

Lodestone Energy Limited

Consolidated financial statements

for the year ended 31 March 2026

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Directors' report

The Directors are pleased to present the consolidated financial statements of Lodestone Energy Limited (The "Group") for the year ended 31 March 2026.

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of the consolidated financial statements which fairly present the financial position of the Group as at 31 March 2026 and the results of its operations for the year ended 31 March 2026.

The Directors consider that the consolidated financial statements of the Group have been prepared using accounting policies appropriate to the Group, consistently applied and supported by reasonable judgements and estimates. The Directors consider that all applicable New Zealand Equivalents to International Financial Reporting Standards and other applicable Financial Reporting Standards as appropriate for profit-oriented entities have been applied.

The Board of Directors of Lodestone Energy Limited authorised these consolidated financial statements presented on pages 36 to 76 for issue on the date shown below.

For and on behalf of the Board.



G Holden
Managing Director
Date: 29 May 2026



J Matthews
Chair
Date: 29 May 2026

Lodestone Energy Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 March 2026

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 March 2026

	Notes	2026 \$'000	2025* \$'000
Operating revenue	B1	24,466	22,456
Operating expenses	B2	(29,411)	(12,866)
Depreciation and amortisation expense	C1	(6,727)	(3,286)
Net change in fair value of energy derivatives	D5	20,614	(35,692)
Net change in fair value of treasury derivatives	D5	1,831	(1,774)
Finance expenses	D4	(13,314)	(7,667)
Finance income	D4	1,684	3,038
Loss before income tax		(857)	(35,791)
Income tax expense	B3	-	-
Net loss for the year		(857)	(35,791)
Other comprehensive income		-	-
Total comprehensive loss for the year		(857)	(35,791)
		Cents	Cents
Earnings per share:			
Attributable to continuing operations:			
Basic earnings per share (cents)	D8	(0.8)	(37.8)
Diluted earnings per share (cents)	D8	(0.7)	(37.4)

* The comparative information is restated on account of changes in presentation, refer to A2(h).

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Lodestone Energy Limited
Consolidated statement of financial position
As at 31 March 2026

Consolidated statement of financial position

As at 31 March 2026

	Notes	2026 \$'000	2025* \$'000
ASSETS			
Current assets			
Cash and cash equivalents	D1	26,802	66,081
Restricted cash and cash equivalents	D1	19,705	27,190
Trade and other receivables	E1	10,921	5,261
Derivative financial instruments	D5	948	-
Inventory	E3	6,127	170
Total current assets		64,503	98,702
Non-current assets			
Property, plant and equipment	C1	305,219	252,800
Intangible assets		10	12
Derivative financial instruments	D5	1,781	-
Total non-current assets		307,010	252,812
Total assets		371,513	351,514
LIABILITIES			
Current liabilities			
Trade and other payables	E2	16,661	8,052
Borrowings	D3	14,107	35,997
Derivative financial instruments	D5	10,125	12,046
Total current liabilities		40,893	56,095
Non-current liabilities			
Trade and other payables	E2	110	98
Borrowings	D3	174,867	126,938
Derivative financial instruments	D5	10,165	26,382
Total non-current liabilities		185,142	153,418
Total liabilities		226,035	209,513
Net assets		145,478	142,001
EQUITY			
Share capital	D6	202,251	201,476
Reserves	D6	(56,773)	(59,475)
Total equity		145,478	142,001

The Board of Directors of Lodestone Energy Limited authorised these consolidated financial statements presented on pages 36 to 76 for issue on the date shown below.

For and on behalf of the Board.



G Holden
Managing Director
Date: 29 May 2026



J Matthews
Chair
Date: 29 May 2026

* The comparative information is restated on account of changes in presentation, refer to Note A2(h).

