



First Quarter 2023
Condensed Consolidated Interim Financial Statements
31 March 2023

(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 2023 \$	31 December 2022 \$
Assets			
<i>Current</i>			
Cash and cash equivalents	3	444,944	527,611
Accounts and other receivables	4	1,061,602	924,575
Prepaid expenses		50,419	69,791
Inventories	5	685,874	660,782
<i>Total current assets</i>		2,242,839	2,182,759
<i>Non-Current</i>			
Inventories	5	239,376	242,304
Property, plant and equipment	6	13,230,269	13,316,930
Intangible Assets	7	148,069	150,552
<i>Total non-current assets</i>		13,617,714	13,709,786
<i>Total assets</i>		15,860,553	15,892,545
Liabilities			
<i>Current</i>			
Trade and other payables	9	2,077,948	1,883,393
Convertible loan	10	2,337,011	2,287,696
Asset retirement obligation	8	-	-
<i>Total current liabilities</i>		4,414,959	4,171,089
<i>Non-Current</i>			
Asset retirement obligations	8	8,447,212	8,269,574
<i>Total liabilities</i>		12,862,171	12,440,663
Shareholders' equity			
Share capital	11	109,738,706	109,738,706
Accumulated deficit		(106,740,324)	(106,286,824)
<i>Total shareholders' equity</i>		2,998,382	3,451,882
<i>Total liabilities and shareholders' equity</i>		15,860,553	15,892,545

Description of business and going concern (Note 1)

These unaudited condensed consolidated financial statements are authorized for issuance by the Board of Directors on 30 May 2023.

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 2023 and 2022
(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 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
Balance, 1 January 2023	23,212,346	109,738,706	21,289,710	1,349,289	11,944,910	(140,870,733)	3,451,882
Net loss for the period	-	-	-	-	-	(391,276)	(391,276)
Other comprehensive income for the period	-	-	-	-	(62,224)	-	(62,224)
Balance, 31 March 2023	23,212,346	109,738,706	21,289,710	1,349,289	11,882,686	(141,262,009)	2,998,382

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 2023 and 2022
(Expressed in Canadian Dollars)

	Notes	Three months ended 31 March	
		2023 \$	2022 \$
Revenues			
Revenue	12	741,344	796,702
Royalties		(18,698)	(25,668)
		722,646	771,034
Expenses and other items			
Production costs		261,986	280,524
Processing costs		241,794	232,792
Depreciation, depletion and amortisation	6,7	105,270	119,969
General and administrative	13	329,755	333,556
Finance expense		127,142	108,109
Foreign exchange (gain)/loss		5,328	16,541
Oil valuation on Inventory held (gain)/loss		-	(181,659)
Abandonment provision movement		42,647	(17,894)
		1,113,922	891,938
Net loss		(391,276)	(120,904)
Other comprehensive loss:			
Exchange difference on translation of foreign currency (i)		(62,224)	21,900
Total comprehensive loss		(453,500)	(99,004)
Basic and diluted loss per share		\$ (0.02)	\$ (0.004)
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 2023 and 2022
(Expressed in Canadian Dollars)

	Notes	Three Months ended 31 March	
		2023 \$	2022 \$
Operating activities			
Net loss for the period		(391,276)	(120,904)
<i>Changes for non-cash operating items</i>			
Depreciation and depletion		105,270	119,969
Accretion		77,827	58,794
Accrued Interest		49,315	49,315
Abandonment provision movement		42,647	(17,894)
Foreign exchange (gain) / loss		5,328	16,541
<i>Change in working capital items</i>			
Accounts and other receivables		(137,027)	1,249,785
Prepaid expenses		19,372	43,457
Inventories		(22,164)	(247,181)
Trade and other payables		194,556	(919,817)
<i>Cash provided by (used in) operating activities</i>		(56,152)	232,065
Investing activities			
Purchase of oil and gas properties		(2,945)	(96,474)
Purchase of property, plant and equipment		(18,179)	(137,691)
<i>Cash provided by (used in) investing activities</i>		(21,124)	(234,165)
Financing activities			
<i>Cash provided by (used in) financing activities</i>		-	-
<i>Net increase (decrease) in cash</i>		(77,276)	(2,100)
Effect of exchange rate changes on cash		(5,391)	(217)
Cash, beginning of the period		527,611	463,272
Cash and equivalents, end of the period	3	444,944	460,955

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2023

(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 2023, the Group reported a Net Loss of \$391,276 (2022: \$120,904) and a cash outflow from operating activities of \$56,152 (2022: inflow \$232,065). The Group has a working capital deficit (total current assets, less total current liabilities) of \$2,172,120 (2022: Deficit \$1,744,129). The deficit includes a liability of \$2,337,011 falling due in July 2024. 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 is advancing plans to initiate a gas storage project and discussions with potential storage users are ongoing. An independent assessment of the economically recoverable gas reserves at Tariki states the proven plus probable (2P) reserves (NZEC share) exceed 6.5PJ.

