



Consolidated Financial Statements
Year Ended 31 December 2024

(Expressed in Canadian Dollars)

MANAGEMENT'S REPORT

Management of New Zealand Energy Corp. (the "Company") is responsible for the reliability and integrity of the consolidated financial statements and the notes to the consolidated financial statements.

The consolidated financial statements were prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Since a precise determination of many assets and liabilities is dependent on future events, the timely preparation of financial statements requires management to make estimates and assumptions and use judgment. When alternate accounting methods exist, management has chosen those it deems most appropriate in the circumstances.

Ernst & Young, an independent firm of Chartered Accountants, were appointed by shareholders as the external auditors of the Company to express an audit opinion on the consolidated financial statements. Their examination included such tests and procedures as they considered necessary to provide reasonable assurance the consolidated financial statements are in accordance with International Financial Reporting Standards.

The Board of Directors is responsible for ensuring management fulfils its responsibilities for financial reporting and internal control. The Board exercises this responsibility through the Audit Committee. The Audit Committee recommends appointment of the external auditors to the Board, ensures their independence and approves their fees. The Audit Committee meets regularly with management and the external auditors to ensure management's responsibilities are properly discharged, to review the consolidated financial statements and recommend the consolidated financial statements be presented to the Board for approval. The external auditors have full and unrestricted access to the Audit Committee to discuss their audit and their findings.

"Michael Adams"

Michael Adams, Chief Executive Officer

"Ketan Chhima"

Ketan Chhima, Chief Financial Officer



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Independent auditor's report to the Shareholders of New Zealand Energy Corp.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of New Zealand Energy Corp. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2024, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS Accounting Standards").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements in Canada that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 of the financial statements, which indicates that the Group incurred a net loss of \$8.07m during the year ended 31 December 2024 and, as of that date, the Group's current liabilities exceeded its current assets by \$2.96m. Note 1 sets out relevant subsequent events in respect of the \$2.69m Convertible Note originally falling due in July 2025 and other matters relating to the Group's plans to raise further debt and equity. The events or conditions described in note 1 indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matters described in the *Material uncertainty related to going concern* section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



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Key audit matter

Impairment considerations relating to the reserves cash generating unit (CGU)

- ▶ As at 31 December 2024 the Group has two CGUs; a reserves CGU and a Tariki gas storage CGU. The carrying value of the reserves CGU was \$14.94m. This represents a significant percentage of the total assets of the Group. In previous periods impairment write downs or reversals have been recorded in relation to the assets of the reserves CGU. A further impairment of \$2.96m has been recorded in the year ended 31 December 2024. No indicators of impairment were identified for the gas storage CGU.
- ▶ The CGU's recoverable amount was estimated using the value-in-use method, whereby the forecast net cash flows were estimated using reserves information, forecast selling prices and forecast extraction and other costs and were discounted using a weighted average cost of capital (or discount rate).
- ▶ The cashflows reflect the expected timing of extracting gas and oil and apply forecast sales prices adjusted for current contractual terms before discounting the resulting cashflows. Based on the risk-adjusted discounted cashflows management concluded an impairment of \$2.96m was appropriate.
- ▶ We consider impairment considerations of the reserves CGU to be a Key Audit Matter given the significance of the assets to the Group and the fact that inputs to the value in use calculation are inherently subjective.
- ▶ Note 7 to the consolidated financial statements sets out the accounting policy and disclosures in respect of impairment considerations of the Group's reserve CGU, including the significant judgements and estimates made.

How our audit addressed the key audit matter

We performed the following audit procedures:

- ▶ evaluated the appropriateness of the identification of cash generating units;
- ▶ identified that the value in use assessment derived the highest recoverable amount;
- ▶ obtained management's calculation of the reserves CGU value in use and assessed its mathematical accuracy;
- ▶ considered which components of the value in use calculation had the greatest impact on the estimated value of the CGU. These were determined to be the estimated hydrocarbon volume, the estimated selling price and the discount rate applied to the net cash flows;
- ▶ compared the hydrocarbon volumes estimated to exist to the reserves engineer's report. We evaluated the competence, capabilities and objectivity of the Group's external reserves engineer;
- ▶ evaluated whether the resulting cashflow estimates selected by management and the discount rate fell within a reasonable range, noting that there is considerable uncertainty inherent in each of these estimates and a wide range of possible outcomes could reasonably be considered to exist;
- ▶ evaluated the adequacy of the disclosures included in Note 7 of the accompanying financial statements in relation to this matter.

Other information included in the Group's 2024 Annual Report

Management is responsible for the other information. The other information comprises:

- Management's discussion and analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report



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Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's discussion and analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Lloyd Bunyan.

A stylized, handwritten-style signature of 'Ernst & Young' in black ink.

Chartered Accountants
Auckland
3 June 2025

CONSOLIDATED BALANCE SHEET
As at 31 December 2024 and 2023
(Expressed in Canadian Dollars)

	Notes	2024 \$	2023 \$
Assets			
<i>Current</i>			
Cash	4	1,131,605	1,180,393
Trade and other receivables	5	441,682	445,215
Prepaid expenses		72,403	80,835
Inventories	6	545,151	625,346
<i>Total current assets</i>		2,190,841	2,331,789
<i>Non-Current</i>			
Inventories	6	254,469	273,580
Property, plant and equipment	7	14,902,717	12,519,607
Intangible Assets	8	137,597	144,499
<i>Total non-current assets</i>		15,294,783	12,937,686
<i>Total assets</i>		17,485,624	15,269,475
Liabilities			
<i>Current</i>			
Trade and other payables	11	2,336,760	1,292,835
Convertible Loan	12	2,688,244	-
Right of Use Liability	7	39,839	20,284
<i>Total current liabilities</i>		5,064,843	1,313,119
<i>Non-Current</i>			
Asset retirement obligations	10	8,262,238	7,852,942
Convertible Loan	12	-	2,487,696
Right of Use Liability	7	21,077	20,715
<i>Total Non-Current Liabilities</i>		8,283,315	10,361,353
<i>Total liabilities</i>		13,348,158	11,674,472
Shareholders' equity			
Share capital	13	119,715,592	111,957,756
Accumulated deficit		(115,578,126)	(108,362,753)
<i>Total shareholders' equity</i>		4,137,466	3,595,003
<i>Total liabilities and shareholders' equity</i>		17,485,624	15,269,475

Description of business and going concern (Note 1)

These consolidated financial statements are authorized for issuance by the Board of Directors on 3 June 2025.

