



**First Quarter 2015  
Condensed Consolidated Interim Financial Statements**

**March 31, 2015**

(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 INTERIM BALANCE SHEETS**  
(Expressed in Canadian Dollars)

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
	\$	\$
<b>Assets</b>		
Current		
Cash and cash equivalents	1,575,256	1,121,967
Accounts and other receivables (Note 3)	897,157	1,344,883
Prepaid expenses	343,511	377,454
Inventories (Note 4)	2,880,040	2,665,765
	<b>5,695,964</b>	<b>5,510,069</b>
Restricted cash	356,213	339,112
Software and proprietary database	377,021	431,949
Property, plant and equipment (Note 5)	24,990,538	23,887,382
Exploration and evaluation assets (Note 6)	4,329,353	4,193,565
	<b>35,749,089</b>	<b>34,362,077</b>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	1,291,227	1,908,755
Working Capital Facility (Note 8)	-	411,496
Asset retirement obligation	386,263	367,720
	<b>1,677,490</b>	<b>2,687,971</b>
Asset retirement obligations (Note 7)	8,488,245	7,902,421
	<b>10,165,735</b>	<b>10,590,392</b>
<b>Shareholders' equity</b>		
Share capital (Note 9)	109,740,712	108,000,912
Foreign currency translation reserve	13,654,570	12,456,181
Share based payments reserve	22,575,278	22,521,868
Accumulated deficit	(120,387,206)	(119,207,276)
	<b>25,583,354</b>	<b>23,771,685</b>
	<b>35,749,089</b>	<b>34,362,077</b>

Description of business and going concern (Note 1)  
Commitments (Note 14)  
Subsequent events (Note 15)

These unaudited condensed consolidated interim financial statements are authorized for issuance by the Board of Directors on May 27, 2015.

**On behalf of the Board of Directors**

"David R. Robinson"  
David R. Robinson, Director

"James M.D. Willis"  
James M.D. Willis, Director

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital \$	Share based payments reserve (options) \$	Share based payments reserve (warrants) \$	Foreign Currency Translation Reserve \$	Accumulated Deficit \$	Total Equity \$
Balance, December 31, 2014	187,873,459	108,000,912	21,172,579	1,349,289	12,456,181	(119,207,276)	23,771,685
Stock-based compensation (Note 9)	-	-	53,410	-	-	-	53,410
Units issued, at \$0.04 (Note 9)	44,250,000	1,739,800	-	-	-	-	1,739,800
Net loss for the period	-	-	-	-	-	(1,179,930)	(1,179,930)
Other comprehensive income for the period	-	-	-	-	1,198,389	-	1,198,389
<b>Balance, March 31, 2015</b>	<b>232,123,459</b>	<b>109,740,712</b>	<b>21,225,989</b>	<b>1,349,289</b>	<b>13,654,570</b>	<b>(120,387,206)</b>	<b>25,583,354</b>
Balance, December 31, 2013	170,873,459	107,160,526	20,477,624	1,339,675	7,567,066	(35,099,834)	101,445,057
Stock-based compensation (Note 9)	-	-	611,833	-	-	-	611,833
Net loss for the period	-	-	-	-	-	(2,022,722)	(2,022,722)
Other comprehensive income for the period	-	-	-	-	10,475,166	-	10,475,166
<b>Balance, March 31, 2014</b>	<b>170,873,459</b>	<b>107,160,526</b>	<b>21,089,457</b>	<b>1,339,675</b>	<b>18,042,232</b>	<b>(37,122,556)</b>	<b>110,509,334</b>

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in Canadian Dollars)

	<b>March 31, 2015</b>	<b>March 31, 2014</b>
	<b>\$</b>	<b>\$</b>
<b>Revenues</b> (Note 10)	1,196,477	6,320,949
<b>Expenses and other items</b>		
Production costs	258,880	780,115
Purchased oil and condensate	-	4,079,577
Processing costs	230,369	294,622
Depreciation	483,260	829,446
Stock-based compensation (Note 9(b))	49,322	249,620
General and administrative (Note 11)	1,287,033	1,823,498
Finance expense	77,494	69,854
Foreign exchange loss	(9,951)	216,939
	2,376,407	8,343,671
<b>Net loss for the period</b>	<b>(1,179,930)</b>	<b>(2,022,722)</b>
Exchange difference on translation of foreign currency	1,198,389	10,475,166
<b>Total comprehensive income for the period</b>	<b>18,459</b>	<b>8,452,444</b>
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)
Weighted average shares outstanding	189,384,570	170,873,459

