New Zealand Energy Announces 2013 Year-End and Fourth Quarter Results and Operational Update

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VANCOUVER, BRITISH COLUMBIA--(Marketwired - May 1, 2014) - New Zealand Energy Corp. ("NZEC" or the "Company") (TSX VENTURE:NZ)(OTCQX:NZERF) has released the results of its fourth quarter and fiscal year ended December 31, 2013. Details of the Company's financial results are described in the Audited Consolidated Financial Statements and Management's Discussion and Analysis which, together with further details on the Company's operational activities, are available on the Company's website at www.newzealandenergy.com and on SEDAR at www.sedar.com. All amounts are in Canadian dollars unless otherwise stated.

NZEC will host a conference call May 1, 2014
1-2pm PST (4-5pm EST)
North American toll-free: 1-800-319-4610
International / Vancouver callers: 604-638-5340

HIGHLIGHTS

- Ten wells in production at year-end 2013 (2012: four wells)
- 77,484 barrels of oil produced and 77,820 barrels of oil sold during 2013 (2012: 162,444 and 162,077)
- Total recorded revenue of $10,662,879 (2012: $16,475,971)
- Significantly improved average field netback during second half of 2013 to $60.34 per barrel (compared to $35.10 per barrel in first six months of 2013)
- Invested $37.7 million in resource properties, plant and equipment during 2013
- Completed acquisition of strategic midstream and exploration assets in the Taranaki Basin, recognizing a Gain on Acquisition of $1.4 million
- Increased 2P Reserves by 145% compared to year-end 2012, with an after tax net present value (10% discount) of $57.9 million
- Cumulative third-party revenue earned to date through Waihapa Production Station of $687,000 (net to NZEC)
- New arrangement with gas marketing counterparty is expected to commence May 5, 2014 and generate between NZ$250,000 and NZ$1 million revenue per year (net to NZEC)
- NZEC retracts its year-end 2014 production guidance

Message from the Chief Executive Officer

As the CEO of NZEC, I am focused on the milestones we need to achieve in the days, weeks and months ahead to ensure that our business can continue to grow. Reviewing the year-end financial statements, however, has provided the opportunity for me to reflect on the events that occurred during what was certainly a transformative year for NZEC.

NZEC started 2012 with four producing oil wells and an active exploration program on its Eltham Permit, and the expectation of imminently closing the acquisition of the TWN assets from Origin. The acquisition took much longer than expected, but the opportunities and benefits this acquisition brought to the Company far outweigh the challenges. NZEC ended 2013 with ten producing wells, a 145% increase to its 2P reserves, and a 50% interest in strategic midstream infrastructure in the heart of the Taranaki Basin. In the first few months of 2014, NZEC has also brought two more wells online and anticipates near-term production increases from additional wells.

Since closing the acquisition at the end of October 2013, NZEC moved quickly to deliver on a number of milestones. The Company successfully reactivated oil production from seven existing wells and confirmed that production can be achieved from an uphole reservoir, following a successful uphole completion. In addition, the Company delivered on its promise of realizing new business opportunities through the Waihapa Production Station, which is now generating revenue from third-party business opportunities.

I am pleased with our success and proud of the team's ability to be innovative and nimble. I tasked the team with reviewing these new assets from every angle and identifying opportunities to use the existing wells and infrastructure to increase production. The team identified numerous production opportunities in the due diligence period before NZEC closed the acquisition, and each of the development activities to date has yielded oil production. The technical and operations teams continue to review well logs, historical drilling records and seismic data across the TWN Licenses and have identified additional opportunities to advance existing wells to production.

The Company's primary challenge, however, has been timing. Continued delays in closing the acquisition resulted in delays to realizing production and cash flow from the new assets. Likewise, the sequential development activities that NZEC had planned for the assets were also pushed back. While NZEC was initially optimistic that it could make up the time, the recent decision to defer drilling of a new Tikorangi well made it clear that the Company's year-end production guidance is no longer attainable, and the Company retracts its previously stated production guidance. NZEC still expects to achieve that production target. NZEC has great confidence in the assets and in the production potential from the multiple drill-proven formations that underlie the Company's Taranaki permits. All that's changed is the timing. NZEC is focused on responsible development of its assets, looking for optimal production from each well and ensuring that we fully understand both the assets and the impact of each development activity before we move ahead to the next task.

