NEW ZEALAND ENERGY CORP.

Third Quarter 2012
Condensed Consolidated Interim Financial Statements

September 30, 2012

(Expressed in Canadian Dollars)
(Unaudited)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS

(Expressed in Canadian Dollars)
(Unaudited)

	September 30, 2012 $	December 31, 2011 $
Assets		
Current		
Cash and cash equivalents	43,607,942	16,144,609
Accounts and other receivables (Note 3)	2,021,133	1,683,663
Prepaid expenses	152,648	139,424
Inventories (Note 4)	3,898,569	1,325,649
	49,680,292	**19,293,345**
Deposit (Note 5)	6,096,953	11,768
Proprietary database	434,531	285,481
Property, plant and equipment (Note 6)	16,293,123	5,509,511
Exploration and evaluation assets (Note 7)	26,377,188	6,052,699
	98,882,087	**31,152,804**
Liabilities		
Current		
Accounts payable and accrued liabilities	4,461,424	1,185,746
Due to related parties (Note 8)	40	42,716
Current portion of asset retirement obligations (Note 9)	14,133	34,485
	4,475,597	**1,262,947**
Asset retirement obligations (Note 9)	838,597	120,429
Deferred income tax liability (Note 12)	1,204,171	-
	6,518,365	**1,383,376**
Shareholders' equity		
Share capital (Note 10)	93,153,117	33,827,912
Foreign currency translation reserve	908,393	(82,895)
Contributed surplus	16,106,257	12,935,481
Accumulated deficit	(17,804,045)	(16,911,070)
	92,363,722	**29,769,428**
	98,882,087	**31,152,804**

Commitments (Note 13)
Subsequent events (Note 14)

These consolidated financial statements are authorized for issuance by the Board of Directors on November 29, 2012.

On behalf of the Board of Directors

"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.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Canadian Dollars)
(Unaudited)

	Number of Shares	Share Capital $	Shares Subscribed $	Contributed Surplus (stock-based payment) $	Contributed Surplus (advisors warrants) $	Foreign Currency Translation Reserve $	Accumulated Deficit $	Total Equity $
Balance, December 31, 2011	100,609,105	33,827,912	-	12,712,018	223,463	(82,895)	(16,911,070)	29,769,428
Common shares, at $3.00 (Note 10(a))	21,160,000	63,480,000	-	-	-	-	-	63,480,000
Share issuance cost	-	(4,154,795)	-	-	-	-	-	(4,154,795)
Stock-based compensation	-	-	-	3,170,776	-	-	-	3,170,776
Net loss for the period	-	-	-	-	-	-	(892,975)	(892,975)
Other comprehensive income for the period	-	-	-	-	-	991,288	-	991,288
Balance, September 30, 2012	**121,769,105**	**93,153,117**	**-**	**15,882,794**	**223,463**	**908,393**	**(17,804,045)**	**92,363,722**
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	3,330,000	832,500	-	-	-	-	-	832,500
Common shares, at $0.75	7,010,000	5,257,500	-	-	-	-	-	5,257,500
Shares subscribed	1,000,000	250,000	(350,000)	-	-	-	-	(100,000)
Shares issued on asset acquisition, at deemed price $0.50	2,000,000	-	-	1,000,000	-	-	-	1,000,000
Initial public offering, at $1.00	20,000,000	20,000,000	-	-	-	-	-	20,000,000
Share issued for finders' fees	688,605	688,605	-	-	-	-	-	688,605
Common shares, at $1.00	1,910,500	1,910,500	-	-	-	-	-	1,910,500
Share issue cost	-	(2,106,730)	-	-	-	-	-	(2,106,730)
Stock-based compensation – options	-	-	-	663,997	-	-	-	663,997
Stock-based compensation – warrants	-	(223,463)	-	-	223,463	-	-	-
Shares issued for resource properties acquisition	1,000,000	1,300,000	-	-	-	-	-	1,300,000
Net loss for the period	-	-	-	-	-	-	(6,718,998)	(6,718,998)
Other comprehensive loss for the period	-	-	-	-	-	(212,818)	-	(212,818)
Balance, September 30, 2011	**100,609,105**	**33,830,412**	**-**	**11,659,997**	**223,463**	**(212,818)**	**(17,057,134)**	**28,443,920**

