New Zealand Energy Corp.
(formerly 0894134 B.C. Ltd.)

Condensed Consolidated Interim Financial Statements

March 31, 2011

(Canadian Funds)

New Zealand Energy Corp.
(formerly 0894134 B.C. Ltd.)
(An Exploration Stage Corporation)
Condensed Consolidated Interim Balance Sheets
(Unaudited)

	March 31, 2011	December 31, 2010
Assets		
Current		
Cash and cash equivalents	$ 7,215,419	$ 6,193,317
Amounts receivable	697,240	36,333
Prepaid	24,735	-
	7,937,394	6,229,650
Deposit	8,376	11,450
Intangible asset *(Note 3)*	318,754	-
Property, plant and equipment *(Note 4)*	65,721	-
Resource properties *(Note 5)*	3,161,561	60,222
	$ 11,491,806	$ 6,301,322
Liabilities		
Current		
Accounts payable and accrued liabilities *(Note 6)*	$ 315,987	$ 127,624
Due to related parties *(Note 7)*	25,078	244,334
	341,065	371,958
Asset Retirement Obligation *(Note 8)*	110,131	-
	451,196	371,958
Shareholders' Equity		
Share capital *(Note 9a)*	12,261,500	5,921,500
Shares subscribed *(Note 9a)*	-	350,000
Foreign Currency Translation Reserve	(48,064)	-
Contributed Surplus	10,996,000	9,996,000
Deficit	(12,168,826)	(10,338,136)
	11,040,610	5,929,364
	$ 11,491,806	$ 6,301,322

These consolidated financial statements are authorized for issuance by the Board of Directors on July 19, 2011.

On behalf of the Board:

"John G. Proust"
John G. Proust, Director

"Bruce G. McIntyre"
Bruce G. McIntyre, Director

See accompanying notes to the condensed consolidated interim financial statements.

New Zealand Energy Corp.
(formerly 0894134 B.C. Ltd.)
(An Exploration Stage Corporation)
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

	Number of Shares	Share Capital	Share Subscribed	Contributed Surplus	Foreign Currency Translation Reserve	Deficit	Total Equity
Balance at Incorporation, October 29, 2010	**-**	**$ -**	**$ -**	**$ -**	**-**	**$ -**	**$ -**
Common shares, at $0.0001 (Note 9)	40,000,000	4,000	-	9,996,000	-	-	10,000,000
Common shares, at $0.25 (Note 9a)	23,670,000	5,917,500	-	-	-	-	5,917,500
Shares subscribed (Note 9a)	-	-	350,000	-	-	-	350,000
Total comprehensive loss for the period	-	-	-	-	-	(10,338,136)	(10,338,136)
Balance, December 31, 2010	**63,670,000**	**$ 5,921,500**	**$ 350,000**	**$ 9,996,000**	**$ -**	**$ (10,338,136)**	**$ 5,929,364**
Common shares, at $0.25 (Note 9a)	3,330,000	832,500	-	-	-	-	832,500
Common shares, at $0.75 (Note 9a)	7,010,000	5,257,500	-	-	-	-	5,257,500
Shares subscribed (Note 9a)	1,000,000	250,000	(350,000)	-	-	-	(100,000)
Shares issued on asset acquisition, at deemed price $0.50 (Note 9a)	2,000,000	-	-	1,000,000	-	-	1,000,000
Total comprehensive loss for the period	-	-	-	-	**(48,064)**	**(1,830,690)**	**(1,878,754)**
Balance, March 31, 2011	**77,010,000**	**$ 12,261,500**	**$ -**	**$ 10,996,000**	**$ (48,064)**	**$ (12,168,826)**	**$ 11,040,610**

See accompanying notes to the condensed consolidated interim financial statements.