On behalf of the Board of Directors



Michael Adams, Director

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 31 December 2024 and 2023
(Expressed in Canadian Dollars)

Note	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 2023	23,212,346	109,738,706	21,289,710	1,349,289	11,944,910	(140,870,733)	3,451,882
Net profit/(loss) for the period	-	-	-	-	-	(1,938,713)	(1,938,713)
Share Consolidation	(20,891,111)	-	-	-	-	-	-
Private Placement	6,000,000	2,280,000	-	-	-	-	2,280,000
Transaction Costs	-	(60,950)	-	-	-	-	(60,950)
Other comprehensive profit/(loss) for the period	-	-	-	-	(137,216)	-	(137,216)
Balance, 31 December 2023	8,321,235	111,957,756	21,289,710	1,349,289	11,807,694	(142,809,446)	3,595,003
Balance, 1 January 2024	8,321,235	111,957,756	21,289,710	1,349,289	11,807,694	(142,809,446)	3,595,003
Net profit/(loss) for the period	-	-	-	-	-	(8,071,050)	(8,071,050)
Private Placement and Exercise of Options	12,251,728	7,969,274	923,584	40,319	-	-	8,933,177
Transaction Costs	-	(211,438)	-	-	-	-	(211,438)
Other comprehensive profit/(loss) for the period	-	-	-	-	(108,226)	-	(108,226)
Balance, 31 December 2024	20,572,963	119,715,592	22,213,294	1,389,608	11,699,468	(150,880,496)	4,137,466

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the years ended 31 December 2024 and 2023
(Expressed in Canadian Dollars)

	Notes	2024 \$	2023 \$
Revenues			
Revenue	14	1,236,768	1,935,774
Royalties		(18,255)	(18,454)
		<u>1,218,513</u>	<u>1,917,320</u>
Expenses and other items			
Production costs	15	759,642	967,750
Processing costs	15	1,141,076	921,015
Depreciation, depletion and amortisation	7,8	336,053	380,121
Impairment	7	2,956,000	-
General and administrative	16	2,455,034	1,314,299
Stock based compensation		963,902	-
Finance expense		524,823	533,333
Foreign exchange (gain)/loss		158,346	30,871
Abandonment provision movement		(5,313)	(291,356)
		<u>9,289,563</u>	<u>3,856,033</u>
Profit/(loss) after tax		(8,071,050)	(1,938,713)
Other comprehensive profit/(loss):			
Exchange difference on translation of foreign operations (i)		(108,226)	(137,216)
Total comprehensive profit/(loss)		(8,179,276)	(2,075,929)
Basic and diluted gains/(loss) per share	13	(\$ 0.59)	(\$ 0.69)
Weighted average shares outstanding	13	13,789,658	2,821,235

(i) Exchange difference on translation of foreign currency may be subsequently reclassified to profit or loss.

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the years ended 31 December 2024 and 2023
(Expressed in Canadian Dollars)

	Notes	2024 \$	2023 \$
Operating activities			
Profit/(loss) for the period		(8,071,050)	(1,938,713)
<i>Changes for non-cash operating items</i>			
Depreciation, depletion and amortisation		336,053	380,121
Accretion on abandonment liability		324,823	333,000
Accrued Interest		200,000	200,000
Stock based compensation		963,902	-
Impairment		2,956,000	-
Abandonment provision movement		(5,313)	(291,356)
Foreign exchange loss		158,346	30,871
<i>Change in working capital items</i>			
Accounts and other receivables		(1,720)	360,183
Prepaid expenses		8,431	(11,044)
Inventories		99,306	4,159
Trade and other payables		1,069,097	(471,380)
<i>Cash provided by (used in) operating activities</i>		(1,962,125)	(1,404,159)
Investing activities			
Expenditure on oil and gas properties		(5,782,672)	(102,849)
Purchase of property, plant and equipment		(9,471)	(17,687)
<i>Cash provided by (used in) investing activities</i>		(5,792,143)	(120,536)
Financing activities			
Private placement		7,969,274	2,280,000
Share Issuance costs		(211,438)	(60,950)
<i>Cash provided by (used in) financing activities</i>		7,757,836	2,219,050
<i>Net increase (decrease) in cash</i>		3,568	694,355
Effect of exchange rate changes on cash		(52,356)	(41,573)
Cash, beginning of the period		1,180,393	527,611
Cash and equivalents, end of the period	4	1,131,605	1,180,393

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

(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 2700, 1133 Melville Street, Vancouver BC V6E 4E5. The Company's principal place of business is 11 Young Street, 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 year ended 31 December 2024, the Group reported a Net Loss of \$8,071,050 (2023: Loss: \$1,938,713) and a cash outflow from operating activities of \$1,979,957 (2023: outflow \$1,404,159). The Group has a working capital deficit (total current assets, less total current liabilities) of \$2,874,002 (2023: Surplus \$1,018,670). The deficit includes a Convertible Note liability of \$2,688,244 falling due in July 2025 which is expected to be repaid by way of a capital raise. Refer to Note 23 Subsequent Events, that describes the post year end changes to the repayment terms of the Convertible Note to CAD\$500,000 and 1,000,000 ordinary shares of the Company.

In addition, the Group also has several permit expenditure plans (Note 21) which are associated with the Group's interest in its oil and gas properties and exploration and evaluation assets which require expenditure to fulfil specified work programmes – as explained in Note 21 the Group has some flexibility in the timing of the required expenditure and would seek to defer costs where funding is not available.

The Group continues to pursue a number of options to improve its financial capacity, including generating cash flow from oil and gas production, commercial arrangements or other financing alternatives which may involve pre-selling gas to parties interested in the storage project and obtaining additional debt or equity. However, it is expected that to achieve any of these additional funds in the way of loans or capital injections will be required to enable the Company to manage its short term cashflow requirements. Further details of progress in relation to these arrangements are as follows:

- By 3 June 2025 the Group secured short term funding of CAD\$0.5m in working capital. Loans were advanced to the Group by related parties by 3 June 2025. The terms of this advance are a 90 day term, unsecured with interest payable at 15% per annum with an original issuance discount of 10%. The purpose of the advance is to pay creditors and other immediate operating expenses of the Group, as the Group is unable to raise capital while the CTO (as discussed below) is in effect.
- On 6 May 2025, the Group became subject to a cease trading order (CTO) issued by the British Columbia Securities Commission due to late filing of its annual financial statements and related documents. Under a CTO, the Group cannot explore options to raise new equity capital. The Group's liquidity is dependent on its ability to raise capital by selling additional equity. The directors have a high degree of confidence of support in respect of raising further capital, however, the Group may not be able to secure adequate debt or equity financing on desirable terms, or at all.
- An independent assessment of the economically recoverable reserves at Tariki states the proven plus probable (2P) reserves (NZEC share) exceed 2.5PJ. Note 23 explains the Group's plans to re-start production at Tariki. In addition, the group plans to complete workovers at Copper Moki with oil and gas production expected at these sites in Q2 of 2025. Cyclic production at Waihapa Ngaere restarted late Q1 2025.
- The Group is advancing plans to initiate a gas storage project at Tariki and discussions with potential storage users are ongoing. The Group has previously been able to pre-sell gas from Tariki to support the development of the storage project and expects it may be able to raise further advances in this manner once further feasibility work is completed. This work could be completed in early 2026.

The Group's ability to continue as a going concern is reliant at this time upon its ability to refinance the Group in the manner described above or by alternative means. All of these factors are considered material uncertainties with respect to the Directors' assessment of the ability of NZEC to operate as a going concern.