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended September 30, 2012 $	Three Months Ended September 30, 2011 $	Nine Months Ended September 30, 2012 $	Nine Months Ended September 30, 2011 $
Revenues				
Oil sales	3,892,223	-	14,186,648	-
Royalties	(183,969)	(9,769)	(658,718)	(9,769)
	3,708,254	(9,769)	13,527,930	(9,769)
Expenses and other items				
Production costs	1,256,361	-	3,333,122	-
Depreciation and accretion	777,290	15,424	3,219,570	34,391
Stock-based compensation (Note 10(a) and Note 10(d))	329,981	663,997	1,377,086	1,663,997
General and administrative (Note 11)	1,004,070	619,690	3,272,823	2,551,440
Transaction costs	282,658	-	483,437	-
Talon-1 well impairment	-	2,526,773	-	2,526,773
Finance income	(41,377)	(27,586)	(200,003)	(54,262)
Foreign exchange loss	1,085,551	(9,581)	1,730,699	(13,110)
	4,694,534	3,788,717	13,216,734	(6,709,229)
Net (loss) income before taxes	**(986,280)**	**(3,798,486)**	**311,196**	**(6,718,998)**
Deferred income taxes	(1,204,171)	-	(1,204,171)	-
Net loss for the period	**(2,190,451)**	**(3,798,486)**	**(892,975)**	**(6,718,998)**
Exchange difference on translation of foreign currency	171,817	(481,053)	991,288	(212,818)
Total comprehensive (loss) income for the period	**(2,018,634)**	**(4,279,539)**	**98,313**	**(6,931,816)**
Basic loss per share	(0.02)	(0.04)	(0.01)	(0.08)
Diluted loss per share	(0.02)	(0.04)	(0.01)	(0.08)
Weighted average shares outstanding	121,769,105	90,999,480	115,513,777	80,116,199
Diluted weighted average shares outstanding	123,255,312	90,999,480	117,263,143	80,116,199

See accompanying notes to the condensed consolidated interim financial statements.

New Zealand Energy Corp.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended September 30, 2012 $	Three Months Ended September 30, 2011 $	Nine Months Ended September 30, 2012 $	Nine Months Ended September 30, 2011 $
Operating activities				
Net loss for the period	(2,190,451)	(3,798,486)	(892,975)	(6,718,998)
Stock-based compensation	329,981	663,997	1,377,086	1,663,997
Depreciation and accretion	777,290	12,297	3,219,570	34,390
Foreign exchange loss	964,166	(9,581)	1,609,314	(13,110)
Deferred income taxes	1,204,171	-	1,204,171	-
Resource property write-offs	-	2,526,773	-	2,526,773
Change in non-cash working capital items				
Accounts and other receivables	1,910,662	(170,103)	(600,439)	(311,421)
Prepaid expenses	(4,121)	(26,465)	(13,224)	(107,448)
Inventories	(1,330,488)	-	(2,573,168)	-
Due to related parties	(5,031)	(8,010)	(42,676)	(185,022)
Accounts payable and accrued liabilities	(454,623)	(68,538)	1,372,697	77,251
Cash provided by (used in) operating activities	**1,201,556**	**(878,116)**	**4,660,356**	**(3,033,588)**
Investing activities				
Expenditures on resource properties	(5,560,432)	(1,611,334)	(24,559,102)	(5,885,818)
Acquisition of proprietary database	-	-	(135,951)	(326,927)
Purchase of property and equipment	(2,542,637)	-	(4,723,271)	(67,913)
Abandonment cost	(21,803)	-	(21,803)	-
Deposit (Note 5)	(1,012,795)	-	(6,087,795)	3,060
Cash used for investing activities	**(9,137,667)**	**(1,611,334)**	**(35,527,922)**	**(6,277,598)**
Financing activities				
Shares subscribed	-	-		(100,000)
Shares issued (net of share issuance cost)	-	20,492,375	59,325,205	26,552,375
Cash provided by financing activities	**-**	**20,492,375**	**59,325,205**	**26,452,375**
Net (decrease) increase in cash during the period	**(7,936,111)**	**18,002,925**	**28,457,639**	**17,141,189**
Effect of exchange rate changes on cash	(684,664)	(157,213)	(994,306)	(146,679)
Cash, beginning of the period	**52,228,717**	**5,342,115**	**16,144,609**	**6,193,317**
Cash, end of the period	**43,607,942**	**23,187,827**	**43,607,942**	**23,187,827**
Supplemental cash flow disclosures				
Accounts payable related to exploration and evaluation assets at September 30	(2,554,010)	(4,753,806)	(2,554,010)	(4,753,806)

See accompanying notes to the condensed consolidated interim financial statements.