New Zealand Energy Corp.
(formerly 0894134 B.C. Ltd.)
(An Exploration Stage Corporation)
Consolidated Statement of Comprehensive Loss
For the Three Months Ended March 31, 2011
(Unaudited)

Expenses		
Stock-based compensation (Note 9a)	**$**	**1,000,000**
Professional fees		**296,077**
Management fees		**204,006**
Consulting fees		**104,689**
Travel and promotion		**75,270**
Office and general		**56,129**
Salary and wages		**47,982**
Rent		**22,617**
Amortization		**10,411**
Filing fees		**8,265**
Insurance		**6,184**
General exploration		**4,904**
Foreign exchange loss		**1,611**
Total expenses	**$**	**(1,838,145)**
Other item		
Interest income		**7,455**
Loss for the period	**$**	**(1,830,690)**
Exchange difference on translation of foreign currency		**(48,064)**
Total comprehensive loss for the period	**$**	**(1,878,754)**
Basic and diluted loss per share	**$**	**(0.03)**
Weighted average shares outstanding		**72,131,778**

See accompanying notes to the condensed consolidated interim financial statements.

New Zealand Energy Corp.
(formerly 0894134 B.C. Ltd.)
(An Exploration Stage Corporation)
Condensed Consolidated Interim Statement of Cash Flows
For the Three Months Ended March 31, 2011
(Unaudited)

Operating Activities		
Loss for the period	**$**	**(1,830,690)**
Stock-based compensation		**1,000,000**
Amortization		**10,411**
Foreign exchange loss		**1,611**
Change in non-cash working capital items:		
Amounts receivable		**(660,907)**
Prepaid		**(24,735)**
Due to related parties		**(196,944)**
Accounts payable and accrued liabilities		**150,103**
Cash used in operating activities		**(1,551,151)**
Investing Activities		
Expenditures on resource property		**(2,975,260)**
Intangible asset		**(326,927)**
Property, plant and equipment		**(67,912)**
Deposit		**3,074**
Cash used for investing activities		**(3,367,025)**
Financing Activities		
Shares subscribed		**(100,000)**
Shares issued		**6,090,000**
Cash provided by financing activities		**5,990,000**
Net increase in cash during the period		**1,071,824**
Foreign currency translation reserve		**(49,722)**
Cash, beginning of the period		**6,193,317**
Cash, end of the period	**$**	**7,215,419**
Supplemental cash flow disclosures		
Accounts payable related to resource property at March 31, 2011	**$**	**59,907**
Related party payable related to resource property at March 31, 2011	**$**	**-**

See accompanying notes to the condensed consolidated interim financial statements.

1. GENERAL INFORMATION

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

The Corporation, through its subsidiaries, is engaged in the acquisition, exploration and development of conventional and unconventional oil and natural gas projects in New Zealand. Since incorporation, the Corporation has completed private placement financings, established an operational structure, set up offices in Vancouver, British Columbia and Wellington, New Zealand, engaged key personnel and acquired its current oil and natural gas assets (Note 5).

The Corporation's registered and records office is located at suite 1200-750 West Pender Street, Vancouver, British Columbia V6C 2T8. The Corporation's head office is located at suite 1500-885 West Georgia Street, Vancouver British Columbia, V6C 3E8.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, as issued by the International Accounting Standards Board. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Corporation's consolidated financial statements, as at and for the period ended December 31, 2010.

The accounting policies applied by the Corporation in these condensed consolidated interim financial statements are the same as those applied by the Corporation in its most recent annual consolidated financial statements for the year ended December 31, 2010.

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, NZ Holdings Pte. Ltd., NZEC Management Limited, Taranaki Ventures Limited, East Coast Energy Ventures Limited, ECEV II Limited, ECEV III Limited, New Zealand Offshore Ventures Limited and NZOV II Limited. Control exists when the Corporation has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All inter-company balances and transactions, income and expenses have been eliminated upon consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Corporation's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the Functional currency").

The consolidated financial statements are presented in Canadian dollars.

Transactions in foreign currencies are initially recorded in the Corporation's functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities of the Corporation that are denominated in foreign currencies are re-translated to the functional currency at the exchange rate prevailing at the end of each reporting period. Non-monetary assets and liabilities are measured in terms of historical cost in a foreign currency and are translated using the exchange rate at the date of the transaction.

(b) Subsidiaries

The results and financial position of subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the reporting date;
- Income and expenses for each income statement are translated at average exchange rates for the period; and
- All resulting exchange differences are recognized as in other comprehensive income as cumulative translation adjustments.

On consolidation, exchange differences arising from the translation of the new investment in foreign entities are taken in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognized in the income statement of the gain or loss on sale.

