new zealand
ENERGY CORP

Consolidated Financial Statements

Year Ended 31 December 2025

(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 IFRS Accounting Standards ("IFRS") 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.

Crowe MacKay, an independent firm of Chartered Professional 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 IFRS.

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.

"Toby Pierce"
Toby Pierce, Chief Executive Officer

"*Barry MacNeil"*
Barry MacNeil, Chief Financial Officer

Crowe

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Independent Auditor's Report

To the Shareholders of New Zealand Energy Corp.

Opinion

We have audited the consolidated financial statements of New Zealand Energy Corp. (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2025 and the consolidated statements of net loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 that are relevant to our audit of the consolidated financial statements in Canada, 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 to the consolidated financial statements which describes the material uncertainty 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 for the year ended December 31, 2025. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be a key audit matter 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.

Assessment of the recoverable amount of cash generating units

We draw attention to Note 7 to the consolidated financial statements. The Group assesses at each reporting date whether there is an indication that petroleum and natural gas properties within cash generating units (“CGUs”) may be impaired or that historical impairment may be reversed. If any such indication exists, then the asset’s or CGUs recoverable amount is estimated. For the year ended December 31, 2025, the Group determined that the carrying values of the reserves CGU exceeded the estimated recoverable amount, and an impairment of $5.8 million was recorded.

The estimated recoverable amount of the reserves CGU involves significant estimates, including:

- The estimate of cash flows associated with the proved and probable oil and gas reserves; and
- The discount rates.

The estimate of cash flows associated with the proved and probable oil and gas reserves includes significant assumptions related to:

- Forecasted oil and gas commodity prices;
- Forecasted production;
- Forecasted operating costs;
- Forecasted royalty costs;
- Forecasted future development costs; and
- Discount rate.

The Group engaged independent third party reserve evaluators to estimate the cash flows associated with the proved and probable oil and gas reserves as at December 31, 2025.

Why the matter was determined to be a key audit matter
We identified the assessment of the recoverable amount of the reserves CGU as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures with respect to the estimate of cash flows associated with the proved and probable oil and gas reserves and the discount rates.

How the matter was addressed in our audit
The following are the primary procedures we performed to address this key audit matter:

With respect to the estimate of cash flows associated with the proved and probable oil and gas reserves as at December 31, 2025:

- We evaluated the competence, capabilities and objectivity of the independent third party reserve evaluators engaged by the Group;

- We compared forecasted oil and gas commodity prices to those published by other independent third party reserve evaluators;

- We compared the 2025 actual production, operating costs, royalty costs and development costs of the Group to those estimates used in the prior year's estimate of cash flows associated with the proved oil and gas reserves to assess the Group's ability to accurately forecast;

- We evaluated the appropriateness of forecasted production and forecasted operating costs, royalty costs and future development cost assumptions by comparing to 2025 historical results. We took into account changes in conditions and events affecting the Group to assess the adjustments or lack of adjustments made by the Group in arriving at the assumptions; and

- We benchmarked the discount rate against comparable industry data and peer groups and assessed the appropriateness of the rate.

Provision for asset retirement obligations
We draw attention to Note 9 to the consolidated financial statements. The Group recognizes a provision for the future cost of decommissioning oil and gas wells and production facilities discounted back to present value. The calculation and recognition of the provision in the consolidated financial statements requires a number of significant assumptions, including the selection of an appropriate discount rate and estimation of the costs and timing of decommissioning activities for oil and gas wells and facilities.

Why the matter was determined to be a key audit matter
We identified provisions for the future cost of decommissioning oil and gas wells and facilities as a key audit matter. Significant auditor judgment was required to evaluate the results of our audit procedures with respect to the estimate of the cost and timing associated with the decommissioning of oil and gas wells and facilities and the discount rates used in the calculation.

How the matter was addressed in our audit
In responding to the key audit matter, we performed the following audit procedures:

- Identified the key assumptions and inputs used within management's calculation of asset retirement obligations and assessed the key assumptions against local market and industry trends in order to determine whether the assumptions used are reasonable and can be sufficiently supported; and

- Benchmarked the discount rate used in the calculation of asset retirement obligations against comparable market data and assessed the appropriateness of the rate.

Other matter

The consolidated financial statements of New Zealand Energy Corp. for the year ended December 31, 2024 were audited by another auditor who expressed an unmodified opinion on those statements on June 3, 2025.

Other Information

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

- Management's Discussion and Analysis

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 identified above 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 the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, 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 as issued by the International Accounting Standards Board, 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 skepticism 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.

- 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 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 engagement partner on the audit resulting in this independent auditor's report is Todd Freer.

