



Third Quarter 2021
Condensed Consolidated Interim Financial Statements
30 September 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	30 September 2021 \$	31 December 2020 \$
Assets			
<i>Current</i>			
Cash	3	709,236	1,020,085
Accounts and other receivables	4	1,028,541	269,107
Prepaid expenses		104,652	169,466
Inventories	5	654,712	830,273
<i>Total current assets</i>		2,497,141	2,288,931
<i>Non-Current</i>			
Inventories	5	414,781	475,105
Property, plant and equipment	6	11,386,822	10,329,305
<i>Total non-current assets</i>		11,801,603	10,804,410
<i>Total assets</i>		14,298,744	13,093,341
Liabilities			
<i>Current</i>			
Convertible Loan	9	2,000,000	-
Accounts payable and accrued liabilities	8	1,419,375	861,491
Asset retirement obligation	7	198,703	230,061
<i>Total current liabilities</i>		3,618,078	1,091,552
<i>Non-Current</i>			
Asset retirement obligations	7	8,704,718	9,397,239
<i>Total liabilities</i>		12,322,796	10,488,791
Shareholders' equity			
Share capital	10	109,738,706	109,738,706
Accumulated deficit		(107,762,758)	(107,134,156)
<i>Total shareholders' equity</i>		1,975,948	2,604,550
<i>Total liabilities and shareholders' equity</i>		14,298,744	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 26 November 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 30 September 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	(141,292,065)	3,069,864
Net loss for the period	-	-	-	-	-	(1,307,383)	(1,303,383)
Other comprehensive income for the period	-	-	-	-	(10,184)	-	(10,184)
Balance, 30 September 2020	<u>232,123,459</u>	<u>109,738,706</u>	<u>21,289,710</u>	<u>1,349,289</u>	<u>11,946,224</u>	<u>(142,599,448)</u>	<u>1,751,667</u>
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	-	-	-	-	-	(425,116)	(425,116)
Share consolidation	10 (208,911,113)	-	-	-	-	-	-
Other comprehensive income for the period	-	-	-	-	(203,486)	-	(203,486)
Balance, 30 September 2021	<u>23,212,346</u>	<u>109,738,706</u>	<u>21,289,710</u>	<u>1,349,289</u>	<u>11,903,453</u>	<u>(142,332,210)</u>	<u>1,975,948</u>

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 2021 and 2020
(Expressed in Canadian Dollars)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2021 \$	2020 \$	2021 \$	2020 \$
Revenues					
Revenue	11	1,256,247	1,593,195	3,771,607	4,378,085
Royalties		(41,723)	(12,615)	(121,440)	(79,382)
		<u>1,214,524</u>	<u>1,580,580</u>	<u>3,650,167</u>	<u>4,298,703</u>
Expenses and other items					
Production costs		515,654	262,962	1,102,753	1,004,735
Purchased oil	11	254,780	205,984	877,939	594,847
Processing costs		301,905	291,693	556,358	1,075,458
Depreciation and depletion	6	103,361	265,413	406,387	768,213
General and administrative	12	396,547	525,845	1,285,113	1,968,373
Finance expense		22,495	38,413	103,930	132,855
Foreign exchange (gain)/loss		17,538	1,869	7,544	(336)
Inventory write-down		-	20	-	1,562
Abandonment provision movement		14,641	50,620	(264,741)	60,379
		<u>1,626,921</u>	<u>1,642,819</u>	<u>4,075,283</u>	<u>5,606,086</u>
Net Profit/(loss)		(412,397)	(62,239)	(425,116)	(1,307,383)
Other comprehensive loss:					
Exchange difference on translation of foreign currency (i)		26,932	27,186	(203,486)	(10,814)
Total comprehensive income/(loss)		(385,465)	(35,053)	(628,602)	(1,318,197)
Basic and diluted loss per share		\$ (0.02)	\$ (0.002)	\$ (0.02)	\$ (0.006)
Weighted average shares outstanding		23,212,346	232,123,459	23,212,346	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 2021 and 2020
(Expressed in Canadian Dollars)

