



**First Quarter 2017
Condensed Consolidated Interim Financial Statements**

31 March 2017

(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 2017 \$ | 31 December 2016 \$ |
|---|-------|---------------------|------------------------|
| Assets | | | |
| <i>Current</i> | | | |
| Cash and cash equivalents | 3 | 51,709 | 57,969 |
| Accounts and other receivables | 4 | 1,630,959 | 808,866 |
| Prepaid expenses | | 148,983 | 214,497 |
| Inventories | 5 | 846,139 | 756,596 |
| <i>Total current assets</i> | | 2,677,790 | 1,837,928 |
| <i>Non-Current</i> | | | |
| Accounts and other receivables | 4 | 932,800 | - |
| Inventories | 5 | 1,856,844 | 1,868,416 |
| Property, plant and equipment | 6 | 18,890,865 | 19,360,187 |
| <i>Total non-current assets</i> | | 21,680,509 | 21,228,603 |
| <i>Total assets</i> | | 24,358,299 | 23,066,531 |
| Liabilities | | | |
| <i>Current</i> | | | |
| Revolving credit facility | 3 | 233,743 | 363,183 |
| Accounts payable and accrued liabilities | 8 | 2,305,844 | 1,247,879 |
| <i>Total current liabilities</i> | | 2,539,587 | 1,611,062 |
| <i>Non-Current</i> | | | |
| Asset retirement obligations | 7 | 10,908,420 | 10,849,429 |
| Accounts payable and accrued liabilities | 8 | 932,800 | - |
| <i>Total non-current liabilities</i> | | 11,841,220 | 10,849,429 |
| <i>Total liabilities</i> | | 14,380,807 | 12,460,491 |
| Shareholders' equity | | | |
| Share capital | 9 | 109,738,706 | 109,738,706 |
| Foreign currency translation reserve | | 12,375,147 | 12,435,010 |
| Share based payments reserve | | 22,578,207 | 22,566,048 |
| Accumulated deficit | | (134,714,568) | (134,133,724) |
| <i>Total shareholders' equity</i> | | 9,977,492 | 10,606,040 |
| <i>Total liabilities and shareholders' equity</i> | | 24,358,299 | 23,066,531 |

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 2017.

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, 31 December 2015 | | 232,123,459 | 109,738,706 | 21,165,066 | 1,349,289 | 12,722,326 | (128,907,840) | 16,067,547 |
| Share based compensation | 9(a) | - | - | 14,636 | - | - | - | 14,636 |
| Net loss for the period | | - | - | - | - | - | (959,085) | (959,085) |
| Other comprehensive income for the period | | - | - | - | - | (890,316) | - | (890,316) |
| Balance, 31 March 2016 | | 232,123,459 | 109,738,706 | 21,179,702 | 1,349,289 | 11,832,010 | (129,866,925) | 14,232,782 |
| Balance, 31 December 2016 | | 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 |

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 2017 | 31 March 2016 |
|--|-------|------------------|--------------------|
| | | \$ | \$ |
| Revenues | | | |
| Revenue | 10 | 1,906,695 | 1,458,994 |
| Expenses and other items | | | |
| Production costs | | 320,809 | 136,203 |
| Purchased light oil | 10 | 453,658 | - |
| Processing costs | | 269,106 | 218,078 |
| Depreciation and depletion | 6 | 392,771 | 750,552 |
| Share-based compensation | 9(a) | 12,159 | 14,149 |
| General and administrative | 11 | 1,101,998 | 1,132,301 |
| Finance expense | | 85,228 | 71,331 |
| Foreign exchange loss | | (1,083) | 11,064 |
| Other income | | (164,430) | - |
| Abandonment provision movement | | 17,323 | 84,401 |
| | | 2,487,539 | 2,418,079 |
| Net loss | | (580,844) | (959,085) |
| Other comprehensive income/(loss): | | | |
| Exchange difference on translation of foreign currency (i) | | (347,179) | (890,316) |
| Total comprehensive loss | | (928,023) | (1,849,401) |
| Basic and diluted loss per share | | \$ (0.003) | \$ (0.004) |
| 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 2017 \$ | 31 March 2016 \$ |
|--|----------|---------------------|---------------------|
| Operating activities | | | |
| Net loss for the period | | (580,844) | (959,085) |
| <i>Changes for non-cash operating items</i> | | | |
| Share-based compensation | | 12,159 | 14,149 |
| Depreciation, depletion and accretion | | 473,397 | 823,478 |
| Abandonment provision movement | | 17,323 | 84,401 |
| Foreign exchange loss | | (616) | (2,146) |
| <i>Change in non-cash working capital items</i> | | | |
| Accounts and other receivables | | (1,772,636) | (21,344) |
| Prepaid expenses | | 64,847 | 104,802 |
| Inventories | | (94,599) | (267,079) |
| Accounts payable and accrued liabilities | | 2,005,564 | 169,636 |
| <i>Cash provided by (used in) operating activities</i> | | 124,595 | (53,188) |
| Investing activities | | | |
| Purchase of property, plant and equipment | | (3,062) | (160,715) |
| <i>Cash used in investing activities</i> | | (3,062) | (160,715) |
| Financing activities | | | |
| <i>Cash provided by financing activities</i> | | - | - |
| <i>Net decrease in cash and cash equivalents</i> | | 121,533 | (213,903) |
| Effect of exchange rate changes on cash | | 1,647 | (25,831) |
| Cash and equivalents, beginning of the period | | (305,214) | 431,976 |
| Cash and equivalents, end of the period | 3 | (182,034) | 192,242 |
| <i>Supplemental cash-flow disclosures</i> | | | |
| Changes in accounts payable related to property, plant & equipment | | (7,379) | - |