(Expressed in Canadian Dollars)

1. GENERAL INFORMATION

New Zealand Energy Corp. ("the Company") commenced operations on April 19, 2010 through its now wholly-owned subsidiary, East Coast Energy Ventures Limited. The Company 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 Company, through its subsidiaries, is engaged in the production, exploration and development of conventional and unconventional oil and natural gas resources in New Zealand.

The Company's registered and records office is located at Suite 1200 - 750 West Pender Street, Vancouver, British Columbia, Canada, V6C 2T8. The Company's head office is located at Suite 1680 - 200 Burrard Street, Vancouver, British Columbia, Canada, V6C 3L6.

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".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These 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 IAS 34, Interim Financial Reporting. The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2011, 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 annual consolidated financial statements for the year ended December 31, 2011.

These condensed consolidated interim financial statements were approved for issuance by the Company's Board of Directors on November 29, 2012.

3. ACCOUNTS AND OTHER RECEIVABLES

	September 30, 2012 **$**	**December 31, 2011** **$**
Trade receivables	1,611,957	1,211,680
Other receivables	409,176	471,983
	2,021,133	**1,683,663**

4. INVENTORIES

	September 30, 2012 **$**	**December 31, 2011** **$**
Materials and supplies	3,626,266	1,222,738
Oil inventories	272,303	102,911
	3,898,569	**1,325,649**

During the nine-month period ended September 30, 2012, $6,539,061 (September 30, 2011: $Nil) of inventory cost was expensed to the statement of comprehensive income (loss). During the three-month period ended September 30, 2012, $2,023,767 (September 30, 2011: $Nil) of inventory cost was expensed to the statement of comprehensive income (loss).

(Expressed in Canadian Dollars)

5. DEPOSIT

	September 30, 2012 **$**	**December 31, 2011** **$**
Acquisition deposit	5,000,000	-
Drilling service deposit	1,009,794	-
Other retainers and deposit	87,159	11,768
	6,096,953	**11,768**

a) The Company has entered into a binding agreement (the "Origin Agreement") with Origin Energy Resources NZ (TAWN) Limited, a wholly-owned subsidiary of Origin Energy Limited (collectively "Origin") to acquire upstream and midstream assets (the "Acquisition"). These assets include four Petroleum Mining Licenses totalling 26,907 acres in the main Taranaki Basin production fairway (the "Petroleum Licenses") as well as the Waihapa Production Station and associated gathering and sales infrastructure.

Under the terms of the Origin Agreement, and pursuant to an exclusive arrangement, the Company has agreed to pay Origin consideration in the amount of $42 million in cash, payable in the US$ equivalent of US$40.6 applying a fixed C$/US$ exchange rate of 1.0349, and such other adjustments as may be required at closing. A $5 million non-refundable deposit was paid with the remainder due on closing, which is anticipated to occur in Q1-2013. Closing of the Acquisition is contingent on receiving government approvals, Origin completing the current recommissioning of the TAWN LPG extraction facility, Origin and/or NZEC entering into an agreement with Contact Energy regarding ongoing operation of Contact's Ahuroa gas storage facility, and standard TSX Venture Exchange approvals.

Upon announcing the Origin Acquisition, NZEC set aside funds for the transaction by converting Canadian dollar cash balances to US$26 million, which was deposited into a US$ bank account to protect the Company against currency fluctuations. The remaining approximately US$9.8 million outstanding and due upon closing will be funded from operational cash flows, which are received in US$. Refer to Note 14(b).

b) The Company has set up a US$1 million deposit which is held in escrow by a contractor for providing a drilling rig and drilling services to the Company in the Taranaki Basin.