These consolidated financial statements do not reflect adjustments to the carrying values of the assets and liabilities, the reported revenues and expenses and the balance sheet classifications used that would be necessary if the Group were not a going concern and therefore was unable to realize its assets and settle its liabilities in the normal course of operations. Such adjustments could be material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

(Expressed in Canadian Dollars)

The advances referred to above have been made by:

Name of lender	Relationship to NZEC	Gross Value of Loan	Terms
Charlestown Energy Partners, LLC	Shareholder, whom Robert Bose a Managing member is also a director of NZEC	CAD300,000	90 days term, 15% interest rate, original discount on face value of 10%
Vliet Financing B.V	Shareholding Company controlled by Frank Jacobs, a director of NZEC	CAD182,000	90 days term, 15% interest rate, original discount on face value of 10%

2. SUMMARY OF MATERIAL POLICY INFORMATION

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 consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS.

These consolidated 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. Prior year comparatives have been updated to align with current year presentation.

New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024 (unless otherwise stated).

Amendments to NZ IAS 1 – Classification of Liabilities as Current or Non-Current with Covenants

The amendments to NZ IAS 1 specify the requirements for classifying liabilities as current or non-current and non-current liabilities with covenants from 01 January 2024. The amendments do not have any impact on the Group.

Standards issued but not yet effective

The following standards or interpretations have been issued but are not yet effective.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes. In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards. IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, and will apply retrospectively. The Group has not early adopted the standard and the Group is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

(Expressed in Canadian Dollars)

Basis of Consolidation

The consolidated financial statements include the assets, liabilities, revenues and expenses of the Company and its subsidiaries. Subsidiaries are all entities over which the Company is able to exercise control. Control exists when the Company has the power to direct the activities of an entity and is exposed to variable returns.

Also see Note 3 Joint Arrangements.

The subsidiaries of the Company are as follows:

Company	Location	Interest 2024	Interest 2023
NZEC Holdings Limited (previously NZEC Riverlea Limited)	New Zealand	100%	100%
NZEC Management Limited	New Zealand	100%	100%
Taranaki Ventures Limited	New Zealand	100%	100%
East Coast Energy Ventures Limited	New Zealand	100%	100%
ECEV II Limited	New Zealand	100%	100%
ECEV III Limited	New Zealand	100%	100%
Waihapa Production Services Limited	New Zealand	100%	100%
Taranaki Ventures II Limited	New Zealand	100%	100%
NZEC Tariki Limited	New Zealand	100%	100%
NZEC Ahuroa Limited	New Zealand	100%	100%
NZEC Waihapa Limited	New Zealand	100%	100%
NZEC Stratford Limited	New Zealand	100%	100%
NZEC Manaia Limited	New Zealand	100%	100%

All intercompany balances and transactions, income and expenses have been eliminated upon consolidation.

Functional and presentation currency

Items included in the financial statements of each of the Company and its subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The presentation currency of the Group is the Canadian dollar.

The functional currency of the Company's New Zealand subsidiaries and joint arrangements is the New Zealand dollar ("NZ\$").

Transactions in foreign currencies are initially recorded in the Company's or subsidiaries' functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities of the Company denominated in foreign currencies are translated to the functional currency at the exchange rate prevailing at the end of each reporting period. Non-monetary assets and liabilities are measured in terms of historical cost in a foreign currency and are translated using the exchange rate at the date of the transaction.

The results and financial position of subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the reporting date;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates for the period; and
- All resulting exchange differences are recognized in other comprehensive income as exchange difference on translation of foreign operations.

Foreign exchange differences arising on monetary items that form part of the Company's net investment in foreign subsidiaries are initially recognized in other comprehensive income and reclassified to profit or loss in the statement of comprehensive income on disposal of the net investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2024

(Expressed in Canadian Dollars)

Significant Accounting Estimates and Judgements

The preparation of the consolidated financial statements requires management to make certain estimates, judgements and assumptions.

The principal areas of estimates and judgement for the Group are found in the following notes:

- Note 1 – Going concern
- Note 6 – Inventories
- Note 7 – Property, plant and equipment
- Note 10 – Asset retirement obligations

Financial Instruments

All financial assets and liabilities of the company are carried at amortised cost.

As at 31 December 2024, the average expected credit loss of the Group's accounts receivable balance was not material. This is based on historical performance and forward-looking assessments of the counterparties. Additional required disclosures have been included in Note 22

3. JOINT ARRANGEMENTS

The consolidated financial statements include the Group's share of the assets, liabilities and cash flows of the joint arrangements, as they are accounted for as joint operations. The Group combines its share of the joint arrangements' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. Income taxes are recorded based on the Group's share of the joint arrangement's activities.

The Group accounts for the following joint arrangements.

Company	Principal activity	Location	Interest
TWN Limited Partnership	Operate the Waihapa Production Station	New Zealand	50%
NZEC Ngaere	General Partner of TWN Limited Partnership	New Zealand	50%
Tariki Joint Arrangement	Operate the Tariki license	New Zealand	50%
Waihapa-Ngaere Joint Arrangement	Operate the Waihapa and Ngaere licenses	New Zealand	50%

4. CASH AND CASH EQUIVALENTS AND REVOLVING CREDIT FACILITY

Cash is composed of cash on hand and deposits held at banks. Cash equivalents consist of short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

On 7 July 2016, NZEC subsidiary company Taranaki Ventures Limited (TVL) entered into an on demand revolving credit facility with the Bank of New Zealand, giving the Company the ability to draw down up to NZ\$250,000 (2023: NZ\$250,000). The interest rate at 31 December 2024 was 9.99% (2023: 11.55%). The facility is secured by way of a general security agreement over the present and after acquired assets of TVL with NZEC subsidiaries NZEC Holdings Limited, NZEC Management, NZEC Tariki Limited and NZEC Waihapa Limited guaranteeing the obligations of TVL under the facility. The facility was surrendered and terminated in 2024.

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5. TRADE AND OTHER RECEIVABLES

NZEC's business model is to hold accounts receivable for collection. As a result, NZEC has classified its accounts receivable as amortized cost financial assets.

Receivables are recognized initially at allocated transaction price and subsequently measured at amortized cost.

NZEC applies the simplified approach to providing for expected credit losses prescribed by IFRS 9 which permits the use of the lifetime expected loss provision for all trade receivables. Prior credit losses in the collection of accounts receivable by NZEC have been negligible and the Group does not anticipate any significant future credit losses based on forward looking information. Hence, the average expected credit loss of the Group's accounts receivable balance was not material. See also Note 24.

	2024	2023
	\$	\$
Trade receivables	78,632	445,215
Cash Covered Bonds - NZPAM and First Gas	363,050	-
Total Current Accounts and other receivables	441,682	445,215

NZEC is required to place cash with NZPAM for its licences it holds in various permits, and with First Gas for access to the gas pipeline to sell gas.

6. INVENTORIES

Material and supply inventories consist of wellheads and tubulars purchased for use in oil and gas operations and are valued at the lower of cost, or net realizable value (NRV). The costs of purchase of material and supply inventories comprise the purchase price, import duties and other taxes and transport, handling and other costs directly attributable to their acquisition. Non-current inventories are not expected to be utilised within 1 year.

