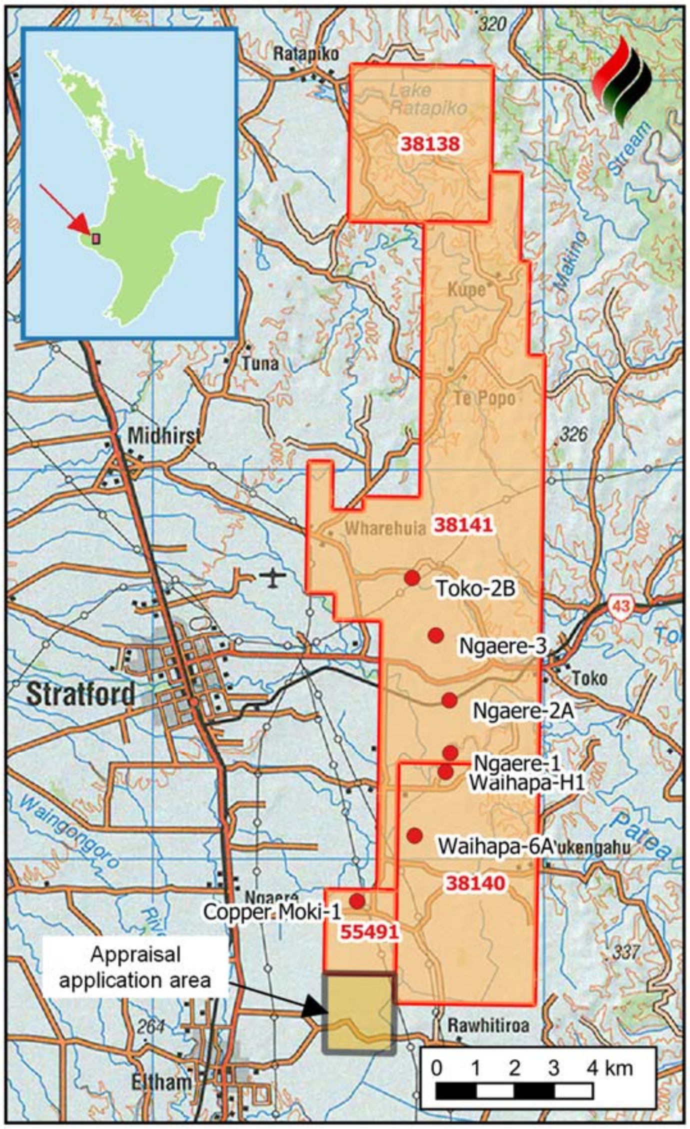
d) Mt Messenger formation

The 2021 3D seismic data 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 to the south and Ngatoro to the north. Evaluation of these leads is continuing but is low priority.

Copper Moki Petroleum Mining Permit

Copper Moki-1: In Q1 2025 - no production.

Copper Moki-2: In Q1 2025 - no production.



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, i.e. other than existing injector Waitapu-2, has been tested using the Copper Moki-3 well but the failure of the Copper Moki-1 pump in 2022 has meant that there has been no observable impact and injection into both Waitapau-2 and Copper Moki-3 ceased in late 2022. This will be re-investigated once Copper Moki-1 is back on production in June 2025.

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.

Reservoir studies to evaluate the use of improved recovery technologies in the Arakumu-2 reservoir are scheduled for Q3 2025.

TWN Midstream Assets

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

SUMMARY OF QUARTERLY RESULTS

	2025 Q1 $	2024 Q4 $	2024 Q3 $	2024 Q2 $
Total assets	17,016,588	18,822,124	18,969,421	18,094,561
Exploration and evaluation assets	-	-	-	-
Property, plant and equipment	15,336,884	16,239,217	14,720,106	12,725,180
Working capital	(4,013,465)	(2,874,002)	(1,556,544)	3,478,720
Revenues	246,653	307,335	288,667	301,536
Accumulated deficit	(151,937,066)	(149,415,446)	(146,180,549)	(144,954,992)
Total comprehensive income (loss)	(994,550)	(2,877,056)	(883,022)	(1,186,044)
Basic (loss) earnings per share	(0.05)	(0.14)	(0.06)	(0.08)
Diluted (loss) earnings per share	(0.05)	(0.14)	(0.06)	(0.08)

	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)

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 2025

This section of the MD&A provides analysis of the Company's operations in respect of the first quarter of 2025 ("Three Month Period") compared to results achieved for the same period in 2024. See *Operating & Financial Highlights* and *Property Review and Outlook* for a summary of the first quarter 2025 operational events and activities.

