NEW ZEALAND ENERGY CORP.

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

Second Quarter 2011
Consolidated Interim Financial Statements

June 30, 2011

(Canadian Funds)

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

	June 30, 2011	December 31, 2010
Assets		
Current		
Cash and cash equivalents	$ 5,342,115	$ 6,193,317
Amounts receivable	207,650	36,333
Prepaid expenses	80,983	-
	5,630,748	6,229,650
Deposit	8,376	11,450
Intangible assets *(Note 3)*	334,224	-
Property, plant and equipment *(Note 4)*	68,366	-
Resource properties *(Note 5)*	4,641,525	60,222
	$ 10,683,239	$ 6,301,322
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 251,739	$ 127,624
Due to related parties *(Note 6)*	45,010	244,334
	296,749	371,958
Asset retirement obligations *(Note 7)*	119,404	-
	416,153	371,958
Shareholders' Equity		
Share capital *(Note 8a)*	12,261,500	5,921,500
Shares subscribed *(Note 8a)*	-	350,000
Foreign currency translation reserve	268,235	-
Contributed surplus	10,996,000	9,996,000
Accumulated deficit	(13,258,649)	(10,338,136)
	10,267,086	5,929,364
	$ 10,683,239	$ 6,301,322

These consolidated financial statements are authorized for issuance by the Board of Directors on August 25, 2011.

On behalf of the Board:

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

"Ken Truscott"
Ken Truscott, Director

See accompanying notes to the condensed consolidated interim financial statements.

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

	Number of Shares	Share Capital	Share Subscribed	Contributed Surplus	Foreign Currency Translation Reserve	Accumulated Deficit	Total Equity
Balance at Incorporation, October 29, 2010	**-**	**$ -**	**$ -**	**$ -**	**-**	**$ -**	**$ -**
Common shares, at $0.0001 (Note 8a)	40,000,000	4,000	-	9,996,000	-	-	10,000,000
Common shares, at $0.25 (Note 8a)	23,670,000	5,917,500	-	-	-	-	5,917,500
Shares subscribed (Note 8a)	-	-	350,000	-	-	-	350,000
Total comprehensive loss for the period	-	-	-	-	-	(10,338,136)	(10,338,136)
Balance, December 31, 2010	**63,670,000**	**$ 5,921,500**	**$ 350,000**	**$ 9,996,000**	**$ -**	**$ (10,338,136)**	**$ 5,929,364**
Common shares, at $0.25 (Note 8a)	3,330,000	832,500	-	-	-	-	832,500
Common shares, at $0.75 (Note 8a)	7,010,000	5,257,500	-	-	-	-	5,257,500
Shares subscribed (Note 8a)	1,000,000	250,000	(350,000)	-	-	-	(100,000)
Shares issued on asset acquisition, at deemed price $0.50 (Note 8a)	2,000,000	-	-	1,000,000	-	-	1,000,000
Total comprehensive loss for the period	-	-	-	-	268,235	(2,920,513)	**(2,652,278)**
Balance, June 30, 2011	**77,010,000**	**$ 12,261,500**	**$ -**	**$ 10,996,000**	**$ 268,235**	**$ (13,258,649)**	**$ 10,267,086**

See accompanying notes to the condensed consolidated interim financial statements.

New Zealand Energy Corp.
(formerly 0894134 B.C. Ltd.)
(An Exploration Stage Corporation)
Consolidated Statements of Comprehensive Loss
(Unaudited)

	Three months ended June 30, 2011	Six months ended June 30, 2011
Expenses		
Stock-based compensation (Note 8a)	$ -	$ 1,000,000
Professional fees	278,901	574,642
Management fees	203,890	453,232
Consulting fees	213,674	273,363
Travel and promotion	140,493	215,763
Office and general	61,976	118,105
Salary and wages	131,393	179,375
Rent	34,240	56,857
Depreciation, amortization and accretion	11,682	22,093
Filing fees	27,625	35,890
Insurance	10,311	16,495
General exploration	-	4,904
Foreign exchange loss	(5,140)	(3,530)
Total expenses	$ (1,109,045)	$ (2,947,189)
Other item		
Interest income	19,222	26,676
Loss for the period	$ (1,089,823)	$ (2,920,513)
Exchange difference on translation of foreign currency	316,299	268,235
Total comprehensive loss for the period	$ (773,524)	$ (2,652,278)
Basic and diluted loss per share	$ (0.01)	$ (0.04)
Weighted average shares outstanding	77,010,000	74,584,365

See accompanying notes to the condensed consolidated interim financial statements.

