



First Quarter 2021
Condensed Consolidated Interim Financial Statements
31 March 2021

(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 2021 \$	31 December 2020 \$
Assets			
<i>Current</i>			
Cash	3	1,047,354	1,020,085
Accounts and other receivables	4	344,892	269,107
Prepaid expenses		114,658	169,466
Inventories	5	717,739	830,273
<i>Total current assets</i>		2,224,643	2,288,931
<i>Non-Current</i>			
Inventories	5	453,553	475,105
Property, plant and equipment	6	9,486,445	10,329,305
<i>Total non-current assets</i>		9,939,998	10,804,410
<i>Total assets</i>		12,164,641	13,093,341
Liabilities			
<i>Current</i>			
Accounts payable and accrued liabilities	8	881,495	861,491
Asset retirement obligation	7	200,009	230,061
<i>Total current liabilities</i>		1,081,504	1,091,552
<i>Non-Current</i>			
Asset retirement obligations	7	8,838,849	9,397,239
<i>Total liabilities</i>		9,920,353	10,488,791
Shareholders' equity			
Share capital	9	109,738,706	109,738,706
Accumulated deficit		(107,494,418)	(107,134,156)
<i>Total shareholders' equity</i>		2,244,288	2,604,550
<i>Total liabilities and shareholders' equity</i>		12,164,641	13,093,341

Description of business and going concern (Note 1)

These unaudited condensed consolidated financial statements are authorized for issuance by the Board of Directors on 18 May 2021.

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 2021 and 2020
(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 2020	232,123,459	109,738,706	21,289,710	1,349,289	11,984,224	(140,665,029)	3,696,900
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	(141,456,065)	2,804,908
Balance, 1 January 2021	232,123,459	109,738,706	21,289,710	1,349,289	12,133,939	(141,907,094)	2,604,550
Net loss for the period	-	-	-	-	-	(160,006)	(160,006)
Other comprehensive income for the period	-	-	-	-	(200,256)	-	(200,256)
Balance, 31 March 2021	232,123,459	109,738,706	21,289,710	1,349,289	11,933,683	(142,067,100)	2,244,288

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 2021 and 2020
(Expressed in Canadian Dollars)

	Notes	Three months ended 31 March	
		2021 \$	2020 \$
Revenues			
Revenue	10	1,523,491	1,758,941
Royalties		(44,885)	(51,494)
		1,478,606	1,707,447
 Expenses and other items			
Production costs		378,307	406,261
Purchased oil	10	406,520	270,101
Processing costs		180,729	394,068
Depreciation and depletion	6	171,997	259,569
General and administrative	11	510,449	842,576
Finance expense		35,262	51,015
Foreign exchange (gain)/loss		(21,675)	(7,795)
Oil valuation on Inventory held (gain)/loss		7,623	278,596
Inventory write-down		-	1,533
Abandonment provision movement		(30,600)	2,559
		1,638,612	2,498,483
		(160,006)	(791,036)
Other comprehensive loss:			
Exchange difference on translation of foreign currency (i)		(200,256)	(100,956)
		(360,262)	(891,992)
 Net loss			
Basic and diluted loss per share		\$ (0.002)	\$ (0.003)
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 2021 and 2020
(Expressed in Canadian Dollars)

	Notes	Three Months ended 31 March	
		2021 \$	2020 \$
Operating activities			
Net loss for the period		(160,006)	(791,036)
<i>Changes for non-cash operating items</i>			
Depreciation and depletion		178,347	264,598
Accretion		35,262	51,015
Abandonment provision movement		(30,600)	2,559
Foreign exchange (gain) / loss		(21,675)	(7,795)
Abandonment provision reversal		-	(285,583)
<i>Change in working capital items</i>			
Accounts and other receivables		(75,785)	329,846
Prepaid expenses		54,808	76,151
Inventories		134,086	359,589
Accounts payable and accrued liabilities		20,005	(107,045)
<i>Cash provided by (used in) operating activities</i>		134,442	(107,701)
Investing activities			
Purchase of oil and gas properties		-	(49,895)
Purchase of property, plant and equipment		-	-
<i>Cash provided by (used in) investing activities</i>		-	(49,895)
Financing activities			
<i>Cash provided by (used in) financing activities</i>		-	-
<i>Net increase (decrease) in cash</i>		134,442	(157,596)
Effect of exchange rate changes on cash		(107,173)	(63,878)
Cash, beginning of the period		1,020,085	1,474,809
<i>Cash and equivalents, end of the period</i>	4	1,047,354	1,253,335
<i>Supplemental cash-flow disclosures</i>			
Changes in accounts payable related to property, plant & equipment		-	-
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 2021