For the remainder of 2014, NZEC will prioritize low-cost, low-risk opportunities that are expected to bring near-term production and cash flow. Concurrently, the Company continues to take significant steps to reduce overhead, consolidating its three New Plymouth premises into one office and eliminating a number of consulting and employment positions. NZEC's objective is to organically build up working capital through internally-generated cash flow. Once the Company has established a strong production and cash flow base, the Company can again look to advancing higher-impact operations, such as drilling new wells.

To ensure that NZEC can continue to advance its non-core assets, the Company is actively seeking farm-in partners for its Eltham and Alton exploration permits in the Taranaki Basin and also for its East Coast permits. Securing a farm-in partner would allow the Company to expedite exploration of priority drill targets, including the deeper high-impact Tikorangi and Kapuni targets, while reducing NZEC's financial and technical risk. Establishing strong partnerships has been one of the cornerstones of NZEC's success to date. The Company has established strategic partnerships with L&M Energy and Westech Energy New Zealand, and built a strong relationship with New Zealand Oil & Gas and also its iwi partners in both the Taranaki and East Coast basins.

NZEC's reputation as a responsible and entrepreneurial oil and gas developer has allowed the Company to attract industry experts. I am very excited that David Robinson will join the team on May 19th to assume the new position of Chief Executive Officer of the Company's New Zealand business and also join NZEC's Board of Directors. David brings considerable oil and gas insight to the Company from a corporate, industry and regulatory perspective. His expertise and enthusiasm will be invaluable as NZEC continues to execute its business and development plans.

I believe NZEC has both the assets and the business plan required to build a substantial oil and gas company. Progress has been slower than expected, but we are indeed making progress, and I see many opportunities ahead. We have a core team of highly qualified and experienced individuals who are focused and committed to the success of this Company. I look forward to sharing the Company's successes with our shareholders and community partners as our development plans unfold in 2014.

FINANCIAL SNAPSHOT

	For the quarter ended December 31, 2013	For the year ended December 31, 2013	For the year ended December 31, 2012	For the year ended December 31, 2011
Production	16,790 bbl	77,484 bbl	162,444 bbl	11,623 bbl
Sales	13,968 bbl	77,820 bbl	162,077 bbl	9,567 bbl
Price	115.77 $/bbl	109.09 $/bbl	106.71 $/bbl	106.83 $/bbl

Production costs	43.39 $/bbl	58.73 $/bbl	31.57 $/bbl	23.44 $/bbl
Royalties	10.53 $/bbl	5.98 $/bbl	5.06 $/bbl	4.96 $/bbl
Field netback	61.84 $/bbl	44.38 $/bbl	70.08 $/bbl	78.43 $/bbl
Revenue	4,108,911	10,662,879	16,475,971	974,517
Pre-production recoveries	-	-	2,449,231	950,440
Total comprehensive loss	(5,963,723)	(9,303,312)	(1,235,492)	(6,655,829)
Finance income (expense)	(30,804)	(97,598)	211,511	119,583
Loss per share - basic and diluted	(0.06)	(0.12)	(0.03)	(0.08)
Current assets	15,147,197	15,147,197	49,137,637	19,293,345
Total assets	116,782,687	116,782,687	116,059,939	31,152,804
Total long-term liabilities	7,068,585	7,068,585	2,598,840	120,429
Total liabilities	15,337,630	15,337,630	23,442,632	1,383,376
Shareholders' equity	101,445,057	101,445,057	92,617,307	29,769,428

Note: The abbreviation **bbl** means barrel or barrels of oil.

As at April 30, 2014, the Company had an estimated $2.7 million in working capital.