Crowe MacKay LLP

Chartered Professional Accountants
Calgary, Canada
July 3, 2026

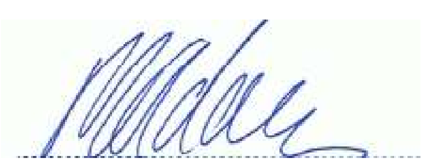
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at 31 December 2025 and 2024
(Expressed in Canadian Dollars)

	Note	2025 $	2024 $
Assets			
Current			
Cash	4	7,111	1,131,605
Trade receivables	5	1,317,608	78,632
Prepaid expenses		75,716	72,403
Inventories	6	223,197	545,151
Total current assets		**1,623,632**	**1,827,791**
Non-Current			
Inventories	6	309,755	254,469
Property, plant and equipment	7	10,059,353	14,902,717
Intangible asset	8	141,063	137,597
Deposits	20	355,473	363,050
Total non-current assets		**10,865,644**	**15,657,833**
Total assets		**12,489,276**	**17,485,624**
Liabilities			
Current			
Trade and other payables	10	1,762,913	1,302,304
Deferred revenue	14	983,134	1,034,456
Loans	11	-	2,688,244
Royalty interest payable	12	209,064	-
Right of use liability	7	20,638	39,839
Total current liabilities		**2,975,749**	**5,064,843**
Non-Current			
Asset retirement obligations	9	8,674,280	8,262,238
Royalty interest payable	12	383,639	-
Right of Use Liability	7	-	21,077
Total Non-Current Liabilities		**9,057,919**	**8,283,315**
Total liabilities		**12,033,668**	**13,348,158**
Shareholders' equity			
Share capital	13	123,001,595	119,715,592
Share-based payment reserve		23,602,902	23,602,902
Accumulated other comprehensive income		11,832,377	11,699,468
Accumulated deficit		(157,981,266)	(150,880,496)
Total shareholders' equity		**455,608**	**4,137,466**
Total liabilities and shareholders' equity		**12,489,276**	**17,485,624**

Description of business and going concern (Note 1)

These consolidated financial statements are authorized for issuance by the Board of Directors on 3 July 2026.

On behalf of the Board of Directors



Michael Adams, Director

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
For the years ended 31 December 2025 and 2024
(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 2024		8,321,235	$111,957,756	$21,289,710	$1,349,289	$11,807,694	$(142,809,446)	$3,595,003
Net loss for the year		-	-	-	-	-	(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
Share issuance costs		-	(211,438)	-	-	-	-	(211,438)
Other comprehensive loss for the year		-	-	-	-	(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**
Balance, 1 January 2025		20,572,963	$119,715,592	$22,213,294	$1,389,608	$11,699,468	$(150,880,496)	$4,137,466
Net loss for the year		-	-	-	-	-	(7,100,770)	(7,100,770)
Exercise of options	13	27,000	22,680	-	-	-	-	22,680
Private placement	13	15,103,556	2,718,640	-	-	-	-	2,718,640
Shares issued for debt	11	2,666,667	544,683	-	-	-	-	544,683
Other comprehensive profit for the year		-	-	-	-	132,909	-	132,909
Balance, 31 December 2025		**38,370,187**	**$123,001,595**	**$22,213,294**	**$1,389,608**	**$11,832,377**	**$(157,981,266)**	**$455,608**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
For the years ended 31 December 2025 and 2024
(Expressed in Canadian Dollars)

	Note	2025 $	2024 $
Revenues			
Revenue	14	1,666,022	1,236,768
Royalties		(65,605)	(18,255)
		1,600,417	1,218,513
Expenses and other items			
Production costs	15	1,127,352	759,642
Processing costs	15	783,613	1,141,076
Depreciation, depletion and amortisation	7,8	638,624	336,053
Impairment	7	5,804,261	2,956,000
General and administrative	16	2,053,611	2,455,034
Stock based compensation	13	-	963,902
Finance expense	16	542,449	524,823
Foreign exchange loss		135,084	158,346
Asset retirement obligation movement		-	(5,313)
		11,084,994	9,289,563
Loss before other items		**(9,484,577)**	**(8,071,050)**
Other items			
Gain on extinguishment of loans	11	2,042,739	-
Fair value adjustment of royalty interest payable	12	341,068	-
		2,383,807	-
Net loss		**(7,100,770)**	**(8,071,050)**
Other comprehensive profit (loss):			
Exchange difference on translation of foreign operations (i)		132,909	(108,226)
Total comprehensive loss		**(6,967,861)**	**(8,179,276)**
Net loss per share	13	($ 0.25)	($ 0.59)
Weighted average number of shares outstanding	13	28,680,727	13,789,658

(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 STATEMENTS OF CASH FLOWS
For the years ended 31 December 2025 and 2024
(Expressed in Canadian Dollars)