Oil inventories are valued at the lower of the cost and net realizable value. Cost includes those incurred in bringing inventories to their present location and condition and the portion of depletion expense associated with oil and condensate production.

Cost is determined using the weighted average cost method. NRV is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

	2024	2023
	\$	\$
Current		
Material and supplies	159,528	178,149
Oil inventories	385,623	447,197
	545,151	625,346
Non Current		
Non-current material and supplies	384,236	398,531
Less write down provision	(129,767)	(124,951)
	254,469	273,580
Write down Provision non-current material and supplies		
Opening Balance	(124,951)	(241,347)
Movement in provision recognised	(4,816)	60,932
Provision reversed on material and supplies sold	-	55,464
Closing Balance	(129,767)	(124,951)

The Group used/sold materials and supplies of \$Nil (2023: \$116,396) and recognised the reversal of the provision through the statement of comprehensive income.

Key estimates and assumptions

The key estimates and assumptions in determining net realizable value for non-current materials and supplies include the following:

Each individual item within material and supplies was assessed for its likelihood to be used by the Group in its future work program, as detailed in Note 21. Those items considered unlikely to be used were all considered as unlikely to be saleable and were valued at scrap value. Scrap value has been estimated at 27% (2023: 27%) of original cost based on the current market pricing of scrapped steel.

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7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (PP&E) is carried at cost less accumulated depreciation. The depreciable amount is the cost of the asset less its residual value. Depreciation ceases to be recognized when an asset's residual value exceeds its carrying amount. The Group reviews residual values, depreciation methods and useful lives at least annually. Any changes in estimates that arise from this review are accounted for prospectively.

PP&E is depreciated over the estimated useful life of the assets using the straight-line method at the following rates per annum:

Furniture and fixtures	7.0% - 10.5%
Plant and equipment	5% - 25%
Buildings	7%

Oil and gas properties

All costs directly associated with the development of oil and gas reserves are capitalized on an area-by-area basis. These costs include proved property acquisitions, development drillings, completion of wells, gathering facilities and infrastructure, asset retirement costs and transfers from exploration and evaluation assets where technical feasibility and commercial viability has been determined.

The net carrying value of oil and gas properties is depleted using 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, taking into account estimated future development costs necessary to bring those reserves into production.

Impairment

Assets that are subject to depreciation and depletion are reviewed for impairment at each reporting date to determine whether there is any indication the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets i.e cash-generating units (CGU). Impairment is allocated on a pro rata basis to the assets within the CGU. The impairment is recognized as an expense in profit or loss. The group has determined it has two CGUs, being the Tariki Storage carried at \$3.0m and the other oil and gas properties which comprise most of the balance of the remaining assets.

Where an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount. Hence the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment is recognized immediately in profit or loss.

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	Furniture and fixtures \$	Land and Building \$	Plant and equipment \$	Oil and gas properties \$	Total \$
Cost					
Balance, 1 January 2023	67,684	1,307,301	3,824,453	26,368,663	31,568,101
Additions	-	33,295	17,687	102,849	153,831
Disposals	-	-	-	-	-
Impairment Reversal	-	-	-	-	-
Change in asset retirement cost due to change in estimate	-	-	(63,667)	(198,061)	(261,728)
Foreign currency translation adjustment	(1,584)	(30,146)	(148,997)	(559,624)	(740,351)
Balance, 31 December 2023	66,100	1,310,450	3,629,476	25,713,827	30,719,853
Additions	-	59,911	9,471	5,782,672	5,852,054
Disposals	-	-	-	-	-
Impairment	-	-	-	(2,956,000)	(2,956,000)
Change in asset retirement cost due to change in estimate	-	-	521,768	(111,393)	410,375
Foreign currency translation adjustment	(2,278)	(38,539)	(136,938)	(1,038,165)	(1,215,920)
Balance, 31 December 2024	63,822	1,331,822	4,023,777	27,390,941	32,810,362

	Furniture and fixtures \$	Land and Building \$	Plant and equipment \$	Oil and gas properties \$	Total \$
Accumulated depreciation					
Balance, 1 January 2023	1,223	-	1,628,823	16,621,125	18,251,171
Depreciation and depletion	2,572	-	221,462	153,592	377,626
Disposals	-	-	-	-	-
Foreign currency translation adjustment	6	-	(35,168)	(393,389)	(428,551)
Balance, 31 December 2023	3,801	-	1,815,117	16,381,328	18,200,246
Depreciation and depletion	6,837	-	259,695	67,555	334,087
Disposals	-	-	-	-	-
Foreign currency translation adjustment	(284)	-	(68,487)	(557,917)	(626,688)
Balance, 31 December 2024	10,354	-	2,006,325	15,890,966	17,907,645

Net Book Value					
Balance, 31 December 2023	62,299	1,310,450	1,814,359	9,332,499	12,519,607
Balance, 31 December 2024	53,468	1,331,822	2,017,452	11,499,975	14,902,717

A reserves evaluation completed in Q4 2022 indicated an increase in proven plus probable (2P) reserves (NZEC share) to more than 6.5PJ in Tariki (previous reserves were nil). After technical revisions, this has decreased to 2.5PJ in 2024. Following the reduction the Group identified indicators of impairment in the reserves CGU and have taken a \$3.0m impairment for the year

In the current year, no indicators of impairment were identified for the Tariki storage CGU.

As in the prior year the recoverable amount was determined using a value in use approach by applying a discounted cashflow methodology over a period based on reserves estimates. The value in use was calculated using a discounted cash flow with the following key inputs: recoverable reserve forecasts, including future oil and gas prices, based on the independent qualified reserves engineers' forecasts as at 31 December 2024 and a long term escalation rate of 2% per annum.

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Key estimates and assumptions

Determination of cash-generating units ("CGUs")

Oil and gas properties, resources properties and other corporate assets are aggregated into CGUs based on their ability to generate largely independent cash inflows and are used for impairment testing. The determination of CGUs was based on management's judgement in regard to similar geological structure, shared infrastructure, geographical proximity, commodity type and similar exposure to market risks.

There are two CGU's, a reserves CGU and a Tariki Storage CGU. There are no indications of impairment for the Tariki Storage CGU.

Key input judgements and estimates used in the determination of the value in use of the oil and gas reserves and processing revenues for the first CGU include the following:

- a) Reserves – assumptions that are valued at the time of reserve estimation. Reserves estimates applied are based on assessments made by a third party specialist, adjusted to bring forward production or reduce expected amounts extracted based on the Group's expectations of production and current business plans. A 10% increase in reserves would increase carrying value by \$3m similarly a decrease in 10% would decrease carrying value by \$3m
- b) Oil and natural gas prices – forward price estimates of oil are used. Gas prices applied are based on contractually agreed prices. A 10% increase in price would increase carrying value by \$2.9m similarly a decrease in 10% would decrease carrying value by \$2.9m
- c) Discount rate – The discount rate used to calculate the net present value of cash is based on WACC. A 15.46% discount rate has been used in the calculations (2023: 54%). A 10% increase in discount rate (i.e. a rate of 17.00%) would decrease carrying value by \$0.7m similarly a decrease of 10% (i.e. a rate of 13.91%) would increase carrying value by \$0.7m

The recoverable amount of PP&E is sensitive to the above factors. Based on the impairment assessment performed on the recoverable amount of the reserves CGU of \$12m, an impairment of \$3.0m was taken on the reserves CGU.