SIGNIFICANT DEVELOPMENTS

In the fourth quarter of 2013, NZEC completed the TWN Acquisition, assumed joint control of the acquired assets and reactivated oil production in six wells drilled by previous operators; booked additional reserves and resources related to the TWN Acquisition; closed an oversubscribed private placement for gross proceeds of $16.1 million; completed its acquisition of an 80% interest in the Wairoa Permit; extended the exploration period for the Alton Permit and the Eltham Permit by five years to September 2018; and relinquished the Ranui Permit.

Subsequent to year-end, NZEC advanced three additional wells to production on the TWN Licenses and recommenced production from one well on the Eltham Permit. The Company has also made a number of changes to its New Zealand senior management team, released an updated reserve estimate and relinquished its interest in the Manaia Permit.

Initial development plans for the TWN Licenses included drilling a crestal well to access oil reserves attributed to the Tikorangi Formation. The TWN JA has determined that the crestal well will not be drilled in 2014. Drilling the Tikorangi crestal well was integral to NZEC achieving its year-end 2014 production guidance. With the Tikorangi well deferred, NZEC has made the decision to retract is year-end 2014 production guidance, as previously announced on August 6, 2013.

PROPERTY REVIEW

Taranaki Basin

The Taranaki Basin is situated on the west coast of New Zealand's North Island and is currently the country's only oil and gas producing basin, with total production of approximately 130,000 barrels of oil equivalent per day ("boe/d") from 18 fields. Within the Taranaki Basin, NZEC holds a 100% interest in the Eltham Permit, a 65% interest in the Alton Permit with L&M, and a 50% interest in the TWN Licenses and the TWN Assets with L&M. The Eltham Permit currently covers 47,387 acres (191.8 km^2), of which approximately 2,029 acres (24.4 km^2) is offshore. The Company has lodged an application with NZPAM to convert 939 acres (3.8 km^2) of the Eltham Permit into a PMP. When approved, the Eltham Permit acreage will be reduced by the size of the PMP. The Alton Permit covers approximately 59,565 onshore acres (241 km^2). The TWN Licenses cover approximately 23,049 onshore acres (93 km^2).

NZEC is actively seeking farm-in partners for its Eltham and Alton permits, with the intention that the farm-in partner would fund the drilling of high-priority targets on the properties in return for an interest in the permits.

The Taranaki Basin offers production potential from multiple prospective formations, ranging from the Kapuni sandstones at a depth of approximately 4,000 metres, the Tikorangi limestones at approximately 3,000 metres, the Moki sandstones at approximately 2,500 metres, and the shallower Mt. Messenger and Urenui sandstones at approximately 2,000 metres. All of NZEC's production to date is from the Tikorangi and Mt. Messenger formations.

Production and Processing Revenue

At the date of this MD&A, the Company had advanced 12 wells to production: four wells on the Eltham Permit and eight wells on the TWN Licenses. The Company's oil production during March 2014 averaged 233 bbl/d net to NZEC (not including production from the Waihapa-8 well). On March 29, 2014 the Waihapa-8 well commenced production, on April 12, 2014 the Toko-2B well recommenced production following installation of high-volume lift, and on April 17, 2014 the Waihapa-2 well commenced production following a successful uphole completion. Production during April 2014 averaged 228 bbl/d net to NZEC. Production from Toko-2B, Ngaere-2 and Ngaere-3 is combined into one single pipe that goes through the B-train separator at the Waihapa Production Station. Ngaere-2 and Ngaere-3 were taken offline on April 12, 2014 to allow for full evaluation of Toko-2B. In addition, the Copper Moki-3 well remains shut-in awaiting installation of a new pump later in Q2-2014. Details regarding the Company's efforts to increase production from existing wells and bring new wells into production are available in the *Outlook* section below.

