



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

June 30, 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)

	June 30, 2015	December 31, 2014
	\$	\$
Assets		
Current		
Cash and cash equivalents	1,051,034	1,121,967
Accounts and other receivables (Note 3)	699,872	1,344,883
Prepaid expenses	204,512	377,454
Inventories (Note 4)	2,596,683	2,665,765
	4,552,101	5,510,069
Restricted cash	317,625	339,112
Software and proprietary database	269,895	431,949
Property, plant and equipment (Note 5)	21,118,438	23,887,382
Exploration and evaluation assets (Note 6)	3,462,767	4,193,565
	29,720,826	34,362,077
Liabilities		
Current		
Accounts payable and accrued liabilities	928,602	1,908,755
Working Capital Facility (Note 8)	-	411,496
Asset retirement obligation	344,420	367,720
	1,273,022	2,687,971
Asset retirement obligations (Note 7)	6,814,765	7,902,421
	8,087,787	10,590,392
Shareholders' equity		
Share capital (Note 9)	109,738,706	108,000,912
Foreign currency translation reserve	10,902,169	12,456,181
Share based payments reserve	22,602,226	22,521,868
Accumulated deficit	(121,610,062)	(119,207,276)
	21,633,039	23,771,685
	29,720,826	34,362,077

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 August 26, 2015.

On behalf of the Board of Directors

“Mark Dunphy”
Mark Dunphy, Director

“James Willis”
James 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, 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)	-	-	583,637	-	-	-	583,637
Net loss for the year	-	-	-	-	-	(12,187,376)	(12,187,376)
Other comprehensive income for the year	-	-	-	-	7,023,773	-	7,023,773
Balance, June 30, 2014	170,873,459	107,160,526	21,061,261	1,339,675	14,590,839	(47,287,210)	96,865,091
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
Units issued, at \$0.04 (Note 9)	44,250,000	1,737,794	-	-	-	-	1,737,794
Stock-based compensation (Note 9)	-	-	80,358	-	-	-	80,358
Net loss for the year	-	-	-	-	-	(2,402,785)	(2,402,785)
Other comprehensive income for the year	-	-	-	-	(1,554,013)	-	(1,554,013)
Balance, June 30, 2015	232,123,459	109,738,706	21,252,937	1,349,289	10,902,168	(121,610,061)	21,633,039

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

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

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	2015	2014
	\$	\$	\$	\$
Revenues (Note 10)	1,225,724	3,091,139	2,422,201	9,412,088
Expenses and other items				
Production costs	285,749	884,587	544,629	1,664,702
Purchased oil and condensate	-	313,425	-	4,393,002
Processing costs	135,463	295,337	365,832	589,959
Depreciation	376,590	867,327	859,850	1,696,773
Impairment (Notes 5 and 6)	508,235	9,331,014	508,235	9,331,014
Loss on Disposal	-	53,637	-	53,637
Stock-based compensation (Note 9(b))	31,036	145,592	80,358	395,212
General and administrative (Note 11)	1,146,674	1,441,283	2,433,708	3,264,781
Finance expense	11,018	82,103	88,512	151,957
Foreign exchange (gain) loss	(46,186)	(158,512)	(56,138)	58,427
	<u>2,448,579</u>	<u>13,255,793</u>	<u>4,824,986</u>	<u>21,599,464</u>
Net loss for the period	(1,222,855)	(10,164,654)	(2,402,785)	(12,187,376)
Exchange difference on translation of foreign currency	(2,752,402)	(3,451,393)	(1,554,013)	7,023,773
Total comprehensive income for the period	(3,975,257)	(13,616,047)	(3,956,798)	(5,163,603)
Basic and diluted loss per share	\$ (0.01)	\$ (0.06)	\$ (0.01)	\$ (0.07)
Weighted average shares outstanding	232,123,459	170,873,459	212,076,498	170,873,459

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

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

	June 30, 2015	June 30, 2014
	\$	\$
Operating activities		
Net loss for the period	(2,402,785)	(12,187,376)
Changes for non cash operating items		
Stock-based compensation	80,358	395,212
Depreciation and accretion	943,335	1,856,956
Foreign exchange loss	(6,261)	65,815
Impairment	508,235	9,331,014
Loss on Disposal	-	53,637
Change in non-cash working capital items		
Accounts and other receivables	606,913	3,779,199
Prepaid expenses	162,187	296,854
Inventories	(111,913)	310,946
Accounts payable and accrued liabilities	(904,436)	(4,672,670)
Cash provided by (used in) provided by operating activities	(1,124,367)	(770,413)
Investing activities		
Expenditures on resource properties	(15,187)	(920,098)
Proceeds from sale of assets	-	1,137,553
Purchase of proprietary database	-	(119,816)
Purchase of property and equipment	(212,541)	(3,511,586)
Cash used in investing activities	(227,728)	(3,413,947)
Financing activities		
Shares issued (net of share issuance cost) (Note 9(a))	1,737,794	-
Working capital facility (Note 8)	(398,573)	-
Cash provided by financing activities	1,339,221	-
Net decrease in cash and cash equivalents during the period	(12,874)	(4,184,360)
Effect of exchange rate changes on cash	(58,059)	(30,088)
Cash and equivalents, beginning of the period	1,121,967	4,902,888
Cash and equivalents, end of the period	1,051,034	688,440
Supplemental cash flow disclosures		
Accounts payable related to exploration and evaluation assets	120,178	216,414
Accounts payable related to property, plant and equipment	20,559	967,689

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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements
June 30, 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 exploration and production of oil and natural gas in New Zealand, as well as the operation of the midstream assets.