	Notes	Nine months ended 30 September	
		2021	2020
		\$	\$
Operating activities			
Net loss for the period		(425,116)	(1,307,383)
<i>Changes for non-cash operating items</i>			
Depreciation and depletion		428,537	767,625
Accretion		103,930	132,855
Abandonment provision movement		(264,741)	60,379
Foreign exchange (gain) / loss		7,544	(336)
Abandonment provision reversal		-	(290,921)
<i>Change in working capital items</i>			
Accounts and other receivables		(759,434)	131,076
Prepaid expenses		64,814	110,846
Inventories		235,885	208,646
Accounts payable and accrued liabilities		557,885	(698,463)
<i>Cash provided by (used in) operating activities</i>		(50,696)	(886,676)
Investing activities			
Purchase of oil and gas properties		(2,142,822)	(50,828)
Purchase of property, plant and equipment		(280,841)	-
<i>Cash provided by (used in) investing activities</i>		(2,423,663)	(50,828)
Financing activities			
Convertible Loan		2,000,000	-
<i>Cash provided by (used in) financing activities</i>		2,000,000	-
<i>Net increase (decrease) in cash</i>		(474,359)	(936,504)
Effect of exchange rate changes on cash		163,510	(16,623)
Cash, beginning of the period		1,020,085	1,474,809
<i>Cash and equivalents, end of the period</i>	4	709,236	554,929
 <i>Supplemental cash-flow disclosures</i>			
Cash interest received		-	6,487

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 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, appraisal, development 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 2021, the Group reported a Net Loss of \$425,116 (2020: Loss \$1,307,883) and a cash outflow from operating activities of \$50,696 (2020: outflow \$885,676). The Group has working capital (total current assets, less total current liabilities) of \$(1,120,937) (2020: \$721,634). 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 options to improve its financial capacity, including cash flow from oil and gas production, water handling, 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
30 September 2021

(Expressed in Canadian Dollars)

3. CASH AND CASH EQUIVALENTS AND REVOLVING CREDIT FACILITY

	30 September 2021	31 December 2020
	\$	\$
Cash and cash equivalents	709,236	1,020,085

4. ACCOUNTS AND OTHER RECEIVABLES

	30 September 2021	31 December 2020
	\$	\$
Trade receivables	1,028,541	269,107
Total Current Accounts and other receivables	1,028,541	269,107

5. INVENTORIES

	30 September 2021	31 December 2020
	\$	\$
Current		
Material and supplies	186,705	264,359
Oil inventories	468,007	565,914
	654,712	830,273
Non Current		
Non-current material and supplies	1,249,825	1,353,235
Less write down provision to NRV	(835,044)	(878,130)
	414,781	475,105
Write down Provision to NRV non-current material and supplies		
Opening Balance	(878,130)	(889,351)
Movement in provision recognised as expense	-	(37,894)
Provision reversed on material and supplies sold	43,086	49,115
Closing Balance	(835,044)	(878,130)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 September 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	-	-	280,841	2,142,822	2,423,663
Change in asset retirement cost due to change in estimate	-	-	99,808	(460,710)	(360,902)
Foreign currency translation adjustment	(16,989)	(68,809)	(140,020)	(1,303,256)	(1,529,074)
Balance, 30 September 2021	329,246	1,333,561	3,033,200	25,452,692	30,148,699

	Furniture and fixture \$	Land and building \$	Plant and equipment \$	Oil and gas properties \$	Total \$
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	9,264	-	148,407	270,866	428,537
Foreign currency translation adjustment	(12,931)	-	(95,106)	(844,330)	(952,367)
Balance, 30 September 2021	257,201	-	1,948,664	16,556,012	18,761,877

Net Book Value

Balance, 31 December 2020	85,367	1,402,370	897,208	7,944,360	10,329,305
Balance, 30 September 2021	72,045	1,333,561	1,084,536	8,896,680	11,386,822

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(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>	30 September 2021	31 December 2020
	\$	\$
Opening Balance 1 January	9,397,239	8,263,618
Change in estimate	(360,402)	404,809
Accretion expense for the year	125,633	201,127
Reclassified as current	-	119,728
Foreign currency translation adjustment	(457,752)	407,957
Closing Balance	8,704,718	9,397,239