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the year ended 31 March 2026

	Notes	Share capital \$'000	Share-based payment reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance as at 1 April 2024		153,396	455	(24,521)	129,330
Net loss for the year		-	-	(35,791)	(35,791)
Changes in share-based payments	D6,D7	-	382	-	382
Changes in share capital	D6	48,080	-	-	48,080
Balance as at 31 March 2025*		<u>201,476</u>	<u>837</u>	<u>(60,312)</u>	<u>142,001</u>
Balance as at 1 April 2025		201,476	837	(60,312)	142,001
Net loss for the year		-	-	(857)	(857)
Changes in share-based payments	D6,D7	583	3,559	-	4,142
Changes in share capital	D6	192	-	-	192
Balance as at 31 March 2026		<u>202,251</u>	<u>4,396</u>	<u>(61,169)</u>	<u>145,478</u>

* The comparative information is restated on account of changes in presentation, refer to Note A2(h).

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Lodestone Energy Limited
Consolidated statement of cash flows
For the year ended 31 March 2026

Consolidated statement of cash flows

For the year ended 31 March 2026

	Notes	2026 \$'000	2025* \$'000
Cash flows from operating activities			
Receipts from customers		20,933	13,638
Interest received		1,684	3,038
Payments to suppliers and employees		(19,934)	(14,007)
Net withholding tax received/(paid)		650	100
Net cash inflow from operating activities	D2	3,333	2,769
Cash flows from investing activities			
Purchases of property, plant and equipment		(54,415)	(81,696)
Restricted use cash and cash equivalents for projects		7,485	12,049
Other deposits		(3,770)	-
Net cash outflow from investing activities		(50,700)	(69,647)
Cash flows from financing activities			
Proceeds from shares		377	49,974
Borrowings drawn		82,939	97,874
Borrowings repaid		(62,421)	(54,705)
Principal elements of lease payments		(213)	(142)
Transaction costs related to preference share issuance		(958)	(802)
Interest paid		(11,636)	(3,200)
Net cash inflow from financing activities		8,088	88,999
Net movement in cash and cash equivalents		(39,279)	22,121
Cash and cash equivalents at the beginning of the financial year		66,081	43,960
Cash and cash equivalents at end of year	D1	26,802	66,081

* The comparative information is restated on account of changes in presentation, refer to Note A2(h).

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

A. Group overview, reporting framework and key judgements

A1. General information

The consolidated financial statements comprise Lodestone Energy Limited (the “Company” or “Lodestone”) and its subsidiaries (together, the “Group”). The principal activities of the Group are constructing, owning, operating grid scale solar farms, and supplying electricity to customers. Lodestone is a profit-orientated entity, domiciled in New Zealand, and registered under the Companies Act 1993.

The consolidated financial statements were authorised for issue by the Board of Directors on the date shown in the Directors' report.

(a) Basis of preparation

These consolidated financial statements are general purpose financial statements and have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (“NZ GAAP”). They comply with New Zealand equivalents to International Financial Reporting Standards (“NZ IFRS”) and other applicable Financial Reporting Standards, as issued by the External Reporting Board (“XRB”), and apply Tier 1 for-profit accounting requirements (“Tier 1 NZ IFRS”). The financial statements also comply with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board.

These are the Group's first consolidated financial statements prepared in accordance with Tier 1 NZ IFRS. Previously, the Group prepared its consolidated financial statements in accordance with New Zealand equivalents to IFRS Reduced Disclosure Regime, as appropriate to Tier 2 for-profit entities. Tier 1 NZ IFRS applies the same recognition and measurement requirements as those applied under Tier 2, but includes additional disclosure requirements. The Group has adopted Tier 1 NZ IFRS following its election to increase its level of accountability. Comparative information has been presented on a basis consistent with the current period, with additional disclosures included for comparatives where relevant and practicable. Refer to note A2(h) for further information.

The consolidated financial statements have been prepared based on the historical cost basis, except for items measured at fair value as described in the relevant accounting policies.

The consolidated financial statements have been prepared on a going concern basis.

(b) Significant accounting judgements, estimates and assumptions

In preparing these consolidated financial statements, management makes judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of income and expenses during the period. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions are recognised in the period of the revision and future periods, as applicable.

Significant judgements in applying the Group's accounting policies include:

- Electricity derivatives and power purchase agreements (“PPAs”): the Group applies judgement in determining the appropriate classification and accounting for electricity derivative contracts (including PPAs), including assessing whether contract modifications are substantial (resulting in derecognition and recognition of a new instrument) or non-substantial (resulting in an adjustment to the existing carrying amount). Refer Note D5.
- Capitalisation and commissioning of development assets: determining which development and construction costs are directly attributable and therefore capitalised (including allocation of capitalised labour).