TWN Licenses

The TWN JA has identified two opportunities for low-cost, near-term production on the TWN Licenses: reactivating oil production from the Tikorangi and Mt. Messenger formations in existing wells that were produced historically, and recompleting existing wells uphole in shallower formations that have not been produced. At the date of this MD&A, the TWN JA had advanced eight wells to production for a total of 43,594 bbl produced since closing of the TWN Acquisition (21,797 bbl net to NZEC), with cumulative pre-tax oil sales net to NZEC of approximately $2,330,664 (net results of operations are discussed under *Results of Operations*). The wells produce light ~41° API oil that is delivered by pipeline to the Waihapa Production Station and then piped to the Shell-operated Omata tank farm, where it is sold at Brent pricing less standard Shell costs.

Following closing of the TWN Acquisition, the TWN JA immediately proceeded with the work required to reactivate oil production from the Tikorangi Formation in six wells drilled by previous operators. On December 2, 2013, NZEC announced that all six wells had been reactivated and were flowing into the Waihapa Production Station. In March 2014, the TWN JA also reactivated oil production from the Mt. Messenger Formation in a well that had been drilled and produced from the Mt. Messenger Formation by a previous operator (Waihapa-8).

The TWN JA continues to evaluate and optimize production from the reactivated wells. As part of the optimization process, in April 2014, the TWN JA installed high-volume lift ("ESP") on one of the reactivated wells (Toko-2B). The ESP was operated initially using a portable generator, which limited the pumping capacity and did not draw down fluid levels in the well. The TWN JA is connecting the Toko-2B high-volume lift to a permanent power source and will gradually increase the pumping rate. The ESP is capable of pumping up to 10,000 barrels of total fluid per day.

A number of wells on the TWN Permits, with previous production from the Tikorangi Formation, have uphole completion potential in the shallower Mt. Messenger Formation. The TWN JA has recompleted one well uphole in the Mt. Messenger Formation (Waihapa-2) and achieved production from that well in April 2014. This successful recompletion confirms that production can be achieved from an uphole reservoir. The TWN JA has identified three more wells with uphole completion potential, and will continue to evaluate these opportunities. One additional well offers production potential from both the Tikorangi and Mt. Messenger formations. The TWN JA is focusing first on reactivating production from the Tikorangi Formation, but will proceed with an uphole completion in the Mt. Messenger Formation if appropriate.

The TWN JA continues to identify opportunities to generate revenue from the Waihapa Production Station and associated infrastructure. Third-party revenue from the Waihapa Production Station since closing the TWN Acquisition totals approximately NZ $687,000 net to NZEC. In addition, during February 2014, the TWN JA entered into an agreement with a gas marketing counterparty to transport gas along a section of the TAW gas pipeline for a term of four years with a five-year right of renewal. The arrangement is expected to generate between NZ$250,000 and NZ$1 million revenue per year (net to NZEC). First gas is expected to flow on May 5, 2014.

Eltham Permit

To date the Company has drilled ten exploration wells on the Eltham Permit. Four have been advanced to production. At the date of this MD&A, the Company has produced approximately 279,842 bbl from its Eltham Permit wells (including oil produced during testing), with cumulative pre-tax oil sales from inception of approximately $31.2 million (net results of operations are discussed under *Results of Operations*). Of the remaining six wells, one well (Copper Moki-4) made an oil discovery in the Urenui Formation and has been shut-in pending additional economic analysis and evaluation of artificial lift options. One well (Arakamu-2) made an oil discovery in the Mt. Messenger Formation and has been shut-in pending evaluation of artificial lift options. One well (Wairere-1A) was drilled to the Mt. Messenger Formation and encountered hydrocarbon shows, with completion pending. Waitapu-1 is shut-in pending further testing or sidetrack to an alternate target and Arakamu-1A, a Moki Formation well, is suspending pending further evaluation. Only one well, Wairere-1, failed to encounter hydrocarbons and was immediately sidetracked.

