First Quarter 2018
Condensed Consolidated Interim Financial Statements

31 March 2018

(Expressed in Canadian Dollars)

(Unaudited)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of New Zealand Energy Corp. ("the Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for the review of condensed consolidated interim financial statements by an entity's auditor.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

(Expressed in Canadian Dollars)

	Notes	31 March 2018 $	31 December 2017 $
Assets			
Current			
Cash	3	36,840	55,351
Accounts and other receivables	4	1,852,769	2,057,649
Prepaid expenses		158,293	126,057
Inventories	5	1,094,801	700,392
Total current assets		**3,142,703**	2,939,449
Non-Current			
Accounts and other receivables	4	-	863,123
Inventories	5	606,304	788,048
Property, plant and equipment	6	16,738,567	16,567,342
Total non-current assets		**17,344,871**	18,218,513
Total assets		**20,487,574**	21,157,962
Liabilities			
Current			
Revolving credit facility	3	422,576	331,968
Accounts payable and accrued liabilities	8	2,829,989	2,598,792
Total current liabilities		**3,252,565**	2,930,760
Non-Current			
Asset retirement obligations	7	11,786,130	11,628,588
Accounts payable and accrued liabilities	8	-	863,123
Total non-current liabilities		**11,786,130**	12,491,711
Total liabilities		**15,038,695**	15,422,471
Shareholders' equity			
Share capital	9	109,738,706	109,738,706
Foreign currency translation reserve		12,298,628	12,052,627
Share based payments reserve		22,626,841	22,614,682
Accumulated deficit		(139,215,296)	(138,670,524)
Total shareholders' equity		**5,448,879**	5,735,491
Total liabilities and shareholders' equity		**20,487,574**	21,157,962

Description of business and going concern (Note 1)

These unaudited condensed consolidated interim financial statements are authorized for issuance by the Board of Directors on 30 May 2018.

On behalf of the Board of Directors

"James Willis"
James Willis, Director

"Mark Dunphy"
Mark Dunphy, Director

See accompanying notes to the unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Expressed in Canadian Dollars)

	Note	Number of shares	Share Capital $	Share based payments reserve (options) $	Share based payments reserve (warrants) $	Foreign currency translation reserve $	Accumulated deficit $	Total equity $
Balance, 1 January 2017		232,123,459	109,738,706	21,216,759	1,349,289	12,435,010	(134,133,724)	10,606,040
Share based compensation	9(a)	-	-	12,159	-	-	-	12,159
Net loss for the period		-	-	-	-	-	(580,844)	(580,844)
Other comprehensive income for the period		-	-	-	-	(59,863)	-	(59,863)
Balance, 31 March 2017		**232,123,459**	**109,738,706**	**21,228,918**	**1,349,289**	**12,375,147**	**(134,714,568)**	**9,977,492**
Balance, 1 January 2018		232,123,459	109,738,706	21,265,393	1,349,289	12,052,627	(138,670,524)	5,735,491
Share based compensation	9(a)	-	-	12,159	-	-	-	12,159
Net loss for the period		-	-	-	-	-	(544,772)	(544,772)
Other comprehensive income for the period		-	-	-	-	246,001	-	246,001
Balance, 31 March 2018		**232,123,459**	**109,738,706**	**21,277,552**	**1,349,289**	**12,298,628**	**(139,215,296)**	**5,448,879**

See accompanying notes to the unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

	Notes	31 March 2018	31 March 2017
		$	$
Revenues			
Revenue	10	1,319,120	1,453,037
Other Income	10	723,177	618,088
		2,042,297	2,071,125
Expenses and other items			
Production costs		277,792	320,809
Purchased oil	10	723,177	453,658
Processing costs		236,098	269,106
Depreciation and depletion	6	379,102	392,771
Share-based compensation	9(a)	12,159	12,159
General and administrative	11	896,628	1,101,998
Finance expense		116,712	85,228
Foreign exchange loss (gain)		7,500	(1,083)
Abandonment provision movement		(62,100)	17,323
		2,587,068	2,651,969
Net loss		**(544,772)**	(580,844)
Other comprehensive income/(loss):			
Exchange difference on translation of foreign currency (i)		246,001	(347,179)
Total comprehensive loss		**(298,771)**	(928,023)
Basic and diluted loss per share		$ (0.002)	$ (0.003)
Weighted average shares outstanding		232,123,459	232,123,459

(i) Exchange difference on translation of foreign currency may be subsequently reclassified as profit and loss.