	Note	2025 $	2024 $
Operating activities			
Loss for the year		(7,100,770)	(8,071,050)
Impact of the following operating items			
Gain on extinguishment of loans	11	(2,042,739)	-
Fair value adjustment of royalty interest payable	12	(341,068)	-
Depreciation, depletion and amortisation	7	638,624	336,053
Accretion and other finance expense		499,973	524,823
Stock based compensation	13	-	963,902
Impairment	7	5,804,261	2,956,000
Asset retirement obligation movement		-	(5,313)
Foreign exchange loss		103,375	158,346
Change in working capital items			
Accounts and other receivables		(1,269,486)	(1,720)
Prepaid expenses		(3,313)	8,431
Inventories		264,148	99,306
Trade and other payables		496,933	1,069,097
Deferred revenue		(24,379)	-
Cash used in operating activities		**(2,974,441)**	**(1,962,125)**
Investing activities			
Purchase of property, plant and equipment	7	(1,573,825)	(5,792,143)
Cash used in investing activities		**(1,573,825)**	**(5,792,143)**
Financing activities			
Exercise of stock options	13	22,680	21,000
Royalty interest proceeds	12	948,563	-
Private placement	13	2,718,640	7,948,274
Share Issuance costs		-	(211,438)
Loan proceeds	11	270,000	-
Loan repayments	11	(500,000)	-
Cash provided by financing activities		**3,419,903**	**7,757,836**
Net increase (decrease) in cash		**(1,128,363)**	**3,568**
Effect of exchange rate changes on cash		3,869	(52,356)
Cash, beginning of the year		1,131,605	1,180,393
Cash, end of the year	4	**7,111**	**1,131,605**

See accompanying notes to the consolidated financial statements.

1. DESCRIPTION OF BUSINESS AND GOING CONCERN

New Zealand Energy Corp. (the "Company", the "Group" or "NZEC") 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 IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board, 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 2025, the Group reported a Net Loss of $7,100,770 (2024: Loss of $8,071,050) and a cash outflow from operating activities of $2,974,441 (2024: outflow $1,962,125). The Group has a working capital deficit (total current assets, less total current liabilities) of $1,352,117 (2024:deficit $3,237,052).

The Company 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. The Company'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 statement of financial position 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.

2. SUMMARY OF MATERIAL ACCOUNTING 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 consolidated financial statements are as follows:

Basis of Preparation

The consolidated financial statements comply with 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.

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 Presentation and Disclosure in Financial Statements ("IFRS 18"), which will replace IAS 1. The new standard will become effective January 1, 2027, with earlier adoption permitted, and it must be adopted on a retrospective basis. This standard introduces new requirements for entities applying IFRS to present and disclose financial information. IFRS 18 introduces new totals, subtotals, and categories for income and expenses in the statement of income, as well as requiring disclosure about management-defined performance measures and additional requirements regarding the aggregation and disaggregation of certain information. The Company will be assessing the impact of the new standard on its consolidated financial statements.

(Expressed in Canadian Dollars)

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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 2025	Interest 2024
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$”) and the functional currency of the parent is the Canadian dollar.

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 are translated at average exchange rates for the year; 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.

(Expressed in Canadian Dollars)

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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 9 – Asset retirement obligations
Note 12 – Royalty interest payable
Note 21 – Financial Instruments

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 consolidated 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, REVOLVING CREDIT FACILITY, AND OTHER

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. The Group had no cash equivalents as at December 31, 2025 and 2024.

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$nil (2024:NZ$250,000) with an interest rate of 9.99% for 2024. The facility was secured by 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 terminated in 2024.

The Company has a credit card facility with a maximum credit limit of $75,000 (NZ$ 95,000) as at 31 December 2025 (2024 - $77,000 (NZ$ 95,000)).

5. TRADE RECEIVABLES

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 23.

	2025 $	2024 $
Trade receivables	1,317,609	78,632

(Expressed in Canadian Dollars)

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.

	2025	2024
Current	**$**	**$**
Material and supplies	-	159,528
Oil inventories	223,197	385,623
	223,197	**545,151**
Non Current		
Material and supplies	513,779	384,236
Less write down provision	(204,024)	(129,767)
	309,755	**254,469**
Write down Provision non-current material and supplies		
Opening Balance	(129,767)	(124,951)
Movement in provision recognised	(74,257)	(4,816)
Closing Balance	**(204,024)**	**(129,767)**

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 operations. Those items considered unlikely to be used were all considered as unlikely to be saleable and were valued at scrap value.

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.

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 (cash-generating units (CGUs)). 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: the Tariki Storage CGU and the reserves CGU.

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.

Key estimates and assumptions

Determination of cash-generating units ("CGUs") and recoverable amounts

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.