(Expressed in Canadian Dollars)

6. PROPERTY, PLANT AND EQUIPMENT

	Furniture, Equipment and Fixture	Land and Building	Oil and Gas Properties	Total
	$	$	$	$
Cost				
Balance, December 31, 2010	-	-	-	-
Additions	262,397	-	-	262,397
Transfer from exploration and evaluation assets	-	-	5,557,577	5,557,577
Foreign currency translation adjustment	4,703	-	-	4,703
Balance, December 31, 2011	**267,100**	**-**	**5,557,577**	**5,824,677**
Additions	2,990,914	985,610	746,747	4,723,271
Reclassification	(148,225)	-	-	(148,225)
Transfer from exploration and evaluation assets	-	-	9,272,636	9,272,636
Foreign currency translation adjustment	44,566	(6,133)	226,556	264,989
Balance, September 30, 2012	**3,154,355**	**979,477**	**15,803,516**	**19,937,348**
Accumulated depreciation				
Balance, December 31, 2010	-	-	-	-
Depreciation and depletion charge	17,062	-	297,983	315,045
Foreign currency translation adjustment	121	-	-	121
Balance, December 31, 2011	**17,183**	**-**	**297,983**	**315,166**
Depreciation and depletion charge	47,704	-	3,240,603	3,288,307
Foreign currency translation adjustment	862	-	39,890	40,752
Balance, September 30, 2012	**65,749**	**-**	**3,578,476**	**3,644,225**
Net book value				
Balance, December 31, 2011	**249,917**	**-**	**5,259,594**	**5,509,511**
Balance, September 30, 2012	**3,088,606**	**979,477**	**12,225,040**	**16,293,123**

a) During 2011, the Company determined that its Copper Moki-1 well was economically viable. Accordingly, exploration and evaluation assets of $5,557,577 were transferred to property, plant and equipment. The Copper-Moki-1 well commenced commercial production on December 10, 2011 and the oil and gas property correspondingly was depreciated from these dates onwards.

b) During the period ended September 30, 2012, the Company determined that its Copper Moki-2 and Copper Moki-3 wells were economically viable. Accordingly, exploration and evaluation assets of $9,272,636 were transferred to property, plant and equipment. The Copper-Moki-2 well commenced commercial production on April 1, 2012 and Copper Moki-3 commenced commercial production on July 2, 2012. Oil and gas properties correspondingly were depreciated from this date onwards.

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS

	Taranaki Basin, New Zealand	East Coast Basin, New Zealand	Total
	$	$	$
Balance, December 31, 2010	8,268	51,954	60,222
Additions	11,524,882	3,582,052	15,106,934
Recoveries	(950,440)	-	(950,440)
Transfer to property, plant and equipment	(5,557,577)	-	(5,557,577)
Talon-1 well impairment	(2,544,131)	-	(2,544,131)
Foreign currency translation adjustment	(3,167)	(59,142)	(62,309)
Balance, December 31, 2011	**2,477,835**	**3,574,864**	**6,052,699**
Additions	25,509,370	5,791,767	31,301,137
Recoveries	(2,110,910)	-	(2,110,910)
Transfer to property, plant and equipment	(9,272,636)	-	(9,272,636)
Foreign currency translation adjustment	260,868	146,030	406,898
Balance, September 30, 2012	**16,864,527**	**9,512,661**	**26,377,188**

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.

Preproduction revenue generated during the start-up and testing phase of the wells was treated as a cost recovery of the capitalized well development costs. Total recoveries on the oil produced and sold during the start-up and testing phase during the period ended September 30, 2012 amounted to $2,110,910 (2011: $Nil).

8. 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 September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
	$	$	$	$
Salary and management fees	361,500	317,000	1,089,650	865,850
Share-based compensation	757,417	584,513	2,155,905	1,584,513
	1,118,917	**901,513**	**3,245,555**	**2,450,363**

Amounts Payable to Related Parties

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

	September 30, 2012	December 31, 2011
	$	$
Wexford Energy Ltd.("Wexford"), a private company controlled by an Executive Director	-	22,400
Others	40	20,316
	40	**42,716**

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS (continued)

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

9. ASSET RETIREMENT OBLIGATIONS

The Company's asset retirement obligations are estimated based on the costs to abandon and reclaim the 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 approximately NZ$1,090,000, of which approximately NZ$20,000 is expected to be incurred by the end of 2012 and the remaining balance of NZ$1,070,000 is expected to be incurred after 2013.

