



**Third Quarter 2018
Condensed Consolidated Interim Financial Statements**

30 September 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	30 September 2018 \$	31 December 2017 \$
Assets			
<i>Current</i>			
Cash and cash equivalents	3	706,414	55,351
Accounts and other receivables	4	2,444,192	2,057,649
Prepaid expenses		116,467	126,057
Inventories	5	1,245,718	700,392
<i>Total current assets</i>		4,512,791	2,939,449
<i>Non-Current</i>			
Accounts and other receivables	4	-	863,123
Inventories	5	549,778	788,048
Property, plant and equipment	6	14,933,065	16,567,342
<i>Total non-current assets</i>		15,482,843	18,218,513
<i>Total assets</i>		19,995,634	21,157,962
Liabilities			
<i>Current</i>			
Revolving credit facility	3	-	331,968
Accounts payable and accrued liabilities	8	2,788,345	2,598,792
Asset retirement obligation		123,643	-
<i>Total current liabilities</i>		2,911,988	2,930,760
<i>Non-Current</i>			
Asset retirement obligations	7	11,370,699	11,628,588
Accounts payable and accrued liabilities	8	-	863,123
<i>Total non-current liabilities</i>		11,370,699	12,491,711
<i>Total liabilities</i>		14,282,687	15,422,471
Shareholders' equity			
Share capital	9	109,738,706	109,738,706
Foreign currency translation reserve		11,856,442	12,052,627
Share based payments reserve		22,638,999	22,614,682
Accumulated deficit		(138,521,200)	(138,670,524)
<i>Total shareholders' equity</i>		5,712,947	5,735,491
<i>Total liabilities and shareholders' equity</i>		19,995,634	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 27 November 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)	-	-	36,476	-	-	-	36,476
Net loss for the period		-	-	-	-	-	(1,463,669)	(1,463,669)
Other comprehensive income for the period		-	-	-	-	(402,023)	-	(402,023)
Balance, 30 September 2017		232,123,459	109,738,706	21,253,235	1,349,289	12,032,987	(135,597,393)	8,776,824
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)	-	-	24,316	-	-	-	24,316
Net loss for the period		-	-	-	-	-	149,324	149,324
Other comprehensive income for the period		-	-	-	-	(196,185)	-	(196,185)
Balance, 30 September 2018		232,123,459	109,738,706	21,289,709	1,349,289	11,856,442	(138,521,200)	5,712,947

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018	2017	2018	2017
		\$	\$	\$	\$
Revenues					
Revenue	10	2,941,542	2,177,195	9,245,165	6,226,967
Expenses and other items					
Production costs		194,013	154,216	937,047	951,221
Purchased light oil	10	1,003,215	598,384	2,899,346	1,646,541
Processing costs		498,261	435,491	1,080,561	979,550
Depreciation and depletion	6	430,871	297,615	1,398,745	985,534
Share-based compensation	9(a)	(348)	12,159	23,969	36,476
General and administrative	11	763,025	913,845	2,483,726	2,933,239
Finance expense		78,719	82,945	320,803	245,169
Foreign exchange loss		(2,483)	6,025	(17,833)	15,202
Loss on disposal of assets		-	(272)	-	38,227
Abandonment provision movement		24,319	(4,552)	(30,523)	22,927
		<u>2,989,592</u>	<u>2,497,571</u>	<u>9,095,841</u>	<u>7,690,636</u>
Net profit (loss)		(48,051)	(320,376)	149,324	(1,463,669)
Other comprehensive income/(loss):					
Exchange difference on translation of foreign currency (i)		(198,002)	(529,479)	(196,185)	(402,023)
Total comprehensive loss		(246,053)	(849,855)	(46,861)	(1,865,692)
Basic and diluted loss per share		\$(0.001)	\$(0.001)	\$(0.001)	\$(0.006)
Weighted average shares outstanding		232,123,459	232,123,459	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	Nine months ended 30 September	
		2018	2017
		\$	\$
Operating activities			
Net profit (loss) for the period		149,324	(1,463,668)
<i>Changes for non-cash operating items</i>			
Share-based compensation		24,317	36,476
Depreciation, depletion and accretion		1,636,434	1,236,800
Abandonment provision movement		(30,523)	22,927
Foreign exchange loss		(17,833)	15,347
Loss on disposal		-	62,441
<i>Change in non-cash working capital items</i>			
Accounts and other receivables		395,613	(2,458,355)
Prepaid expenses		5,656	80,754
Inventories		(370,774)	(27,726)
Accounts payable and accrued liabilities		(582,360)	2,390,175
<i>Cash provided by (used in) operating activities</i>		1,209,853	(104,829)
Investing activities			
Proceeds from sale of property, plant and equipment		173,575	-
Purchase of property, plant and equipment		(387,415)	(65,560)
<i>Cash used in investing activities</i>		(213,840)	(65,560)
Financing activities			
Revolving Credit Facility		(331,968)	117,294
<i>Cash provided by (used in) financing activities</i>		(331,968)	117,294
<i>Net increase (decrease) in cash and cash equivalents</i>		664,044	(53,095)
Effect of exchange rate changes on cash		(12,982)	5,234
Cash and equivalents, beginning of the period		55,351	57,969
<i>Cash and equivalents, end of the period</i>	3	706,414	10,108
 <i>Supplemental cash-flow disclosures</i>			
Changes in accounts payable related to property, plant & equipment		(2,607)	-