A1. General information (continued)

(b) Significant accounting judgements, estimates and assumptions (continued)

- Revenue recognition (NZ IFRS 15): the Group applies judgement in identifying contracts with customers and determining whether electricity supply arrangements represent a single performance obligation satisfied over time as electricity is delivered. The Group assesses whether it acts as principal or agent in arrangements involving the wholesale electricity market, including whether the Group controls electricity before it is transferred to customers. There have been no significant changes in these judgements during the period. Refer Note B1.

Key sources of estimation uncertainty and assumptions include:

- Fair value of derivative instruments (Level 3): The fair value of derivative instruments is determined using discounted cash flow valuation techniques. These valuations incorporate observable market inputs where available and, for Level 3 instruments, significant unobservable inputs, including wholesale price paths and forecast generation volumes. Changes in these assumptions could result in a material adjustment to the carrying amounts recognised. Note D5.
- Property, plant and equipment depreciation: estimates of useful lives and residual values for generation structures and other assets. Refer Note C1.
- Impairment assessments: estimation of recoverable amounts (including forecast cash flows and discount rates) for assets and cash-generating units ("CGU"). Refer Note A2(f).

(c) Climate risk

The Group is exposed to climate-related risks that could affect its operations and financial performance over time. These risks may be physical (for example, flooding and more frequent or severe adverse weather events) or transition in nature (for example, changes in government policy and regulation, electricity market settings, or customer demand). Management considers climate-related risks as part of its assessment of whether such risks could have a material impact on the recognised amounts or disclosures in these consolidated financial statements at 31 March 2026. Based on management's assessment, climate-related risks did not give rise to material adjustments to the recognised amounts, nor did they create material uncertainty in the measurements or disclosures in these consolidated financial statements. Physical risks are considered in the design and cost modelling for new solar farms (including resilience measures), and the Group maintains insurance cover to mitigate potential losses and damage from adverse weather events. Climate-related assumptions are reflected in the Group's estimates and sensitivities where relevant, including the valuation of Level 3 electricity derivatives/PPAs (refer Note D5) and the assessment of useful lives and impairment indicators for generation structure assets and development and construction work in progress (refer Note C1).

A2. Material accounting policies

Material accounting policies are disclosed in the relevant notes and are presented alongside the related transactions and balances.

The Group applies materiality and relevance in preparing the consolidated financial statements, including in determining the nature, level of detail and extent of disclosures. Information is material and relevant if omitting, misstating or obscuring it could reasonably be expected to influence the decisions of primary users of the financial statements. The Group considers both quantitative and qualitative factors and, accordingly, may omit disclosures that are not material, or aggregate information where appropriate.

(a) New accounting standards effective for the current period

The following new or amended accounting standards became effective for the Group for the annual reporting period beginning 1 April 2025:

- Lack of Exchangeability - Amendments to NZ IAS 21.

The application of this amendment has not had a material impact on the Group's consolidated financial statements.

A2. Material accounting policies (continued)

(b) Accounting standards issued but not yet effective

The Group is not aware of any standards issued but not yet effective that would materially affect the amounts recognised in the consolidated financial statements, other than those noted below which may impact presentation and disclosures.

- Presentation and Disclosure in Financial Statements (NZ IFRS 18) (effective for annual reporting periods beginning on or after 1 January 2027, early adoption permitted). NZ IFRS 18 introduces new requirements for the presentation of the statement of profit or loss, including defined categories of income and expenses, a newly defined operating profit subtotal, and enhanced disclosures for management-defined performance measures (MPMs). The Group currently presents MPMs such as Energy Margin and EBITDAF and is assessing the impact of NZ IFRS 18 on the presentation of these measures and related disclosures. The adoption of NZ IFRS 18 is not expected to impact the Group's net profit or financial position but is expected to impact the presentation and disclosure of financial performance measures;
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to NZ IFRS 10 and NZ IAS 28) (effective for annual reporting periods beginning on or after 1 January 2028, early adoption permitted);
- Classification and Measurement of Financial Instruments (Amendments to NZ IFRS 9 and NZ IFRS 7);
- Contracts Referencing Nature-dependent Electricity (Amendments to NZ IFRS 9 and NZ IFRS 7).