(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 three months ended 31 March 2021, the Group reported a Net Loss of \$160,006 (2020: \$791,036) and a cash inflow from operating activities of \$134,442 (2020: outflow \$107,701). The Group has working capital (total current assets, less total current liabilities) of \$1,143,139 (2020: \$1,197,379). In addition, the Group also has several permit expenditure plans (Note 19) which are associated with the Group's interest in its oil and gas properties and exploration and evaluation assets which requires expenditure to fulfil specified work programmes – as explained in Note 19 the group has some flexibility in the timing of the required expenditure and would seek to defer costs where funding is not available.

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 prices the addition of new processing customers 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 which may involve obtaining additional debt or equity.

The Group's ability to continue as a going concern is reliant upon its ability to retain financing facilities that are currently in place defer expenditure on permits if necessary 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 2020, 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 2020.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2021

(Expressed in Canadian Dollars)

3. CASH AND CASH EQUIVALENTS AND REVOLVING CREDIT FACILITY

	31 March 2021	31 December 2020
	\$	\$
Cash and cash equivalents	1,047,354	1,020,085

4. ACCOUNTS AND OTHER RECEIVABLES

	30 March 2021	31 December 2020
	\$	\$
Trade receivables	344,892	269,107
GST receivable	-	-
Total Current Accounts and other receivables	<u>344,892</u>	<u>269,107</u>

5. INVENTORIES

	30 March 2021	31 December 2020
	\$	\$
Current		
Material and supplies	250,046	264,359
Oil inventories	467,693	565,914
	<u>717,739</u>	<u>830,273</u>
Non Current		
Non-current material and supplies	1,294,030	1,353,235
Less write down provision to NRV	(840,477)	(878,130)
	<u>453,553</u>	<u>475,105</u>
Write down Provision to NRV non-current material and supplies		
Opening Balance	(878,130)	(889,351)
Movement in provision recognised as expense	37,653	(37,894)
Provision reversed on material and supplies sold	-	49,115
Closing Balance	<u>(840,477)</u>	<u>(878,130)</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2021

(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 2020	330,600	1,339,041	2,370,019	23,826,996	27,866,656
Additions	-	-	-	51,406	51,406
Disposals	-	-	-	-	-
Change in asset retirement cost due to change in estimate	-	-	287,803	156,255	444,058
Foreign currency translation adjustment	15,635	63,329	134,749	1,039,179	1,252,892
Balance, 31 December 2020	346,235	1,402,370	2,792,571	25,073,836	29,615,012
Additions	-	-	-	-	-
Change in asset retirement cost due to change in estimate	-	-	(35,555)	(150,350)	(185,905)
Foreign currency translation adjustment	(14,846)	(60,132)	(116,537)	(1,119,562)	(1,311,077)
Balance, 31 March 2021	331,389	1,342,238	2,640,479	23,803,924	28,118,030
Accumulated depreciation					
Balance, 1 January 2020	236,429	-	1,479,691	15,764,546	17,480,666
Depreciation and depletion	12,614	-	328,900	589,277	930,791
Disposals	-	-	-	-	-
Foreign currency translation adjustment	11,825	-	86,772	775,653	874,250
Balance, 31 December 2020	260,868	-	1,895,363	17,129,476	19,285,707
Depreciation and depletion	3,211	-	79,072	96,065	178,348
Foreign currency translation adjustment	(11,285)	-	(83,718)	(737,467)	(832,470)
Balance, 31 March 2021	252,794	-	1,890,717	16,488,074	18,631,585
Net Book Value					
Balance, 31 December 2020	85,367	1,402,370	897,208	7,944,360	10,385,990
Balance, 30 March 2021	78,595	1,342,238	749,762	7,351,850	9,486,445

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2021

(Expressed in Canadian Dollars)

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.

