



Third Quarter 2023
Condensed Consolidated Interim Financial Statements
30 September 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	30 September 2023 \$	31 December 2022 \$
Assets			
<i>Current</i>			
Cash	3	92,007	527,611
Accounts and other receivables	4	602,270	924,575
Prepaid expenses		87,205	69,791
Inventories	5	692,983	660,782
<i>Total current assets</i>		1,474,465	2,182,759
<i>Non-Current</i>			
Inventories	5	209,425	242,304
Property, plant and equipment	6	11,475,566	13,316,930
Intangible assets	7	139,411	150,552
<i>Total non-current assets</i>		11,824,402	13,709,786
<i>Total assets</i>		13,298,867	15,892,545
Liabilities			
<i>Current</i>			
Trade and other payables	9	2,021,914	1,883,393
Convertible loan	10	2,437,285	2,287,696
Asset retirement obligations	8	-	-
<i>Total current liabilities</i>		4,459,199	4,171,089
<i>Non-Current</i>			
Asset retirement obligations	8	7,164,845	8,269,574
<i>Total liabilities</i>		11,624,044	12,440,663
Shareholders' equity			
Share capital	11	109,738,706	109,738,706
Accumulated deficit		(108,063,883)	(106,286,824)
<i>Total shareholders' equity</i>		1,674,823	3,451,882
<i>Total liabilities and shareholders' equity</i>		13,298,867	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 29 November 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 30 September 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	-	-	-	-	-	(32,494)	(32,494)
Other comprehensive income for the period	-	-	-	-	(352,468)	-	(352,468)
Balance, 30 September 2022	23,212,346	109,738,706	21,289,710	1,349,289	11,539,533	(142,690,658)	1,226,580
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	-	-	-	-	-	(1,469,238)	(1,469,238)
Other comprehensive income for the period	-	-	-	-	(307,821)	-	(307,821)
Balance, 30 September 2023	23,212,346	109,738,706	21,289,710	1,349,289	11,637,089	(142,339,971)	1,674,823

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 2023 and 2022
(Expressed in Canadian Dollars)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2023 \$	2022 \$	2023 \$	2022 \$
Revenues					
Revenue	12	421,603	1,165,431	1,681,093	3,713,701
Royalties		6,878	(45,177)	(26,998)	(141,469)
		<u>428,481</u>	<u>1,120,254</u>	<u>1,654,095</u>	<u>3,572,232</u>
Expenses and other items					
Production costs		187,936	400,373	864,802	1,168,083
Processing costs		178,652	294,610	629,863	720,011
Depreciation and depletion	6,7	70,533	80,107	278,213	314,579
General and administrative	13	293,010	536,949	972,569	1,332,051
Finance expense		146,023	129,851	409,131	354,586
Foreign exchange (gain)/loss		6,836	(15,445)	9,266	(17,626)
Inventory write-down		-	-	-	-
Abandonment provision movement		(59,657)	(51,534)	(40,511)	(266,958)
		<u>823,333</u>	<u>1,374,911</u>	<u>3,123,333</u>	<u>3,604,726</u>
Net Profit/(loss)		(394,852)	(254,657)	(1,469,238)	(32,494)
Other comprehensive loss:					
Exchange difference on translation of foreign currency (i)		2,878	(64,084)	(307,821)	(352,468)
Total comprehensive income/(loss)		(391,974)	(318,741)	(1,777,059)	(384,962)
Basic and diluted loss per share		\$ (0.02)	\$ (0.01)	\$ (0.08)	\$ (0.02)
Weighted average shares outstanding		23,212,346	23,212,346	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 nine month periods ended 30 September 2023 and 2022
(Expressed in Canadian Dollars)