All of the Eltham Permit wells produce light ~41° API oil from the Mt. Messenger Formation. Oil is trucked to the Shell-operated Omata tank farm and sold at Brent pricing less standard Shell costs. During January 2014, NZEC began delivering natural gas produced from wells on the Copper Moki site through a pipeline to the Waihapa Production Station, where it is blended with gas produced from the TWN Licenses and used by the TWN Partnership to lift the TWN JA reactivated wells and run the Waihapa Production Station compressors. Using internally generated gas for these activities, rather than purchasing it, has significantly reduced operating costs at the Waihapa Production Station and brought modest natural gas revenue to the Company.

East Coast Basin

The East Coast Basin of New Zealand's North Island hosts two prospective oil shale formations, the Waipawa and Whangai, which are believed to be the source of more than 300 oil and gas seeps. Within the East Coast Basin, NZEC holds a 100% interest in the Castlepoint Permit, which covers approximately 551,042 onshore acres (2,230 km^2), and a 100% interest in the East Cape Permit which covers approximately 1,048,406 onshore acres (4,243 km^2) on the northeast tip of the North Island. In addition, NZEC holds an 80% working interest in the Wairoa Permit, which covers approximately 267,862 onshore acres (1,084 km^2) south of the East Cape Permit. NZEC is the operator of all three permits.

The Company has completed the coring of two test holes and collected 35 line km of 2D seismic data on the Castlepoint Permit. The Wairoa Permit has been actively explored for many years, with extensive 2D seismic data across the permit and log data from more than 16 wells drilled on the property. Members of NZEC's geological and geophysical team understand the property well and had previously provided extensive consulting services to previous permit holders, assisting with seismic acquisition and interpretation, well-site geology and regional prospectivity evaluation. In addition, NZEC's team assisted with permitting and land access agreements and worked extensively with local district council, local service providers, land owners and iwi groups, allowing the team to establish an excellent relationship with local communities. During Q1-2013 the Company completed a 50 km 2D seismic program on the Wairoa Permit.

OUTLOOK

Taranaki Basin

Completing the acquisition of the TWN Licenses and TWN Assets has transformed NZEC into a fully integrated upstream/midstream company. Having a 50% interest in a full-cycle production facility and associated infrastructure should allow NZEC to optimize the development of all of its Taranaki Basin permits. As NZEC continues to explore its Taranaki Basin property portfolio, the Company will focus on developing targets that are close to the Waihapa Production Station and associated pipelines, allowing for accelerated and cost effective tie‐in of both oil and gas production.

The majority of the Company's near-term production and exploration efforts will be focused on the TWN Licenses, where existing wells offer low-cost, near-term production potential. The TWN JA has already reactivated production from seven wells and advanced one uphole completion to production. In addition, the TWN JA expects to achieve an increase to production from one well following installation of high-volume lift, and is considering installing high-volume lift in additional wells. The TWN JA continues to review well logs, historical drilling records and seismic data across the TWN Licenses to identify additional opportunities to advance existing wells to production. The TWN JA has identified production potential from both the Tikorangi and Mt. Messenger formations in additional existing wells, and will continue to evaluate these opportunities. Reactivations and uphole completions are significantly less expensive and faster than drilling new wells, and economic discoveries can often be tied in to the Waihapa Production Station using existing oil and gas gathering pipelines.

During 2014, the Company plans to drill a new exploration well on the Alton Permit. The current work program for the Alton Permit requires the Company to drill an exploration well by June 22, 2014. The Company has applied to NZPAM to extend the deadline by three months to accommodate environmental consulting work. The Company has identified a drill target in the Mt. Messenger Formation and has initiated the community engagement and technical assessments required to obtain land access consents and permits. In addition, new exploration targets in the Mt. Messenger, Tikorangi and Kapuni formations on the TWN Licenses and the Eltham and Alton permits could be drilled in future exploration programs. NZEC is actively seeking farm-in partnerships to advance both its Eltham and Alton permits.

The Company announced its initial development plans for the TWN Licenses and other permits in the Taranaki Basin on August 6, 2013. NZEC and the TWN JA continue to review development plans for the TWN Licenses and have identified new production opportunities in existing wells. As a result, timing of a number of a planned exploration and development activities has shifted. The TWN JA will prioritize low-cost, low-risk opportunities that are expected to bring near-term production and cash flow, and will defer higher-cost, higher-risk operations until the TWN JA has established a strong production and cash flow base.

