



First Quarter 2020
Condensed Consolidated Interim Financial Statements
31 March 2020

(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 2020 \$	31 December 2019 \$
Assets			
<i>Current</i>			
Cash	3	1,253,335	1,474,809
Accounts and other receivables	4	418,679	748,525
Prepaid expenses		120,359	196,510
Inventories	5	425,056	767,146
<i>Total current assets</i>		2,217,429	3,186,990
<i>Non-Current</i>			
Inventories	5	446,250	463,749
Property, plant and equipment	6	13,699,525	13,198,851
<i>Total non-current assets</i>		14,145,775	13,662,600
<i>Total assets</i>		16,363,204	16,849,590
Liabilities			
<i>Current</i>			
Accounts payable and accrued liabilities	8	1,341,816	1,448,861
Asset retirement obligation	7	323,726	627,350
<i>Total current liabilities</i>		1,665,542	2,076,211
<i>Non-Current</i>			
Asset retirement obligations	7	12,519,790	11,703,515
<i>Total liabilities</i>		14,185,332	13,779,726
Shareholders' equity			
Share capital	9	109,738,706	109,738,706
Accumulated deficit		(107,560,834)	(106,668,842)
<i>Total shareholders' equity</i>		2,177,872	3,069,864
<i>Total liabilities and shareholders' equity</i>		16,363,204	16,849,590

Description of business and going concern (Note 1)

These unaudited condensed consolidated financial statements are authorized for issuance by the Board of Directors on 26 August 2020.

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 financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 31 March 2020 and 2019
(Expressed in Canadian Dollars)

	Number of shares	Share Capital	Share based payments reserve (options)	Share based payments reserve (warrants)	Foreign currency translation reserve	Accumulated deficit	Total equity
Balance, 1 January 2019	232,123,459	109,738,706	21,289,710	1,349,289	12,182,274	(139,667,184)	4,892,795
Net loss for the period	-	-	-	-	-	(161,325)	(161,325)
Other comprehensive income for the period	-	-	-	-	(18,890)	-	(18,890)
Balance, 31 March 2019	232,123,459	109,738,706	21,289,710	1,349,289	12,163,384	(139,828,509)	4,712,580
Balance, 1 January 2020	232,123,459	109,738,706	21,289,710	1,349,289	11,984,224	(141,292,065)	3,069,864
Net loss for the period	-	-	-	-	-	(791,036)	(791,036)
Other comprehensive income for the period	-	-	-	-	(100,956)	-	(100,956)
Balance, 31 March 2020	232,123,459	109,738,706	21,289,710	1,349,289	11,883,268	(142,083,101)	2,177,872

See accompanying notes to the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
For the three month periods ended 31 March 2020 and 2019
(Expressed in Canadian Dollars)

	Notes	31 March 2020 \$	31 March 2019 \$
Revenues			
Revenue	10	1,758,941	2,700,844
Royalties		(51,494)	(69,325)
		1,707,447	2,631,519
Expenses and other items			
Production costs		491,839	279,928
Purchased oil	10	270,101	888,426
Processing costs		587,086	326,850
Depreciation and depletion	6	259,569	312,890
General and administrative	11	842,576	907,227
Finance expense		51,015	70,478
Foreign exchange (gain)/loss		(7,795)	5,094
Inventory write-down		1,533	-
Abandonment provision movement		2,559	1,950
		2,498,483	2,792,843
Net loss		(791,036)	(161,325)
Other comprehensive loss:			
Exchange difference on translation of foreign currency (i)		(100,956)	(18,890)
Total comprehensive loss		(891,992)	(180,215)
Basic and diluted loss per share		\$ (0.003)	\$ (0.001)
Weighted average shares outstanding		232,123,459	232,123,459

(i) Exchange difference on translation of foreign currency may be subsequently reclassified to profit or loss.