The Company's registered and records office is located at Livingston Place, 1000-250 2nd 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 six months ended June 30, 2015, the Company reported a loss of \$2,402,785 and a cash outflow from operating activities of \$1,124,367 and as at that date, the Company had working capital of \$3,279,079. 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 December 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 on its ability to expand its financial capacity to the point where it is generating positive cash flow from operations.

The Company's ability to expand 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, 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.

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.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

June 30, 2015

(Expressed in Canadian Dollars)

3. ACCOUNTS AND OTHER RECEIVABLES

	June 30, 2015	December 31, 2014
	\$	\$
Trade receivables	653,420	920,640
GST receivables	13,652	57,975
Other receivables	32,800	366,268
	699,872	1,344,883

4. INVENTORIES

	June 30, 2015	December 31, 2014
	\$	\$
Material and supplies	2,074,938	2,232,529
Oil inventories	521,745	433,236
	2,596,683	2,665,765

Notes to the Unaudited Condensed Consolidated Interim Financial Statements
June 30, 2015

(Expressed in Canadian Dollars)

5. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixture \$	Plant and equipment \$	Land and building \$	Oil and gas properties \$	Total \$
Cost					
Balance, December 31, 2013	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
Balance, December 31, 2014	497,351	7,921,872	1,376,642	25,636,770	35,432,635
Additions	10,788	60,574		88,675	160,037
Change in Asset Retirement cost due to change in estimate	-	(498,943)	-	(219,144)	(718,087)
Foreign currency translation adjustment	(29,220)	(473,108)	(87,229)	(1,612,316)	(2,201,873)
Balance, June 30, 2015	478,919	7,010,395	1,289,413	23,893,985	32,672,712
Accumulated depreciation					
Balance, December 31, 2013	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
Balance, December 31, 2014	244,749	418,357	-	10,882,147	11,545,253
Depreciation and depletion	26,334	183,773	-	588,396	798,503
Foreign currency translation adjustment	(17,247)	(40,696)		(731,539)	(789,482)
Balance, June 30, 2015	253,836	561,434	-	10,739,004	11,554,274
Net book value					
Balance, December 31, 2014	252,602	7,503,515	1,376,642	14,754,623	23,887,382
Balance, June 30, 2015	225,083	6,448,961	1,289,413	13,154,981	21,118,438

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

June 30, 2015

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

	Taranaki Basin, New Zealand	East Coast Basin, New Zealand	Total
	\$	\$	\$
Balance, December 31, 2013	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
Balance, December 31, 2014	3,679,452	514,113	4,193,565
Additions	17,901	(2,700)	15,201
Impairment - East Cape	-	(508,235)	(508,235)
Foreign currency translation adjustment	(234,586)	(3,178)	(237,764)
Balance, June 30, 2015	3,462,767	-	3,462,767

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.

On May 21, 2015 the Company decided to relinquish its interest in the East Cape Petroleum Exploration Permit (PEP 52976). The total cost of \$508,235 capitalised as exploration and evaluation assets has been written off.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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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 \$12.7 million.

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

	\$
Balance, December 31, 2013	7,068,585
Change in estimate	298,615
Accretion expense for the year	313,689
Foreign currency translation adjustment	240,812
Reclassified as current	(19,280)
Balance, December 31, 2014	7,902,421
Change in estimate	(775,151)
Accretion expense for the year	140,549
Foreign currency translation adjustment	(453,054)
Balance, June 30, 2015	6,814,765

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

	2015	2014
Total undiscounted value of payments	\$12,654,192	\$15,843,919
Discount rate	3.48% 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 were subject to a hold period that expired 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. Total costs in connection with the private placement were \$32,206. 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. A resolution passed by vote of the disinterested shareholders of the Company granted approval at the AGM on June 16, 2015, for Geoservices to become a new Control Person of the Company. The purchase of the securities by Geoservices was made for investment

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

June 30, 2015

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purposes. 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 23,212,346 options, based on the total issued and outstanding common shares as at June 30, 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 June 30, 2015 is as follows:

	<u>Number of options</u>	<u>Weighted average exercise price</u>
		\$
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	(2,947,000)	0.45
Forfeited	(622,500)	0.45
Outstanding at June 30, 2015	4,347,700	0.58

The following table summarises information about share options outstanding and exercisable at June 30, 2015:

<u>Range of exercise price</u>	<u>Options Outstanding</u>		<u>Options Exercisable</u>	
	<u>Number of options</u>	<u>Weighted average contractual life (years)</u>	<u>Number of options</u>	<u>Weighted average contractual life (years)</u>
\$0.01 to \$0.99	3,347,700	3.36	2,281,325	3.14
\$1.00 to \$1.49	1,000,000	1.10	1,000,000	1.10
	4,347,700	2.84	3,281,325	2.52

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

<u>Range of exercise price</u>	<u>Options Outstanding</u>		<u>Options Exercisable</u>	
	<u>Number of options</u>	<u>Weighted average contractual life (years)</u>	<u>Number of options</u>	<u>Weighted average contractual life (years)</u>
\$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
	7,917,200	3.20	4,956,150	2.62

The total expense relating to share purchase options incurred for six-month period ended June 30, 2015 was \$80,358 (June 30, 2014: \$583,637).