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

Balance, December 31, 2010	$	-
Liabilities incurred during the year		143,229
Accretion expense for the year		2,932
Foreign currency translation adjustment		8,753
Balance, December 31, 2011	**$**	**154,914**
Liabilities incurred during the period	$	702,270
Abandonment costs incurred during the period		(21,804)
Accretion expense for the period		6,323
Foreign currency translation adjustment		11,027
Balance, September 30, 2012	**$**	**852,730**

As at September 30, 2012, the current portion of asset retirement obligations is $14,133.

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

	2012	**2011**
Total undiscounted value of payments	$912,000	$155,862
Discount rate	2.55% to 3.00%	3.00%
Expected life	2 to 5 years	3 to 5 years

10. 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 March 24, 2012, the Company closed a bought deal financing of 21,160,000 common shares at a price of $3.00 per common share for gross proceeds of $63,480,000. The Company paid its agent a finder's fee of $3,808,800.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (continued)

b) Escrowed shares

In accordance with a lock-up agreement, an escrow agreement and a pooling agreement, 46,394,334 common shares owned or controlled by certain directors and officers of the Company were escrowed at August 3, 2011. The shares will be released over 36 months from August 3, 2011 as follows:

Release Date	Number of Common Shares
August 3, 2011	200,000 (released)
February 3, 2012	300,000 (released)
July 19, 2012	5,853,934 (released)
August 3, 2012	6,773,400 (released)
February 3, 2013	8,851,200
August 3, 2013	8,851,200
February 3, 2014	8,851,200
August 3, 2014	6,713,400
Total	**46,394,334**

c) 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 12,176,910 options, based on the total issued and outstanding common shares as at September 30, 2012. 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. 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 period ended September 30, 2012 is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at January 1, 2011	-	-
Granted	5,298,000	$1.00
Exercised	-	-
Forfeited	-	-
Outstanding at December 31, 2011	5,298,000	$1.00
Granted	3,679,000	$1.84
Exercised	-	-
Forfeited	-	-
Outstanding at September 30, 2012	8,977,000	$1.34

The following table summarises information about share options outstanding and exercisable at September 30, 2012:

	Options Outstanding		Options Exercisable	
Range of Exercise Prices	Number of Options	Weighted Average Contractual Life (Years)	Number of Options	Weighted Average Contractual Life (Years)
$1.00 to $1.49	5,821,000	3.77	2,549,750	3.71
$1.50 to $1.99	1,949,000	4.81	-	-
$2.00 to $2.49	906,000	4.96	17,500	4.96
$2.50 to $3.00	301,000	4.51	31,250	4.43
	8,977,000	4.14	2,598,500	3.72

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (continued)

c) Share purchase options (continued)

The following table summarises information about share options outstanding and exercisable at December 31, 2011:

	Options Outstanding		Options Exercisable	
Range of Exercise Prices	**Number of Options**	**Weighted Average Contractual Life (Years)**	**Number of Options**	**Weighted Average Contractual Life (Years)**
$1.00 to $1.49	5,821,000	4.55	-	-
	5,821,000	4.55	-	-

The total expense relating to share purchase options incurred for the period ended September 30, 2012 was $3,170,776 of which $1,377,086 has been expensed in the statement of comprehensive income (loss) and $1,793,690 has been capitalized to exploration and evaluation assets.

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

	2012	**2011**
Risk-free interest rate	1.23%	1.85%
Expected volatility	118.40%	119.56%
Expected life	5 years	5 years
Expected dividend yield	nil	nil

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.

d) Advisors warrants

The Company has granted warrants to advisors in connection with the IPO to purchase common shares. No warrants were granted, exercised or cancelled during the period, not did any expire unexercised.

The following table summarises information about advisor warrants outstanding and exercisable at September 30, 2012:

	Warrants Outstanding		Warrants Exercisable	
Range of Exercise Prices	**Number of Warrants**	**Weighted Average Contractual Life (Years)**	**Number of Warrants**	**Weighted Average Contractual Life (Years)**
$1.00	657,315	0.34	657,315	0.34
	657,315	0.34	657,315	0.34

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

	2012	**2011**
Risk-free interest rate	n/a	1.88%
Expected volatility	n/a	61.40%
Expected life	n/a	1.5 years
Expected dividend yield	n/a	nil