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

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**  
(Expressed in Canadian Dollars)

	<b>March 31, 2015</b>	<b>March 31, 2014</b>
	\$	\$
<b>Operating activities</b>		
Net loss for the period	(1,179,930)	(2,022,722)
Changes for non cash operating items		
Stock-based compensation	49,322	249,620
Depreciation and accretion	550,499	909,055
Foreign exchange loss	(16,942)	112,229
Change in non-cash working capital items		
Accounts and other receivables	523,769	1,664,270
Prepaid expenses	46,410	129,449
Inventories	(91,240)	94,249
Accounts payable and accrued liabilities	(542,252)	(1,348,990)
<b>Cash provided by (used in) provided by operating activities</b>	<b>(660,364)</b>	<b>(212,840)</b>
<b>Investing activities</b>		
Expenditures on resource properties	(13,906)	(499,336)
Purchase of proprietary database	-	(180,804)
Purchase of property and equipment	(251,248)	(1,594,892)
<b>Cash used in investing activities</b>	<b>(265,154)</b>	<b>(2,275,032)</b>
<b>Financing activities</b>		
Shares issued (net of share issuance cost) (Note 9(a))	1,739,800	-
Working capital facility (Note 8)	(398,573)	-
<b>Cash provided by financing activities</b>	<b>1,341,227</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents during the period</b>	<b>415,709</b>	<b>(2,487,872)</b>
Effect of exchange rate changes on cash	37,580	110,092
<b>Cash and equivalents, beginning of the period</b>	<b>1,121,967</b>	<b>4,902,888</b>
<b>Cash and equivalents, end of the period</b>	<b>1,575,256</b>	<b>2,525,108</b>
<b>Supplemental cash flow disclosures</b>		
Accounts payable related to exploration and evaluation assets	120,178	(165,644)
Accounts payable related to property, plant and equipment	20,559	252,238

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

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**  
**March 31, 2015**  
(Expressed in Canadian Dollars)

**1. DESCRIPTION OF BUSINESS AND GOING CONCERN**

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

The Company, through its subsidiaries, is engaged in the production, exploration and development of conventional and unconventional oil and natural gas resources in New Zealand, as well as the operation of the midstream assets in which the Company holds a working interest.

The Company's registered and records office is located at Livingston Place, 1000-250 2<sup>nd</sup> St SW, Calgary, AB, T2P 0C1. The Company's principal place of business is 119-125 Devon Street East, New Plymouth, New Zealand 4310.

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

**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 March 31, 2015, the Company reported a loss of \$1,179,930 and a cash outflow from operating activities of \$660,364 and as at that date, the Company had working capital of \$4,018,474. The Company also has various ongoing work program commitments (Note 14) 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 increase its financial capacity, including cash flow from oil production, disposal of interests in fixed assets, credit facilities, joint arrangements, commercial arrangements, equity raising or other financing alternatives. In the fourth quarter of 2014 the Company raised \$850,000 in working capital, through the issue of 17,000,000 shares as described in Note 9. In March 2015 the Company raised a further \$1,770,000 in working capital, through the issue of 44,250,000 shares as described in Note 9.

The Company's ability to continue as a going concern is dependent upon its ability to expand the financial capacity of the Company in order to:

- (i) pay its obligations as they become due; and also
- (ii) fund near-term development activities with the expectation of generating positive cash flow from operations.

The Company's ability to expand its financial capacity, the success of the intended development activities, or whether sufficiently profitable operations will be attained from the intended development activities, 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, that 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**

**Basis of Preparation**

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("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 December 31, 2014, which have been prepared in accordance with IFRS as issued by the IASB.