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

a) Reserve volumes – future reserve estimates are based on assessments made by third party independent reservoir engineers based on the Group's expected production and current business plans.

b) Oil and natural gas prices – forward price estimates of oil and natural gas are based on industry price forecast models for the next ten years and include a 2% price escalation thereafter. Forecasted oil prices used in the reserve report ranged from $73.56 to $98.33 per barrel and natural gas prices ranged from $10.20 to $11.72 per mcf for the next ten years.

c) Discount rate – the rate used to calculate the net present value. A 12% discount rate has been used in the calculations (2024: 15.46%). As at 31 December 2025, a 3% increase in the discount rate would decrease the carrying value by $0.9million.

(Expressed in Canadian Dollars)

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Furniture and fixtures $	Land and Building $	Plant and equipment $	Oil and gas properties $	Total $
Cost					
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
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**
Additions	2,093	-	-	1,571,732	1,573,825
Change in asset retirement cost due to change in estimate	-	-	3,677	226,426	230,103
Foreign currency translation adjustment	29,264	(144,311)	(232,693)	(583,840)	(931,581)
Balance, 31 December 2025	**95,179**	**1,187,511**	**3,794,761**	**28,605,259**	**33,682,710**

	Furniture and fixtures $	Land and Building $	Plant and equipment $	Oil and gas properties $	Total $
Accumulated depreciation and impairment					
Balance, 31 December 2023	3,801	40,729	1,774,388	16,381,328	18,200,246
Depreciation and depletion	6,837	-	259,695	67,555	334,087
Impairment	-	-	-	2,956,000	2,956,000
Foreign currency translation adjustment	(284)	(1,791)	(66,696)	(557,917)	(626,688)
Balance, 31 December 2024	**10,354**	**38,938**	**1,967,387**	**15,890,966**	**17,907,645**
Depreciation and depletion	6,270	38,242	207,995	386,117	638,624
Impairment	-	-	-	5,804,261	5,804,261
Foreign currency translation adjustment	30,280	(272)	(232,937)	(524,246)	(727,175)
Balance, 31 December 2025	**46,904**	**76,908**	**1,942,445**	**21,557,100**	**23,623,357**
Net Book Value					
Balance, 31 December 2024	53,468	1,292,884	2,056,390	11,499,975	14,902,717
Balance, 31 December 2025	**48,275**	**1,110,603**	**1,852,316**	**7,048,159**	**10,059,353**

A reserves evaluation indicated a decrease in proven plus probable (2P) reserves. Following the reduction, the Group identified indicators of impairment in the reserves CGU and have taken a $5.8 million (2024 - $2.96 million) impairment for the year. No indicators of impairment were identified for the Tariki storage CGU.

The recoverable amount was determined using a value in use approach by applying a discounted cashflow methodology based on reserves estimates. The value in use was calculated using a discounted cash flow model with the following key inputs: reserve volume forecasts, future oil and natural gas price forecasts, and discount rate.

(Expressed in Canadian Dollars)

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 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.

ROU assets are included in the Land and Building category of PP&E.

Right of use assets:

	2025	2024
	$	$
Opening Balance 1 January	**57,631**	**40,240**
Additions	-	59,911
Amortisation	(38,242)	(40,729)
Foreign currency translation adjustment	(272)	(1,791)
Closing Balance 31 December	**19,117**	**57,631**

The right of use liability was $20,638 as at 31 December 2025 (2024: $60,916).

(Expressed in Canadian Dollars)

8. INTANGIBLE ASSETS

	$
Cost	
Balance, 31 December 2023	**150,483**
Foreign currency translation adjustment	(5,186)
Balance, 31 December 2024	**145,297**
Foreign currency translation adjustment	3,242
Balance, 31 December 2025	**148,539**
Accumulated Amortisation	**$**
Balance, 31 December 2023	**5,984**
Amortisation	1,966
Foreign currency translation adjustment	(250)
Balance, 31 December 2024	**7,700**
Foreign currency translation adjustment	(224)
Balance, 31 December 2025	**7,476**
Net Book Value	
Balance, 31 December 2024	137,597
Balance, 31 December 2025	**141,063**

Intangible assets acquired separately are measured on initial recognition at cost 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.

Intangible assets relate to the extinguishing of an overriding royalty during the 2021 year. The intangible asset has a finite life aligned with the life of the reserves to which the royalties relate. The amortisation of the intangible asset 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.

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 comprehensive loss.

(Expressed in Canadian Dollars)

9. 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 statement of financial position.

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.