<u>Non-Current</u>	31 March 2021	31 December 2020
	\$	\$
Opening Balance 1 January	9,397,239	8,263,618
Change in estimate	(195,682)	404,809
Accretion expense for the year	38,052	201,127
Reclassified as current	-	119,728
Foreign currency translation adjustment	(400,760)	407,957
Closing Balance	8,838,849	9,397,239

Current

Opening Balance 1 January	230,061	627,350
Liabilities settled during the year	-	(294,244)
Change in estimate	(20,833)	3,633
Reclassified from non-current	-	(119,728)
Foreign currency translation adjustment	(9,219)	13,050
Closing Balance 31 December	200,009	230,061

Assumptions

Total undiscounted value of payments	\$13,412,128	14,085,626
Discount rate	0.21% to 2.77%	0.24% to 2.67%
Inflation rate	1.54%	1.92%
Expected life	1 to 35 years	1 to 35 years

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Note	31 March 2021	31 December 2020
		\$	\$
Trade payables		694,588	581,786
GST payable		23,954	62,806
Accrued liabilities - payroll		162,953	216,899
Total Current Accounts payable and accrued liabilities		881,495	861,491

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2021

(Expressed in Canadian Dollars)

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 2021. 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.

	31 March 2021		31 December 2020	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding at 1 January	-	-	-	-
Expired	-	-	-	-
Total Outstanding	-	-	-	-

	Exercise price \$	31 March 2021		31 December 2020	
		Number of options	Weighted average contractual life (years)	Number of options	Weighted average contractual life (years)
Options outstanding	0.05	-	-	-	-
Options exercisable	0.05	-	-	-	-

No new options granted in 2021 or 2020.

10. REVENUE

	Note	Three months ended 31 March	
		2021 \$	2020 \$
Oil sales		697,678	869,751
Gas sales		16,435	1,437
Processing revenue		315,997	520,541
Interest income		-	3,580
Other revenue	a)	86,861	93,531
		1,116,971	1,488,840
Purchased oil sold	b)	406,520	270,101
Total Revenue		1,523,491	1,758,941

- 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
31 March 2021

(Expressed in Canadian Dollars)

11. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 31 March	
	2021	2020
	\$	\$
Professional fees	122,826	72,329
Consulting fees	42,185	27,607
Travel and promotion	5,485	5,347
Administrative expenses	32,294	47,380
Rent	4,454	10,146
Leases	4,493	3,872
Filing and transfer agent fees	10,895	6,255
Insurance	40,239	53,405
Salary and wages	247,578	616,235
	510,449	842,576

12. RELATED PARTY TRANSACTIONS

Entities associated (by virtue of there being a common director) with the Company include: Greymouth Petroleum Limited, Tiger Drilling Company (NZ) 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	Three months ended 31 March	
		2021	2020
		\$	\$
Processing revenue		27,992	75,133
Production costs		42,652	75,816
Processing costs		3,801	62,974
Rent expense	i)	-	1,405
Trade receivables		18,690	27,927
Trade payables		22,804	16,507
Oil & Gas properties expenditure		-	-

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:

	Three months ended 31 March	
	2021	2020
	\$	\$
Salary and consulting fees	116,935	216,980
Included in the above amounts are:		
Upstream Consulting Ltd (James Willis)	4,094	6,380
Arenig Energy Ltd (David Llewellyn)	3,276	5,701
2X Energy Limited (Michael Adams)	67,870	79,657

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2021

(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 2021, the Group had the following undiscounted contractual obligations:

	2021 to 2022	2023 and onwards	Total
	\$	\$	\$
Operating lease obligations	4,000	-	4,000
Contract and purchase commitments	465,000	48,000	513,000
	469,000	48,000	729,000

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	2021	2022 to 2023	2024 and onwards	Total
			\$	\$	\$	\$
Eltham Permit	i	Exploration	140,000	-	-	140,000
Tariki Licence	ii	Producing	2,380,000	510,000	-	2,890,000
Waihapa Ngaere Licence	iii	Producing	22,000	10,000	10,000	42,000
			2,542,000	520,000	10,000	3,072,000

- i. Eltham (PEP51150): Evaluate and implement artificial lift.
- ii. Tariki: 2020 – Study of uses of the Tariki reservoirs including gas storage and remaining undeveloped gas and planning/preparation for Tariki 2021/22 50 km sq. 3D seismic, which is due to be interpreted by July 2022.
- iii. Waihapa Ngaere: 2021 studies, 2022 updated field development plan.

16. SUBSEQUENT EVENTS

There have been no subsequent events.