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the three month periods ended 31 March 2020 and 2019

(Expressed in Canadian Dollars)

	Notes	31 March 2020 \$	31 March 2019 \$
Operating activities			
Net loss for the period		(791,036)	(161,325)
<i>Changes for non-cash operating items</i>			
Depreciation and depletion		264,598	319,055
Accretion		51,015	57,560
Abandonment provision movement		2,559	1,950
Foreign exchange (gain) / loss		(7,795)	5,094
Abandonment provision reversal		(285,583)	-
<i>Change in non-cash working capital items</i>			
Accounts and other receivables		329,846	627,610
Prepaid expenses		76,151	29,460
Inventories		359,589	(25,672)
Accounts payable and accrued liabilities		(107,045)	(1,022,428)
<i>Cash provided by (used in) operating activities</i>		(107,701)	(168,695)
Investing activities			
Purchase of oil and gas properties		(49,895)	-
Purchase of property, plant and equipment		-	(110,005)
<i>Cash provided by (used in) investing activities</i>		(49,895)	(110,005)
Financing activities			
<i>Cash provided by (used in) financing activities</i>		-	-
<i>Net increase (decrease) in cash</i>		(157,596)	(278,700)
Effect of exchange rate changes on cash		(63,878)	24,870
Cash, beginning of the period		1,474,809	1,237,019
<i>Cash and equivalents, end of the period</i>	4	1,253,335	983,189
 <i>Supplemental cash-flow disclosures</i>			
Changes in accounts payable related to property, plant & equipment		-	284,941
Cash interest received		3,580	-

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 31 March 2020

(Expressed in Canadian Dollars)

1. DESCRIPTION OF BUSINESS AND GOING CONCERN

New Zealand Energy Corp. (the "Company") commenced operations on 19 April 2010 through 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

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. Material uncertainty exists related to certain conditions that may cast significant doubt on the validity of this assumption. For the quarter ended 31 March 2020, the Group reported a Net Loss of \$791,036 (2019: \$161,325) and a cash outflow from operating activities of \$107,701 (2019: \$168,695). The Group has working capital (total current assets, less total current liabilities) of \$551,887 (2019: \$1,110,779). In addition, the Group also has several permit expenditure plans (Note 15) which are associated with the Group's interest in its oil and gas properties and exploration and evaluation assets.

The Directors have performed a cash flow forecast to assess the Group's ability to continue as a going concern. The Directors have used judgement in the estimation of these forecast cash flows. These judgements include future production levels, forecast oil price of US\$43 / bbl, and assumptions as to the continued availability of the Group's revolving credit facility.

The Group continues to pursue a number of options to improve its financial capacity, including cash flow from oil and gas production, commercial arrangements or other financing alternatives. After balance date the Group implemented a restructuring plan to reduce the Group's costs. These cost reductions have been included within the cash flow forecasts.

The Group's ability to continue as a going concern is reliant upon its ability to retain financing facilities that are currently in place and generate budgeted cash flows from operations which are reliant on achieving planned production levels and forecast oil prices, all of which are uncertain. These factors are considered material uncertainties with respect to the Directors' assessment.

These consolidated financial statements do not reflect adjustments to the carrying values of the assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used that would be necessary if the Group 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 31 December 2019, which have been prepared in accordance with IFRS as issued by the IASB and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS.

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 2019.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2020

(Expressed in Canadian Dollars)

3. CASH AND CASH EQUIVALENTS AND REVOLVING CREDIT FACILITY

	31 March 2020	31 December 2019
	\$	\$
Cash and cash equivalents	1,253,335	1,474,809

4. ACCOUNTS AND OTHER RECEIVABLES

	31 March 2020	31 December 2019
	\$	\$
Trade receivables	418,679	747,878
GST receivable	-	647
Total Current Accounts and other receivables	418,679	748,525

5. INVENTORIES

	31 March 2020	31 December 2019
	\$	\$
Current		
Material and supplies	200,016	201,087
Oil inventories	225,040	566,059
	425,056	767,146
Non Current		
Non-current material and supplies	1,360,482	1,353,100
Less write down provision to NRV	(860,232)	(889,351)
	446,250	463,749
Write down Provision to NRV non-current material and supplies		
Opening Balance	(889,351)	(831,084)
Movement in provision recognised as expense	29,119	(89,380)
Provision reversed on material and supplies sold	-	31,113
Closing Balance	(860,232)	(889,351)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2020

