



First Quarter 2022
Condensed Consolidated Interim Financial Statements
31 March 2022

(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 2022 \$	31 December 2021 \$
Assets			
<i>Current</i>			
Cash	3	460,955	463,272
Accounts and other receivables	4	257,935	1,507,720
Prepaid expenses		57,172	100,630
Inventories	5	863,324	619,832
<i>Total current assets</i>		1,639,386	2,691,454
<i>Non-Current</i>			
Inventories	5	250,697	247,008
Property, plant and equipment	6	11,802,182	11,901,903
Intangible Assets	7	154,796	154,859
<i>Total non-current assets</i>		12,207,675	12,303,770
<i>Total assets</i>		13,847,061	14,995,224
Liabilities			
<i>Current</i>			
Trade and other Payables	9	1,246,504	2,166,321
Convertible Loan	10	2,137,011	2,087,696
Asset retirement obligation	8	-	-
<i>Total current liabilities</i>		3,383,515	4,254,017
<i>Non-Current</i>			
Asset retirement obligations	8	8,951,008	9,129,665
<i>Total liabilities</i>		12,334,523	13,383,682
Shareholders' equity			
Share capital	11	109,738,706	109,738,706
Accumulated deficit		(108,226,168)	(108,127,164)
<i>Total shareholders' equity</i>		1,512,538	1,611,542
<i>Total liabilities and shareholders' equity</i>		13,847,061	14,995,224

Description of business and going concern (Note 1)

These unaudited condensed consolidated financial statements are authorized for issuance by the Board of Directors on 25 May 2022.

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 2022 and 2021
(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 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
Balance, 1 January 2022	23,212,346	109,738,706	21,289,710	1,349,289	11,892,001	(142,658,164)	1,611,542
Net loss for the period	-	-	-	-	-	(120,904)	(120,904)
Other comprehensive income for the period	-	-	-	-	21,900	-	21,900
Balance, 31 March 2022	23,212,346	109,738,706	21,289,710	1,349,289	11,913,901	(142,779,068)	1,512,538

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 2022 and 2021
(Expressed in Canadian Dollars)

	Notes	Three months ended 31 March	
		2022	2021
		\$	\$
Revenues			
Revenue	12	796,702	1,523,491
Royalties		(25,668)	(44,885)
		771,034	1,478,606
Expenses and other items			
Production costs		280,524	378,307
Purchased oil	12	-	406,520
Processing costs		232,792	180,729
Depreciation, depletion and amortisation	6,7	119,969	171,997
General and administrative	13	333,556	510,449
Finance expense		108,109	35,262
Foreign exchange (gain)/loss		16,541	(21,675)
Oil valuation on Inventory held (gain)/loss		(181,659)	7,623
Abandonment provision movement		(17,894)	(30,600)
		891,938	1,638,612
Net loss		(120,904)	(160,006)
Other comprehensive loss:			
Exchange difference on translation of foreign currency (i)		21,900	(200,256)
Total comprehensive loss		(99,004)	(360,262)
Basic and diluted loss per share		\$ (0.004)	\$ (0.02)
Weighted average shares outstanding		23,212,346	23,212,346

(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 2022 and 2021
(Expressed in Canadian Dollars)

	Notes	Three Months ended 31 March	
		2022 \$	2021 \$
Operating activities			
Net loss for the period		(120,904)	(160,006)
<i>Changes for non-cash operating items</i>			
Depreciation and depletion		119,969	171,997
Accretion		58,794	35,262
Accrued Interest		49,315	-
Abandonment provision movement		(17,894)	(30,600)
Foreign exchange (gain) / loss		16,541	(21,675)
<i>Change in working capital items</i>			
Accounts and other receivables		1,249,785	(75,785)
Prepaid expenses		43,457	54,808
Inventories		(247,181)	134,086
Trade and other payables		(919,817)	26,355
<i>Cash provided by (used in) operating activities</i>		232,065	134,442
Investing activities			
Purchase of oil and gas properties		(96,474)	-
Purchase of property, plant and equipment		(137,691)	-
<i>Cash provided by (used in) investing activities</i>		(234,165)	-
Financing activities			
<i>Cash provided by (used in) financing activities</i>		-	-
<i>Net increase (decrease) in cash</i>		(2,100)	134,442
Effect of exchange rate changes on cash		(217)	(107,173)
Cash, beginning of the period		463,272	1,020,085
<i>Cash and equivalents, end of the period</i>	3	460,955	1,047,354

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2022

(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 2022, the Group reported a Net Loss of \$120,904 (2021: \$160,006) and a cash inflow from operating activities of \$232,065 (2021: inflow \$134,442). The Group has a working capital deficit (total current assets, less total current liabilities) of \$1,744,129 (2021: Deficit \$1,562,563). The deficit includes a liability of \$2,137,011 falling due in August 2022 which is expected to be repaid by way of a capital raise. In addition, the Group also has several permit expenditure plans (Note 17) 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 17 the group has some flexibility in the timing of the required expenditure and would seek to defer costs where funding is not available.