See accompanying notes to the consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

31 March 2017

(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 quarter ended 31 March 2017, the Company reported a Net Loss of \$580,844 (2016: \$959,085) and a cash inflow from operating activities of \$124,595 (2016: (\$53,188)) and as at that date, the Company had working capital of \$138,203 (2016: \$226,866). 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 December 31, 2016, 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.

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 2016.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
31 March 2017

(Expressed in Canadian Dollars)

3. CASH AND CASH EQUIVALENTS, AND REVOLVING CREDIT FACILITY

| | 31 March 2017 | 31 December 2016 |
|---------------------------|-------------------------|-------------------------|
| | \$ | \$ |
| Cash and cash equivalents | 51,709 | 57,969 |
| Revolving credit facility | (233,743) | (363,183) |
| | <u>(182,034)</u> | <u>(305,214)</u> |

4. ACCOUNTS AND OTHER RECEIVABLES

| | Note | 31 March 2017 | 31 December 2016 |
|---|-------------|-------------------------|-------------------------|
| | | \$ | \$ |
| Trade receivables | | 495,212 | 645,090 |
| GST receivable | | 3,402 | 7,878 |
| Financial receivable from related party | 12 | 1,026,080 | - |
| Other receivables | | 106,265 | 155,898 |
| Total Current Accounts and other receivables | | <u>1,630,959</u> | <u>808,866</u> |
| | | | |
| Non-Current Financial receivable from related party | 12 | <u>932,800</u> | - |

5. INVENTORIES

| | 31 March 2017 | 31 December 2016 |
|-----------------------------------|-------------------------|-------------------------|
| | \$ | \$ |
| Material and supplies | 217,847 | 218,493 |
| Oil inventories | 628,292 | 538,103 |
| | <u>846,139</u> | <u>756,596</u> |
| | | |
| Non-current material and supplies | <u>1,856,844</u> | <u>1,868,416</u> |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
31 March 2017

(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, 31 December 2015 | 424,483 | 1,445,908 | 9,295,557 | 26,016,338 | 37,182,286 |
| Additions | - | - | 180,857 | 155,743 | 336,600 |
| Impairment | - | - | (1,447,454) | (1,508,403) | (2,955,857) |
| Change in asset retirement cost due to change in estimate | - | - | 250,236 | 423,623 | 673,859 |
| Foreign currency translation adjustment | (4,433) | (17,202) | (123,009) | (299,975) | (444,619) |
| Balance, 31 December 2016 | 420,050 | 1,428,706 | 8,156,187 | 24,787,326 | 34,792,269 |
| Additions | - | - | 14,245 | - | 14,245 |
| Change in asset retirement cost due to change in estimate | - | - | (19,382) | 47,229 | 27,847 |
| Foreign currency translation adjustment | (2,237) | (8,677) | (49,816) | (150,578) | (211,308) |
| Balance, 31 March 2017 | 417,813 | 1,420,029 | 8,101,234 | 24,683,977 | 34,623,053 |