Significant Accounting Estimates and Judgments
The preparation of the consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statement and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimating uncertainty that management has made at the end of the period include the determination of inputs used in calculating the fair value of asset retirement obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Intangible Asset

Intangible asset is carried at cost and are amortized annually under the straight line method: useful life of 5 years for seismic models and geological date.

The cost of an item of intangible asset consists of the purchase price and any costs directly attributable to bringing the asset to the condition necessary for its intended use.

An item of intangible asset is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal of an intangible asset shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of comprehensive income or loss.

Accounting Pronouncements Not Yet Effective
The Corporation has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for our accounting periods beginning on or after January 1, 2011. These include:

- IAS 24 – Related Party Disclosures
- IAS 27 – Separate Financial Statements
- IAS 28 – Investments in Associates and Joint Ventures
- IFRS 9 – Financial Instruments: Classification and Measurement
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangement
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement

The Corporation anticipates that, except for additional disclosures, the adoption of these standards and interpretations in future periods will have no material effect on the consolidated financial statements of the Corporation.

3. INTANGIBLE ASSET

		Seismic models and geological data
Cost		
Balance, December 31, 2010	$	-
Additions		326,927
Balance, March 31, 2011	$	326,927
Accumulated amortization		
Balance, December 31, 2010	$	-
Amortization for the period		8,210
Foreign currency translation exchange		(37)
Balance, March 31, 2011	$	8,173
Net Carry Value		
Balance, December 31, 2010	$	-
Balance, March 31, 2011	$	318,754

4. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment	Furniture	Total
Cost			
Balance, December 31, 2010	$ -	$ -	$ -
Additions	39,484	28,428	67,912
Balance, March 31, 2011	$ 39,484	$ 28,428	$ 67,912
Accumulated depreciation			
Balance, December 31, 2010	$ -	$ -	$ -
Depreciation for the period	1,487	714	2,201
Foreign exchange translation reserve	(6)	(4)	(10)
Balance, March 31, 2011	$ 1,481	$ 710	$ 2,191
Net Carry Value			
Balance, December 31, 2010	$ -	$ -	$ -
Balance, March 31, 2011	$ 38,003	$ 27,718	$ 65,721

5. RESOURCE PROPERTY

	Taranaki Basin New Zealand	East Coast Basin New Zealand	Total
Balance, October 29, 2010	$ -	$ -	$ -
Acquisition costs	-	10,713	10,713
Exploration costs			
Consulting	8,268	37,941	46,209
Geological and other	-	3,300	3,300
Balance, December 31, 2010	$ 8,268	$ 51,954	$ 60,222
Asset Retirement Cost	110,131	-	110,131
Acquisition cost			
Exploration costs			
Consulting	341,785	-	341,785
Geological	-	39,651	39,651
Well Development	2,609,772	-	2,609,772
Balance, March 31, 2011	$ 3,069,956	$ 91,605	$ 3,161,561

<u>Taranki Basin, New Zealand</u>

Eltham Permit

During the period ended December 31, 2010, the Corporation, through its wholly owned New Zealand subsidiary, Taranaki Ventures Limited, entered into a deed of assignment providing for the transfer of the Eltham permit to Taranaki Ventures Limited. The Eltham Permit covers approximately 92,467 acres (374 km^2) of which 31,877 acres (129 km^2) is offshore in shallow water. On March 3, 2011 Taranaki Ventures was granted an assignment by the Minister of Engery of the Eltham Permit located within the Taranaki Basin.

As at March 31, 2011, the Corporation recorded an asset retirement obligation of $110,131 resulting from the net ownership in oil and gas development activity (Note 8).

5. RESOURCE PROPERTY *(Cont'd)*

East Coast Basin, New Zealand

Castlepoint Permit

During the period ended December 31, 2010, the Corporation, through its wholly owned New Zealand subsidiary East Coast Energy, was granted the Castlepoint Permit by Crown Minerals. The Castlepoint Permit is comprised of 551,042 onshore acres (2,230 km^2), on the east coast of New Zealand's North Island. It lies approximately 70 miles to the northeast of Wellington.

