



Third Quarter 2020
Condensed Consolidated Interim Financial Statements
30 September 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	30 September 2020 \$	31 December 2019 \$
Assets			
<i>Current</i>			
Cash	3	554,929	1,474,809
Accounts and other receivables	4	617,449	748,525
Prepaid expenses		85,664	196,510
Inventories	5	559,728	767,146
<i>Total current assets</i>		1,817,770	3,186,990
<i>Non-Current</i>			
Inventories	5	462,520	463,749
Property, plant and equipment	6	14,837,695	13,198,851
<i>Total non-current assets</i>		15,300,215	13,662,600
<i>Total assets</i>		17,117,985	16,849,590
Liabilities			
<i>Current</i>			
Accounts payable and accrued liabilities	8	750,396	1,448,861
Asset retirement obligation	7	335,740	627,350
<i>Total current liabilities</i>		1,086,136	2,076,211
<i>Non-Current</i>			
Asset retirement obligations	7	14,280,182	11,703,515
<i>Total liabilities</i>		15,366,318	13,779,726
Shareholders' equity			
Share capital	9	109,738,706	109,738,706
Accumulated deficit		(107,987,039)	(106,668,842)
<i>Total shareholders' equity</i>		1,751,667	3,069,864
<i>Total liabilities and shareholders' equity</i>		17,117,985	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 30 November 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 30 September 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	-	-	-	-	-	(876,875)	(876,875)
Other comprehensive income for the period	-	-	-	-	(400,252)	-	(400,252)
Balance, 30 September 2019	232,123,459	109,738,706	21,289,710	1,349,289	11,782,022	(140,544,059)	3,615,668
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	-	-	-	-	-	(1,307,383)	(1,307,383)
Other comprehensive income for the period	-	-	-	-	(10,814)	-	(10,814)
Balance, 30 September 2020	232,123,459	109,738,706	21,289,710	1,349,289	11,973,410	(142,599,448)	1,751,667

See accompanying notes to the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
For the nine month periods ended 30 September 2020 and 2019
(Expressed in Canadian Dollars)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2020 \$	2019 \$	2020 \$	2019 \$
Revenues					
Revenue	10	1,593,195	1,928,857	4,378,085	7,424,719
Royalties		(12,615)	(40,337)	(79,382)	(178,741)
		<u>1,580,580</u>	<u>1,888,520</u>	<u>4,298,703</u>	<u>7,225,978</u>
Expenses and other items					
Production costs		262,962	205,261	1,004,735	1,091,580
Purchased oil	10	205,984	294,806	594,847	2,025,806
Processing costs		291,693	275,215	1,075,458	1,054,356
Depreciation and depletion	6	265,413	379,081	768,213	974,780
General and administrative	11	525,845	811,741	1,968,373	2,586,111
Finance expense		38,413	36,519	132,855	156,373
Foreign exchange (gain)/loss		1,869	788	(336)	(4,044)
Inventory write-down		20	-	1,562	-
Abandonment provision movement		50,620	76,154	60,379	217,891
		<u>1,642,819</u>	<u>2,079,565</u>	<u>5,606,086</u>	<u>8,102,853</u>
Net loss		(62,239)	(191,045)	(1,307,383)	(876,875)
Other comprehensive loss:					
Exchange difference on translation of foreign currency (i)		27,186	(211,611)	(10,814)	(400,252)
Total comprehensive loss		(35,053)	(402,656)	(1,318,197)	(1,277,127)
Basic and diluted loss per share		\$ (0.0002)	(\$ 0.001)	(\$ 0.006)	(\$ 0.004)
Weighted average shares outstanding		232,123,459	232,123,459	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 nine month periods ended 30 September 2020 and 2019
(Expressed in Canadian Dollars)