New Zealand Energy Corp.
(formerly 0894134 B.C. Ltd.)
(An Exploration Stage Corporation)
Consolidated Interim Statement of Cash Flows
(Unaudited)

	Three months ended June 30, 2011	Six months ended June 30, 2011
Operating Activities		
Loss for the period	$ (1,089,823)	$ (2,920,513)
Stock-based compensation	-	1,000,000
Amortization	11,682	22,093
Foreign exchange loss	(5,141)	(3,530)
Change in non-cash working capital items:		
Amounts receivable	489,590	(171,317)
Prepaid	(56,248)	(80,983)
Due to related parties	19,932	(177,012)
Accounts payable and accrued liabilities	(4,341)	145,762
Cash used in operating activities	(634,349)	(2,185,500)
Investing Activities		
Expenditures on resource property	(1,299,197)	(4,274,457)
Intangible assets	-	(326,927)
Property, plant and equipment	-	(67,913)
Deposit	-	3,074
Cash used for investing activities	(1,299,197)	(4,666,223)
Financing Activities		
Shares subscribed	-	(100,000)
Shares issued	-	6,090,000
Cash provided by financing activities	-	5,990,000
Net decrease in cash during the period	(1,933,546)	(861,723)
Effect of exchange rate changes on cash	60,242	10,521
Cash, beginning of the period	7,215,419	6,193,317
Cash, end of the period	$ 5,342,115	$ 5,342,115
Supplemental cash flow disclosures		
Accounts payable related to resource property at June 30, 2011	$ -	$ -
Related party payable related to resource property at June 30, 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).

On August 3, 2011, the Corporation completed its Initial Public Offering (the "Offering") of 20,000,000 common shares for gross proceeds of $20,000,000 (Note 9a). On August 4, 2011, (the "Listing Date") the Corporation began trading on the TSX Venture Exchange under the symbol "NZ".

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 Taranaki Venture II Limited (formerly 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.

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 and assumptions used in calculating the fair value of share based compensation.

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, 2013. These include:

- 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

3. INTANGIBLE ASSETS

Intangible assets consist of 2D and 3D Seismic Models and geological files of Taranaki and East Coast Basins.

		Seismic models and geological data
Cost		
Balance, December 31, 2010	$	-
Additions		326,927
Foreign currency translation adjustment		24,888
Balance, June 30, 2011	$	351,815
Accumulated amortization		
Balance, December 31, 2010	$	-
Amortization for the period		16,742
Foreign currency translation adjustment		849
Balance, June 30, 2011	$	17,591
Net carry value		
Balance, December 31, 2010	$	-
Balance, June 30, 2011	$	334,224

4. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment	Furniture	Total
Cost			
Balance, December 31, 2010	$ -	$ -	$ -
Additions	39,484	28,429	67,913
Foreign currency translation adjustment	3,006	2,164	5,170
Balance, June 30, 2011	$ 42,490	$ 30,593	$ 73,083
Accumulated depreciation			
Balance, December 31, 2010	$ -	$ -	$ -
Depreciation for the period	3,033	1,456	4,489
Foreign currency translation adjustment	154	74	228
Balance, June 30, 2011	$ 3,187	$ 1,530	$ 4,717
Net carry value			
Balance, December 31, 2010	$ -	$ -	$ -
Balance, June 30, 2011	$ 39,303	$ 29,063	$ 68,366

5. RESOURCE PROPERTIES

	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
Acquisition cost	1,104,952	16,533	1,121,485
Exploration costs			
Consulting	353,172	-	353,172
Geological	-	39,651	39,651
Drilling expenditure	2,716,191	-	2,716,191
Asset retirement cost	110,131	-	110,131
Foreign currency translation adjustment	233,700	6,973	240,673
Balance, June 30, 2011	$ 4,526,414	$ 115,111	$ 4,641,525