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**  
**March 31, 2015**  
(Expressed in Canadian Dollars)

The Company has used the same accounting policies and methods of computation as in the audited annual consolidated financial statements for the year ended December 31, 2014.

**3. ACCOUNTS AND OTHER RECEIVABLES**

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	793,417	920,640
GST receivables	86,769	57,975
Other receivables	16,971	366,268
	<u><b>897,157</b></u>	<u><b>1,344,883</b></u>

**4. INVENTORIES**

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
	<b>\$</b>	<b>\$</b>
Material and supplies	2,362,218	2,232,529
Oil inventories	517,822	433,236
	<u><b>2,880,040</b></u>	<u><b>2,665,765</b></u>

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**  
**March 31, 2015**

(Expressed in Canadian Dollars)

**5. PROPERTY, PLANT AND EQUIPMENT**

	Furniture and fixture \$	Plant and equipment \$	Land and building \$	Oil and gas properties \$	Total \$
<b>Cost</b>					
<b>Balance, December 31, 2013</b>	580,504	7,901,550	1,329,602	47,178,885	56,990,541
Additions (Disposals)	(90,438)	(548,820)	-	2,856,973	2,217,715
Impairment	-	-	-	(26,434,146)	(26,434,146)
Change in Asset Retirement cost due to change in estimate	-	262,043	-	77,437	339,480
Foreign currency translation adjustment	7,285	307,099	47,040	1,957,621	2,319,045
<b>Balance, December 31, 2014</b>	<b>497,351</b>	<b>7,921,872</b>	<b>1,376,642</b>	<b>25,636,770</b>	<b>35,432,635</b>
Additions	10,788	54,141	-	71,755	136,684
Change in Asset Retirement cost due to change in estimate	-	148,167	-	57,204	205,371
Foreign currency translation adjustment	22,664	405,811	69,418	1,293,220	1,791,113
<b>Balance, March 31, 2015</b>	<b>530,803</b>	<b>8,529,991</b>	<b>1,446,060</b>	<b>27,058,949</b>	<b>37,565,803</b>
<b>Accumulated depreciation</b>					
<b>Balance, December 31, 2013</b>	224,724	125,898	-	7,469,922	7,820,544
Depreciation and depletion	15,601	330,388	-	3,193,169	3,539,158
Transferred to assets held for sale	-	(41,571)	-	-	(41,571)
Foreign currency translation adjustment	4,424	3,642	-	219,056	227,122
<b>Balance, December 31, 2014</b>	<b>244,749</b>	<b>418,357</b>	<b>-</b>	<b>10,882,147</b>	<b>11,545,253</b>
Depreciation and depletion	13,918	97,503	-	330,832	442,253
Foreign currency translation adjustment	12,395	23,098	-	552,266	587,759
<b>Balance, March 31, 2015</b>	<b>271,062</b>	<b>538,958</b>	<b>-</b>	<b>11,765,245</b>	<b>12,575,265</b>
<b>Net book value</b>					
<b>Balance, December 31, 2014</b>	<b>252,602</b>	<b>7,503,515</b>	<b>1,376,642</b>	<b>14,754,623</b>	<b>23,887,382</b>
<b>Balance, March 31, 2015</b>	<b>259,741</b>	<b>7,991,033</b>	<b>1,446,060</b>	<b>15,293,704</b>	<b>24,990,538</b>

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

**March 31, 2015**

(Expressed in Canadian Dollars)

**6. EXPLORATION AND EVALUATION ASSETS**

	<b>Taranaki Basin, New Zealand</b>	<b>East Coast Basin, New Zealand</b>	<b>Total</b>
	\$	\$	\$
<b>Balance, December 31, 2013</b>	43,466,442	8,033,595	51,500,037
Additions	366,055	637,352	1,003,407
Recoveries	(372,309)	-	(372,309)
Asset retirement obligation recognized	(42,299)	-	(42,299)
Impairment - Eltham	(37,116,249)	-	(37,116,249)
Impairment - Alton	(4,196,922)	-	(4,196,922)
Impairment - Manaia	(535,742)	-	(535,742)
Impairment - Wairoa	-	(4,693,027)	(4,693,027)
Impairment - Castlepoint	-	(4,102,245)	(4,102,245)
Foreign currency translation adjustment	2,110,476	638,438	2,748,914
<b>Balance, December 31, 2014</b>	<b>3,679,452</b>	<b>514,113</b>	<b>4,193,565</b>
Additions	12,948	1,408	14,356
Asset retirement obligation recognized	(88,663)	-	(88,663)
Foreign currency translation adjustment	184,146	25,949	210,095
<b>Balance, March 31, 2015</b>	<b>3,787,883</b>	<b>541,470</b>	<b>4,329,353</b>