Ranui Permit

On February 22, 2011, the Corporation through its wholly owned New Zealand subsidiary, ECEV III Ltd, entered into the Ranui Assignment Agreement with Discovery Geo, pursuant to which Discovery Geo has agreed to assign its 100% interest in the Ranui Permit to ECEV III Ltd. In consideration for the assignment under the Ranui Assignment Agreement, ECEV III Ltd. will pay US$1,000,000 and the Corporation will issue 1,000,000 common shares to Discovery Geo within 10 business days after the Minister of Energy consents to the assignment of the Ranui Permit to ECEVIII.

The Ranui Permit is adjacent to the Castlepoint Permit and covers approximately 233,087 acres (903 km^2). The Corporation must undertake certain geophysical and geochemical studies prior to re-entering a suspended well on the property.

East Cape Permit

On September 3, 2010 the Corporation, through its wholly owned New Zealand subsidiary East Coast Energy, applied to the Minister of Energy for the East Cap Permit and later transferred the application to its other wholly owned New Zealand subsidiary, ECEV II Ltd. The East Cape Permit is comprised of 1,067,495 onshore acres (4,320 km^2), on the northeast tip of New Zealand's North Island.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2011	December 31, 2010
Accrued expenses	$ 7,500	$ 24,500
Trade payables	308,487	103,124
	$ 315,987	**$ 127,624**

7. RELATED PARTY TRANSACTIONS

The names of persons who were directors of the Corporation at any time during the period are as follows: John Greig, John Proust, Bruce McIntyre, Ken Truscott and Hamish Campbell.

Key management and personnel compensation

The key management personnel include the Directors and other Officers of the Corporation. Key management compensation consists of the following:

Key management personnel compensation	For the three months ended March 31, 2011	For the period from incorporation at October 29, 2010 to December 31, 2010
Management fees	$ 204,000	$ 192,000
Share based compensation	$ 1,000,000	$ 9,960,000

Related party balances arising from purchases of goods and services resulted in the Corporation:

Amount due to:	March 31, 2011	December 31, 2010
The President	$ -	$ 6,932
Wexford Energy Ltd., a private company controlled by the President	$ 17,920	$ 71,680
The CEO	$ 7,138	$ 22,362
J. Proust & Associates Inc., a private company controlled by the CEO	$ -	$ 143,360
A Director	$ 20	$ -
	$ 25,078	$ 244,334

The above transactions occurred in the normal course of operations and were measured at the fair value which represented the consideration established and agreed to by the related parties. The related party balances have no fixed payment term and bear no interest.

Certain directors of the Corporation agreed to make sufficient resources available to East Coast Energy and ECEV II if those companies do not have sufficient resources to pay any fees or other amounts due under the Crown Mineral Act 1991 and regulation thereunder, or to perform any obligations under the Castlepoint Permit and the East Cape Permit work programs. The undertaking will remain in place until Crown Minerals (the local New Zealand Government registry) provides a release to the named directors. The Corporation intends to seek a release of the undertaking upon completion of the Company's initial public offering (Note 9a).

8. ASSET RETIREMENT OBLIGATIONS

The Corporation's asset retirement obligations result from net ownership in oil and gas development activity. The Corporation estimates the total undiscounted amount of cash flows required to settle its asset retirement obligations to be approximately $160,000 New Zealand dollars which will be incurred between 2011 and 2013.

Liability for the Corporation's asset retirement obligation is recorded in the period in which it is incurred and discounted to its present value using a risk free rate of 3% and the corresponding amount is recognized by increasing the carrying amount of the oil and gas properties. The liability is accreted each period and the capitalized cost is depreciated over the useful life of the related asset using the unit-of production method.

During the period ended March 31, 2011, the Corporation recorded an asset retirement obligation of $110,131 (December 31, 2010 - $Nil).

9. SHARE CAPITAL

a) Details of issuances of common shares

The Corporation has an unlimited number of common shares without par value authorized for issuance.

During the period ended March 31, 2011, the Corporation issued 4,330,000 common shares at a price of $0.25 per share and 7,010,000 common shares at a price of $0.75 per share by ways of private placements. The Corporation also issued 2,000,000 common shares, in escrow shares to Ian R. Brown Associates Limited ("IRBA"), at a deemed price of $0.50 per share pursuant to the Asset Purchase Agreement dated February 21, 2011. As a result, $1,000,000 of stock-based compensation was expensed in the period ended March 31, 2011.