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 September 2018

(Expressed in Canadian Dollars)

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 nine months ended 30 September 2018, the Company reported Net Income of \$149,324 (2017: Net Loss \$1,463,669) and a cash inflow from operating activities of \$1,209,853 (2017: cash outflow \$104,829) and as at that date, the Company had working capital of \$1,600,803 (2017: \$70,478). The Company also has several permit expenditure plans (Note 15) which are associated with the Company's interest in its oil and gas properties and exploration and evaluation assets.

The Company continues to pursue a number of options to improve its financial capacity, including cash flow from oil and gas production, credit facilities, commercial arrangements or other financing alternatives.

The Company's ability to improve its financial capacity and the relative success, and cash flow generated from, intended operations cannot be assured.

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.

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 30 September 2018, the average expected credit loss of the

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
30 September 2018

(Expressed in Canadian Dollars)

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 CASH EQUIVALENTS, AND REVOLVING CREDIT FACILITY

	30 September 2018	31 December 2017
	\$	\$
Cash and cash equivalents	706,414	55,351
Revolving credit facility	-	(331,968)

4. ACCOUNTS AND OTHER RECEIVABLES

	Note	30 September 2018	31 December 2017
		\$	\$
Trade receivables		1,136,122	889,697
GST receivable		47,094	9,500
Financial receivable from related party	12	951,542	1,012,699
Other receivables		309,434	145,753
Total Current Accounts and other receivables		<u>2,444,192</u>	<u>2,057,649</u>
Non-Current Financial receivable from related party	12	<u>-</u>	<u>863,123</u>

5. INVENTORIES

	30 September 2018	31 December 2017
	\$	\$
Material and supplies	259,343	209,060
Oil inventories	986,375	491,332
	<u>1,245,718</u>	<u>700,392</u>
Non-current material and supplies	<u>549,778</u>	<u>788,048</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
30 September 2018

(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	-	-	697	387,415	388,112
Disposals	-	-	(171,070)	-	(171,070)
Change in asset retirement cost due to change in estimate	-	-	32,300	14,136	46,435
Foreign currency translation adjustment	(9,218)	(44,756)	(251,222)	(755,810)	(1,061,007)
Balance, 30 September 2018	322,106	1,312,248	7,750,048	22,311,572	31,695,974

	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	9,001	-	402,380	1,003,344	1,414,724
Disposals	-	-	-	-	-
Foreign currency translation adjustment	(7,303)	-	(73,173)	(497,500)	(577,976)
Balance, 30 September 2018	216,505	-	2,063,045	14,483,359	16,762,909

Net Book Value

Balance, 31 December 2017	116,517	1,357,004	6,405,505	8,688,316	16,567,342
Balance, 30 September 2018	105,601	1,312,248	5,687,003	7,828,213	14,933,065

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
30 September 2018

(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	37,813
Accretion expense for the year	221,710
Foreign currency translation adjustment	(393,769)
Reclassified as current	(123,643)
Balance, 30 September 2018	11,370,699

Assumptions	2018	2017
Total undiscounted value of payments	\$16,283,723	\$17,171,927
Discount rate	1.72% to 2.60%	1.8% to 2.76%
Inflation rate	2%	2%
Expected life	3 to 18 years	1 to 20 years

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Note	30 September 2018	31 December 2017
		\$	\$
Trade payables		1,286,167	1,064,358
GST payable		160,941	119,413
Financial payable	12	951,555	1,012,699
Accrued liabilities		389,683	402,322
Total Accounts payable and accrued liabilities		2,788,345	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 30 September 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
30 September 2018

(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 30 September 2018	10,608,000	0.07

Options outstanding and exercisable

	30 September 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	1.75	10,000,000	2.50
Options outstanding	0.45	608,000	0.60	815,200	1.16
Total options outstanding		10,608,000	1.68	10,815,200	2.40
Options exercisable	0.05	10,000,000	1.75	-	-
Options exercisable	0.45	608,000	0.60	815,200	1.16
Total options exercisable		10,608,000	1.68	815,200	1.16