The Company's oil and gas properties are located in New Zealand and its interests in these properties are maintained pursuant to the terms of exploration permits granted by the New Zealand government. The Company is satisfied that evidence supporting the current validity of these permits is adequate and acceptable by prevailing industry practices in respect to the current stage of exploration on these properties.

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

March 31, 2015

(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 and the estimated timing of the costs to be paid in future periods. The total undiscounted amount of cash flows required to settle the Company's asset retirement obligations is estimated at approximately \$15.8 million.

The following table summarizes the Company's asset retirement obligations:

	\$
<b>Balance, December 31, 2013</b>	<b>7,068,585</b>
Change in estimate	298,615
Accretion expense for the year	313,689
Foreign currency translation adjustment	240,812
Reclassified as current	(19,280)
<b>Balance, December 31, 2014</b>	<b>7,902,421</b>
Change in estimate	116,708
Accretion expense for the year	67,239
Foreign currency translation adjustment	401,877
<b>Balance, March 31, 2015</b>	<b>8,488,245</b>

The following are the assumptions used to estimate the provision for asset retirement obligations:

	2015	2014
Total undiscounted value of payments	\$15,756,408	\$15,843,919
Discount rate	3.26% to 3.54%	3.56% to 3.67%
Expected life	1 to 24 years	1 to 25 years

### 8. WORKING CAPITAL FACILITY

On September 24, 2014, the Company entered into a working capital facility (the "Facility") with New Dawn Energy Ltd ("New Dawn") for up to NZ\$5 million.

The total of the facility drawdown (NZ\$638,457) was fully repaid in cash on March 31, 2015. All securities have been released and the Facility terminated.

### 9. SHARE CAPITAL

#### a) Details of issuances of common shares:

- i) The Company has an unlimited number of common shares without par value authorized for issuance.
- ii) On December 15, 2014, the Company completed a non-brokered private placement issuing 17,000,000 units at a price of \$0.05, for gross proceeds of \$850,000. Each unit consists of one common share and one common share purchase warrant (refer to Note 9(d)). Each whole warrant entitles the holder thereof to acquire one common share at a price of \$0.07 per share until December 15, 2015. These securities are subject to a hold period that expires on April 16, 2015.
- iii) On March 23, 2015, the Company completed a non-brokered private placement issuing 44,250,000 common shares at a price of \$0.04 per share, for gross proceeds of \$1,770,000. The shares issued are subject to a four month and one day hold period expiring on July 24, 2015. Finders acting in connection with the private placement received aggregate fees of \$30,200. Geoservices Limited ("Geoservices") subscribed for 29,000,000 shares under the private placement and, upon completion of the private placement, Geoservices own or control 46,000,000 common shares or approximately 19.82% of NZEC's total issued and outstanding common shares, and 17,000,000 common share purchase warrants. Exercise of these warrants would result in Geoservices shareholding exceeding 20% of NZEC's total issued and outstanding common shares. Any such exercise requires either the prior approval of the TSX-V or Geoservices obtaining prior approval of the disinterested voting shareholders of the company. The purchase of the securities by Geoservices was made for investment purposes.

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

March 31, 2015

(Expressed in Canadian Dollars)

Subject to TSX-V rules, Geoservices may increase or decrease its investment in NZEC depending on market conditions or any other relevant factors.