(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, 1 January 2019	338,566	1,392,170	7,521,605	23,222,299	32,474,640
Additions	4,921	-	254,420	356,094	615,435
Disposals	-	-	(174,481)	-	(174,481)
Change in asset retirement cost due to change in estimate	-	-	(1,049,037)	1,124,833	75,796
Foreign currency translation adjustment	(12,887)	(53,129)	(293,591)	(876,230)	(1,235,837)
Balance, 31 December 2019	330,600	1,339,041	6,258,916	23,826,996	31,755,553
Additions	-	-	-	49,895	49,895
Change in asset retirement cost due to change in estimate	-	-	726,630	420,797	1,147,427
Foreign currency translation adjustment	(10,825)	(43,843)	(207,918)	(777,019)	(1,039,605)
Balance, 31 March 2020	319,775	1,295,198	6,777,628	23,520,669	31,913,270

	Furniture and fixture \$	Land and building \$	Plant and equipment \$	Oil and gas properties \$	Total \$
Accumulated depreciation					
Balance, 1 January 2019	232,525	-	2,216,616	15,430,326	17,879,467
Depreciation and depletion	12,692	-	429,219	916,894	1,358,805
Disposals	-	-	(8,357)	-	(8,357)
Foreign currency translation adjustment	(8,788)	-	(81,751)	(582,674)	(673,213)
Balance, 31 December 2019	236,429	-	2,555,727	15,764,546	18,556,702
Depreciation and depletion	3,237	-	97,267	164,094	264,598
Foreign currency translation adjustment	(7,741)	-	(83,669)	(516,145)	(607,555)
Balance, 31 March 2020	231,925	-	2,569,325	15,412,495	18,213,745
Net Book Value					
Balance, 31 December 2019	94,171	1,339,041	3,703,188	8,062,450	13,198,851
Balance, 31 March 2020	87,850	1,295,198	4,208,303	8,108,174	13,699,525

7. ASSET RETIREMENT OBLIGATIONS

The Group'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. The estimated expected life of the long-lived assets is the later of the permit life, or economic life based on proved and probable reserves.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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<u>Non-Current</u>	31 March 2020 \$	31 December 2019 \$
Opening Balance 1 January	11,703,513	11,543,073
Change in estimate	1,148,319	625,009
Accretion expense for the year	51,016	236,228
Reclassified as current	-	(266,095)
Foreign currency translation adjustment	(383,057)	(434,700)
Closing Balance	12,519,791	11,703,515

Current

Opening Balance 1 January	627,350	392,250
Change in estimate	2,534	(15,918)
Reclassified from non-current	-	266,095
Provision reversal for completed abandonment	(285,583)	-
Foreign currency translation adjustment	(20,574)	(15,077)
Closing Balance 31 December	323,726	627,350

Assumptions

Total undiscounted value of payments	\$21,381,486	\$22,741,138
Discount rate	1.01% to 2.26%	1.06% to 2.79%
Inflation rate	1.7%	2%
Expected life	1 to 36 years	1 to 36 years

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Note	31 March 2020 \$	31 December 2019 \$
Trade payables		891,008	900,272
GST payable		48,251	146,366
Accrued liabilities - payroll		402,557	402,223
Total Current Accounts payable and accrued liabilities		1,341,816	1,448,861

9. SHARE CAPITAL

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 March 2020. 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2020

(Expressed in Canadian Dollars)

	31 March 2020		31 December 2019	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding at 1 January	10,000,000	0.05	10,566,000	0.07
Expired	-	-	(566,000)	0.45
Total Outstanding	10,000,000	0.05	10,000,000	0.05

Options outstanding and exercisable	31 March 2020			31 December 2019	
	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	0.25	10,000,000	0.50
Options exercisable	0.05	10,000,000	0.25	10,000,000	0.50

No new options granted in 2020 or 2019. As at 31 March, Officers held 10,000,000 (2019:10,000,000) outstanding and exercisable options.