	Notes	Nine months ended 30 September	
		2023 \$	2022 \$
Operating activities			
Net Profit/(loss) for the period		(1,469,238)	(32,494)
<i>Changes for non-cash operating items</i>			
Depreciation and depletion		278,213	314,579
Accretion and accrued interest		409,131	354,586
Abandonment provision movement		(40,511)	(266,958)
Foreign exchange (gain) / loss		9,266	(17,626)
<i>Change in working capital items</i>			
Accounts and other receivables		322,304	(201,739)
Prepaid expenses		(17,414)	18,405
Inventories		678	(5,733)
Accounts payable and accrued liabilities		138,519	448,920
<i>Cash provided by (used in) operating activities</i>		(369,052)	611,940
Investing activities			
Purchase of oil and gas properties		(41,822)	(288,231)
Purchase of property, plant and equipment		(17,681)	(294,927)
<i>Cash provided by (used in) investing activities</i>		(59,503)	(583,158)
Financing activities			
Convertible Loan		-	-
<i>Cash provided by (used in) financing activities</i>		-	-
<i>Net increase (decrease) in cash</i>		(428,555)	28,782
Effect of exchange rate changes on cash		(7,049)	(29,078)
Cash, beginning of the period		527,611	463,272
<i>Cash and equivalents, end of the period</i>	3	92,007	462,976

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 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, 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 2023, the Group reported a Net Loss of \$1,469,238 (2022: Loss \$32,494) and a cash outflow from operating activities of \$119,456 (2022: Inflow \$611,940). The Group has working capital (total current assets less total current liabilities) of \$(2,984,734) (2022: \$(1,951,896)). The deficit includes a liability of \$2,437,285 falling due in July 2025.

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
30 September 2023

(Expressed in Canadian Dollars)

3. CASH

	30 September 2023	31 December 2022
	\$	\$
Cash	92,007	527,611

4. ACCOUNTS AND OTHER RECEIVABLES

	30 September 2023	31 December 2022
	\$	\$
Accounts and other receivables	602,270	924,575

5. INVENTORIES

	30 September 2023	31 December 2022
	\$	\$
Current		
Material and supplies	164,221	181,453
Oil inventories	528,762	479,329
	692,983	660,782
Non Current		
Non-current material and supplies	382,567	483,651
Less write down provision to NRV	(173,142)	(241,347)
	209,425	242,304
Write down Provision to NRV non-current material and supplies		
Opening Balance	(241,347)	(249,119)
Movement in provision recognised as expense	68,205	7,772
Closing Balance	(173,142)	(241,347)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 September 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	-	-	17,681	41,822	59,503
Disposal	-	-	-	-	-
Change in asset retirement cost due to change in estimate	-	-	(165,648)	(662,599)	(828,247)
Foreign currency translation adjustment	(4,184)	(80,837)	(289,177)	(1,557,811)	(1,932,009)
Balance, 30 September 2023	63,500	1,226,464	3,387,309	24,190,075	28,867,348

	Furniture and fixture \$	Land and building \$	Plant and equipment \$	Oil and gas properties \$	Total \$
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	1,928	-	169,451	104,953	276,332
Disposals	-	-	-	-	-
Foreign currency translation adjustment	(126)	-	(105,257)	(1,030,338)	(1,135,721)
Balance, 30 September 2023	3,025	-	1,693,017	15,695,740	17,391,782

Net Book Value

Balance, 31 December 2022	66,461	1,307,301	2,195,630	9,747,538	13,316,930
Balance, 30 September 2023	60,475	1,226,464	1,694,292	8,494,335	11,475,566

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 September 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	154,090
Additions	-
Disposals	-
Foreign currency translation adjustment	(9,528)
Balance, 30 September 2023	144,562
Accumulated Amortisation	
Balance, 1 January 2022	1,321
Amortisation	2,148
Disposals	-
Foreign currency translation adjustment	69
Balance, 31 December 2022	3,538
Amortisation	1,881
Disposals	-
Foreign currency translation adjustment	(268)
Balance, 30 September 2023	5,151
Net Book Value	
Balance, 31 December 2022	150,552
Balance, 30 September 2023	139,411

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 assets are 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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(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>	30 September 2023	31 December 2022
	\$	\$
Opening Balance 1 January	8,269,574	9,129,665
Change in estimate	(904,190)	(1,026,227)
Accretion expense for the year	295,464	316,815
Reclassified as current	-	-
Foreign currency translation adjustment	(496,003)	(150,679)
Closing Balance	7,164,845	8,269,574