| | Furniture and fixture \$ | Land and building \$ | Plant and equipment \$ | Oil and gas properties \$ | Total \$ |
|---|---|-------------------------------------|---------------------------------------|--|---------------------|
| Accumulated depreciation | | | | | |
| Balance, 31 December 2015 | 197,468 | - | 823,164 | 12,577,973 | 13,598,605 |
| Depreciation and depletion | 27,130 | - | 493,557 | 1,435,754 | 1,956,441 |
| Foreign currency translation adjustment | (1,780) | - | (2,751) | (118,433) | (122,964) |
| Balance, 31 December 2016 | 222,818 | - | 1,313,970 | 13,895,294 | 15,432,082 |
| Depreciation and depletion | 5,825 | - | 133,396 | 257,176 | 396,397 |
| Foreign currency translation adjustment | (1,371) | - | (8,972) | (85,948) | (96,291) |
| Balance, 31 March 2017 | 227,272 | - | 1,438,394 | 14,066,522 | 15,732,188 |

Net Book Value

| | | | | | |
|----------------------------------|----------------|------------------|------------------|-------------------|-------------------|
| Balance, 31 December 2016 | 197,232 | 1,428,706 | 6,842,217 | 10,892,032 | 19,360,187 |
| Balance, 31 March 2017 | 190,541 | 1,420,029 | 6,662,840 | 10,617,455 | 18,890,865 |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
31 March 2017

(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.

| | \$ |
|---|-------------------|
| Opening Balance 1 January 2016 | 11,006,673 |
| Change in estimate | (338,447) |
| Accretion expense for the year | 312,623 |
| Foreign currency translation adjustment | (131,420) |
| Closing Balance 31 December 2016 | 10,849,429 |
| Change in estimate | 45,169 |
| Accretion expense for the year | 80,626 |
| Foreign currency translation adjustment | (66,804) |
| Closing Balance 31 March 2017 | 10,908,420 |

| Assumptions | 2017 | 2016 |
|--------------------------------------|----------------|----------------|
| Total undiscounted value of payments | \$17,540,672 | \$17,814,791 |
| Discount rate | 1.86% to 3.28% | 2.27% to 3.36% |
| Inflation rate | 2% | 2% |
| Expected life | 2 to 19 years | 2 to 20 years |

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | Note | 31 March 2017 | 31 December 2016 |
|---|-------------|----------------------|-------------------------|
| | | \$ | \$ |
| Trade payables | | 799,766 | 717,582 |
| GST payable | | 51,004 | 103,769 |
| Financial payable | 12 | 1,026,080 | - |
| Accrued liabilities | | 428,994 | 426,528 |
| Total Accounts payable and accrued liabilities | | 2,305,844 | 1,247,879 |
| | | | |
| Non-current financial payable | 12 | 932,800 | - |

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 December 2016. 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.

In November 2015, the Company granted 10,000,000 incentive share options exercisable at \$0.05 to a senior officer of the Company. The options have an expiry date of 30 June 2020 and will vest on 30 June 2018.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
31 March 2017

(Expressed in Canadian Dollars)

Options activity

| | Number of options | Weighted average exercise price \$ |
|---|--------------------------|---|
| Outstanding at 1 January 2016 | 12,386,825 | 0.13 |
| Expired | (102,625) | 0.45 |
| Total Outstanding 31 December 2016 | 12,284,200 | 0.12 |
| Total Outstanding 31 March 2017 | 12,284,200 | 0.12 |

Options outstanding and exercisable

| | 31 March 2017 | | | 31 December 2016 | |
|----------------------------------|--------------------------|--------------------------|--|--------------------------|--|
| | 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 | 3.25 | 10,000,000 | 3.50 |
| Options outstanding | 0.45 | 2,284,200 | 1.52 | 2,284,200 | 1.77 |
| Total options outstanding | | 12,284,200 | 2.93 | 12,284,200 | 3.18 |
| Options exercisable | 0.05 | - | - | - | - |
| Options exercisable | 0.45 | 2,284,200 | 1.52 | 2,284,200 | 1.77 |
| Total options exercisable | | 2,284,200 | 1.52 | 2,284,200 | 1.77 |

Options expense and assumptions

| | 31 March 2017 | 31 March 2016 |
|---|----------------------|----------------------|
| Expense | \$12,089 | \$14,149 |
| 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 2016 | 41,452,178 | 0.29 |
| Total Outstanding 31 December 2016 and 31 March 2017 | 41,452,178 | 0.29 |