Right of Use Assets

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present

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value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Included in oil and gas properties a reconciliation of

Right of use assets

	2024	2023
	\$	\$
Opening Balance 1 January	40,240	-
Additions	58,572	41,990
Amortisation	(39,796)	(1,750)
Foreign currency translation adjustment	(1,656)	-
Closing Balance 31 December	57,360	40,240

The right of use liability with respect to the right of use assets was \$60,916 at the end of year (2023: \$40,999)

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8. INTANGIBLE ASSETS

	Intangible Assets \$
Cost	
Balance, 1 January 2023	154,090
Additions	-
Disposals	-
Foreign currency translation adjustment	(3,607)
Balance, 31 December 2023	150,483
Additions	-
Disposals	-
Foreign currency translation adjustment	(5,186)
Balance, 31 December 2024	145,297
Accumulated Amortisation	
Balance, 1 January 2023	3,538
Amortisation	2,495
Disposals	-
Foreign currency translation adjustment	(49)
Balance, 31 December 2023	5,984
Amortisation	1,966
Disposals	-
Foreign currency translation adjustment	(250)
Balance, 31 December 2024	7,700
Net Book Value	
Balance, 31 December 2023	144,499
Balance, 31 December 2024	137,597

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

Intangible assets acquired separately are measured on initial recognition at costs and are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation of the intangible assets is based on the unit-of-production method by reference to the ratio of production in the year to the related total proved and probable reserves of oil and natural gas. The amortisation rate for 2024 was 1.38% (2023:1.72%)

An 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

9. EXPLORATION AND EVALUATION ASSETS

The Group uses the successful efforts method of accounting for oil and gas exploration costs. All general exploration and evaluation costs are expensed as incurred except the direct costs of acquiring the rights to explore, drilling exploratory wells and evaluating the results of drilling. These direct costs are capitalised as exploration and evaluation assets pending the determination of the success of the well. If a well does not result in a commercial discovery, the previously capitalised costs are immediately expensed.

Exploration and evaluation assets are assessed for impairment if facts and circumstances suggest the carrying amount exceeds the recoverable amount. At 31 December 2024 exploration and evaluation assets were nil (2023: nil).

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10. ASSET RETIREMENT OBLIGATIONS

The Group recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-lived assets in the period when the liability arises. The net present value of the asset retirement obligation (discounted to its present value using an appropriate discount rate) is capitalized to the long-lived asset to which it relates with a corresponding increase to the liability in the period incurred.

Changes in the liability for an asset retirement obligation due to the passage of time are recognized in profit or loss as an accretion expense (within finance expense) and an increase in the liability in the balance sheet.

Changes resulting from abandonment and reclamation cost estimate revisions, timing, discount rates, regulatory requirements or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset. The Group's estimates are reviewed at the end of each reporting period for such changes.

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. The expected life has been brought forward on the production station following a review of economic life calculations.

<u>Non-Current</u>	2024	2023
	\$	\$
Opening Balance 1 January	7,852,942	8,269,574
Change in estimate	332,061	(598,478)
Accretion expense for the year	363,424	378,858
Reclassified as current	-	-
Foreign currency translation adjustment	(286,189)	(197,012)
Closing Balance 31 December	8,262,238	7,852,942

Assumptions

Total undiscounted value of payments	\$13,312,805	\$12,871,712
Discount rate	3.79% to 4.90%	4.39% to 4.59%
Inflation rate	1.96%	2.13%
Expected life	2 to 12 years	2 to 13 years

Key estimates and assumptions

Estimates for the Asset Retirement Obligations (ARO) of the NZEC owned & operated wells have been reviewed and updated using 2024 data and recent applicable Taranaki wide experience for the 31 December 2024 estimates.

The Group has estimated the expected life of assets and the period in which abandonment costs are expected to incur as follows:

- Producing wells – through to the end of the economic life (per the assumptions used by the reserve engineers);
- Non-producing wells – through to the end of the permit period unless the Group intends to take remedial actions earlier.

The provision is sensitive to movements in the above assumptions as follows:

Assumption	Change	Increase / (decrease) to Provision	
		2024	2023
Undiscounted value of payments	10%	\$836,937	\$779,985
Discount rate	+0.5%	(\$379,157)	(\$406,476)
Life	+1 year	(\$359,567)	(\$350,599)
Life	-1 year	\$396,312	\$356,794

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11. TRADE AND OTHER PAYABLES

	Note	2024 \$	2023 \$
Trade payables		1,309,900	964,800
GST payable/(receivable)		(102,023)	(3,502)
Deferred Revenue	a)	1,034,456	251,595
Accrued liabilities - payroll		94,427	79,942
Total Current trade and other payables		2,336,760	1,292,835

- a) Deferred revenue of \$49,695 (2023:\$125,805) was released to the profit and loss during the year. \$809,750 of deferred revenue has been recognised relating to payments by Genesis for the future supply of gas and certain other access rights. (2023: Nil).

12. CONVERTIBLE LOAN

	Note	2024 \$	2023 \$
Convertible Loan		2,688,244	2,487,696

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 666,667 shares, at an exercise price of \$3 per share (following a share consolidation) 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 688,244 has been accrued to date (2023:CAD 487,696). Interest at 10% per annum is payable on the loan and has been added to the outstanding loan balance as at 31 December 2024. 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 31 December the share price is trading below the conversion price of \$3.00 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.

13. SHARE CAPITAL

a) Common shares

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity.

Common shares issued for non-monetary consideration are recorded at their fair value on the measurement date. The measurement date is defined as the earliest of the date at which the commitment for performance by the counterparty to earn the common shares is reached or the date at which the counterparty's performance is complete.

The Company has an unlimited number of common shares without par value authorized for issuance.

On 20 October 2023, the company consolidated its shares on a 10:1 basis. Earnings per share was retrospectively adjusted to ensure comparability.

During the year a number of private placements took place issuing 12,226,728 shares, raising \$7,736,836 net of fees. (2023: 6,000,000 shares, raising \$2,219,050 net of fees)

b) Share purchase options (Equity settled)

The Company has adopted a stock option plan which provides that the Board of Directors of the Company may from time to time, at their discretion, and in accordance with TSX Venture Exchange requirements, grant to its directors, officers, employees and consultants non-transferable options to purchase common shares, provided that the number of common shares reserved for issue does not exceed 10% of the number of then outstanding common shares, or 2,057,296 options, based on the total issued and outstanding common shares as at December 31, 2024. Such options can be exercisable for a maximum of three 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.