	2025	2024
	$	$
Opening Balance 1 January	**8,262,238**	**7,852,942**
Change in estimate	230,103	332,061
Accretion expense for the year	370,795	363,424
Foreign currency translation adjustment	(188,856)	(286,189)
Closing Balance 31 December	**8,674,280**	**8,262,238**
Key estimates and assumptions		
Total undiscounted value of payments	$13,319,534	$13,312,805
Discount rate	2.52% to 4.81%	3.79% to 4.90%
Inflation rate	2.13%	1.96%
Expected life	1 to 11 years	2 to 12 years

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

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

10. TRADE AND OTHER PAYABLES

	2025	2024
	$	$
Trade payables	1,561,563	1,309,900
GST payable/(receivable)	64,779	(102,023)
Accrued liabilities - payroll	136,571	94,427
Total	**1,762,913**	**1,302,304**

(Expressed in Canadian Dollars)

11. LOANS

	2025	2024
	$	$
Balance 31 December	-	2,688,244

Compound financial instruments issued by the Company are comprised of a convertible loan that can be converted to common shares at the option of the holder. The number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured. Interest relating to the financial liability is recognized in net income. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

2024

Convertible Loan

The Company drew down $2,000,000 under the convertible loan agreement with Arizona Finance Limited (“Arizona”) in 2021. The maximum number of common shares issuable if Arizona elected to convert the entire principal amount of the loan was 666,667 shares at a price of $3 per share. The loan was subject to interest at 10% per annum, which has been included in the outstanding loan balance. The loan was originally repayable on the 16 August 2022 if not converted to common shares. A number of extensions of the loan were approved.

2025

Convertible Loan

Vliet Financing B.V. (“Vliet”), a related party controlled by a director of the Company, acquired the loan from Arizona and entered into an agreement with the Company to remove the conversion feature and terminate the loan in exchange for the payment of $500,000 and the issuance of 1,000,000 common shares at a price of $0.21 per share. The combined principal and interest at the time of settlement was $2,787,423.

Term Loan

The Company entered into a 90 day term loan in the principal amount of $270,000 with an interest rate of 15% per annum. The loan was provided by Charlestown Energy Partners, LLC, a related party through shareholdings and common directors with the Company, which was subsequently settled through the issuance of 1,666,667 common shares at a price of $0.21 per share. The combined principal and interest at the time of settlement was $270,000.

De-recognition

The settlement of the convertible and term loans resulted in a gain on extinguishment of loans of $2,042,739, which has been recognized in the consolidated statement of net loss and comprehensive loss.

(Expressed in Canadian Dollars)

12. ROYALTY INTEREST PAYABLE

	2025 $	2024 $
Current	209,064	-
Non-Current	383,639	-
	592,703	-

During the year, Taranaki Ventures Limited, a wholly owned subsidiary of the Company, received funding from Monumental Energy Corp NZ Limited ("Monumental") in connection with the Copper Moki workover project. Management has reviewed the terms of the arrangement and concluded that the funding received is not revenue from a contract with a customer as it does not represent proceeds from the sale or partial disposal of an interest in the underlying permit or oil and gas assets.

Under the arrangement, following exercise of the call option on 31 December 2025, Monumental is entitled to a contractual share of future net receipts from production from the related Copper Moki wells. Monumental is to receive 75% of net receipts until an amount equal to the workover costs funded by Monumental has accrued to it, and 25% of net receipts thereafter.

Monumental does not obtain a legal or equitable interest in the relevant permit or permit area. Instead, the arrangement has been accounted for as a liability-based funding arrangement and represents a financial instrument measured at fair value through profit or loss. The Company uses the annual reserves evaluation to determine the fair value of the net receipts based on the estimated proven and probable discounted cash flows from the associated Copper Moki properties under the terms of the funding agreement. The discount rate utilized was 12% as at 31 December 2025. Refer to Note 21 for further disclosures.

A continuity of the balance is as follows:

	2025 $	2024 $
Opening Balance 1 January	-	-
Proceeds received	948,563	-
Foreign exchange	(14,792)	-
Fair value adjustment	(341,068)	-
Closing Balance 31 December	**592,703**	-

13. SHARE CAPITAL

a) Common shares

The Company is authorized to issue an unlimited number of common shares without par value. Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any related tax effects. Common shares issued for non-cash consideration are measured at fair value on the date of issuance, being the earlier of the date on which the counterparty's performance is complete and the date on which a binding commitment for the issuance of the shares exists.

During the year ended December 31, 2025:

On July 18, 2025, the Company completed a non-brokered private placement issuing 15,103,556 common shares at $0.18 per share for gross proceeds of $2,718,640.

During the year, the Company issued 2,666,667 common shares at a price of $0.21 per share as partial and full settlement of the convertible loan and term loan, respectively. Refer to Note 11.

There were 27,000 stock options exercised and no warrants were exercised.

During the year ended December 31, 2024:

The Company undertook three private placements, issuing 12,226,728 common shares for proceeds of $7,736,836, net of fees.

There were 25,000 stock options exercised and no warrants were exercised.