Production and sales

	Three Month Period ended 31 March	
Barrels or BOE	**2025**	**2024**
Production - Oil	541	1,587
Sales - Oil	152	1,834
Sales – Gas (BOE)	244	-
TOTAL Production (BOE)	785	1,587

Production is lower than achieved in 2024. This is the result of lower production in Waihapa/Ngaere

Revenues

	Three Month Period ended 31 March	
	2025	**2024**
	$	**$**
Oil Sales	15,679	175,482
Gas Sales	52,928	-
Processing Revenue	136,374	119,877
Other Revenue	41,672	23,731
Royalty	(1,019)	(11,406)
Oil sales per bbl	103.15	95.68

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 and interest.

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	
	2025	**2024**
	$	**$**
Production costs	364,978	117,545
Production cost per bbl	2,401.17	64.09

Low production has resulted in a much higher production cost per bbl, production costs also include costs related to the CM workovers.

Processing costs

	Three Month Period ended 31 March	
	2025	**2024**
	$	**$**
Processing costs	109,136	149,976

Depreciation and depletion

	Three Month Period ended 31 March	
	2025	**2024**
	$	**$**
Depreciation and depletion	69,060	75,737

Depletion on oil and gas assets is calculated using the unit-of-production method i.e the ratio of production during the respective periods to the total proved and probable reserves of oil and natural gas.

General and Administrative Expenses

	Three Month Period ended 31 March	
	2025	**2024**
	$	**$**
General and administrative expense	605,768	565,235

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

Finance Expense

	Three Month Period ended 31 March	
	2025	**2024**
	$	**$**
Accretion	76,206	77,426
Loan Interest accrued	49,315	49,863
Total Finance expense	**125,521**	**127,289**

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	
	2025	**2024**
	$	**$**
Abandonment provision movement	15,910	66,466

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	
	2025	**2024**
	$	**$**
Exchange Difference – gain / (loss)	11,831	(31,842)
Exchange rate at beginning of period	0.8098	0.8387
Exchange rate at end of period	0.8169	0.8139

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

The NZD exchange rate has strengthened slightly against the CAD over the three Month Period to 31 March 2025.

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	
	2025	**2024**
	$	**$**
NZEC	-	8,325
TWN Assets	-	-
Tariki	322,614	82,523
TOTAL	**322,614**	**90,848**

Tariki relates drilling of Tariki 5.

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 2025	31 December 2024
	$	**$**
Cash and cash equivalents	155,930	1,131,605
Working capital	(4,013,465)	(2,874,002)

The Company continues to pursue several 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 2025	31 March 2024
Cash provided by / (used in)	**$**	**$**
Operating activities	(665,681)	(397,608)
Investing activities	(322,614)	(90,848)
Financing activities	22,680	-

Net loss for the three-month period was $1,056,570 (2024: $754,192). The more significant non-cash items included during the period were $145,266 in depreciation, depletion, amortisation and accretion (2024: 153,163) and a change in working capital items of $168,567 (2024: $118,934).

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

RELATED PARTY TRANSACTIONS

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

OFF-BALANCE SHEET ARRANGEMENTS

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

CHANGE OF ACCOUNTING POLICY and ADOPTION OF NEW OR REVISED IFRSs

The Company has used the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended 31 December 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 2025 and 2024:

	Three Month Period ended 31 March	
	2025	**2024**
	$	**$**
Net Revenue		
Oil sales	15,679	175,482
Royalties	(1,019)	(11,406)
Production Costs	(364,978)	(117,545)
Sub-total net revenue (a)	(350,318)	46,531
Barrels of Oil sold (b)	152	1,834
Field Netback [(a)/(b)] $/bbl	**(2,304.72)**	**25.37**

SHARE CAPITAL

The Group's authorized share capital consists of an unlimited number of voting common shares. As at 31 March 2025, the Group had 20,599,963 common shares outstanding.

As of the date of this MD&A, the Group's share capitalization included 20,599,963 common shares, and nil warrants.

RISK FACTORS

Natural resources exploration and development involves a number of risks and uncertainties, many of which are beyond management's control. The Company's business is subject to the risks normally encountered in the oil and natural gas industry such as the marketability of, and prices for, oil and natural gas, competition with companies having greater resources, acquisition, exploration and production risks, need for capital, fluctuations in the market price and demand for oil and natural gas, the regulation of the oil and natural gas industry by various levels of government and public protests. The success of further development and exploration projects cannot be assured. In addition, the Company's operations are outside of Canada and are subject to risks arising from foreign exchange and foreign regulatory regimes. The Company works to mitigate these risks through such mechanisms as its project and opportunity evaluation processes, engagement with joint venture parties and employing appropriately skilled staff. In addition, insurance policies, consistent with industry practice, are maintained to protect against loss of assets, well blowouts and third-party liability. The Company is committed to operating in accordance with all applicable laws and regulations, safely and with due regard to the environment.