### b) Share purchase options

The Company has adopted a stock option plan which provides that the Board of Directors of the Company may from time to time, at their discretion, and in accordance with TSX Venture Exchange requirements, grant to its directors, officers, employees and consultants non-transferable options to purchase common shares, provided that the number of common shares reserved for issue does not exceed 10% of the number of then outstanding common shares, or 17,087,346 options, based on the total issued and outstanding common shares as at March 31, 2015. 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.

A continuity table of share purchase options for the year ended March 31, 2015 is as follows:

	Number of options	Weighted average exercise price \$
Outstanding at December 31, 2013	8,874,700	1.30
Granted	4,158,000	0.45
Forfeited	(561,000)	0.45
Expired	(4,554,500)	0.67
Outstanding at December 31, 2014	7,917,200	0.54
Expired	(628,250)	0.45
Forfeited	(37,500)	0.45
Outstanding at March 31, 2015	<b>7,251,450</b>	<b>0.55</b>

The following table summarises information about share options outstanding and exercisable at March 31, 2015:

Range of exercise price	Options Outstanding		Options Exercisable	
	Number of options	Weighted average contractual life (years)	Number of options	Weighted average contractual life (years)
\$0.01 to \$0.99	6,001,450	3.42	3,643,700	3.05
\$1.00 to \$1.49	1,250,000	1.35	1,250,000	1.35
	<b>7,251,450</b>	<b>3.06</b>	<b>4,893,700</b>	<b>2.62</b>

The following table summarises information about share options outstanding and exercisable at December 31, 2014:

Range of exercise price	Options Outstanding		Options Exercisable	
	Number of options	Weighted average contractual life (years)	Number of options	Weighted average contractual life (years)
\$0.01 to \$0.99	6,667,200	3.50	3,706,150	2.97
\$1.00 to \$1.49	1,250,000	1.59	1,250,000	1.59
	<b>7,917,200</b>	<b>3.20</b>	<b>4,956,150</b>	<b>2.62</b>

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

March 31, 2015

(Expressed in Canadian Dollars)

The total expense relating to share purchase options incurred for three-month period ended March 31, 2015 was \$53,410 (March 31, 2014: \$611,833).

The following are the weighted average assumptions employed to estimate the fair value of options granted using the Black-Scholes option pricing model:

	2015	2014
Risk-free interest rate	N/A	1.55%
Expected volatility	N/A	96.6%
Expected life	N/A	5 years
Expected dividend yield	Nil%	Nil%

No options were granted by the company for the three month period ended March 31, 2015.

Option pricing models require the input of subjective assumptions including the expected price volatility and expected option life. Management has calculated expected price volatility using data from comparable companies in the industry. Changes in these assumptions may have a significant impact on the fair value calculation.

During 2014, the Company re-priced 5,551,200 share purchase options issued historically to officers, employees and consultants of the Company that had original exercise prices within the range of \$1.00 to \$3.00. The options were repriced to \$0.45. The vesting provisions related to the option grants remain unchanged. The amendment to the exercise price for options granted to officers of the Company is subject to shareholder approval. Stock options granted to directors at \$1.00 per share are not being re-priced. The fair value adjustment of the repricing is included in the stock-based compensation expense.

### c) Warrants

#### *Warrants issued in unit issuance*

On October 28, 2013, the Company completed an oversubscribed private placement, issuing 48,904,355 subscription receipts at a price of \$0.33 per subscription receipt. On November 21, 2013, following receipt from the British Columbia Securities Commission for the Company's short form prospectus, the subscription receipts converted into units consisting of one common share and one-half of one non-transferable share purchase warrant of the Company. Each whole warrant entitles the holder to acquire one common share of the Company at price of \$0.45 with an expiry date of October 28, 2014. On October 1, 2014, the Company received approval to extend the expiry date of 24,452,178 private placement warrants from October 28, 2014 to October 28, 2015. These warrants still maintain an exercise price of \$0.45 which entitles the holder to acquire one common share of the Company.

On December 15, 2014, the Company completed a non-brokered private placement, issuing 17,000,000 units at a price of \$0.05. Each unit consists of one common share and one common share purchase warrant. Each whole warrant entitles the holder thereof to acquire one common share at a price of \$0.07 per share until December 15, 2015. These securities are subject to a hold period that expires on April 16, 2015. The fair value of the warrants using the Black-Scholes warrant pricing model is \$9,614.