See accompanying notes to the unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in Canadian Dollars)

	Notes	31 March 2018 $	31 March 2017 $
Operating activities			
Net loss for the period		(544,772)	(580,844)
Changes for non-cash operating items			
Share-based compensation		12,159	12,159
Depreciation, depletion and accretion		464,500	473,397
Abandonment provision movement		(62,100)	17,323
Foreign exchange loss		7,500	(616)
Change in non-cash working capital items			
Accounts and other receivables		1,183,147	(1,772,636)
Prepaid expenses		(26,362)	64,847
Inventories		(143,773)	(94,599)
Accounts payable and accrued liabilities		(778,373)	2,005,564
Cash provided by (used in) operating activities		**111,926**	124,595
Investing activities			
Purchase of property, plant and equipment		(200,422)	(3,062)
Cash used in investing activities		**(200,422)**	(3,062)
Financing activities			
Revolving credit facility		90,608	(129,440)
Cash provided by (used in) financing activities		**90,608**	(129,440)
Net increase (decrease) in cash and cash equivalents		**2,112**	(7,907)
Effect of exchange rate changes on cash		(20,623)	1,647
Cash and equivalents, beginning of the period		55,351	57,969
Cash, end of the period	3	**36,840**	51,709

Supplemental cash-flow disclosures		
Changes in accounts payable related to property plant and equipment	200,422	-

See accompanying notes to the consolidated financial statements.

1. DESCRIPTION OF BUSINESS AND GOING CONCERN

New Zealand Energy Corp. (the "Company") commenced operations on 19 April 2010 through its now wholly-owned subsidiary, East Coast Energy Ventures Limited. The Company was subsequently incorporated on 29 October 2010 under the name 0894134 B.C. Ltd. pursuant to the *Business Corporation Act* (British Columbia). On 10 November 2010, 0894134 B.C. Ltd. changed its name to New Zealand Energy Corp.

The Company, through its subsidiaries, is engaged in the exploration and production of oil and natural gas, as well as the operation of midstream assets, in New Zealand.

The Company's registered and records office is located at Suite 2800, Park Place, 666 Burrard St, Vancouver BC V6C 2Z7. The Company's principal place of business is 14 Connett Road, New Plymouth, New Zealand 4312.

The Company's shares are listed on the TSX Venture Exchange under the symbol "NZ".

Going Concern

While these consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due, certain conditions cast significant doubt on the validity of this assumption. For the quarter ended 31 March 2018, the Group reported a Net Loss of $544,772 (2017: $580,844) and a cash inflow from operating activities of $111,926 (2017: $124,595) and as at that date, the Group had working capital of ($109,862) (2017: $138,203). The Group also has several permit expenditure plans (Note 15) which are associated with the Group's interest in its oil and gas properties and exploration and evaluation assets.

The Group continues to pursue a number of options to improve its financial capacity, including cash flow from oil and gas production (production has increased to >200b/d since March 2018), credit facilities, commercial arrangements or other financing alternatives.

The Group's ability to continue as a going concern is reliant upon its ability to retain financing facilities that are currently in place and generate budgeted cash flows from operations which are reliant on achieving planned production levels and forecast oil prices, all of which are uncertain.

These consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used, would be necessary if the Company were unable to realize its assets and settle its liabilities in the normal course of operations. Such adjustments could be material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting policies specific to certain balances are described within the detailed note in the sections below.

General accounting policies adhered to in these financial statements are as follows:

Basis of Preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting. The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended 31 December 2017, which have been prepared in accordance with IFRS as issued by the IASB.

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Except as disclosed in the Changes in Accounting Policies below, the Company has used the same accounting policies and methods of computation as in the audited annual consolidated financial statements for the year ended 31 December 2017.

(Expressed in Canadian Dollars)

Changes in Accounting Policies

IFRS 9 "Financial Instruments"

Effective 1 January 2018, NZEC adopted the July 2014 amendment to IFRS 9, which included guidance to assess and recognize impairment losses on financial assets based on an expected loss model. The adoption of this amendment did not have a material impact on the valuation of the Company's financial assets. Comparative periods have not been restated as the Company has elected to apply the limited exemption on transition. As at 31 March 2018, the average expected credit loss of the Company's accounts receivable balance was immaterial. This is based on historic performance and forward looking assessments of the counterparties.

IFRS 15 "Revenue with Contracts from Customers"

Effective 1 January 2018, NZEC adopted IFRS 15 "Revenue with Contracts from Customers" using the modified retrospective approach. Under this transitional provision, the cumulative effect of initially applying IFRS 15 is recognised on the date of initial application as an adjustment to retained earnings.