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Lodestone and entities controlled by Lodestone and its subsidiaries. Control is achieved when Lodestone:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Lodestone reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(d) Foreign currency

The functional currency of each entity within the Group is the currency of the primary economic environment in which that entity operates. The functional currency of Lodestone and each of its subsidiaries is New Zealand Dollars. For the purpose of the consolidated financial statements, the results and position of the Group are expressed in New Zealand Dollars ("NZD"), rounded to the nearest thousand dollars, which is the presentation currency of the Group.

Transactions in currencies other than the Group's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(e) Goods and services tax

Revenue, expenses, assets and liabilities are recognised net of the amount of goods and services tax ("GST") except:

- where the amount of GST incurred is not recovered from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST (the net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables).

A2. Material accounting policies (continued)

(f) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or a CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Each solar farm is treated as an individual CGU, as each generates cash inflows that are largely independent of other assets through the independent generation and sale of electricity. In assessing recoverable amounts, forecast cash flows incorporate contracted electricity pricing under PPAs and other electricity supply agreements, alongside assumptions for uncontracted generation volumes and forecast wholesale electricity prices.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

(g) Current vs. non-current classification

Assets are classified as current when they are:

- expected to be realised, intended to be sold, or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting date; or
- cash and cash equivalents, unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as non-current.

Liabilities are classified as current when they are:

- expected to be settled in the normal operating cycle;
- held primarily for the purpose of trading;
- due to be settled within 12 months of the reporting period; or
- there is no right at the reporting date to defer settlement for at least 12 months after the reporting date.

All other liabilities are classified as non-current.

(h) Comparative information

Certain comparative amounts for the year ended 31 March 2025 have been reclassified to conform with the current year classification and presentation following the Group's transition to Tier 1 NZ IFRS and presentation improvements implemented during the year ended 31 March 2026. These changes are presentational only and have no impact on the Group's profit/(loss), total comprehensive income, total assets, total liabilities, total equity, or net increase/(decrease) in cash and cash equivalents.

The reclassifications relate to the Group's consolidated financial statements. The key reclassifications are as follows:

- Right-of-use assets: Previously presented in the consolidated statement of financial position separately of \$1,351,000 are now included within PPE, increasing that balance from \$251,449,000 to \$252,800,000. Refer Note C1.
- Lease liabilities: Previously presented in the consolidated statement of financial position separately of \$335,000 (current) and \$1,069,000 (non-current) are now included within borrowings, increasing borrowings from \$35,662,000 to \$35,997,000 (current) and from \$125,869,000 to \$126,938,000 (non-current). Refer Note D3.

A2. Material accounting policies (continued)

(h) Comparative information (continued)

- Employee entitlements and retentions: Previously presented in the consolidated statement of financial position separately of \$1,150,000 and \$197,000 (current) are now included within trade and other payables, increasing that balance from \$6,803,000 to \$8,052,000 (current), and balance of \$98,000 (non-current). Refer Note E2.
- Derivative fair value movements: Previously presented as a single amount of \$29,904,000 are now disaggregated into net change in fair value of energy derivatives of \$28,130,000 and treasury derivatives of \$1,774,000. In addition, a \$7,562,000 loss on power purchase agreements, previously presented separately, has been reclassified to energy derivatives.
- Cash flow presentation: Certain line items within the statement of cash flows have been reclassified to improve clarity and consistency. This includes aggregation of borrowings into “borrowings drawn” and “borrowings repaid”, aggregation of interest payments into a single “interest paid” line, and alignment of operating cash flow line item descriptions (e.g. “receipts from customers”). These changes are presentational only and there is no impact on net cash flows or the classification of cash flows between operating, investing and financing activities.
- EBITDAF subtotal: Removed from the face of the statement of profit or loss and continues to be disclosed as a management performance measure (refer Note A3).