Current

Opening Balance 1 January	-	-
Change in estimate	-	-
Reclassified from non-current	-	-
Provision reversal for completed abandonment	-	-
Foreign currency translation adjustment	-	-
Closing Balance 31 December	-	-

Assumptions

Total undiscounted value of payments	\$12,306,549	\$13,569,885
Discount rate	5.39% to 5.87%	4.55% to 5.02%
Inflation rate	2.20%	2.50%
Expected life	1 to 13 years	2 to 14 years

9. TRADE AND OTHER PAYABLES

	30 September 2023	31 December 2022
	\$	\$
Trade payables	1,587,721	1,295,166
GST payable/(receivable)	(61)	80,972
Deferred revenue	362,543	386,438
Accrued liabilities – payroll	71,711	120,817
Total trade and other payables	2,021,914	1,883,393

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 September 2023

(Expressed in Canadian Dollars)

10. CONVERTIBLE LOAN

	30 September 2023	31 December 2022
	\$	\$
Convertible Loan	2,437,285	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 437,285 has been accrued. Interest at 10% per annum is payable on the loan and has been added to the outstanding loan balance as at 30 June 23. The loan was originally repayable on the 16 August 2022 if the loan was not converted to shares. A number of extensions of the loan have been approved. The revised payment date is now 20 July 2025. At 30 September the share price is trading below the conversion price of \$0.30 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 September 2023. 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 30 September		Nine months ended 30 September	
		2023	2022	2023	2022
		\$	\$	\$	\$
Oil sales		125,154	751,895	757,972	2,506,602
Gas sales		-	4,315	-	21,785
Processing revenue		148,471	383,759	693,476	1,105,169
Other revenue	a)	147,978	25,462	229,645	80,145
		421,603	1,165,431	1,681,093	3,713,701
Total Revenue		421,603	1,165,431	1,681,093	3,713,701

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 September 2023

(Expressed in Canadian Dollars)

13. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2023	2022	2023	2022
	\$	\$	\$	\$
Professional fees	16,920	115,409	160,830	287,586
Consulting fees	2,557	2,901	37,455	38,806
Travel and promotion	293	56	3,473	1,915
Administrative expenses	42,458	64,574	75,711	109,927
Rent	2,272	3,084	7,161	8,305
Leases	2,389	2,490	7,664	7,722
Filing and transfer agent fees	1,162	5,023	15,200	17,254
Insurance	6,785	11,525	20,292	80,006
Salary and wages	218,174	331,887	644,783	780,530
	293,010	536,949	972,569	1,332,051

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 30 September		Nine months ended 30 September	
		2023	2022	2023	2022
		\$	\$	\$	\$
Processing revenue		19,527	25,043	98,012	74,246
Production costs		67,410	144,874	278,796	470,516
Processing costs		24,097	11,533	37,478	192,297
General and Administrative costs		51,023	26,038	158,982	127,785
Property Plant and Equipment		(17)	25,053	1,642	93,695
Trade receivables		4,514	10,953	4,514	10,953
Trade payables		766,365	281,250	766,365	281,250

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	
	2023	2022	2023	2022
	\$	\$	\$	\$
Salary and consulting fees	69,262	63,625	210,246	204,936
Included in the above amounts are:				
Upstream Consulting Ltd (James Willis)	29,526	21,220	87,139	84,195
Arenig Energy Ltd (David Llewellyn)	2,917	2,952	8,933	9,144

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 September 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, 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.

16. COMMITMENTS

As at 30 September 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	i	Exploration	-	-	-
Tariki Licence	ii	Producing	-	-	-
Waihapa Ngaere Licence	iii	Producing	10,000	-	10,000
			10,000	-	10,000

iii Waihapa Ngaere: 2023 updated field development

18. SUBSEQUENT EVENTS

On 20 October 2023, the company consolidated its shares on a 10:1 basis.