Details of the Company's share purchase option activity are as follows:

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	Number of options	Weighted average exercise price \$
Outstanding at December 31, 2022	-	-
Granted	-	-
Forfeited	-	-
Outstanding at December 31, 2023	-	-
Granted	1,400,000	0.84
Forfeited	-	-
Expired	-	-
Outstanding at December 31, 2024	1,400,000	0.84

Options vested immediately when they were granted and are irrevocable. 25,000 shares were exercised on 31 December 2024 (2023: Nil).

The following table summarises information about share options outstanding and exercisable at December 31, 2024:

	Options Outstanding		Options Exercisable	
		Weighted average contractual life (years)		Weighted average contractual life (years)
Range of exercise price	Number of options		Number of options	
\$0.01 to \$0.99	1,375,000	3.00	1,375,000	3.00
\$1.00 to \$1.49	-	-	-	-
	1,375,000	3.00	1,375,000	3.00

The following table summarises information about share options outstanding and exercisable at December 31, 2023:

		Weighted average contractual life (years)		Weighted average contractual life (years)
Range of exercise price	Number of options		Number of options	
\$0.01 to \$0.99	-	-	-	-
\$1.00 to \$1.49	-	-	-	-
\$1.50 to \$1.99	-	-	-	-
\$2.00 to \$2.49	-	-	-	-
\$2.50 to \$3.00	-	-	-	-
	-	-	-	-

The total expense relating to share purchase options incurred for the year ended December 31, 2024 was \$923,584 (2023: \$Nil).

The following are the weighted average assumptions employed to estimate the fair value of options granted using the Black-Scholes option pricing model:

	2024	2023
Risk-free interest rate	3.21%	N/A
Expected volatility	140.0%	N/A
Expected life	3 years	N/A
Expected dividend yield	Nil%	N/A

Option pricing models require the input of subjective assumptions including the expected price volatility and expected option life. Management has calculated expected price volatility using data from comparable companies in the industry. Changes in these assumptions may have a significant impact on the fair value calculation.

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d) Warrants

Advisor warrants

On May 9, 2024, the Company completed a non-brokered private placement, issuing 6,666,667 shares at a price of \$0.75. Auctus Advisors LLP were entitled to 56,383 finder's warrants with each finder's warrant entitling the holder to purchase one common share at a price of 0.75 per share for a period of 18 months from closing. All other placements during the year had no warrants attached to them

All outstanding warrants are exercisable at December 31, 2024.

Details of the Company's warrant activity are as follows:

	Number of warrants	Weighted average exercise price
		\$
Outstanding at December 31, 2022	-	-
Warrants issued from private placement	-	-
Outstanding at December 31, 2023	-	-
Warrants issued from private placement	56,383	0.75
Outstanding at December 31, 2024	56,383	0.75

The following are the weighted average assumptions employed to estimate the fair value of the warrants issued using the Black-Scholes warrant pricing model:

	2024	2023
Risk-free interest rate	3.21%	N/A
Expected volatility	140%	N/A
Expected life	11	N/A
	Months	
Expected dividend yield	Nil%	N/A

During the year ended December 31, 2024, the Company recorded share issuance costs of \$40,319 as a result of the issuance of 56,383 advisor warrants to its advisors in connection with a private placement. (2023: \$Nil.)

c) Earnings per Share

Earnings per share are calculated by taking total comprehensive income and dividing this by the weighted average number of shares on issue, the shares on issue increased over the 2024 year following a private placement.

	Note	2024 \$	2023 \$
Weighted average Shares (a)		13,789,658	2,821,235
Profit/(loss) after tax (b)		(8,071,050)	(1,938,713)
Weighted Average Cost (b)/(a)		(0.59)	(0.69)

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14. REVENUE

The revenue from the sale of commodities and other operating revenue the Group earns represent contractual arrangements with customers. Revenue from the sale of crude oil, purchased oil and condensate and natural gas is measured based on the consideration specified in contracts with customers. NZEC recognizes revenue when control of the product transfers to the buyer and collection of the amount due to NZEC is probable. This is generally at the point in time when the customer obtains legal title to the product which is when it is physically transferred to the ship, pipeline or other agreed upon transportation method (i.e Trucking to production station). Revenues from processing activities are recognized over time as processing occurs and are billed monthly. Revenue is deferred when services are yet to be rendered or control has not transferred to the buyer. The Group reviews material new contracts using the IFRS 15 5 step model for revenue recognition.

	Note	2024 \$	2023 \$
Oil sales		568,941	910,347
Gas sales		4,487	-
Processing revenue		495,391	759,901
Interest income		69,911	18,667
Other revenue	a)	98,038	246,859
		1,236,768	1,935,774

- 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. Other revenue also includes the release of deferred revenue.

15. PRODUCTION AND PROCESSING COSTS

Production and processing costs incurred by the Group include the transportation, day-to-day servicing of the production facilities and other costs directly relating to the revenue recognized from the oil and gas or purchased oil and condensate. Costs paid by the Group for the transportation of oil, natural gas and condensate from the wellhead to the point of title transfer are recognized when the transportation is provided.

16. GENERAL AND ADMINISTRATIVE EXPENSES

	2024 \$	2023 \$
Professional fees	295,306	193,163
Consulting fees	90,598	37,455
Travel and accommodation	78,144	5,747
Administrative expenses	267,489	108,078
Short term lease	7,079	12,344
Filing and transfer agent fees	61,567	42,038
Insurance	99,450	20,954
Low value equipment lease	7,847	9,920
Salary and wages	1,547,554	884,600
	2,455,034	1,314,299

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17. INCOME TAXES

Any income tax on profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in the profit or loss based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realised or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the profit or loss in the period substantive enactment occurs.

A deferred tax asset is recognized to the extent it is probable future taxable profits will be available in the foreseeable future against which the asset can be used. To the extent the Group does not consider it probable a deferred tax asset will be recovered, the deferred tax asset is reduced.

A reconciliation of the income tax benefit determined by applying the Canadian income tax rates to the consolidated loss for the years ended 31 December 2024 and 2023 has been prepared as follows:

	2024	2023
	\$	\$
Profit/(Loss) before income taxes	(8,071,050)	(1,938,713)
Statutory tax rate	27.0%	27.0%
Income tax (recovery) at statutory rates	(2,179,183)	(523,453)
Stock based compensation	270,035	-
Effect of tax rates in other jurisdictions	(64,115)	(16,012)
Impairment	816,354	-
Effect of changes in foreign exchange rates	(79,723)	(7,639)
Addition/(Utilisation) of Unrecognised deferred tax asset	1,236,632	547,104
	<u>-</u>	<u>-</u>

The significant components of the Group's deferred income tax assets and liabilities are as follows:

	2024	2023
	\$	\$
Deferred income tax assets		
Employee benefits	26,440	22,384
Non-capital losses available for future periods	33,190,731	32,682,312
Property, plant and equipment	-	-
Environmental liabilities	2,330,483	2,210,303
Share issue costs	1,739	1,739
	<u>35,549,393</u>	<u>34,916,738</u>
Unrecognized deferred tax assets	<u>(34,392,381)</u>	<u>(32,113,766)</u>
Deferred tax assets	<u>1,157,012</u>	<u>2,802,972</u>
Deferred income tax liability		
Inventory	(57,636)	(62,501)
Property, plant and equipment	(285,332)	(73,422)
Resources property	(814,044)	(2,667,049)
	<u>(1,157,012)</u>	<u>(2,802,972)</u>
Net deferred income tax asset*	<u>-</u>	<u>-</u>

*The net amount charged to the profit or loss is \$nil (2023: \$nil).