NZEC believes that optimization efforts can increase production from existing wells. The TWN JA is connecting the Toko-2B high-volume lift to a permanent power source and will gradually increase the pumping rate. The ESP is capable of pumping in excess of 10,000 barrels of total fluid per day. Pumping rates are being gradually increased at the Waihapa-2 well to maximize production. The Waihapa-8 well is currently being produced using an existing gas lift system that was installed by the previous operator, but the TWN JA may consider installing more sophisticated artificial lift. In addition, the Copper Moki-3 well on the Eltham Permit is expected to resume production in Q2-2014 following installation of a new pump. The TWN JA has identified four additional production opportunities in existing wells on the TWN Licenses: three uphole completions in the Mt. Messenger Formation and one well that offers production potential from both a Tikorangi reactivation and a Mt. Messenger uphole completion. The TWN JA will continue to evaluate these opportunities with the objective of advancing these wells to production.

NZEC remains focused on reducing costs while increasing production from existing wells with the objective of organically building up working capital through internally-generated cash flow. In addition, NZEC is actively seeking farm-in partners for its Eltham and Alton permits, with the intention that the farm-in partner would fund the drilling of high-priority targets on the properties in return for an interest in the permits.

The Company's ability to execute its exploration and development activities is contingent on its financial capacity. Based on available working capital, as well as forecasted positive net cash flow from operations, management has estimated that the Company has sufficient working capital to meet short-term operating requirements. However, since these estimates rely on certain development activities that are still underway as at the date of this report, there are no assurances that these activities will be successful, or that the Company will be able to attain sufficient profitable operations from those activities. In light of the reliance on successful completion of ongoing development activities, there is significant doubt about the Company's ability to continue as a going concern.

The Company is considering a number of options to increase its financial capacity (including increasing cash flow from oil production, credit facilities, joint arrangements, commercial arrangements or other financing alternatives) in order to meet all required and planned capital expenditures for the next 12 months.

East Coast Basin

The Company is actively seeking a farm-in partner for its East Coast permits, to participate in and fund exploration and development in the East Coast Basin in return for an interest in the permits.

NZEC used information from two stratigraphic test holes and a 2D seismic survey to focus its exploration plans for the Castlepoint Permit. The current work program requires the Company to drill an exploration well by May 23, 2014, but the Company expects NZPAM to grant a six-month extension to this deadline. The Company has identified its preferred drill location and has initiated the community engagement and technical assessments required to obtain land access and resource consents.

The current work program for the Wairoa Permit requires the Company to drill an exploration well by July 2, 2014, but the Company has applied to NZPAM for a six-month extension to this deadline. The Company has identified the preferred drill location and has initiated the community engagement and technical assessments required to obtain land access and resource consents.

The Company anticipates completing fieldwork and geochemical studies on the East Cape Permit in 2014.

SUMMARY OF QUARTERLY RESULTS

	2013-Q4 $	2013-Q3 $	2013-Q2 $	2013-Q1 $
Total assets	116,782,687	105,313,813	127,318,182	129,545,992
Exploration and evaluation assets	51,500,037	55,859,632	52,357,470	49,610,922
Property, plant and equipment	49,169,997	26,621,043	26,135,651	25,793,089
Working capital	6,878,152	4,748,797	9,517,742	17,533,636
Revenues	4,108,911	1,519,010	2,109,700	2,925,258
Accumulated deficit	(35,099,834)	(27,292,947)	(24,616,053)	(22,386,089)
Total comprehensive income (loss)	(5,963,723)	1,347,788	(6,000,775)	1,313,397
Basic (loss) earnings per share	(0.06)	(0.02)	(0.02)	(0.02)
Diluted (loss) earnings per share	(0.06)	(0.02)	(0.02)	(0.02)