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

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(Expressed in Canadian Dollars)

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 six-month period ended June 30, 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. Stock options granted to directors at \$1.00 per share were not re-priced. The fair value adjustment of the repricing was 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.

All outstanding warrants are exercisable at June 30, 2015.

A continuity table of share purchase warrants for the year ended June 30, 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 June 30, 2015	41,452,178	0.29

Notes to the Unaudited Condensed Consolidated Interim Financial Statements
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The following are the weighted average assumptions employed to estimate the fair value of the warrants granted using the Black-Scholes warrant pricing model:

	2015	2014
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 six-month period ended June 30, 2015.

10. REVENUES

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
	\$	\$	\$	\$
Oil sales	811,508	2,410,405	1,531,077	4,510,950
Gas sales	76,204	42,043	152,061	42,043
Processing revenue (a)	407,279	500,108	845,675	862,567
Other Revenue	5,652	19,522	16,665	19,522
Royalties	(74,919)	(194,364)	(123,277)	(415,996)
	<u>1,225,724</u>	<u>2,777,714</u>	<u>2,422,201</u>	<u>5,019,086</u>
Purchased condensates (b)	-	-	-	1,491,358
Purchased oil (c)	-	313,425	-	2,901,644
	<u>1,225,724</u>	<u>3,091,139</u>	<u>2,422,201</u>	<u>9,412,088</u>

- 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 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.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

June 30, 2015

(Expressed in Canadian Dollars)

11. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
	\$	\$	\$	\$
Professional fees	36,683	85,041	133,428	66,808
Management fees	-	279,600	2,452	586,099
Consulting fees	72,113	92,825	197,895	176,171
Travel and promotion	(3,844)	37,765	21,811	144,772
Administrative expenses	66,054	7,954	167,008	394,165
Rent	6,341	35,142	58,526	72,068
Filing and transfer agent fees	34,243	16,453	41,356	32,034
Insurance	195,534	86,694	274,637	95,468
Salary and wages	739,550	799,809	1,536,595	1,697,196
	1,146,674	1,441,283	2,433,708	3,264,781

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:

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
	\$	\$	\$	\$
Salary and management fees	361,421	572,290	661,027	1,097,851
Share-based compensation	24,130	104,634	52,729	186,835
	385,551	676,924	713,756	1,284,686

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 above amounts are \$63,220 (2014: \$Nil) paid to Upstream Consulting Ltd, an entity associated with Mr James Willis. Also included in the amounts above are \$Nil (2014: \$584,700) in management fees paid to J. Proust and Associates Inc., an entity which had officers in common.

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:

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

13. SEGMENTED DISCLOSURES

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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements
June 30, 2015

(Expressed in Canadian Dollars)

14. COMMITMENTS

As at June 30, 2015, the Company had the following undiscounted contractual obligations:

	2015	2016 to 2017	2018 and onwards	Total
	\$	\$	\$	\$
Accounts payable and accrued liabilities	928,602	-	-	928,602
Operating lease obligations ⁽¹⁾	92,393	227,150	-	319,543
Contract and purchase commitments	159,144	494,650	795,834	1,449,628
Environmental obligations ⁽²⁾	350,175	-	12,304,017	12,654,192
	1,530,314	721,800	13,099,851	15,351,965
Minimum work program requirements ⁽³⁾	3,953,000	6,895,000	-	10,848,000
Total	5,483,314	7,616,800	13,099,851	26,199,965

⁽¹⁾ The Company has office leases in Wellington and New Plymouth.

⁽²⁾ The Company has recognized an undiscounted asset retirement obligations of \$12.7 million (Note 7).

⁽³⁾ 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
		\$	\$	\$	\$
<i>Taranaki Basin</i>					
Copper Moki Permit	Producing	678,000	-	-	678,000
Eltham Permit	Exploration	440,000	3,812,000	-	4,252,000
Alton Permit	Exploration	2,835,000	3,083,000	-	5,918,000
Total		3,953,000	6,895,000	-	10,848,000

15. SUBSEQUENT EVENTS

- a) **CEO Appointment** - the Company announced, on July 6, 2015, the appointment of Mike Adams as the new Company Chief Executive Officer. Mr Adams assumed the role on July 17, 2015 after a short handover period from David Robinson.
- b) **Alton Permit** – NZEC (as Operator on behalf of the joint venture) has lodged a change of conditions application with the regulator (New Zealand Petroleum & Minerals) to defer the commitment to drill an exploration well by 1 year (to November 22, 2016).