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The above losses available for future years have been determined by applying a Canadian income tax rate of 27% (2023: 27%) and a New Zealand tax rate of 28% (2023: 28%). These tax benefits have not been recognized in the profit or loss as they do not meet the recognition requirements under IFRS.

Subject to future Canadian tax requirements being met, the Company has operating losses available in Canada, to reduce future taxable income of \$19,526,514 (2023: \$18,762,280), which will expire between 2030 and 2038. Tax losses carried forward in New Zealand do not expire, subject to certain requirements related to shareholder or business continuity and are estimated at NZ\$118,421,621 (2023: NZ\$113,687,286).

18. 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. A common director controls the previously named companies, The common director of the above companies resigned in December 2023. Additional companies for 2023 and 2024 include Vliet Techniek B.V and Jacobs Dutch Holding where the director is shareholder and director of the Group. The following transactions and balances with these related parties are:

	2024	2023
	\$	\$
Processing revenue (GPL)	-	117,688
Other revenue (GPL)	-	24,822
Production costs (GPL)	-	278,887
Processing costs (GPL)	-	78,020
Finders fee through equity (Vliet, JDH)	-	60,950
Oil and Gas Properties Expenditure (GPL)	-	2,307
General and administrative costs (Vliet, JDH)	282,601	-
Trade receivables	-	5,161
Trade payables	25,213	81,833

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:

	2024	2023
	\$	\$
Salary and consulting fees	815,526	349,541
	815,526	349,541
Included in the above amounts are:		
Vliet Techniek (Frank Jacobs)	204,992	-
Upstream Consulting Ltd (James Willis)	146,849	137,724
Arenig Energy Ltd (David Llewellyn)	-	8,936
2X Energy Limited (Michael Adams)	272,610	22,555

During the year, Michael Adams and James Willis were granted 200,000 options each, as at 31 December 2024 James exercised 25,000 options on 31 December 2024.

19. 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.

Revenues from one customer of the Group represents \$568,941 (2023:\$ \$910,347) of the total revenue.

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20. COMMITMENTS

As at 31 December 2024, the Group had the following undiscounted contractual obligations:

2024	2025	2026 and onwards	Total
	\$	\$	\$
Operating Leases	45,000	23,000	68,000
Contract and purchase commitments	226,000	395,000	621,000
	271,000	418,000	689,000

2023	2024	2025 and onwards	Total
	\$	\$	\$
Contract and purchase commitments	220,000	440,000	660,000
	220,000	440,000	660,000

Contract commitments relate mostly to future lease payment commitments to landowners on which permits lie. Operating leases relate to leased offices.

Bank Guarantees

Bonds provided to the Crown in respect of the Tariki, Waihapa and Ngaere petroleum mining licences are issued by Bank of New Zealand (NZ\$375,000).

These bonds 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, during 2024 the bonds were fully cash collateralised.

21. 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 work 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):

2024			2025	2026 and onwards	Total
Permit/Licence	Note	Type	\$	\$	\$
Eltham Permit		Exploration	-	-	-
Copper Moki	i	Producing	800,000	-	800,000
Tariki Licence	ii	Producing	300,000	-	300,000
Waihapa Ngaere Licence	iii	Producing	200,000	-	200,000
			1,300,000	-	1,300,000

- i. Copper Moki costs to bring back to production.
- ii. Drill Tariki Well and facilities
- iii. Waihapa Ngaere: costs to increase production.

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2023

Permit/Licence	Note	Type	2024	2025 and onwards	Total
			\$	\$	\$
Eltham Permit		Exploration	-	-	-
Copper Moki	i	Producing	210,000	-	210,000
Tariki Licence	ii	Producing	3,780,000	-	3,780,000
Waihapa Ngaere Licence	iii	Producing	360,000	-	360,000
			4,350,000	-	4,350,000

22. FINANCIAL INSTRUMENTS BY CATEGORY

The classification and measurement of the Group's financial assets and liabilities is outlined below:

	2024	2023
	\$	\$
Financial assets - at amortised cost - cash, receivables	1,573,287	1,625,608
Financial liabilities - at amortised cost - convertible note, payables	4,051,464	3,569,935

Financial assets

Cash, trade and other receivables are classified as financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of being traded. They are included in current assets except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Financial assets are recognized at the amount expected to be received less any discount or rebate to reduce receivables to estimated fair value. Receivables are subsequently measured at amortized cost.

The fair values of all financial assets are considered to be the same as their carrying amounts. For current receivables, this is due to their short-term nature and for non-current financial assets, they have been discounted as described above.

Financial liabilities

Accounts payable and accrued liabilities are classified as other financial liabilities and are initially recognized at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs and the redemption value is recognized in the profit or loss over the period to maturity using the effective interest method.

The fair values of all financial liabilities are considered to be the same as their carrying amounts. For current payables, this is due to their short-term nature and for non-current financial liabilities, they have been discounted as described above.

Impairment of financial assets

NZEC applies the simplified approach to providing for expected credit losses prescribed by IFRS 9 Financial Instruments which permits the use of the lifetime expected loss provision for all trade receivables carried at amortized cost.

At each reporting date, the Group measures the lifetime expected loss provision taking into consideration NZEC's historical credit loss experience as well as forward-looking information in order to establish loss rates. The impairment loss (or reversal) is the amount of expected credit losses that are required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

23. CAPITAL RISK MANAGEMENT

The Group's capital includes share capital, shares subscribed and the cumulative deficit. The Group's objectives when managing capital are to safeguard its ability to continue as a going concern. The Group manages its capital structure and adjusts for changes in economic conditions and the risk characteristics of the underlying assets. The Group's short-term operating budgets and capital budgets are reviewed and updated annually and as necessary depending on various factors, including successful capital deployment. The Group may issue new shares, issue new debt or dispose of interests in assets in order to meet its financial obligations.

24. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including credit risk, liquidity risk, foreign exchange risk, interest rate risk, price risk and fair value risk. The Group's overall risk management program focuses on the unpredictability of financial

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markets and seeks to minimise potential adverse effects on the financial performance of the Group. This note presents information about the Group's exposure to each of these risks, the Group's objectives and processes for measuring and managing risk and the Group's management of capital. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

Credit Risk

Credit risk is the risk of potential loss to the Group if the counterparty to a financial instrument fails to meet its contractual obligations. The Group's credit risk is primarily attributable to its liquid financial assets including cash and cash equivalents and trade receivables.

Cash consists of cash deposits that are held with a registered New Zealand bank.