(Expressed in Canadian Dollars)

13. SHARE CAPITAL (CONTINUED)

b) Share purchase options

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 3,837,019 (2024: 2,057,296) options, based on the total issued and outstanding common shares as at December 31, 2025. Such options can be exercisable for a maximum of ten 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.

Equity-settled share-based compensation is measured at the fair value of the equity instruments at the grant date as determined using the Black-Scholes model. These calculations take into account, as of the grant date, the exercise price, expected life, current share price, expected volatility, and risk-free interest rates. The fair value determined at the grant date is expensed over the vesting period and a corresponding increase is recorded to share-based payment reserves.

A forfeiture rate is estimated as of the grant date. This rate is reviewed each reporting period and adjusted to reflect the actual number of awards that are expected to vest. Any impact of the revision in estimate is recognized in profit or loss such that the cumulative expense recognized reflects the revised estimate, with a corresponding adjustment to contributed surplus. Any consideration paid to the Company on exercise is credited to share capital while the corresponding stock based compensation remains in share-based payment reserves.

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

	Number of Options	Weighted Average Exercise Price
Balance as at December 31, 2023	**-**	**$ -**
Granted during the year	1,400,000	0.84
Exercised during the year	(25,000)	(0.84)
Balance as at December 31, 2024	**1,375,000**	**0.84**
Forfeited during the year	(298,000)	(0.84)
Exercised during the year	(27,000)	(0.84)
Balance as at December 31, 2025	**1,050,000**	**$ 0.84**

The following table summarizes information about stock options that are outstanding at December 31, 2025:

Number of Options	Price per Share	Expiry Date	Options Exercisable
1,050,000 (1)	$0.84	May 13, 2027	1,050,000
1,050,000			**1,050,000**

(1) *These were originally granted on May 13, 2024.*

As at December 31, 2025, the weighted average contractual remaining life is 1.36 years.

Options vested immediately when they were granted and are irrevocable. 27,000 stock options were exercised during the year (2024: 25,000 stock options). The total expense relating to share purchase options incurred for the year ended 31 December 2025 was $nil (2024: $963,902).

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

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

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.

(Expressed in Canadian Dollars)

13. SHARE CAPITAL (CONTINUED)

b) Share purchase options (continued)

During the year ended 31 December 2025, the volume weighted average trading price of the Company's common shares on the TSX.V was $0.32 (2024 - $0.86).

c) Warrants

Warrants issued to advisors as part of private placement offerings are recorded at fair value using the Black-Scholes option pricing model. The fair value is recognized as a share issuance cost and charged to share capital as a cost of the private placement offering.

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.

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

	Number of Warrants	Weighted Average of Exercise Price
Balance as at 31 December 2023	**-**	**$ -**
Issued during the year	56,383	0.75
Balance as at 31 December 2024	**56,383**	**0.75**
Expired during the year	(56,383)	0.75
Balance as at 31 December 2025	**-**	**$ -**

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
Risk-free interest rate	3.21%
Expected volatility	140%
Expected life	11 Months
Expected dividend yield	Nil%

During the year ended 31 December 2025, the Company recognized share issuance costs of $nil (2024: $40,319) related to advisor warrants.

d) Loss per Share

Basic loss per share has been calculated using the weighted average number of common shares outstanding during the year. Diluted earnings per share has been calculated using the weighted average number of common shares after adjusting for all dilutive potential shares. For the year ending 31 December 2025, basic common shares were 28,680,727 (2024 – 13,789,658) and diluted basic common shares were 28,680,727 (2024 – 13,789,658). No options or warrants were dilutive as at 31 December 2025.

(Expressed in Canadian Dollars)

14. REVENUE AND DEFERRED REVENUE

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.

	2025 $	2024 $
Oil sales	1,131,895	568,941
Gas sales	52,782	4,487
Processing revenue	388,411	495,391
Interest income	-	69,911
Other revenue	92,934	98,038
	1,666,022	**1,236,768**

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, which consists of payments for exclusive negotiation rights and prepayments for access to various infrastructure owned by the Company. Deferred revenue of $48,758 (2024: $49,695) was recognised in profit and loss during the year. The remaining balance of deferred revenue is $983,134 as at 31 December 2025 (2024: $1,034,456) relating to payments for the future supply of gas as well as certain other access rights from various parties.