Under IFRS 15, the revenue from the sale of commodities and other operating revenue the company earns represent contractual arrangements with customers. The company recognizes revenue when title of the product is transferred to the buyer and collection is reasonably assured in accordance with specified contract terms. All operating revenue are generally earned at a point in time and are based on the consideration that the company expects to receive for the transfer of the goods or services to the customers.

The Company reviewed contracts with customers for its major revenue streams and concluded that the adoption of IFRS 15 did not have a material impact on the consolidated financial statements. No adjustment to retained earnings was required upon adoption of IFRS 15. Nor was any change to the disclosure of revenues required.

3. CASH AND REVOLVING CREDIT FACILITY

	31 March 2018	**31 December 2017**
	$	**$**
Cash	36,840	55,351
Revolving credit facility	(422,576)	(331,968)

4. ACCOUNTS AND OTHER RECEIVABLES

	Note	**31 March 2018**	**31 December 2017**
		$	**$**
Trade receivables		749,133	889,697
GST receivable		57,312	9,500
Financial receivable from related party	12	966,408	1,012,699
Other receivables		79,915	145,753
Total Current Accounts and other receivables		**1,852,769**	2,057,649
Non-Current Financial receivable from related party	12	**-**	863,123

5. INVENTORIES

	31 March 2018	**31 December 2017**
	$	**$**
Material and supplies	73,634	209,060
Oil inventories	1,021,167	491,332
	1,094,801	700,392
Non-current material and supplies	**606,304**	788,048

(Expressed in Canadian Dollars)

6. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixture $	Land and building $	Plant and equipment $	Oil and gas properties $	Total $
Cost					
Balance, 1 January 2017	**420,050**	**1,428,706**	**8,156,187**	**24,787,326**	**34,792,269**
Additions	-	-	62,724	-	62,724
Disposals	(78,471)	-	-	-	(78,471)
Impairment	-	-	(350,297)	(1,241,479)	(1,591,776)
Change in asset retirement cost due to change in estimate	-	-	695,332	337,566	1,032,898
Foreign currency translation adjustment	(10,255)	(71,702)	(424,603)	(1,217,581)	(1,724,141)
Balance, 31 December 2017	**331,324**	**1,357,004**	**8,139,343**	**22,665,832**	**32,493,503**
Additions	-	-	-	200,422	200,422
Change in asset retirement cost due to change in estimate	-	-	(224,795)	(145,874)	(370,669)
Foreign currency translation adjustment	12,353	59,980	359,470	1,000,201	1,432,004
Balance, 31 March 2018	**343,677**	**1,416,984**	**8,274,018**	**23,720,581**	**33,755,260**

	Furniture and fixture $	Land and building $	Plant and equipment $	Oil and gas properties $	Total $
Accumulated depreciation					
Balance, 1 January 2017	**222,818**	**-**	**1,313,970**	**13,895,294**	**15,432,082**
Depreciation and depletion	18,774	-	501,364	804,479	1,324,617
Disposals	(16,030)	-	-	-	(16,030)
Foreign currency translation adjustment	(10,755)	-	(81,496)	(722,257)	(814,508)
Balance, 31 December 2017	**214,807**	**-**	**1,733,838**	**13,977,516**	**15,926,161**
Depreciation and depletion	2,954	-	136,497	244,987	384,437
Foreign currency translation adjustment	9,350	-	78,382	618,365	706,095
Balance, 31 March 2018	**227,111**	**-**	**1,948,717**	**14,840,866**	**17,016,693**
Net Book Value					
Balance, 31 December 2017	116,517	1,357,004	6,405,505	8,688,316	16,567,342
Balance, 31 March 2018	**116,566**	**1,416,984**	**6,325,301**	**8,879,716**	**16,738,567**

(Expressed in Canadian Dollars)

7. LONG TERM ASSET RETIREMENT OBLIGATIONS

The Company's asset retirement obligations are estimated based on the costs to abandon and reclaim its wells in certain licences and permits, and restoration obligations associated with the land at the Waihapa Production Station together with the estimated timing of the costs to be paid in future periods.