All the Group's oil production and purchased oil and condensate is sold directly to a major oil Group with payment due 30 days after lifting. The Group has assessed the risk of non-collection from the buyer as low due to the buyer's financial condition, as assessed by their published investment grade credit rating and previous payment history. Natural gas sales and processing services delivered are invoiced monthly and due for payment on the 20th of the month following. The Group has assessed the risk of non-collection from the individual customers as low to medium based on published credit ratings, knowledge of substantial New Zealand based operations and previous payment history.

NZEC applies the simplified approach to providing for expected credit losses as detailed in Note 5.

Trade receivables reported in the Group's balance sheet are aged at or under 30 days (2023: at or under 30 days). The Group monitors the exposure to any single counterparty along with its financial position through general industry knowledge, timeliness of payment of amounts due and periodic confirmation of credit rating. If it is deemed that a counterparty has become materially weaker, the Group will work to reduce the credit exposure to that counterparty.

The carrying value of the Group's cash and trade receivables represents the maximum exposure to credit risk. There were no significant amounts past due or impaired as at either 31 December 2024 or 2023.

Liquidity Risk

Liquidity risk is the risk the Group will not be able to meet its capital commitments and other financial obligations as they are due. The Group's approach to managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking harm to the Group's reputation.

The Group's liquidity is dependent upon maintaining its current working capital balances, operating cash flows and ability to raise funds. To forecast and monitor liquidity the Group prepares operating and capital expenditure budgets which are monitored and updated as considered necessary.

At 31 December 2024, the Group had \$nil drawn in a revolving credit facility (2023: \$nil), during the year the group removed the facility from the bank, \$1,131,605 in cash (2023: \$1,180,393) and (\$2,874,002) in working capital deficit (2023: \$1,469,026). As disclosed in Note 21, the Group has various ongoing permit expenditure plans which are associated with the Group's interest in its exploration and evaluation assets. To the extent the Group elects not to carry out the permit expenditure plans pertaining to a specific permit, the Group stands to forfeit its interest in the relevant permit.

Management has estimated the Group has sufficient working capital to meet short-term operating and development requirements. However, in light of the reliance on ongoing efforts to increase financial capacity and successful completion of development activities, there is significant doubt about the Group's ability to continue as a going concern. Refer Note 1, Going Concern.

The following are the expected undiscounted maturities of financial liabilities and obligations at 31 December 2024:

2024	Less than 1 year	2 to 5 years	Thereafter	Total
	\$	\$	\$	\$
Trade and other payables	1,302,304	-	-	1,302,304
Right of Use Liability	39,839	21,077	-	60,916
Convertible Loan	2,688,244	-	-	2,688,244

See also: Asset Retirement Obligations (Note 10) and Guarantees (Note 20).

2023	Less than 1 year	2 to 5 years	Thereafter	Total
	\$	\$	\$	\$
Trade and other payables	1,041,240	-	-	1,041,240
Right of Use Liability	20,284	20,715	-	40,999
Convertible Loan	-	2,487,696	-	2,487,696

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Foreign Exchange Risk

The Group operates in New Zealand only. All of the Group's petroleum sales are denominated in United States dollars, while gas sales and processing revenues are New Zealand dollar denominated. Operational and capital activities related to our properties are transacted primarily in New Zealand dollars and/or United States dollars with some costs also being incurred in Canadian dollars. Foreign exchange risk arises when the future commercial transactions, recognized assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group currently does not have significant exposure to other currencies and this is not expected to change in the foreseeable future as the work commitments in New Zealand are expected to be carried out in New Zealand dollars and to a lesser extent, in United States dollars. All US dollar revenues are converted to NZ dollars in the spot market.

The sensitivity of profit or loss to changes in the USD/NZD exchange rate of an increase in the rate by 10% is a loss of \$51,722 (2023: \$82,759) and a decrease in the rate of 10% is a gain of \$63,216 (2023: \$101,150).

The sensitivity of profit or loss to changes in the CAD/NZD exchange rate of an increase in the rate by 10% is a loss of \$641,154 (2023: \$160,124) and a decrease in the rate of 10% is a gain of \$641,154 (2023: \$160,124).

The sensitivity of FCTR to changes in the CAD/NZD exchange rate of an increase in the rate by 10% is a loss of \$1,747,780 (2023: \$1,514,952) and a decrease in the rate of 10% is a gain of \$1,747,780 (2023: \$1,541,952).

Interest Rate Risk

Interest rate risk is the risk future cash flows will fluctuate as a result of changes in market interest rates. The Group is exposed to interest rate fluctuations on its cash and cash equivalents that bear a variable rate of interest. The risk is not considered significant.

The Group did not have any interest rate swaps or financial contracts with variable interest rates in place during the period ended 31 December 2024 and any variations in interest rates would not have materially affected net income (2023: Nil).

Price Risk

The Group is exposed to price movements as part of its operations in relation to the prices received for its oil production. Such prices may also affect the value of resources properties and the level of spending for future activities. Prices received by the Group for its production are largely beyond the Group's control as petroleum prices are impacted by numerous factors, including, but not limited to, industrial and retail demand, levels of worldwide production, short-term changes in supply and demand related to speculative activities, forward sales by producers and speculators and other factors. The Group's oil production is priced based on an agreed contract price marker based on spot prices, exposing the Group to the risk of price movements. The Group has not entered into any hedge instruments.

25. SUBSEQUENT EVENTS

The Tariki 5A well commenced production on 28th December 2024. Within 36 hours of startup the well was producing and selling to the market. By end of January the well was unable to sustain commercially viable gas production rates. Further examination of the well conditions was carried out and higher than expected water levels were detected in the well. It is expected that lifting the water and gas for a 1-to-2-week period and additional capital expenditure of \$100,000 should be sufficient to enable commercially viable production of gas. Well engineering is being planned with gas flow expected to recommence in Q2 of 2025, subject to financing being available to enable this.

Following the acquisition by Vliet ("Vliet") Financing B.V of the Convertible Note loan from Arizona Finance Limited, Vliet and the Group entered into an agreement on 8 May 2025, subject to the revocation of the CTO and subject to the approval of the TSX Venture Exchange, to terminate the \$2,000,000 Convertible Loan described in Note 12 inclusive of all interest accruing and unpaid in exchange for the payment by the Group to Vliet of CAD\$500,000 and the issuance of 1,000,000 common shares of the Company.

In the event that the Group has been unable to make the payments described above to Vliet on or before July 31, 2025, the maturity date of the Loan has been extended to September 20, 2026.

Vliet, a shareholder owning 10.81% (before the issue of 1,000,000 shares described above) of the Company, is a company controlled by Frank Jacobs, Chairman and a director of the Company and therefore the termination of the Loan pursuant to the Agreement is a related party transaction for the purposes of TSX Venture Exchange Policy 5.9 and Multilateral Instrument 61-101 (the "Related Party Policies"). NZEC has determined that exemptions from the various TSX-V requirements of the Related Party Policies are available in connection with the Agreement (Formal Valuation - Issuer Not Listed on Specified Markets; Minority Approval - Fair Market Value Not More Than \$2,500,000).

As set out in note 1, the Group has secured short term funding of \$0.5m in working capital.