Warrants outstanding and exercisable

| | 31 March 2017 | | | 31 December 2016 | |
|--|--------------------------|--------------------------|--|--------------------------|--|
| | 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 | 1.71 | 17,000,000 | 1.96 |
| Warrants outstanding and exercisable | 0.45 | 24,452,178 | 1.58 | 24,452,178 | 1.83 |
| Total outstanding and exercisable | | 41,452,178 | 1.63 | 41,452,178 | 1.88 |

New Zealand Energy Corp.
 Three month period ended 31 March 2017

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
31 March 2017

(Expressed in Canadian Dollars)

10. REVENUE

| | Note | 31 March 2017 \$ | 31 March 2016 \$ |
|--------------------------|------|------------------------|------------------------|
| Oil sales | | 835,038 | 739,655 |
| Gas sales | | 34,450 | 210,010 |
| Processing revenue | | 595,986 | 514,607 |
| Other revenue | | 60,186 | 36,714 |
| Royalties | | (72,623) | (41,992) |
| | | <u>1,453,037</u> | <u>1,458,994</u> |
| Purchased light oil sold | i) | 453,658 | - |
| | | <u>1,906,695</u> | <u>1,458,994</u> |

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

| | 31 March 2017 \$ | 31 March 2016 \$ |
|--------------------------------|------------------------|------------------------|
| Professional fees | 90,888 | 88,092 |
| Consulting fees | 57,403 | 70,774 |
| Travel and promotion | 7,055 | 9,843 |
| Administrative expenses | 110,405 | 99,066 |
| Rent | 32,418 | 35,536 |
| Filing and transfer agent fees | 11,474 | 4,169 |
| Insurance | 44,977 | 41,831 |
| Salary and wages | 747,378 | 782,990 |
| | <u>1,101,998</u> | <u>1,132,301</u> |

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 2017 \$ | 31 March 2016 \$ |
|--|------|------------------------|------------------------|
| Processing revenue | | 82,137 | 97,883 |
| Production costs | | 94,862 | - |
| Trade receivables | | 32,647 | 33,660 |
| Trade payables | | 31,737 | - |
| Oil & Gas properties expenditure | | - | 50,350 |
| Total settlement for royalty discharge | i) | 3,453,030 | - |
| Current financial receivable | i) | 1,026,080 | - |
| Non-current financial receivable | i) | 932,800 | - |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
31 March 2017

(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. The arrangement is immediately cash positive for the Company by the amount of the gain under the arrangement of \$164,430 less related transaction costs.

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 2017 | 31 March 2016 |
|---|--------------------------|--------------------------|
| | \$ | \$ |
| Salary and consulting fees | 319,981 | 355,995 |
| Share based compensation | 12,159 | 13,986 |
| | 332,140 | 369,981 |
| | | |
| Included in the above amounts are: | | |
| Upstream Consulting Ltd (James Willis) | 8,456 | 26,994 |
| Arenig Energy Ltd (David Llewellyn) | - | 7,589 |
| Michael Adams Reservoir Engineering Ltd (Michael Adams) | 113,636 | 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 2017, the Company had the following undiscounted contractual obligations:

| | 2017 | 2018 to 2019 | 2020 and onwards | Total |
|-----------------------------------|----------------|-------------------------|-----------------------------|------------------|
| | \$ | \$ | \$ | \$ |
| Operating lease obligations | 58,000 | 27,000 | | 85,000 |
| Contract and purchase commitments | 219,000 | 359,000 | 400,000 | 978,000 |
| | 277,000 | 386,000 | 400,000 | 1,063,000 |

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 30 March 2018, NZD1,100,000, and 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
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(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 | 2017 \$ | 2018 to 2019 \$ | 2020 and onwards \$ | Total \$ |
|------------------------|------|-------------|------------|-----------------------|---------------------------|------------------|
| Eltham Permit | 1 | Exploration | - | 3,694,000 | - | 3,694,000 |
| Tariki Licence | 2 | Producing | - | 212,000 | 1,069,000 | 1,281,000 |
| Waihapa Ngaere Licence | 3 | Producing | - | 397,000 | 188,000 | 585,000 |
| | | | - | 4,303,000 | 1,257,000 | 5,560,000 |

- 1) Eltham: 2018 - drill an exploration well.
- 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.