	$
Balance, 1 January 2017	10,849,429
Change in estimate	1,066,407
Accretion expense for the year	301,942
Foreign currency translation adjustment	(589,190)
Balance, 31 December 2017	**11,628,588**
Change in estimate	(432,754)
Accretion expense for the year	80,370
Foreign currency translation adjustment	509,926
Balance, 31 March 2018	**11,786,130**

Assumptions	**2018**	**2017**
Total undiscounted value of payments	$17,581,122	$17,171,927
Discount rate	1.76% to 2.89%	1.8% to 2.76%
Inflation rate	2%	2%
Expected life	2 to 19 years	1 to 20 years

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Note	**31 March 2018 $**	**31 December 2017 $**
Trade payables		1,362,541	1,064,358
GST payable		63,014	119,413
Financial payable	12	966,408	1,012,699
Accrued liabilities		438,026	402,322
Total Accounts payable and accrued liabilities		**2,829,989**	2,598,792
Non-current financial payable	12	**-**	863,123

9. SHARE CAPITAL

a) Share purchase options

Pursuant to the Company's share option plan, non-transferable options to purchase common shares must not exceed 10% of the number of then outstanding common shares, or 23,212,346 options, based on the total issued and outstanding common shares as at 31 March 2018. Such options can be exercisable for a maximum of five years from the date of grant. The exercise price of each share option is set by the Board of Directors at the time of grant but cannot be less than the market price at the time of grant. Vesting of share options is at the discretion of the Board of Directors at the time the options are granted.

(Expressed in Canadian Dollars)

Options activity

	Number of options	Weighted average exercise price $
Outstanding at 1 January 2017	12,284,200	0.12
Expired	(1,469,000)	0.45
Total Outstanding 31 December 2017	10,815,200	0.08
Expired	(207,200)	0.45
Total Outstanding 31 March 2018	**10,608,000**	**0.07**

Options outstanding and exercisable		**31 March 2018**		**31 December 2017**	
	Exercise price $	**Number of options**	**Weighted average contractual life (years)**	**Number of options**	**Weighted average contractual life (years)**
Options outstanding	0.05	10,000,000	2.25	10,000,000	2.50
Options outstanding	0.45	608,000	1.10	815,200	1.16
Total options outstanding		10,608,000	2.19	10,815,200	2.40
Options exercisable	0.05	-	-	-	-
Options exercisable	0.45	608,000	1.10	815,200	1.16
Total options exercisable		608,000	1.10	815,200	1.16

Options expense and assumptions	**31 March 2018**	**31 March 2017**
Expense	$12,159	$12,159
Black-Scholes option pricing model assumptions for new options granted:		
Risk-free interest rate	N/A*	N/A*
Expected volatility	N/A*	N/A*
Expected life	N/A*	N/A*
Expected dividend yield	N/A*	N/A*

*No new options granted.

b) Warrants

Warrants activity

	Number of warrants	Weighted average exercise price $
Outstanding at 1 January 2017	41,452,178	0.29
Total Outstanding 31 December 2017 and 31 March 2018	41,452,178	0.29

Warrants outstanding and exercisable		**31 March 2018**		**31 December 2017**	
	Exercise price $	**Number of options**	**Weighted average contractual life (years)**	**Number of options**	**Weighted average contractual life (years)**
Warrants outstanding and exercisable	0.07	17,000,000	0.71	17,000,000	0.96
Warrants outstanding and exercisable	0.45	24,452,178	0.58	24,452,178	0.83
Total outstanding and exercisable		41,452,178	0.63	41,452,178	0.88

(Expressed in Canadian Dollars)

10. REVENUE

	Note	31 March 2018 $	31 March 2017 $
Oil sales		546,149	835,038
Gas sales		52,081	34,450
Processing revenue		646,462	595,986
Interest revenue		31,196	-
Other revenue		80,713	60,186
Royalties		(37,481)	(72,623)
		1,319,120	**1,453,037**
Purchased oil sold	i)	723,177	453,658
Other income		-	164,430
		723,177	**618,088**

i) The Company has an arrangement with a third party whereby the Company purchases oil, charges a processing fee and subsequently sells the oil. Any unsold oil is carried as inventory.

11. GENERAL AND ADMINISTRATIVE EXPENSES

	31 March 2018 $	31 March 2017 $
Professional fees	97,028	90,888
Consulting fees	13,122	57,403
Travel and promotion	12,634	7,055
Administrative expenses	54,780	110,405
Rent	16,295	32,418
Filing and transfer agent fees	10,636	11,474
Insurance	35,752	44,977
Salary and wages	656,381	747,378
	896,628	**1,101,998**

12. RELATED PARTY TRANSACTIONS

Entities associated with the Company include: Greymouth Petroleum Limited, Tiger Drilling Ltd, GMP Environmental Ltd, and Greymouth Gas Taranaki Ltd. Transactions have occurred in the normal course of operations and are at values established on an arm's length basis. The following transactions and balances with these related parties are:

	Note	31 March 2018 $	31 March 2017 $
Processing revenue		79,217	82,137
Production costs		160,060	94,862
Trade receivables		31,603	32,647
Trade payables		440,857	31,737
Oil & Gas properties expenditure		200,422	-
Total settlement for royalty discharge	i)	-	3,453,030
Current financial receivable	i)	966,408	1,026,080
Non-current financial receivable	i)	-	932,800

(Expressed in Canadian Dollars)

i) In March 2017 Taranaki Ventures Limited (TVL) acquired an Overriding Royalty (Royalty Agreement) from a third party which contained an obligation due by a related party of TVL. Concurrently TVL agreed to fully discharge and cancel the related party's obligations under the Royalty Agreement in return for payment from the related party. Payment to the third party (Note 8) and receipt from the related party (Note 4) is spread over 2 years, with future payments and receipts secured by back to back bank guarantees.

Key Management and Personnel Compensation

The key management personnel include the directors and other officers of the Company. Transactions have occurred in the normal course of operations and were measured at the consideration established and agreed to by the related parties. Key management compensation consists of the following:

	31 March 2018 $	31 March 2017 $
Salary and consulting fees	214,808	319,981
Share based compensation	12,159	12,159
	226,967	**332,140**
Included in the above amounts are:		
Upstream Consulting Ltd (James Willis)	8,312	8,456
Arenig Energy Ltd (David Llewellyn)	6,212	-
Michael Adams Reservoir Engineering Ltd (Michael Adams)	110,624	125,725

13. SEGMENTED DISCLOSURES

The Company conducts its business as a single operating segment being the acquisition, exploration, development and production of conventional oil and natural gas resources in New Zealand. The Company's geographic area for all assets, liabilities and revenues is New Zealand.

14. COMMITMENTS

As at 31 March 2018, the Company had the following undiscounted contractual obligations:

	2018 $	2019 to 2020 $	2021 and onwards $	Total $
Operating lease obligations	27,896	10,321	-	38,217
Contract and purchase commitments	469,485	292,272	253,823	1,015,580
	497,381	**302,593**	**253,823**	**1,053,797**

Bank Guarantees

Bonds provided to the Crown in respect of the Tariki, Waihapa and Ngaere petroleum mining licences are secured by bank guarantees provided by Bank of New Zealand (NZD375,000).

Taranaki Ventures Ltd (TVL), a subsidiary of the Company, has bank guarantees in place to ensure its performance in paying its future obligations of: Financial Payable due 29 March 2019, NZD1,000,000 (Note 8).

These bank guarantees are secured by way of general security agreement over the present and after acquired assets of Taranaki Ventures Limited (TVL) with NZEC subsidiaries NZEC Holdings Limited, NZEC Tariki Limited, NZEC Waihapa Limited and NZEC Management Limited guaranteeing the obligations of TVL under the facility.

(Expressed in Canadian Dollars)

15. PERMIT EXPENDITURE PLANS

The Group undertakes oil and gas production, development and exploration activities and has plans to complete certain exploration activities. Certain permits and licences held by the Group require various work obligations to be performed in order to maintain the permits or licences in good standing. The Group and, where relevant, its co-venturers in a permit, may apply to alter the exploration programs, request extensions, reject development costs, relinquish certain permits or farm out an interest in permits. The permit expenditure plans include those required to maintain its permits in good standing during the current permit term, prior to the Group committing to the next stage of the permit term, where additional expenditure would be required.

Maintaining the permits in good standing during the permit term is based on the fulfilment of the work program and is not based on a specific expenditure level. The anticipated cost of the works planned are set out below and relate to the following permits/licences (in the Taranaki Basin):

Permit/Licence	Note	Type	2018	2019 to 2020	2021 and onwards	Total
			$	$	$	$
Eltham Permit	1	Exploration	3,432,000	-	-	3,432,000
Tariki Licence	2	Producing	22,000	52,000	969,000	1,043,000
Waihapa Ngaere Licence	3	Producing	-	562,000	32,000	594,000
			3,454,000	**614,000**	**1,001,000**	**5,069,000**

1) Eltham: 2018 - drill an exploration well. Note - an Appraisal Extension Application has been lodged (with the regulatory authority) with a modified Work Program and over a reduced area of PEP 51150.
2) Tariki: 2018 -2020 - update geological models; 2021 - implement project for gas recovery, drill well or sidetrack, and prepare updated field development plan.
3) Waihapa Ngaere: 2019 - implement enhanced oil recovery project.

16. SUBSEQUENT EVENTS

There have been no subsequent events.