Taranaki Basin, New Zealand

Eltham Permit

During the period ended December 31, 2010, the Corporation, through its wholly-owned New Zealand subsidiary, Taranaki Ventures Limited, entered into the Eltham Assignment Agreement with Green Gate Limited to acquire the Eltham Permit. As consideration for the assignment of the Eltham Permit, Taranaki Ventures Limited paid NZ$10 to Green Gate Limited and entered into a drilling contract with NRG Drilling Limited. Green Gate Limited and NRG Drilling Limited are related entities. Pursuant to the drilling contract, Taranaki Ventures Limited paid a total of $1,920,000 to NRG Drilling Limited to drill and case the Copper Moki-1 Well. The Copper Moki-1 Well was drilled and the rig was released from its contract on February 17, 2011. As a result, the drilling contract between Taranaki Ventures Limited and NRG drilling Limited has been terminated. On March 3, 2011, the Minister of Energy granted consent to the assignment of the Eltham Permit and the Permit was transferred 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.

As at June 30, 2011, the Corporation recorded an asset retirement obligation of $119,404 resulting from the net ownership in oil and gas development activity (Note 7).

Alton Permit

On June 24, 2011, the Corporation, Taranaki Ventures II Limited and AGL Upstream Gas (MOS) Pty Limited ("AGL") entered into the Alton Agreement, pursuant to which Taranaki Ventures II Limited has agreed to purchase AGL's 50% interest in the Alton Permit and associated joint venture with L&M Energy ("L&M") for AUD$2,000,000. The Corporation has guaranteed the obligations of Taranaki Ventures II under the Alton Agreement. The Alton Agreement is subject to the consent of the Minister of Energy to the transfer of AGL's 50% interest in the Alton Permit to Taranaki Ventures II Limited.

In connection with the Alton Agreement, the Corporation entered into the L&M Agreement with L&M, the holder of the remaining 50% interest in the Alton Permit. Pursuant to the L&M Energy Agreement, L&M agreed to waive its pre-emptive right to acquire the 50% interest in the Alton Permit from AGL and that the Corporation (through Taranaki Ventures II Limited) will be the operator of the Alton Permit on completion of the transfer of AGL's interest. On July 14, 2011, Taranaki Ventures II, AGL and L&M Energy entered into a deed of assignment and assumption pursuant to which AGL has agreed, subject to Crown Minerals' consent, to assign its 50% interest in the Alton Permit joint venture to Taranaki Ventures II. In addition, pursuant to this deed of assignment and assumption, L&M Energy consented to the sale of AGL's interest in the Alton Permit.

The Alton Permit covers approximately 119,203 acres (482 km^2) and is located onshore in the southeast of the Taranaki Basin, immediately adjacent to the Eltham Permit.

East Coast Basin, New Zealand

Castlepoint Permit

On November 24, 2010, the Corporation, through its wholly-owned New Zealand subsidiary East Coast Energy Ventures Limited, was granted the Castlepoint Permit by the Minster of Energy. The Castlepoint Permit comprises 551,042 onshore acres (2,230 km^2) on the east coast of New Zealand's North Island.

Ranui Permit

On February 22, 2011, the Corporation, through its wholly-owned New Zealand subsidiary ECEV III Limited, entered into the Ranui Assignment Agreement with Discovery Geo Corporation ("Discovery Geo") pursuant to which ECEV III Limited agreed to acquire a 100% interest in the Ranui Permit. The Minister of Energy consented to the assignment of the Ranui Permit to ECEV III Limited and the assignment was effective on June 27, 2011. In consideration for the assignment ECEV III Limited has agreed the pay US$1,000,000 to Discovery Geo and the Corporation has agreed to issue 1,000,000 common shares to Discovery Geo at a deemed price of $0.75 per common share (Note 9e).

An amendment to the work program, which extended the dates for completing certain activities required under the Ranui Permit, was approved by the Minister of Energy on June 17, 2011.

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 East Coast Energy Ventures Limited applied to the Minister of Energy from the East Cape Permit and subsequently transferred that application to ECEV II Limited. The application was uncontested and the Corporation anticipates that the East Cape Permit will be granted to ECEV II Limited upon completion of Crown Mineral's review of the application.

The East Cape Permit comprises 1,067,495 onshore acres (4,320 km^2) on the northeast tip of New Zealand's North Island.