10. REVENUE

	Note	31 March 2020 \$	31 March 2019 \$
Oil sales		869,751	1,090,566
Gas sales		1,437	-
Processing revenue		520,541	619,707
Interest income		3,580	12,958
Other revenue	a)	93,531	89,187
		1,488,840	1,812,418
Purchased oil sold	b)	270,101	888,426
Total Revenue		1,758,941	2,700,844

- a) The Group has provided services to a third party, that have been performed through a combination of work by employees and subcontracted companies. NZEC has used judgement and concluded it is the principal party, as it has the performance obligation to the customer, and has discretion in establishing pricing with the customer.
- b) The Group has an arrangement with a third party whereby the Group purchases oil, charges a processing fee and subsequently sells the oil where NZEC is the principal party. Any unsold oil is carried as inventory.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Canadian Dollars)

11. GENERAL AND ADMINISTRATIVE EXPENSES

	31 March 2020	31 March 2019
	\$	\$
Professional fees	72,329	70,701
Consulting fees	27,607	37,559
Travel and promotion	5,347	9,172
Administrative expenses	47,380	75,535
Rent	10,146	11,022
Leases	3,872	-
Filing and transfer agent fees	6,255	6,346
Insurance	53,405	47,311
Salary and wages	616,235	649,581
	842,576	907,227

12. RELATED PARTY TRANSACTIONS

Entities associated (by virtue of there being a common director) with the Company include: Greymouth Petroleum Limited, Tiger Drilling Ltd, GMP Environmental Ltd, Greymouth Gas Taranaki Ltd, and Geoservices Ltd (a 19.82% shareholder in the Company). The following transactions and balances with these related parties are:

	Note	31 March 2020	31 March 2019
		\$	\$
Processing revenue		75,133	78,751
Production costs		75,816	159,597
Processing costs		62,974	-
Rent expense	i)	1,405	994
Trade receivables		27,927	18,323
Trade payables		16,507	440,857
Oil & Gas properties expenditure		-	265,335

i) Office premises are leased from a related party at token rental. Market rental of these premises is estimated at \$52,000 per annum.

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:

	31 March 2020	31 March 2019
	\$	\$
Salary and consulting fees	216,980	217,685

Included in the above amounts are:

Upstream Consulting Ltd (James Willis)	6,380	8,153
Arenig Energy Ltd (David Llewellyn)	5,701	6,115
Michael Adams Reservoir Engineering Ltd (Michael Adams)	79,657	95,120

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2020

(Expressed in Canadian Dollars)

13. SEGMENTED DISCLOSURES

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Chief Executive Officer.

The Group 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 Group's geographic area for all assets, liabilities and revenues is New Zealand.

14. COMMITMENTS

As at 31 March 2020, the Group had the following undiscounted contractual obligations:

	2020 \$	2021 to 2022 \$	2023 and onwards \$	Total \$
Operating lease obligations	5,000	4,000	-	9,000
Contract and purchase commitments	285,000	371,000	45,000	701,000
	291,000	375,000	45,000	710,000

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 (NZ\$375,000).

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.

15. PERMIT EXPENDITURE PLANS

The Group undertakes oil and gas production, development and exploration activities and has plans to complete certain exploration activities. Certain permits and licences held by the Group require various work obligations to be performed in order to maintain the permits or licences in good standing. The Group 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 Group 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	2020 \$	2021 to 2022 \$	2023 and onwards \$	Total \$
Eltham Permit	i	Exploration	106,000	136,000	-	242,000
Tariki Licence	ii	Producing	-	925,000	-	925,000
Waihapa Ngaere Licence	iii	Producing	21,000	21,000	9,000	51,000
			127,000	1,082,000	9,000	1,218,000

- i. Eltham (PEP51150): 2020 land remediation of Wairere-1A, 2021 evaluate and implement artificial lift.
- ii. Tariki: 2021 - implement project for gas recovery, drill well or sidetrack, and prepare updated field development plan.
- iii. Waihapa Ngaere: 2020 studies, 2022 updated field development plan.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Canadian Dollars)

16. SUBSEQUENT EVENTS

- a) The global impact of COVID-19 and the associated declines in Brent oil prices have resulted in the Group undertaking a restructuring during April and May. Along with the salary and wages savings, operating costs have also been reduced. Forecasts taking these changes into account indicate the Group can continue as a going concern.
- b) Tariki PML 38138 change to work program and extension of licence for an additional five years, was granted on 19th June 2020.