11. GENERAL AND ADMINISTRATIVE EXPENSES

	Three Months Ended September 30, 2012 $	Three Months Ended September 30, 2011 $	Nine Months Ended September 30, 2012 $	Nine Months Ended September 30, 2011 $
Professional fees	180,036	(142,047)	543,611	432,595
Management fees	211,500	317,000	699,650	865,850
Consulting fees	8,376	(28,427)	566,603	244,936
Travel and promotion	282,841	160,046	720,643	375,809
Administrative expenses	165,495	38,568	314,792	156,670
Rent	58,756	48,891	100,147	105,748
Filing and transfer agent fees	15,258	46,178	148,521	82,069
Insurance	21,808	7,728	55,373	24,223
General exploration	-	-	-	8,030
Salary and wages	60,000	171,753	123,483	255,510
	1,004,070	**619,690**	**3,272,823**	**2,551,440**

12. INCOME TAXES

During the period, the Company recognized a deferred income tax liability (and corresponding income tax expense) in the amount of $1,204,171. The deferred income tax liability relates to the Company's operations in New Zealand and is presented net of a deferred income tax asset arising from unused tax losses and a deferred income tax liability related to temporary differences arising from the Company's resource properties. The tax benefits arising from unused tax losses in Canada have not been recognized in the consolidated financial statements as the likelihood of realizing future economic benefits from it is not considered to be more likely than not.

Details of the tax losses available for future years, subject to certain restrictions in New Zealand, are as follows:

	Canada $	Foreign $	Total $
Expiring – 2030 to 2031	7,673,971	-	7,673,971
Carry-forward indefinitely	-	22,661,032	22,661,032
Total	**7,673,971**	**22,661,032**	**30,335,003**

These tax losses are expected to be utilized at a Canadian income tax rate of 25.0% (2011: 26.5%) and a New Zealand tax rate of 28% (2011: 28%) respectively.

13. COMMITMENTS

As at September 30, 2012, the Company had the following undiscounted contractual obligations:

	Less than 1 year ($'000)	1–3 years ($'000)	3–5 years ($'000)	Total ($'000)
Accounts payable	$4,461	$Nil	$Nil	$4,461
Operating lease obligations (1)	$75	$705	$444	$1,224
Contract and purchase commitments (2)	$3,048	$510	$25	$3,583
Minimum work program requirements (3)	$6,880	$32,260	$3,800	$42,940
Origin Agreement (4)	$35,169	$Nil	$Nil	$35,169
Environmental obligations (5)	$14	$898	$Nil	$912
Total	$49,647	$34,373	$4,269	$88,289

13. COMMITMENTS (continued)

(1) The Company has office leases for its offices in Vancouver, Wellington and New Plymouth.
(2) The Company entered into several management and consulting agreements, some of which relate to services to be rendered in connection with exploration work programs commitments.
(3) The Company has committed to complete certain minimum work program requirements in order to maintain its various resource permits.
(4) The Company entered into the Origin Agreement whereby the Company would acquire Origin's Waihapa Production Station and four of Origin's Petroleum Licences in exchange for $42 million (US$40.6 million @ 1.0349 C$/US$). The Company has paid a $5 million non-refundable deposit (Note 5) and will pay the balance of the purchase price upon completion of the Origin Agreement (Note 14).
(5) The Company has recognized an undiscounted asset retirement obligation of $0.9 million.

14. SUBSEQUENT EVENTS

a) On October 9, 2012, the Company announced that it has entered into a binding agreement with Westech Energy New Zealand ("Westech"), pursuant to which the Company will enter into a joint venture agreement with Westech whereby the Company can acquire 80% ownership and become the operator of the Wairoa Permit (PEP 38346) in the East Coast Basin of New Zealand's north island.

b) Under the terms of the Origin Agreement (Note 5), the Company was required to place the balance of the purchase price (US$35 million) on deposit with a registered bank in New Zealand. On October 17, 2012, the Company placed US$35 million on deposit in the Company's name with The Hong Kong Shanghai Banking Corporation Limited ("HSBC") and subsequently secured an operating line of credit against such deposit with HSBC. The operating line of credit is limited to an amount of US$34.5 million and, to the extent drawn upon, will bear interest at LIBOR plus 0.3% with a final maturity date of May 16, 2013. To date NZEC has drawn US$6.5 million against the operating line of credit.