6. RELATED PARTY TRANSACTIONS

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 six months ended June 30, 2011	For the three months ended June 30, 2011
Salary and management fees	$ 548,850	$ 344,850
Share based compensation	$ 1,000,000	$ -

Related party balances arising from purchases of goods and services resulted in the following amounts due to related parties:

		June 30, 2011		December 31, 2010
Wexford Energy Ltd., a private company controlled by the President	$	17,920	$	71,680
J. Proust & Associates Inc., a private company controlled by the CEO	$	-	$	143,360
Others	$	27,090	$	29,294
	$	45,010	$	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 Ventures Limited and ECEV II Limited 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.

7. 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 resource properties. The liability is accreted each period with the accretion expense recognized in the statement of comprehensive loss and the capitalized cost is depreciated over the useful life of the related asset using the unit-of production method.

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

		2011
Balance, beginning of period	$	-
Liabilities incurred for the period		110,131
Accretion expense for the period		862
Foreign currency translation adjustment		8,411
Balance, end of period	$	119,404

8. 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 June 30, 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 six-month period ended June 30, 2011.

During the period ended December 31, 2010, the Corporation completed seed financings composed 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.

b. Escrowed shares

In accordance with a lockup agreement, escrow agreement and pooling agreement, 45,064,334 common shares owned or controlled by certain directors and officers of the Corporation will be escrowed at the Listing Date. The shares will be released over 36 months from the Listing Date as follows:

Release date	**Number of common shares**
On the Listing Date	200,000
6 months after the Listing Date	300,000
9 months after the Listing Date	4,523,934
12 months after the Listing Date	6,773,400
18 months after the Listing Date	8,851,200
24 months after the Listing Date	8,851,200
30 months after the Listing Date	8,851,200
36 months after the Listing Date	6,713,400
Total	45,064,334

c. Share purchase option

The Corporation has committed to grant options to directors, officers, employees and consultants to purchase an aggregate of 4,828,000 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 (Note 9b).

9. SUBSEQUENT EVENTS

Subsequent to June 30, 2011:

a. On August 3, 2011, the Corporation completed the Offering of 20,000,000 common shares at $1.00 per common share for gross proceeds of $20,000,000. The Offering was completed through a syndicate of agents (the “Agents”). The Agents were granted an over-allotment option to subscribe for an additional 3,000,000 common shares, on the same terms, at any time up to 30 days after the Listing Date. The Agents received a 6% commission on the proceeds of the Offering, which was paid in cash and common shares. Warrants were also issued totaling 3% of the common shares issued pursuant to the Offering, and are exercisable at $1.00 for a period of 18 months from the Listing Date.

b. On August 3, 2011, the Corporation granted stock options to directors, officers and consultants to purchase an aggregate 4,828,000 common shares at the Offering price for a period of five years from the date of Listing. 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. On July 14, 2011, Taranaki Ventures II, AGL and L&M entered into a deed of assignment and assumption pursuant to which AGL has agreed, subject to Crown Minerals’ consent, to assign its 50% interest in the Alton Permit joint venture to Taranaki Ventures II. In addition, pursuant to this deed of assignment and assumption, L&M consented to the sale of AGL’s interest in the Alton Permit. On July 26, 2011, the Corporation announced the completion of the drilling of the Talon-1 exploration well on the Alton Permit. Funding 100% of the drilling costs (estimated at $2,400,000) was a condition of the Corporation’s acquisition of its 50%

working interest in the permit and the Corporation has assumed operatorship of the permit. The Corporation has no further earning obligations pursuant to the assignment from AGL

d. On July 7, 2011, the Corporation, ECEV III and Discovery Geo entered into an indemnity agreement pursuant to which Discovery Geo has agreed to indemnify the Corporation and ECEV III Ltd. against any and all claims for existing royalties or the right to receive future royalties in excess of 3% on the Ranui Permit (exclusive of the 5% royalty payable to the Crown).

e. On August 3, 2011, in consideration for assignment under the Ranui Assignment, ECEVIII paid US$500,000 to Discovery Geo. On August 24, 2011 the Corporation paid the remaining US $500,000 and initiated the issuance of 1,000,000 common shares for final consideration of the Ranui Assignment Agreement.