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 AND FINANCE EXPENSE

General and administration expense	**2025** **$**	**2024** **$**
Professional fees	240,805	295,306
Consulting fees	87,703	90,598
Travel and accommodation	29,077	78,144
Administrative expenses	612,973	267,489
Short term lease	36,813	7,079
Filing and transfer agent fees	55,990	61,567
Insurance	157,746	99,450
Low value equipment lease	-	7,847
Salary and wages	832,502	1,547,554
	2,053,611	**2,455,034**

(Expressed in Canadian Dollars)

16. GENERAL AND ADMINISTRATIVE EXPENSES AND FINANCE EXPENSE (CONTINUED)

Finance expense	**Note**	**2025 $**	**2024 $**
Interest on loans	11	99,179	161,399
Accretion	9	370,795	363,424
Other		72,475	-
		542,449	**524,823**

17. INCOME TAXES

Income tax is recognized in 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 2025 and 2024 has been prepared as follows:

	2025 $	**2024 $**
Loss before income taxes	(7,100,770)	(8,071,050)
Statutory tax rate	27.0%	27.0%
Income tax recovery at statutory rates	(1,917,000)	(2,179,183)
Stock based compensation	-	270,035
Effect of tax rates in other jurisdictions	(61,000)	(64,115)
Other	(123,000)	808,715
Unrecognised deferred tax asset	2,102,000	1,236,632
	-	**-**

(Expressed in Canadian Dollars)

17. INCOME TAXES (CONTINUED)

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

	2025 $	2024 $
Deferred income tax assets		
Non-capital losses available for future periods	1,423,000	1,157,012
Deferred income tax liability		
Property, plant and equipment	(1,423,000)	(1,157,012)
	-	-

The above losses available for future years have been determined by applying a Canadian income tax rate of 27% (2024: 27%) and a New Zealand tax rate of 28% (2024: 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 approximately $20,400,000 (2024: $19,526,514), which will expire between 2030 and 2045. 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$111,700,000 (2024: NZ$118,421,621).

The Company has property, plant and equipment tax pools of approximately NZ$6,500,000 (2024: NZ$11,600,000) that can be used to reduce future taxable income.

18. RELATED PARTY TRANSACTIONS

Related parties of the Company include entities controlled by Directors or officers, as well as Directors and members of key management personnel. Related-party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Key Management and Personnel Compensation

The key management personnel include the directors and other officers of the Company. Key management compensation and balances owing consist of the following:

	2025 $	2024 $
Salary and consulting fees	467,409	815,526
Stock based compensation	-	826,202
	467,409	**1,641,728**

As at 31 December 2025, there are accounts payable and accrued liabilities of $60,898 (2024: $25,213) owing to related parties.

Refer to Note 11 for additional disclosure of related party transactions.

19. SEGMENTED DISCLOSURES AND REVENUE CONCENTRATION

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 principal geographic area for all material assets, liabilities, revenues and expenses is New Zealand.

Revenues from one customer of the Group represents $1,131,895 (2024: $568,941) of total revenues.

(Expressed in Canadian Dollars)

20. COMMITMENTS AND DEPOSITS

As at 31 December 2025, the Group had the following undiscounted contractual obligations:

2026	**2026**	**2027 and onwards**	**Total**
	$	**$**	**$**
Operating Leases	23,000	-	23,000
Contract and purchase commitments	206,000	1,315,000	1,521,000
	229,000	**1,315,000**	**1,544,000**

2025	**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**

Contract commitments relate mostly to future lease payment commitments to landowners on which permits lie. Operating leases relate to leased offices and are short-term in nature.

Bond Deposits
The Company has provided bonds to the Crown in respect of the Tariki, Waihapa and Ngaere petroleum mining licences and a performance bond to First Gas in the amount of $355,473 (NZ: $490,000) as at 31 December 2025 (2024: $363,050 (NZ: $490,000)).

These bonds are issued by the Bank Of New Zealand 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. The bonds are fully collateralised with cash deposits in the same amounts.

21. FINANCIAL INSTRUMENTS BY CATEGORY

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

	2025	**2024**
	$	**$**
Financial assets - at amortised cost - cash, trade receivables	1,324,719	1,210,237
Financial liabilities - at amortised cost – trade and other payables, loans, right of use liability	1,762,913	3,990,548
Financial liabilities – at fair value through profit or loss – royalty interest payable	592,703	-

Classification and measurement of financial assets and financial liabilities

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized on the Statements of Financial Position at the time the Company becomes a party to the contractual provisions. The Company's financial assets and financial liabilities are classified into two categories: Amortized Cost and Fair Value through Profit and Loss ("FVTPL"). The classification of financial assets is determined by their context in the Group's business model and by the characteristics of the financial asset's contractual cash flows.

Financial assets and financial liabilities are measured at fair value on initial recognition. Subsequent measurement is dependent on the financial instrument's classification.

Amortized Cost

Cash, trade receivables, trade and other payables, loans and right of use liability are measured at amortized cost. The contractual cash flows received from financial assets are payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. Financial assets and liabilities classified as amortized cost are subsequently measured at amortized cost using the effective interest rate method.

21. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Fair Value Through Profit and Loss ("FVTPL")

The royalty interest payable is measured initially at FVTPL and subsequently measured at fair value with changes in fair value immediately recognized in profit or loss. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in its principal or most advantageous market at the measurement date. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company maximizes the use of observable inputs when preparing calculations of fair value, where possible.