	Notes	Nine months ended 30 September	
		2020 \$	2019 \$
Operating activities			
Net loss for the period		(1,307,383)	(876,875)
<i>Changes for non-cash operating items</i>			
Depreciation and depletion		767,625	992,598
Accretion		132,855	143,845
Abandonment provision movement		60,379	217,891
Foreign exchange (gain) / loss		(336)	(4,044)
Abandonment provision reversal		(290,921)	-
<i>Change in non-cash working capital items</i>			
Accounts and other receivables		131,076	1,131,826
Prepaid expenses		110,846	1,902
Inventories		208,646	(183,413)
Accounts payable and accrued liabilities		(698,463)	(1,130,040)
<i>Cash provided by (used in) operating activities</i>		(885,676)	293,690
Investing activities			
Proceeds from sale of Property, Plant and Equipment		-	96,997
Purchase of oil and gas properties		(50,828)	(356,476)
Purchase of property, plant and equipment		-	(166,261)
<i>Cash provided by (used in) investing activities</i>		(50,828)	(425,740)
Financing activities			
<i>Cash provided by (used in) financing activities</i>		-	-
<i>Net increase (decrease) in cash</i>		(936,504)	(132,050)
Effect of exchange rate changes on cash		16,623	(113,034)
Cash, beginning of the period		1,474,809	1,237,019
<i>Cash and equivalents, end of the period</i>	4	554,929	991,935
<i>Supplemental cash-flow disclosures</i>			
Changes in accounts payable related to property, plant & equipment		-	(3,935)
Cash interest received		6,487	12,528

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 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 nine months ended 30 September 2020, the Group reported a Net Loss of \$1,307,383 (2019: \$876,875) and a cash outflow from operating activities of \$885,676 (2019: inflow \$293,690). The Group has working capital (total current assets less total current liabilities) of \$731,634 (2019: \$1,171,401). 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
30 September 2020

(Expressed in Canadian Dollars)

3. CASH AND CASH EQUIVALENTS AND REVOLVING CREDIT FACILITY

	30 September 2020	31 December 2019
	\$	\$
Cash and cash equivalents	554,929	1,474,809

4. ACCOUNTS AND OTHER RECEIVABLES

	30 September 2020	31 December 2019
	\$	\$
Trade receivables	617,449	747,878
GST receivable	-	647
Total Current Accounts and other receivables	617,449	748,525

5. INVENTORIES

	30 September 2020	31 December 2019
	\$	\$
Current		
Material and supplies	210,164	201,087
Oil inventories	349,564	566,059
	559,728	767,146
Non Current		
Non-current material and supplies	1,356,522	1,353,100
Less write down provision to NRV	(894,002)	(889,351)
	462,520	463,749
Write down Provision to NRV non-current material and supplies		
Opening Balance	(889,351)	(831,084)
Movement in provision recognised as expense	(4,651)	(89,380)
Provision reversed on material and supplies sold	-	31,113
Closing Balance	(894,002)	(889,351)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 September 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	-	-	-	50,828	50,828
Change in asset retirement cost due to change in estimate	-	-	1,566,539	688,830	2,255,369
Foreign currency translation adjustment	1,729	7,003	65,038	139,138	212,908
Balance, 30 September 2020	332,329	1,346,044	7,890,493	24,705,792	34,274,658

	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	9,414	-	310,062	448,149	767,625
Foreign currency translation adjustment	1,428	-	19,663	91,545	112,636
Balance, 30 September 2020	247,271	-	2,885,452	16,304,240	19,436,963

Net Book Value

Balance, 31 December 2019	94,171	1,339,041	3,703,188	8,062,450	13,198,851
Balance, 30 September 2020	85,058	1,346,044	5,005,041	8,401,552	14,837,695

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
30 September 2020

(Expressed in Canadian Dollars)

<u>Non-Current</u>	30 September 2020 \$	31 December 2019 \$
Opening Balance 1 January	11,703,515	11,543,073
Change in estimate	2,334,316	625,009
Accretion expense for the year	132,867	236,228
Reclassified as current	-	(266,095)
Foreign currency translation adjustment	109,484	(434,700)
Closing Balance	14,282,182	11,703,515

Current

Opening Balance 1 January	627,350	392,250
Change in estimate	2,765	(15,918)
Reclassified from non-current	-	266,095
Provision reversal for completed abandonment	(290,921)	-
Foreign currency translation adjustment	(3,454)	(15,077)
Closing Balance 31 December	335,740	627,350