During the period ended December 31, 2010, the Corporation completed seed financings comprised of 40,000,000 common shares issued at a price of $0.0001 and 23,670,000 common shares issued at a price of $0.25 per share. The Corporation also received $350,000 in advance for future share issuances, $100,000 of which was returned during the period ended March 31, 2011.

The fair value of the 40,000,000 common shares, issued at $0.0001 per share, in escrow shares issued to the founders of the Corporation was determined to be $10,000,000, or $0.25 per share.

As a result, $9,996,000 of stock-based compensation was expensed in the period ended December 31, 2010.

All common shares owned or controlled by the principals will be escrowed at the time of the initial public offering and have been recognized in contributed surplus. The shares will be released and reclassified for share capital over 36 months in accordance with National Policy 46-201.

b) Share purchase option

The Corporation has committed to grant options to directors, officers, employees and consultants to purchase an aggregate of 3,838,000 common shares at the Offering Price for a period of five years from the Listing Date. These options will vest over a 24 month period, with 25% of the options vesting every six months after the Listing Date.

10. SEGMENTED INFORMATION

The Corporation conducts its business as a single operating segment being the acquisition and exploration of oil and gas properties in New Zealand. All resource properties are situated in New Zealand.

11. SUBSEQUENT EVENTS

Subsequent to March 31, 2011:

a. Pursuant to a prospectus filed with the securities regulatory authorities in each of the provinces of Canada, other than Quebec, dated July 19, 2011, and an Agency Agreement between the Corporation, GMP Securities and Canaccord Genuity Corp. (collectively “the Agent”) dated effective as of February 23, 2011 (the “Agency Agreement”), the Corporation is offering 20,000,000 common shares at $1.00 per share to the public (“the Offering”). The Agent will receive a commission of 6% of the gross proceeds of the Offering payable in a combination of cash and common shares of the Corporation, as well as reimbursement of related expenses and legal fees. Pursuant to the Agency Agreement and subject to the closing of the offering, the Agent will be granted:

   i. To grant to the advisors, advisor warrants to purchase that number of common shares equal to 3% of the aggregate number of shares sold under the offering for a period of 18 months from the closing date.

   ii. To grant the agents an over-allotment option exercisable, in whole or in part, from time to time, in the sole discretion of the advisor for an aggregate amount of additional common shares equal to 15% of the number of common shares sold under the offering. The purchase price of each additional share under the over-allotment option will equal the offering price.

   iii. In addition, the Corporation has agreed to pay a commission of 6% of the common shares sold pursuant to the over-allotment option, which is payable in a combination of cash or common shares. The Corporation has agreed to grant to the advisors, advisor over-allotment warrants equal to 3% of the aggregate number of additional common shares sold and issued pursuant to the exercise of the over allotment option. The advisor over-allotment warrants are exercisable on the same terms as the advisor warrants.

b. Subsequent to period end, the Corporation has committed to grant Stock Options to directors, an officer and a consultant to purchase an aggregate 990,000 common shares at the Offering Price for a period of five years from the Listing Date. These Stock Options will vest over a 24 month period, with 25% of the Stock Options vesting every six months after the Listing Date.

c. The Corporation entered into an agreement with L&M Energy Limited (“L&M”), the holder of the remaining 50% working interest in the Alton Permit. Pursuant to the agreement, L&M agreed to waive its pre-emptive right to acquire the AGLUGM interest in the Alton Permit and transfer its operatorship of the permit to the Corporation, to take effect upon the transfer of AGLUGM’s 50% interest to the Corporation.

11. SUBSEQUENT EVENTS *(cont'd)*

d. The Corporation entered into an asset purchase agreement with AGL Upstream Gas (MOS) Pty Limited ("AGLUGM"), a wholly owned subsidiary of AGL Energy Limited, pursuant to which the Corporation acquired AGLUGM's 50% working interest in the Alton Permit. The Alton Permit is offsetting the Corporation's Eltham Permit in the Taranaki Basin.