These reclassifications were made to improve the clarity, consistency and disaggregation of information presented in the consolidated financial statements following the Group’s transition to Tier 1 NZ IFRS.

A3. Segment reporting

The Group operates as one segment.

The Managing Director has been identified as the entity’s chief operating decision maker (“CODM”) who evaluates the financial performance and allocates resources on a consolidated basis, primarily using Energy Margin and EBITDAF derived from fixed-price customer contracts, including PPAs and Commercial retail electricity supply agreements (CRESA). Detailed in Note B4.

B. Financial performance

B1. Operating revenue

	2026 \$'000	2025 \$'000
Generation revenue at spot price	15,049	22,047
Customer invoiced revenue	8,160	106
Other income	1,257	303
Operating revenue	24,466	22,456

Accounting policy

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation. Refer Note B4.

B1. Operating revenue (continued)

Energy revenue (non-GAAP), detailed in Note B4(a), is the primary revenue performance benchmark used by the CODM.

Revenue is invoiced monthly and payable under standard contractual terms.

Generation revenue at spot price

Generation revenue at spot price reflects the generation production at the half hourly nodal price for the relevant generating site – revenue as recorded by the Clearing Manager. Revenue is recognised as electricity is generated and delivered into the wholesale electricity market and is measured using applicable spot market pricing.

Customer invoiced revenue

Customer invoiced revenue reflects revenue received directly from commercial customers under direct supply agreements – for electricity supply and renewable energy credits. Revenue is recognised over time as electricity is supplied and renewable energy credits are transferred to customers, reflecting the Group's satisfaction of performance obligations.

Other income

Other income comprises grazing and rental income, and other miscellaneous revenue streams. Revenue is recognised over time as the related services are provided or the customer receives the benefit of the underlying asset or service.

B2. Operating expenses

	2026	2025
	\$'000	\$'000
Site maintenance, repairs and insurance expenses	5,392	2,710
Distribution and interconnection expenses	1,445	419
Employee and director expenses	9,559	5,619
Electricity market purchases and customer related expenses	6,551	-
Other operating expenses	6,464	4,118
Operating expenses	29,411	12,866

Site maintenance, repair, and insurance expenses

Site maintenance, repairs and insurance expenses represent costs incurred in the operation, monitoring and maintenance of solar generation assets, including routine servicing, repairs, asset management, insurance and site-related operating costs necessary to maintain generation performance.

Distribution and interconnection expenses

Distribution and interconnection expenses comprise network charges for connection of solar farms to the electricity network.

Employee and directors expenses

Employee expenses comprise remuneration and benefits owing to employees, including wages and salaries, annual leave, and any incentives for services rendered. Provisions are recognised when it is probable the obligation will be settled and it can be measured reliably, and are measured at the remuneration rates expected to apply at the time of settlement. The expense also includes the Group's contributions to defined contribution retirement plans (e.g. KiwiSaver), employee and director share scheme, and excluding capitalised labour.

Electricity market purchases and customer related expenses

Electricity market purchases and customer related expenses reflects the commercial customers under direct supply agreement, consumption at the half hourly nodal price for the relevant site, and costs to deliver electricity to commercial customers and measure consumption: including distribution network charges and commercial customer metering costs.

Other operating expenses

Other operating expenses represent general operating costs incurred in the normal course of business that are not separately disclosed and primarily relate to professional fees, technology and systems costs and office costs.

B2. Operating expenses (continued)

Auditors' fees

KPMG New Zealand is the Group's external auditor. The Audit and Risk Committee oversees compliance with the Group's Audit Independence Policy, including the maintenance of the auditor's independence in fact and appearance. The Audit and Risk Committee pre-approves statutory audit services and any additional services provided by the external auditor. Consistent with the Audit Independence Policy, the external auditor is not permitted to undertake services that would create self-review, management participation or advocacy threats (including preparing accounting records or the financial statements, performing management functions, or designing/implementing financial information systems).

A breakdown of fees paid or payable for services provided by the Group's auditor that are included in the consolidated comprehensive income statement is presented below. Fees are inclusive of any disbursements.