The Group intends to repay the convertible note debt of \$2,000,000 plus accumulated interest by a variety of means, but primarily by realising the value of the hydrocarbon discovery in the Tariki field. The directors have confidence in the ability of the Group to obtain the funds needed or to refinance the loan given the reserves available to the group.

After taking into account all of the relevant factors above, the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

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 2022, 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 2022.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2023

(Expressed in Canadian Dollars)

3. CASH AND CASH EQUIVALENTS AND REVOLVING CREDIT FACILITY

	31 March 2023	31 December 2022
	\$	\$
Cash and cash equivalents	444,944	527,611
	444,944	527,611

4. ACCOUNTS AND OTHER RECEIVABLES

	31 March 2023	31 December 2022
	\$	\$
Trade receivables	1,061,602	924,575
Accounts and other receivables	1,061,602	924,575
	1,061,602	924,575

5. INVENTORIES

	31 March 2023	31 December 2022
	\$	\$
Current		
Material and supplies	178,688	181,453
Oil inventories	507,186	479,329
	685,874	660,782
Non Current		
Non-current material and supplies	477,815	483,651
Less write down provision to NRV	(238,439)	(241,347)
	239,376	242,304
Write down Provision to NRV non-current material and supplies		
Opening Balance	(249,119)	(249,119)
Movement in provision recognised as expense	10,680	7,772
Closing Balance	(238,439)	(241,347)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2023

(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 2022	327,142	1,325,036	3,312,744	25,781,113	30,746,035
Additions	1,828	-	347,757	312,551	662,136
Disposals	(247,053)	-	(497,542)	-	(744,595)
Impairment Reversal	-	-	383,971	1,531,931	1,915,902
Change in asset retirement cost due to change in estimate	-	-	290,981	(890,578)	(599,597)
Foreign currency translation adjustment	(14,233)	(17,735)	(13,458)	(366,354)	(411,780)
Balance, 31 December 2022	67,684	1,307,301	3,824,453	26,368,663	31,568,101
Additions	-	-	18,179	2,945	21,124
Change in asset retirement cost due to change in estimate	-	-	(12,234)	169,724	157,490
Foreign currency translation adjustment	(815)	(15,757)	(105,648)	(258,673)	(380,893)
Balance, 31 March 2023	66,869	1,291,544	3,724,750	26,282,659	31,365,822
Accumulated depreciation					
Balance, 1 January 2022	257,816	-	1,966,742	16,619,574	18,844,132
Depreciation and depletion	3,690	-	197,989	215,345	417,024
Disposals	(247,053)	-	(497,542)	-	(744,595)
Foreign currency translation adjustment	(13,230)	-	(38,366)	(213,794)	(265,390)
Balance, 31 December 2022	1,223	-	1,628,823	16,621,125	18,251,171
Depreciation and depletion	661	-	55,461	48,478	104,600
Foreign currency translation adjustment	(16)	-	(19,790)	(200,412)	(220,219)
Balance, 31 March 2023	1,868	-	1,664,494	16,469,190	18,135,553
Net Book Value					
Balance, 31 December 2022	66,461	1,307,301	2,195,630	9,747,538	13,316,930
Balance, 30 March 2023	65,001	1,291,544	2,060,256	9,813,468	13,230,269

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2023

(Expressed in Canadian Dollars)

7. INTANGIBLE ASSETS

	Intangible Assets \$
Cost	
Balance, 1 January 2022	-
Additions	156,180
Disposals	-
Foreign currency translation adjustment	(2,090)
Balance, 31 December 2022	<u>154,090</u>
Additions	-
Disposals	-
Foreign currency translation adjustment	(1,857)
Balance, 31 March 2023	<u><u>152,233</u></u>
Accumulated Amortisation	
Balance, 1 January 2022	1,321
Amortisation	2,148
Disposals	-
Foreign currency translation adjustment	69
Balance, 31 December 2022	<u>3,538</u>
Amortisation	670
Disposals	-
Foreign currency translation adjustment	(44)
Balance, 31 March 2023	<u><u>4,164</u></u>
Net Book Value	
Balance, 31 December 2022	<u>150,552</u>
Balance, 31 March 2023	<u><u>148,069</u></u>