Options expense and assumptions

	30 September 2018	30 September 2017
Expense	\$ 23,969	\$ 36,476
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 30 September 2018	41,452,178	0.29

Warrants outstanding and exercisable

	30 September 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	0.21	17,000,000	0.96
Warrants outstanding and exercisable	0.45	24,452,178	0.08	24,452,178	0.83
Total outstanding and exercisable		41,452,178	0.13	41,452,178	0.88

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
30 September 2018

(Expressed in Canadian Dollars)

10. REVENUE

	Note	Three months ended 30 September		Nine months ended 30 September	
		2018	2017	2018	2017
		\$	\$	\$	\$
Oil sales		1,243,876	746,594	4,198,060	2,469,999
Gas sales		124,449	113,706	207,989	210,234
Processing revenue		705,565	621,713	2,039,131	1,839,502
Interest Revenue		13,149	-	89,304	-
Other revenue		(49,365)	117,216	103,724	236,560
Royalties		(99,347)	(20,418)	(292,389)	(175,869)
		1,938,327	1,578,811	6,345,819	4,580,426
Purchased light oil sold	i)	1,003,215	598,384	2,899,346	1,646,541
		2,941,542	2,177,195	9,245,165	6,226,967

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

11. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	Three months ended 30 September		Nine months ended 30 September	
		2018	2017	2018	2017
		\$	\$	\$	\$
Professional fees		(600)	1,735	105,390	121,869
Consulting fees		28,653	(2,703)	80,532	64,343
Travel and promotion		8,676	6,275	28,122	28,104
Administrative expenses		74,576	108,922	221,773	320,883
Rent		12,537	42,775	43,859	97,150
Filing and transfer agent fees		739	5,801	17,054	25,887
Insurance		52,805	57,164	128,554	135,955
Salary and wages		585,639	693,876	1,858,442	2,139,048
		763,025	913,845	2,483,726	2,933,239

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	Three months ended 30 September		Nine months ended 30 September	
		2018	2017	2018	2017
		\$	\$	\$	\$
Processing revenue		80,897	109,865	240,134	279,134
Production costs		57,512	44,439	360,818	193,352
Trade receivables		31,472	31,994	31,472	31,994
Trade payables		10,364	84,275	10,364	84,275
Oil & Gas properties expenditure		-	-	200,422	-
Total settlement for royalty discharge	i)	-	-	-	3,453,030
Current financial receivable	i)	951,542	987,580	951,542	987,580
Non-current financial receivable	i)	-	897,800	-	897,800

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
30 September 2018

(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. A final payment to the third party (Note 8) and receipt from the related party (Note 4) will occur in Q1-19, with the future payment and receipt secured by bank guarantee.

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:

	Three months ended 30 September		Nine months ended 30 September	
	2018 \$	2017 \$	2018 \$	2017 \$
Salary and consulting fees	230,607	238,572	687,386	803,350
Share based compensation	-	12,159	24,317	36,476
	230,607	250,730	711,703	839,826

Included in the above amounts are:

Upstream Consulting Ltd (James Willis)	7,844	8,229	24,230	25,218
Arenig Energy Ltd (David Llewellyn)	5,883	-	18,172	-
Michael Adams Reservoir Engineering Ltd (Michael Adams)	94,146	110,907	314,177	339,093

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 30 September 2018, the Company had the following undiscounted contractual obligations:

	2018 \$	2019 to 2020 \$	2021 and onwards \$	Total \$
Operating lease obligations	5,000	26,000	2,000	33,000
Contract and purchase commitments*	333,000	758,000	452,000	1,544,000
	338,000	784,000	454,000	1,577,000

*Contract commitments (2018 and 2019) includes \$301,000 for the enhanced oil recovery project. Expenditure to date is included in Note 6 (Property, Plant and Equipment). Total anticipated cost is also disclosed in the Permit Expenditure Plans for Waihapa Ngaere Licence (see Note 15).

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
30 September 2018

(Expressed in Canadian Dollars)

15. PERMIT EXPENDITURE PLANS

The Company undertakes oil and gas production, development and exploration activities and has plans to complete certain exploration activities. Certain permits and licences held by the Company require various work obligations to be performed in order to maintain the permits or licences in good standing. The Company 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 Company 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	-	-	-	-
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 (PEP51150): the permit expired on 22 September 2018. 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 - update geological models and install a jet pump (if economically viable); 2021 - implement project for gas recovery, drill well or sidetrack, and prepare updated field development plan.
- 3) Waihapa and Ngaere: 2019 - implement enhanced oil recovery project. See Note 14 Commitments.

16. SUBSEQUENT EVENTS

There have been no subsequent events.