	2026 \$'000	2025 \$'000
Audit and review services		
Audit of the financial statements of the Group and its subsidiaries	269	235
Vendor due diligence	214	-
Total remuneration for audit and review services	483	235

B3. Taxation

(a) Income tax:

The Group has no current or deferred income tax expense for the year ended 31 March 2026 (2025: \$nil).

The current tax asset of \$nil (2025: \$580,000) represents the amount of withholding tax receivable in respect of current and prior periods.

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2026 \$'000	2025 \$'000
Profit / (loss) before tax	(857)	(35,791)
Income tax @ 28% (2025: 28%)	(240)	(10,021)
Tax effects of:		
Permanent differences	1,337	112
Adjustments in respect of prior periods	(467)	(395)
Unrecognised temporary differences	(630)	10,304
Income tax expense	-	-

(b) Deferred tax

The unrecognised deferred tax asset relates to the following:

	Fixed assets \$'000	Right of use assets \$'000	Lease liabilities \$'000	Financial arrangements \$'000	Other \$'000	Tax losses \$'000	Deferred tax asset not recognised \$'000	Total \$'000
As at 1 April 2024	(2,947)	(1,182)	1,225	2,387	263	5,685	(5,431)	-
Movement	(2,921)	(609)	656	8,373	328	4,477	(10,304)	-
Balance as at 31 March 2025	(5,868)	(1,791)	1,881	10,760	591	10,162	(15,735)	-
As at 1 April 2025	(5,868)	(1,791)	1,881	10,760	591	10,162	(15,735)	-
Movement	(3,814)	830	(889)	(5,843)	(279)	9,365	630	-
Balance as at 31 March 2026	(9,682)	(961)	992	4,917	312	19,527	(15,105)	-

Tax assets and liabilities are offset against group losses within Lodestone Energy Limited and its subsidiaries.

The Group has \$69,739,000 (2025: \$36,293,000) of tax losses and an associated deferred tax asset of \$15,105,000 (2025: \$15,735,000) that has not been recognised in the statement of financial position. In accordance with accounting standards the deferred tax asset has not been recognised given the Group is yet to report a taxable profit. The current year tax loss is subject to Inland Revenue assessment.

Tax losses are available for carry forward, subject to shareholder continuity rules. These losses do not expire under current tax legislation.

B3. Taxation (continued)

Accounting policy

Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and losses can be utilised. In assessing probability, the Group considers the timing of expected commencement of taxable profits based on Board-approved forecasts and business plans, the availability of tax planning strategies, and whether existing temporary differences are expected to reverse in future periods in which taxable profits are anticipated.

B4. Group performance measure (non-GAAP)

The CODM uses non-GAAP measure to evaluate the performance of the Group as noted in Note A3. These measures are not a substitute for GAAP measures and are not defined under NZ IFRS. As these measures are not defined by NZ GAAP, NZ IFRS, or any other body of accounting standards, the Group’s calculations may differ from similarly titled measures presented by other companies.

(a) Energy revenue (non-GAAP)

Energy revenue is the primary revenue performance benchmark used by the CODM. It represents the Group’s revenue on a contracted price basis. Energy revenue aligns with Lodestone’s Virtual Rooftop contracts which allocate the output of specified solar generation to a commercial customer on a notional basis, with the retailer managing the wholesale market settlements and balancing any mismatch between allocated generation and actual consumption.

The table below reconciles Operating revenue to Energy revenue:

	2026 \$'000	2025 \$'000
Operating revenue	24,466	22,456
Third party billed revenue	8,358	4,625
Less: Spot market generation directly allocated to commercial customers	(9,196)	(10,057)
Fixed Price Variable Production PPA Settlements	1,425	(4,817)
Energy revenue (non-GAAP)	25,053	12,207

Third party billed revenue

Third party billed revenue comprises revenue from electricity supplied to a large commercial customer via a third party under an agency contract. Revenue is measured on customer consumption at contracted electricity only prices and excludes third party provider costs (lines and metering) for which the agent invoices the Customer directly.

Spot market generation directly allocated to commercial customers

Spot market generation directly allocated to commercial customers represents the contractually allocated generation at the half hourly spot price. This is netted off to avoid the double counting of Generation revenue at spot price for commercial customers recorded in Operating revenue.