FORWARD-LOOKING INFORMATION

This document contains certain forward-looking information and forward-looking statements within the meaning of applicable securities legislation (collectively "forward-looking statements"). The use of any of the words "will", "objective", "plan", "seek", "expect", "potential", "pursue", "subject to", "can", "could", "hopeful", "contingent", "anticipate", "look forward", and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors which may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such forward-looking statements should not be unduly relied upon. The Company believes the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given these expectations will prove to be correct.

This document contains forward-looking statements and assumptions pertaining to the following: business strategy, strength and focus; the granting of regulatory approvals; the timing for receipt of regulatory approvals; geological and engineering estimates relating to the resource potential of the properties; the estimated quantity and quality of the Company's oil and natural gas resources; supply and demand for oil and natural gas and the Company's ability to market crude oil and natural gas; expectations regarding the Company's ability to continually add to reserves and resources through acquisitions and development; the Company's ability to obtain qualified staff and equipment in a timely and cost-efficient manner; the Company's ability to raise capital on appropriate terms, or at all; the ability of the Company's subsidiaries to obtain mining permits and access rights in respect of land and resource and environmental consents; the recoverability of the Company's crude oil, natural gas reserves and resources; and future capital expenditures to be made by the Company.

Actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in the document, such as the speculative nature of exploration, appraisal and development of oil and natural gas properties; uncertainties associated with estimating oil and natural gas resources; changes in the cost of operations, including costs of extracting and delivering oil and natural gas to market, affecting the potential profitability of oil and natural gas exploration; operating hazards and risks inherent in oil and natural gas operations; volatility in market prices for oil and natural gas; market conditions which prevent the Company from raising the funds necessary for exploration and development on acceptable terms or at all; global financial market events which cause significant volatility in commodity prices; unexpected costs or liabilities for environmental matters; competition for, among other things, capital, acquisitions of resources, skilled personnel, and access to equipment and services required for exploration, development and production; changes in exchange rates, laws of New Zealand or laws of Canada affecting foreign trade, taxation and investment; failure to realize the anticipated benefits of acquisitions; and other factors. Readers are cautioned the foregoing list of factors is not exhaustive.

Statements relating to "reserves and resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources described can be profitably produced in the future. This document includes references to management's forecasts of future development, probability of success, production and cash flows from such operations, which represent management's best estimates at the time. The forward-looking statements contained in the document are expressly qualified by this cautionary statement. These statements speak only as of the date of this document and the Company does not undertake to update any forward-looking statements contained in this document, except in accordance with applicable securities laws.

CAUTIONARY NOTE REGARDING RESERVE & RESOURCE ESTIMATES

The oil and gas reserves calculations and income projections were estimated in accordance with the Canadian Oil and Gas Evaluation Handbook ("COGEH") and National Instrument 51-101 ("NI 51-101"). The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of six Mcf: one bbl was used by NZEC. This conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on: the analysis of drilling, geological, geophysical, and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable.

Reserves are classified according to the degree of certainty associated with the estimates. Proved Reserves are those reserves which can be estimated with a high degree of certainty to be recoverable. It is likely the actual remaining quantities recovered will exceed the estimated proved reserves. Probable Reserves are those additional reserves which are less certain to be recovered than proved reserves. It is equally likely the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

Revenue projections presented are based in part on forecasts of market prices, current exchange rates, inflation, market demand and government policy which are subject to uncertainties and may in future differ materially from the forecasts above. Present values of future net revenues do not necessarily represent the fair market value of the reserves evaluated. The report also contains forward-looking statements including expectations of future production and capital expenditures. Information concerning reserves may also be deemed to be forward looking as estimates imply the reserves described can be profitably produced in the future. These statements are based on current expectations which involve a number of risks and uncertainties, which could cause the actual results to differ from those anticipated. Contingent resources are those quantities of oil and gas estimated on a given date to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters, or a lack of markets. Prospective resources are those quantities of oil and gas estimated on a given date to be potentially recoverable from undiscovered accumulations. The resources reported are estimates only and there is no certainty any portion of the reported resources will be discovered and, if discovered, will be economically viable or technically feasible to produce.