The fair value hierarchy has the following levels:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Values are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect the placement within the fair value hierarchy. The Company utilizes Level 2 inputs for the fair value measurement of the royalty interest payable.

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.

As at 31 December 2025, the average expected credit loss of the Group's trade receivable balance was not material. This is based on historical performance and forward-looking assessments of the counterparties.

22. 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. The Group has no externally imposed capital requirements and has not changed its approach to capital management from the prior year.

23. FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist of cash, trade receivables, trade and other payables, loans, royalty interest payable and the right of use liability. The Group is exposed to credit risk, liquidity risk and market risk arising from its financial instruments. The Board of Directors has overall responsibility for oversight of the Group's risk management framework.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's credit risk arises primarily from cash and trade receivables.

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

Cash is primarily held with a registered New Zealand bank. Trade receivables arise from oil sales, gas sales and processing services. Oil sales are generally due for payment approximately 30 days after lifting. Gas sales and processing services are generally invoiced monthly and are due in accordance with the relevant customer agreements.

The Group monitors customer credit risk based on payment history, knowledge of the customer's operations, and publicly available information where available. At 31 December 2025, management assessed expected credit losses as not material.

The carrying amount of cash and trade receivables represents the Group's maximum exposure to credit risk.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by monitoring forecast and actual cash flows, reviewing operating and capital expenditure plans, and pursuing financing alternatives as required.

As described in Note 1, the Group has a working capital deficit and is dependent on additional financing, cash flows from operations, commercial arrangements or other financing alternatives to meet its obligations and planned activities. These conditions indicate a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

The following table summarizes the expected undiscounted contractual maturities of the Group's financial liabilities as at 31 December 2025:

2025	Less than 1 year	2 to 5 years	Thereafter	Total
	$	$	$	$
Trade and other payables	1,762,913	-	-	1,762,913
Royalty interest payable	209,064	383,639	-	592,703
Right of use liability	20,638	-	-	20,638
	1,992,615	383,639	-	2,376,254

The following table summarizes the expected undiscounted contractual maturities of the Group's financial liabilities as 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
Loans	2,688,244	-	-	2,688,244
	4,030,387	21,077	-	4,051,464

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates in New Zealand. The functional currency of the Company's New Zealand subsidiaries and joint arrangements is the New Zealand dollar, while the Group's presentation currency is the Canadian dollar. Oil sales are generally denominated in United States dollars, while gas sales, processing revenues and most operating and capital expenditures are denominated in New Zealand dollars. Certain corporate costs are incurred in Canadian dollars.

The Group does not currently use derivative financial instruments to manage foreign exchange risk. United States dollar receipts are converted to New Zealand dollars in the spot market as required. Management monitors foreign currency exposures as part of its cash flow forecasting process.

At 31 December 2025, management assessed the Group's foreign exchange risk arising from financial instruments as not material to the consolidated financial statements, other than the impact of translating the results and net assets of foreign operations into the Group's Canadian dollar presentation currency.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At 31 December, 2025, the Group did not have variable-rate borrowings or interest rate swaps. The Group's exposure to interest rate risk is limited to interest earned on cash balances and is not considered significant.

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk

Market risk is the risk that changes in market conditions, such as commodity prices, interest rates, and foreign exchange rates will affect the Company's cash flows, net income or loss, or the fair value of financial instruments. The Group's risk management objective is to manage and control market risk exposures within acceptable limits.

Commodity price risk is inherent to the business of producing oil and gas. The Company's revenue and gas provided by operating activities is subject to such risk. Commodity prices are impacted by world economic events that dictate the levels of supply and demand as well as the currency exchange rate relation between the Canadian, U.S., and New Zealand dollar.

At December 31, 2025, the Group did not have any market risk management contracts in place.

24. SUBSEQUENT EVENTS

Subsequent to 31 December 2025:

On 12 January, 2026, the Company entered into a Funding Agreement for Additional Projects under which a third party agreed to advance funds for the purpose of conducting workovers on various properties held under the Company's Waihapa Petroleum Mining Permit. Once various milestones have been met, the third party will earn a 75% royalty interest in the net receipts from the properties until the advanced funds are recovered, at which point the royalty will convert to 25% of net receipts in perpetuity.

On 9 February 2026, the Company closed a non-brokered private placement of 17,500,000 common shares at a price of $0.20 per share for gross proceeds of $3,500,000. The net proceeds are intended to be used to fund the advancement of the Company's gas storage business and for general corporate purposes.

On 25 February 2026, the Company granted stock options to certain directors, officers and employees to acquire up to 3,250,000 common shares at an exercise price of $0.45 per share for a term of five years. The options vested immediately on grant.