	2012-Q4 $	2012-Q3 $	2012-Q2 $	2012-Q1 $
Total assets	116,059,939	98,882,087	98,814,102	96,979,923
Exploration and evaluation assets	37,379,726	26,377,188	25,373,718	12,103,712
Property, plant and equipment	23,867,758	16,293,123	8,674,152	8,150,802
Working capital	28,293,845	45,204,695	53,844,035	70,401,191
Revenues	2,948,041	3,708,254	5,910,993	3,908,683
Accumulated deficit	(19,992,243)	(17,804,045)	(15,613,594)	(16,548,180)
Total comprehensive income (loss)	(1,333,805)	(2,018,634)	1,317,915	799,032
Basic (loss) earnings per share	(0.02)	(0.02)	0.01	0.00
Diluted (loss) earnings per share	(0.02)	(0.02)	0.01	0.00

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2013

Revenue

During the year ended December 31, 2013, the Company produced 77,484 (2012: 162,444) bbl and sold 77,820 (2012: 162,077) bbl for total oil sales of $8,489,319 (2012: $17,295,853), or $109.09 (2012: $106.71) per bbl. Total recorded gross production revenue was $8,023,973 (2012: $16,475,971), which accounted for royalties of $465,346 (2012: $819,882), or $5.98 (2012: $5.06) per bbl sold.

During the year ended December 31, 2013, the Company recorded sales from purchased oil of $664,168 (2012: $nil) and purchased condensate of $1,506,068 (2012: $nil). The Company also received $468,671 (2012: $nil) of processing revenue from the Company's interest in the Waihapa Production Station.

Total recorded revenue during the year ended December 31, 2013 was $10,662,879 (2012: $2,948,042), which is accounted for net of royalties of $465,347 (2012: $161,164).

Expenses and Other Items

Production costs during the year ended December 31, 2013 totalled $4,570,294 (2012: $5,116,059), or $58.73 (2012: $31.57) per bbl sold. Included in total production costs are all site-related expenditures, including applicable equipment rental fees, site services, overheads and labour; transportation and storage costs including trucking, testing, tank storage, processing and handling; and port dues as incurred prior to the sale of oil. Other costs of $2,170,236 relate to purchased oil and condensates which were on-sold by the Company to a third party. The Company continues to see the positive effect on production costs from installation of surface facilities as reflected in reduced production costs related to the Copper Moki site since June 2013.

Depreciation costs incurred during the year ended December 31, 2013 totalled $3,193,785 (2012: $4,103,405), or $41.04 (2012: $25.32) per bbl sold. Depreciation is calculated using the unit-of-production method by reference to the ratio of production in the period to the related total proved and probable reserves of oil and natural gas, taking into account estimated future development costs necessary to access those reserves. The increase in per bbl depreciation during the period ended December 31, 2013 is reflective of the additional wells (and therefore additional development costs associated with such wells) that achieved commercial production since Q3-2012.

Stock-based compensation for the year ended December 31, 2013 totalled $685,257 compared to $1,594,780 during the same period in 2012. The decrease in stock-based compensation corresponds to fewer stock options granted and the reversal of stock-based compensation related to employees who left the Company during the period.

General and administrative expenses for the year ended December 31, 2013 totalled $7,197,024 compared to $5,896,949 incurred in the same period in fiscal 2012. The increase in general and administrative costs corresponds to salary increases related to new employees, as the Company prepared for the expansion of operations following the TWN Acquisition.

Transaction costs for the year ended December 31, 2013 totalled $1,823,243 compared to $1,161,657 incurred in the same period in fiscal 2012. The transaction costs incurred during the period include legal and professional fees incurred in relation to the TWN Acquisition.

Net finance expense for the year ended December 31, 2013 totalled $97,598 compared to net finance income of $211,551 in the same period in fiscal 2012. Finance expense relates to interest payable on the Company's operating line of credit, and accretion of the Company's asset retirement obligations, presented net of interest earned on the Company's cash and cash-equivalent balances held in treasury and on term deposits.