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 infinite. 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
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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 2023	31 December 2022
	\$	\$
Opening Balance 1 January	8,269,574	9,129,665
Change in estimate	189,416	(1,026,227)
Accretion expense for the year	89,018	316,815
Reclassified as current	-	-
Foreign currency translation adjustment	(100,796)	(150,679)
Closing Balance	8,447,212	8,269,574

Current

Opening Balance 1 January	-	-
Liabilities settled during the year	-	-
Change in estimate	-	-
Reclassified from non-current	-	-
Foreign currency translation adjustment	-	-
Closing Balance	-	-

Assumptions

Total undiscounted value of payments	\$13,315,485	\$13,569,885
Discount rate	4.19% to 4.93%	4.55% to 5.02%
Inflation rate	2.50%	2.50%
Expected life	2 to 14 years	2 to 14 years

9. TRADE AND OTHER PAYABLES

	Note	31 March 2023	31 December 2022
		\$	\$
Trade payables		1,531,569	1,295,166
GST payable		40,777	80,972
Deferred Revenue		381,780	386,438
Accrued liabilities – payroll		123,822	120,817
Trade and other payables		2,077,948	1,883,393

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2023

(Expressed in Canadian Dollars)

10. CONVERTIBLE LOAN

	Note	31 March 2023 \$	31 December 2022 \$
Convertible Loan		2,337,011	2,287,696

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 287,696 has been accrued. Interest at 10% per annum is payable on the loan and has been added to the outstanding loan balance as at 31 March 23. The loan was originally repayable on the 16 August 2022 if the loan was not converted to shares. An extension of the loan was approved. The revised payment date was 6 November 2022. A further extension was approved with a revised payment date of 31 May 2023 now in place. Post balance date the payment date has been extended further to 20 July 2024. At 31 March the share price is trading 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 2023 or 2022.

12. REVENUE

	Note	Three months ended 31 March	
		2023 \$	2022 \$
Oil sales		378,671	462,801
Gas sales		-	10,489
Processing revenue		334,588	297,934
Interest income		3,165	827
Other revenue	i	24,920	24,651
Total Revenue		741,344	796,702

- i. 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2023

(Expressed in Canadian Dollars)

13. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 31 March	
	2023	2022
	\$	\$
Professional fees	73,362	59,380
Consulting fees	31,999	32,941
Travel and promotion	1,970	647
Administrative expenses	12,142	10,494
Short term lease	2,547	2,478
Low value equipment lease	2,695	2,685
Filing and transfer agent fees	6,986	5,736
Insurance	(19,661)	1,973
Salaries and wages	217,715	217,222
	329,755	333,556

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 and Greymouth Gas Taranaki Ltd. The following transactions and balances with these related parties are:

	Note	Three months ended 31 March	
		2023	2022
		\$	\$
Processing revenue		50,061	26,249
Production costs		120,512	172,868
General and administrative expenses		54,620	28,420
Processing costs		6,040	27,212
Trade receivables		10,213	12,058
Trade payables		402,598	30,741
Oil & Gas properties expenditure		1,688	34,843

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	
	2023	2022
	\$	\$
Contractor and consulting fees	70,004	68,667
Included in the above amounts are:		
Upstream Consulting Ltd (James Willis)	27,681	26,377
Arenig Energy Ltd (David Llewellyn)	3,147	3,158

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2023

(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 2023, the Group had the following undiscounted contractual obligations:

	2023 \$	2024 and onwards \$	Total \$
Contract and purchase commitments	184,000	142,000	326,000
	184,000	142,000	326,000

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	2023 \$	2024 and onwards \$	Total \$
Eltham Permit		Exploration	-	-	-
Tariki Licence		Producing	-	-	-
Waihapa Ngaere Licence	i	Producing	10,000	-	10,000
			10,000	-	10,000

i. Waihapa Ngaere: 2023 updated field development

18. SUBSEQUENT EVENTS

There have been no subsequent events.