The Group continues to pursue a number of options to improve its financial capacity, including cash flow from oil and gas production, commercial arrangements and other financing alternatives which may involve obtaining additional debt or equity. The data collected from the completed 71 km² high-resolution 3D seismic over the Tariki structure has been sent for processing. The Group has completed preliminary analysis and interpretation of the data which suggests the overthrust Tariki structure is an excellent candidate for a gas storage project.

The Group is advancing plans to initiate a gas storage project and discussions with a storage counterparty are progressing. The potential for additional hydrocarbons within the Tariki complex is also being evaluated. The Group intends to fund its commitment to these projects, and to repay the convertible note debt of \$2,000,000 plus accumulated interest by raising additional capital. The directors have some confidence of support in respect of raising further capital.

The Group's ability to continue as a going concern is reliant at this time upon its ability to refinance the convertible note facility. Other factors affecting cash expenditure include deferral of expenditure on permits if necessary and generating budgeted cash flows from operations which are reliant on achieving planned production levels and forecast oil prices, all of which are uncertain. All of these factors are considered material uncertainties with respect to the Directors' assessment in respect of the ability of NZEC to operate as a going concern.

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 not a going concern and therefore was 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 2021, 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2022

(Expressed in Canadian Dollars)

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 2021.

3. CASH AND CASH EQUIVALENTS AND REVOLVING CREDIT FACILITY

	31 March 2022	31 December 2021
	\$	\$
Cash and cash equivalents	460,955	463,272

4. ACCOUNTS AND OTHER RECEIVABLES

	31 March 2022	31 December 2021
	\$	\$
Trade receivables	257,935	1,507,720
Total Current Accounts and other receivables	257,935	1,507,720

5. INVENTORIES

	31 March 2022	31 December 2021
	\$	\$
Current		
Material and supplies	183,370	182,860
Oil inventories	679,954	436,972
	863,324	619,832
Non Current		
Non-current material and supplies	500,160	496,127
Less write down provision to NRV	(249,463)	(249,119)
	250,697	247,008
Write down Provision to NRV non-current material and supplies		
Opening Balance	(249,119)	(878,130)
Movement in provision recognised as expense	(344)	28,204
Provision reversed on material and supplies sold	-	600,807
Closing Balance	(249,463)	(249,119)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2022

(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 2021	346,235	1,402,370	2,792,571	25,073,836	29,615,012
Additions	-	-	530,053	2,229,178	2,759,231
Disposals	-	-	-	-	-
Change in asset retirement cost due to change in estimate	-	-	152,925	(53,434)	99,491
Foreign currency translation adjustment	(19,093)	(77,334)	(162,805)	(1,468,467)	(1,727,699)
Balance, 31 December 2021	327,142	1,325,036	3,312,744	25,781,113	30,746,035
Additions	-	-	137,691	96,474	234,165
Change in asset retirement cost due to change in estimate	-	-	(32,994)	(195,207)	(228,201)
Foreign currency translation adjustment	451	1,827	6,703	33,533	42,514
Balance, 31 March 2022	327,593	1,326,863	3,424,144	25,715,913	30,794,513
Accumulated depreciation					
Balance, 1 January 2021	260,868	-	1,895,363	17,129,476	19,285,707
Depreciation and depletion	11,528	-	178,916	413,788	604,232
Disposals	-	-	-	-	-
Foreign currency translation adjustment	(14,580)	-	(107,537)	(923,690)	(1,045,807)
Balance, 31 December 2021	257,816	-	1,966,742	16,619,574	18,844,132
Depreciation and depletion	2,050	-	57,290	60,359	119,699
Foreign currency translation adjustment	399	-	3,917	24,184	28,500
Balance, 31 March 2022	260,265	-	2,027,949	16,704,117	18,992,331
Net Book Value					
Balance, 31 December 2021	69,326	1,325,036	1,346,002	9,161,539	11,901,903
Balance, 30 March 2022	67,328	1,326,863	1,396,195	9,011,796	11,802,182

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2022

(Expressed in Canadian Dollars)

7. INTANGIBLE ASSETS

	Intangible Assets
	\$
Cost	
Balance, 31 December 2021	156,180
Additions	-
Disposals	-
Foreign currency translation adjustment	215
Balance, 31 March 2022	156,395
	Intangible Assets
	\$
Balance, 31 December 2021	1,321
Amortisation	270
Disposals	-
Foreign currency translation adjustment	8
Balance, 31 March 2022	1,599
Net Book Value	
Balance, 31 December 2021	154,859
Balance, 31 March 2022	154,796

Intangible assets relate to the extinguishing of an overriding royalty during the 2021 year.

Intangible assets acquired separately are measured on initial recognition at costs and are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation of the intangible assets is based on the unit-of-production method by reference to the ratio of production in the year to the related total proved and probable reserves of oil and natural gas.

Intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising upon derecognition of the asset is included in the statement of profit or loss

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2022

(Expressed in Canadian Dollars)

8. 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 2022	31 December 2021
	\$	\$
Opening Balance 1 January	9,129,665	9,397,239
Change in estimate	(246,086)	(146,278)
Accretion expense for the year	58,794	180,114
Reclassified as current	-	217,374
Foreign currency translation adjustment	8,635	(518,784)
Closing Balance	8,951,008	9,129,665

Current

Opening Balance 1 January	-	230,061
Liabilities settled during the year	-	-
Change in estimate	-	-
Reclassified from non-current	-	(217,374)
Foreign currency translation adjustment	-	(12,687)
Closing Balance 31 December	-	-

Assumptions

Total undiscounted value of payments	\$14,626,224	\$14,875,238
Discount rate	1.51% to 3.12%	1.76% to 3.11%
Inflation rate	2.56%	2.66%
Expected life	1 to 34 years	1 to 34 years

9. TRADE AND OTHER PAYABLES

	Note	31 March 2022	31 December 2021
		\$	\$
Trade payables		649,048	1,506,588
GST payable		11,752	45,222
Deferred Revenue		444,143	475,388
Accrued liabilities – payroll		141,561	139,123
Total Current Trade and other payables		1,246,504	2,166,321

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2022

(Expressed in Canadian Dollars)

10. CONVERTIBLE LOAN

	Note	31 March 2022	31 December 2021
		\$	\$
Convertible Loan		2,137,011	2,087,696

The company drew down CAD 2,000,000 under the convertible loan agreement it entered into with Arizona Finance Limited ("Arizona"). The maximum number of common shares issuable if Arizona elects to convert the entire principal amount of the loan will be 6,666,667 shares, at an exercise price of 30 cents per share. Any common shares issued to Arizona upon conversion of the principal amount under the loan agreement were subject to a hold period that expired on November 21, 2021. Interest of CAD 87,696 has been accrued. Interest at 10% per annum is payable on the loan and has been capitalised against the loan as at Dec-21. The loan is repayable on the 16 August 2022 if the loan is not converted to shares. At 31 March the share price is trading significantly below the conversion price of 30c and no value has been attributed to the option for the holder to convert the debt to equity. Accordingly the full value of the convertible note is shown as debt.

11. 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 2,321,235 options, based on the total issued and outstanding common shares as at 30 June 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.

No new options were granted in 2022 or 2021.

12. REVENUE

	Note	Three months ended 31 March	
		2022	2021
		\$	\$
Oil sales		462,801	697,678
Gas sales		10,489	16,435
Processing revenue		297,934	315,997
Interest income		827	-
Other revenue	a)	24,651	86,861
		796,702	1,116,971
Purchased oil sold	b)	-	406,520
Total Revenue		796,702	1,523,491

- 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 had 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 2022

(Expressed in Canadian Dollars)

13. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 31 March	
	2022	2021
	\$	\$
Professional fees	59,380	122,826
Consulting fees	32,941	42,185
Travel and promotion	647	5,485
Administrative expenses	10,494	32,294
Short term lease	2,478	4,454
Low value equipment lease	2,685	4,493
Filing and transfer agent fees	5,736	10,895
Insurance	1,973	40,239
Salaries and wages	217,222	247,578
	333,556	510,449

14. 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	
		2022	2021
		\$	\$
Processing revenue		26,249	27,992
Production costs		64,775	42,652
General and Administrative Expenses		28,420	-
Processing costs		135,305	3,801
Rent expense	i)	-	-
Trade receivables		12,058	18,690
Trade payables		30,741	22,804
Oil & Gas properties expenditure		34,843	-

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	
	2022	2021
	\$	\$
Contractor and consulting fees	68,667	116,935
Included in the above amounts are:		
Upstream Consulting Ltd (James Willis)	26,377	4,094
Arenig Energy Ltd (David Llewellyn)	3,158	3,276
2X Energy Limited (Michael Adams)	-	67,870

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2022

(Expressed in Canadian Dollars)

15. 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.

16. COMMITMENTS

As at 31 March 2022, the Group had the following undiscounted contractual obligations:

	2022 \$	2023 and onwards \$	Total \$
Contract and purchase commitments	179,000	120,000	299,000
	179,000	120,000	299,000

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 a 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.

17. 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	2022 \$	2023 onwards \$	Total \$
Eltham Permit	i	Exploration	-	140,000	140,000
Tariki Licence	ii	Producing	200,000	-	200,000
Waihapa Ngaere Licence	iii	Producing	10,000	10,000	20,000
			210,000	150,000	360,000

- i. Eltham: Evaluate and implement artificial lift.
- ii. Tariki: Processing and Interpretation.
- iii. Waihapa Ngaere: 2022 studies, 2023 updated field development

18. SUBSEQUENT EVENTS

There have been no subsequent events.