Current

Opening Balance 1 January	230,061	627,350
Change in estimate	-	(294,244)
Reclassified from non-current	(20,359)	3,633
Provision reversal for completed abandonment	-	(119,728)
Foreign currency translation adjustment	(10,999)	13,050
Closing Balance 30 September	198,703	230,061

Assumptions

Total undiscounted value of payments	\$16,030,249	14,085,626
Discount rate	0.70% to 3.09%	0.24% to 2.67%
Inflation rate	2.01%	1.92%
Expected life	1 to 35 years	1 to 35 years

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Note	30 September 2021	31 December 2020
		\$	\$
Trade payables		1,241,339	581,786
GST payable/(receivable)		26,619	62,806
Accrued liabilities payroll		151,417	216,899
Total Current accounts payable and accrued liabilities		1,419,375	861,491

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

9. CONVERTIBLE LOAN

	Note	30 September 2021	31 December 2020
		\$	\$
Convertible Loan		2,000,000	-
		2,000,000	-

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 are subject to a hold period that expires on November 21, 2021.

10. 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 granted in 2021 or 2020.

On 21 June 2021, the company consolidated its shares on a 10:1 basis.

11. REVENUE

	Note	Three months ended 30 September		Nine months ended 30 September	
		2021	2020	2021	2020
		\$	\$	\$	\$
Oil sales		714,234	543,456	1,983,098	1,671,027
Gas sales		13,011	18,849	45,148	41,587
Processing revenue		232,350	610,295	755,066	1,685,213
Interest income		-	81	-	6,487
Other revenue	a)	41,872	214,530	110,356	378,924
		1,001,467	1,387,211	2,893,668	3,783,238
Purchased oil sold	b)	254,780	205,984	877,939	594,847
Total Revenue		1,256,247	1,593,195	3,771,607	4,378,085

- 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 2021

(Expressed in Canadian Dollars)

12. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 30		Nine months ended 30	
	September		September	
	2021	2020	2021	2020
	\$	\$	\$	\$
Professional fees	46,243	34,096	214,394	127,914
Consulting fees	6,965	24,308	56,404	101,576
Travel and promotion	1,568	6,402	7,965	13,066
Administrative expenses	81,934	49,279	166,410	164,941
Rent	2,178	6,156	8,858	21,215
Leases	3,508	-	10,823	8,119
Filing and transfer agent fees	12,952	18,837	39,302	31,628
Insurance	3,406	61,274	105,442	144,470
Salary and wages	237,793	325,493	675,515	1,355,444
	396,547	525,845	1,285,113	1,968,373

13. 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		Nine months ended 30	
		September		September	
		2021	2020	2021	2020
		\$	\$	\$	\$
Processing revenue		17,199	73,396	63,397	216,919
Production costs		156,319	55,853	288,119	180,513
Processing costs		(22)	14,390	3,712	99,299
Rent expense		-	1,411	-	4,158
Trade receivables		6,539	26,517	6,539	26,517
Trade payables		49,129	23,538	49,129	23,538

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		Nine months ended 30	
	September		September	
	2021	2020	2021	2020
	\$	\$	\$	\$
Salary and consulting fees	120,381	104,637	352,751	481,590

Included in the above amounts are:

Upstream Consulting Ltd (James Willis)	3,218	4,031	9,653	14,299
Arenig Energy Ltd (David Llewellyn)	4,022	-	12,066	8,777
2X Energy Limited (Michael Adams)	67,568	66,071	201,803	210,887

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 September 2021

(Expressed in Canadian Dollars)

14. 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, appraisal, 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.

15. COMMITMENTS

As at 30 September 2021, the Group had the following undiscounted contractual obligations:

	2021 to 2022	2023 and onwards	Total
	\$	\$	\$
Operating lease obligations	1,000	-	1,000
Contract and purchase commitments	399,000	174,000	573,000
	400,000	174,000	574,000

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.

16. 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	2,480,000	200,000	-	2,680,000
Waihapa Ngaere Licence	iii	Producing	22,000	10,000	10,000	42,000
			2,642,000	210,000	10,000	2,862,000

- i. Eltham (PEP51150): Evaluate and implement artificial lift.
- ii. 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

17. SUBSEQUENT EVENTS

There have been no subsequent events.