Assumptions

Total undiscounted value of payments	\$21,591,348	\$22,741,138
Discount rate	0.02% to 1.80%	1.06% to 2.79%
Inflation rate	1%	2%
Expected life	1 to 36 years	1 to 36 years

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Note	30 September 2020 \$	31 December 2019 \$
Trade payables		483,616	900,272
GST payable		42,621	146,366
Accrued liabilities - payroll		224,159	402,223
Total Current Accounts payable and accrued liabilities		750,396	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 30 September 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
30 September 2020

(Expressed in Canadian Dollars)

	30 September 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	(10,000,000)	0.05	(566,000)	0.45
Total Outstanding	-	-	10,000,000	0.05

Options outstanding and exercisable	Exercise price \$	30 September 2020		31 December 2019	
		Number of options	Weighted average contractual life (years)	Number of options	Weighted average contractual life (years)
Options outstanding	0.05	-	-	10,000,000	0.50
Options exercisable	0.05	-	-	10,000,000	0.50

No new options granted in 2020 or 2019.

10. REVENUE

Note	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
	\$	\$	\$	\$
Oil sales	543,456	969,143	1,671,027	3,292,779
Gas sales	18,849	17,514	41,587	17,514
Processing revenue	610,295	549,418	1,685,213	1,811,659
Interest income	81	1,397	6,487	14,208
Other revenue	a) 214,530	96,579	378,924	262,753
	1,387,211	1,634,051	3,783,238	5,398,913
Purchased oil sold	b) 205,984	294,806	594,847	2,025,806
Total Revenue	1,593,195	1,928,857	4,378,085	7,424,719

- 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
30 September 2020

(Expressed in Canadian Dollars)

11. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
	\$	\$	\$	\$
Professional fees	34,096	(1,173)	127,914	89,059
Consulting fees	24,308	33,568	101,576	134,796
Travel and promotion	6,402	20,837	13,066	51,175
Administrative expenses	49,279	105,196	164,941	246,171
Rent	6,156	10,464	21,215	31,974
Leases	-	-	8,119	-
Filing and transfer agent fees	18,837	7,385	31,628	19,136
Insurance	61,274	43,247	144,470	132,394
Salary and wages	325,493	592,217	1,355,444	1,881,406
	525,845	811,741	1,968,373	2,586,111

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	Three months ended 30 September		Nine months ended 30 September	
		2020	2019	2020	2019
		\$	\$	\$	\$
Processing revenue		73,396	70,699	216,919	233,381
Production costs		55,853	(77,395)	180,513	367,708
Processing costs		14,390	79,236	99,299	79,236
Rent expense	i)	1,411	-	4,158	-
Trade receivables		26,517	63,332	26,517	63,332
Trade payables		23,538	27,346	23,538	27,346
Oil & Gas properties expenditure		-	224,233	-	224,233
Plant & Equipment Disposal			96,997		96,997

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 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
	\$	\$	\$	\$
Salary and consulting fees	104,637	226,079	481,590	677,962

Included in the above amounts are:

Upstream Consulting Ltd (James Willis)	4,031	7,605	14,299	23,722
Arenig Energy Ltd (David Llewellyn)	-	5,704	8,777	17,972
Michael Adams Reservoir Engineering Ltd (Michael Adams)	66,071	91,310	210,887	282,031

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 September 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 30 September 2020, the Group had the following undiscounted contractual obligations:

	2020 \$	2021 to 2022 \$	2023 and onwards \$	Total \$
Operating lease obligations	1,000	4,000	-	5,000
Contract and purchase commitments	232,000	446,000	46,000	724,000
	233,000	450,000	46,000	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	2020 \$	2021 \$	2022 \$	Total \$
Eltham Permit	i	Exploration	110,000	140,000	-	250,000
Tariki Licence	ii	Development	150,000	2,380,000	510,000	3,040,000
Waihapa Ngaere Licence	iii	Producing	22,000	22,000	10,000	54,000
			282,000	2,542,000	520,000	3,344,000

- i. Eltham (PEP51150): 2020 land remediation of Wairere-1A, 2021 evaluate and implement artificial lift at Arakamu-2A.
- 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: 2020 studies, 2022 updated Field Development Plan.

16. SUBSEQUENT EVENTS

There have been no subsequent events.