All outstanding warrants are exercisable at March 31, 2015.

A continuity table of share purchase warrants for the year ended March 31, 2015 is as follows:

	<u>Number of warrants</u>	<u>Weighted average exercise price</u>
		\$
Outstanding at December 31, 2013	24,452,178	0.45
Warrants issued from private placement	17,000,000	0.07
Outstanding at December 31, 2014 and March 31, 2015	<b>41,452,178</b>	<b>0.29</b>

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

**March 31, 2015**

(Expressed in Canadian Dollars)

The following are the weighted average assumptions employed to estimate the fair value of the warrants granted using the Black-Scholes warrant pricing model:

	<b>2015</b>	<b>2014</b>
Risk-free interest rate	N/A	1.02%
Expected volatility	N/A	44.21%
Expected life	N/A	1 year
Expected dividend yield	N/A	Nil%

No warrants were granted by the company for the three month period ended March 31, 2015.

### *Advisor warrants*

On October 28, 2013, the Company granted 3,045,849 advisor warrants to advisors in connection to a private placement. Each advisor warrant entitles the holder to acquire one common share of the Company at a price of \$0.33 per share with an expiry date of October 28, 2014.

A continuity table of advisor warrants for the year ended March 31, 2015 is as follows:

	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
		<b>\$</b>
Outstanding at December 31, 2013	3,045,849	0.33
Expired	(3,045,849)	0.33
Outstanding at December 31, 2014 and March 31, 2015	-	-

## 10. REVENUES

	<b>March 31, 2015</b>	<b>March 31, 2014</b>
	<b>\$</b>	<b>\$</b>
Oil sales	719,569	2,100,545
Gas sales	75,858	-
Processing revenue (a)	438,396	362,459
Other revenue	11,012	-
Royalties	(48,358)	(221,632)
	<b>1,196,477</b>	<b>2,241,372</b>
Purchased oil sold (b)	-	2,588,219
Purchased condensate sold (c)	-	1,491,358
	<b>1,196,477</b>	<b>6,320,949</b>

- a) As part of its operations of the TWN Assets, the Company provides a wide range of services to third parties, including oil handling and pipeline throughput services, gas processing, as well as handling and disposal of produced water. The Company also operates the nearby Ahuroa Gas Storage Facility on behalf of a third party, for which TWN LP receives a monthly operating fee of NZ\$201,000.
- b) Since the formation of TWN LP, the Company had agreed with L&M to acquire 50% of the crude oil produced from the TWN Licenses. The Company subsequently sold the purchased oil to a major oil company. The Company recorded the cost of the purchased oil from L&M at the time of delivery immediately before the Company's point of delivery to the oil company. This agreement with L&M ceased on May 1, 2014, when L&M entered into a new and separate agreement with the before mentioned oil company, following which L&M sells its share of production directly to the oil company. From May 1, 2014 onwards, the Company no longer assumes the risk and rewards of ownership of L&M's share of oil production, and therefore the Company no longer records any revenue (or associated costs) from L&M's share of oil produced.
- c) The Company also had an arrangement with a third party whereby the Company purchased condensate for its operational purposes and subsequently sold the condensate to the same major oil company to which the Company sells its oil. On March 1, 2014, the Company entered into a new arrangement with

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the third party, whereby the third party retains the risk and rewards related to ownership of the condensate. Since March 1, 2014, the Company no longer assumes the risk and rewards of ownership of the condensate, and therefore the Company no longer records any revenue (or associated costs) from condensate provided by the third party.