Foreign exchange loss for the year ended December 31, 2013 amounted to $452,176 compared to a $1,895,845 loss realized in the same period of fiscal 2012. The decrease in foreign exchange gain loss is a result of the weakening of the New Zealand dollar against the US dollar, during a period in which the Company's subsidiaries (which have a New Zealand dollar functional currency) held US dollar denominated working capital in anticipation of closing the TWN Acquisition.

Impairment - During the year, the Company made the decision to focus its East Coast exploration efforts on the Wairoa, Castlepoint and East Cape permits and relinquished the Ranui Permit. As a result, the Company wrote off $6,708,960 of exploration and evaluation assets previously capitalized to the permit. An additional $275,484 was written down to determine the fair value of the land and building held for sale.

Total Comprehensive Loss

Total comprehensive loss for the year ended December 31, 2013 totalled $9,303,312 after taking into account a gain on the exchange difference on translation of foreign currency of $5,804,279 which compared to total comprehensive loss for the year ended December 31, 2012 of $1,235,492.

Based on a weighted average shares outstanding balance of 127,319,719, the Company realized a $0.12 basic and diluted loss per share for the year ended December 31, 2013. During the year ended December 31, 2012, based on a weighted average shares outstanding balance of 117,131,297 the Company realized a

$0.03 basic and diluted loss per share.

NEW STOCK OPTIONS

NZEC has issued a total of 800,000 incentive stock options to an officer and a consultant of the Company. The options expire five years from the date of grant and vest at a rate of 25% every six months for a 24-month period. The options will have an exercise price of $0.45 per share.

On behalf of the Board of Directors

John Proust, Chief Executive Officer & Director

About New Zealand Energy Corp.

NZEC is an oil and natural gas company engaged in the production, development and exploration of petroleum and natural gas assets in New Zealand. NZEC's property portfolio collectively covers approximately 1.91 million acres of conventional and unconventional prospects in the Taranaki Basin and East Coast Basin of New Zealand's North Island. The Company's management team has extensive experience exploring and developing oil and natural gas fields in New Zealand and Canada, and takes a multi-disciplinary approach to value creation with a track record of successful discoveries. NZEC plans to add shareholder value by executing a technically disciplined exploration and development program focused on the onshore and offshore oil and natural gas resources in the politically and fiscally stable country of New Zealand. NZEC is listed on the TSX Venture Exchange under the symbol NZ and on the OTCQX International under the symbol NZERF. More information is available at www.newzealandenergy.com or by emailing info@newzealandenergy.com.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as such term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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 the word "expectation", "will", "expect", "continue", "continuing", "could", "should", "further", "pending", "anticipates", "offers", "intend", "objective", "become", "potential", "pursue", "look forward", "increasing" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements including, without limitation, the speculative nature of exploration, appraisal and development of oil and natural gas properties; uncertainties associated with estimating oil and natural gas reserves and resources; uncertainties in both daily and long-term production rates and resulting cash flow; volatility in market prices for oil and natural gas; changes in the cost of operations, including costs of extracting and delivering oil and natural gas to market, that affect potential profitability of oil and natural gas exploration and production; the need to obtain various approvals before exploring and producing oil and natural gas resources; exploration hazards and risks inherent in oil and natural gas exploration; operating hazards and risks inherent in oil and natural gas operations; the Company's ability to generate sufficient cash flow from production to fund future development activities; market conditions that prevent the Company from raising the funds necessary for exploration and development on acceptable terms or at all; global financial market events that 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 as disclosed in documents released by NZEC as part of its continuous disclosure obligations.

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 that these expectations will prove to be correct. Actual results could differ materially from those anticipated in these *forward-looking statements. 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 that are contained in this document, except in accordance with applicable securities laws.*

CAUTIONARY NOTE REGARDING RESERVE 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 that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves. Probable Reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that 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 that the reserves described can be profitably produced in the future. These statements are based on current expectations that involve a number of risks and uncertainties, which could cause the actual results to differ from those anticipated.

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