### 11. GENERAL AND ADMINISTRATIVE EXPENSES

	March 31, 2015	March 31, 2014
	\$	\$
Professional fees	96,745	(18,233)
Management fees	2,452	306,499
Consulting fees	125,782	83,346
Travel and promotion	25,655	107,007
Administrative expenses	100,953	386,211
Rent	52,185	36,926
Filing and transfer agent fees	7,112	15,581
Insurance	79,103	8,774
Salary and wages	797,046	897,387
	<b>1,287,033</b>	<b>1,823,498</b>

### 12. RELATED PARTY TRANSACTIONS

#### Key Management and Personnel Compensation

The key management personnel include the directors and other officers of the Company. Key management compensation consists of the following:

	March 31, 2015	March 31, 2014
	\$	\$
Salary and management fees	299,606	610,357
Share-based compensation	28,599	82,201
	<b>328,205</b>	<b>692,558</b>

The above transactions occurred in the normal course of operations and were measured at the consideration established and agreed to by the related parties. Included in the amounts above are \$Nil (2014: \$305,100) in management fees paid to J. Proust and Associates Inc., an entity with officers in common. The management fee is inclusive of administrative, finance, accounting, investor relations and management consulting fees.

#### New Dawn Energy Limited/L&M Energy Limited

New Dawn is the parent company of L&M. The group has entered into a number of transactions with New Dawn and L&M, see:

- Joint Arrangements (Note 3, Audited Consolidated Financial Statements 2014)
- Working Capital Facility (Note 8)
- Purchase of Oil (Note 10(a))

### 13. SEGMENTED DISCLOSURES

The Company conducts its business as a single operating segment focused on the acquisition, exploration, development and production of conventional and unconventional oil and natural gas resources in New Zealand. All resource properties are situated in New Zealand.

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### 14. COMMITMENTS

As at March 31, 2015, the Company had the following undiscounted contractual obligations:

	2015	2016 to 2017	2018 and onwards	Total
	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,291,227	-	-	1,291,227
Operating lease obligations <sup>(1)</sup>	144,618	183,280	-	327,898
Contract and purchase commitments	276,190	559,510	892,518	1,728,218
Environmental obligations <sup>(2)</sup>	352,100	-	15,404,308	15,756,408
	2,064,135	742,790	16,296,826	19,103,751
Minimum work program requirements <sup>(3)</sup>	7,188,000	23,144,000	5,937,000	36,269,000
<b>Total</b>	<b>11,316,270</b>	<b>24,629,580</b>	<b>38,530,652</b>	<b>74,476,502</b>

<sup>(1)</sup> The Company has office leases for offices in Wellington and New Plymouth.

<sup>(2)</sup> The Company has recognized an undiscounted asset retirement obligation of \$15.8 million (see Note 7).

<sup>(3)</sup> The Company also has various ongoing minimum work program commitments which are associated with the Company's interest in its oil and gas properties and exploration and evaluation assets. The minimum work program commitments relate to the following permits:

Permit	Type	2015	2016 to 2017	2018 and onwards	Total
		\$	\$	\$	\$
<b>Taranaki Basin</b>					
Copper Moki Permit	Producing	760,000	-	-	760,000
Eltham Permit	Exploration	494,000	4,275,000	-	4,769,000
Alton Permit	Exploration	3,180,000	3,458,000	-	6,638,000
		<b>4,434,000</b>	<b>7,733,000</b>	-	<b>12,167,000</b>
<b>East Coast Basin</b>					
East Cape Permit (Note 15(c))	Exploration	2,754,000	15,411,000	5,937,000	24,102,000
		2,754,000	15,411,000	5,937,000	24,102,000
<b>Total</b>		<b>7,188,000</b>	<b>23,144,000</b>	<b>5,937,000</b>	<b>36,269,000</b>

### 15. SUBSEQUENT EVENTS

- a) The Company announced on April 23, 2015 that Mr David Robinson (Chief Executive Officer) had given 3 months' notice of resignation, and that he will retire as a director at the AGM.
- b) On May 20, 2015 the Company announced that the business of the AGM will include resolutions to fix the number of directors of the Company at three (3), with existing directors James Willis and Mark Dunphy standing for reappointment, joined by director nominee Dr. David Llewellyn. John Proust and John Greig will not stand for reappointment at the Meeting.
- c) On May 21, 2015 the Company decided to relinquish its interest in the East Cape Petroleum Exploration Permit (PEP 52976). As at March 31, 2015 a total cost of \$541,471 had been capitalised in exploration and evaluation assets with respect to the East Cape PEP. As a result the minimum work programme commitment (\$24.1 million) has been released.