B4. Group performance measure (non-GAAP) (continued)

Fixed Price Variable Production PPA Settlements (“FPVP”)

FPVP PPA represents the net of the half hourly cash settlements received from retailer PPA customers.

(b) Energy margin and EBITDAF (non-GAAP)

Energy margin is a measure of financial performance calculated as total Energy revenue less electricity market purchase costs. This measure provides a clearer view of underlying performance by accounting for the largely offsetting effect of spot electricity price movements on Energy revenue and energy purchase costs.

The table below shows the make up of Energy revenue to EBITDAF:

	2026 \$'000	2025 \$'000
Energy revenue (non-GAAP)	25,053	12,207
Net spot market purchases / sales	(3,754)	1,526
Derivative settlements	(205)	771
Customer distribution and metering costs	(1,602)	-
Energy margin (non-GAAP)	19,492	14,504
Employee and director expenses	(9,559)	(5,619)
Other operating expenses	(13,301)	(7,247)
EBITDAF (non-GAAP)	(3,368)	1,638

B4. Group performance measure (non-GAAP) (continued)

(c) EBITDAF

Earnings before net finance expense, taxation, depreciation, amortisation and fair value changes ("EBITDAF") is a performance measure used internally to provide insights of the Group's performance.

The table below reconciles EBITDAF to net profit:

	2026 \$'000	2025 \$'000
EBITDAF (non-GAAP)	(3,368)	1,638
Depreciation and amortisation expense	(6,727)	(3,286)
Finance income	1,684	3,038
Finance expenses	(13,314)	(7,667)
Unrealised changes in fair value of energy derivatives	19,037	(27,740)
Unrealised changes in fair value of treasury derivatives	1,831	(1,774)
Net profit/(loss) before tax expense	(857)	(35,791)
Tax expense	-	-
Net profit/(loss) after tax expense	(857)	(35,791)
 Reconciliation of EBITDAF (non-GAAP)		
Operating revenue	24,466	22,456
Operating expenses	(29,411)	(12,866)
Realised energy derivatives (refer below)	1,577	(7,952)
EBITDAF (non-GAAP)	(3,368)	1,638
 Reconciliation of net change in fair value of energy derivatives		
Realised energy derivatives (refer above)	1,577	(7,562)
Unrealised changes in the fair value of energy derivatives	19,037	(28,130)
Net change in fair value of energy derivatives in profit and loss	20,614	(35,692)

B5. Geographical information and major customers

The Group operates in New Zealand and derives all of its revenue from customers located in New Zealand.

Non-current assets of the Group are located in New Zealand and are attributed based on the physical location of the assets. Revenue is attributed to geographic locations based on the location of the customer.

During the year ended 31 March 2026, the Group had 4 (2025: 3) external customers that contributed more than 10% of Energy margin. These revenues are included within the Group's single operating segment.

Lodestone Energy Limited
Notes to the consolidated financial statements
For the year ended 31 March 2026
(continued)

C. Investment in operating assets

C1. Property, plant and equipment

	Land and buildings \$'000	Generation structures & other equipment \$'000	Construction work in progress \$'000	Development work in progress \$'000	Right-of-use assets* \$'000	Total \$'000
As at 1 April 2024						
Cost	21,325	58,426	90,871	5,805	849	177,276
Accumulated depreciation	(20)	(381)	-	-	(213)	(614)
Net book amount	<u>21,305</u>	<u>58,045</u>	<u>90,871</u>	<u>5,805</u>	<u>636</u>	<u>176,662</u>
As at 1 April 2025						
Opening net book amount	21,305	58,045	90,871	5,805	636	176,662
Depreciation	(7)	(3,174)	-	-	(104)	(3,285)
Additions	13	911	67,856	9,855	1,397	80,032
Disposals and impairment	-	(31)	-	-	(578)	(609)
Transfers	-	124,736	(121,851)	(2,885)	-	-
Closing net book amount	<u>21,311</u>	<u>180,487</u>	<u>36,876</u>	<u>12,775</u>	<u>1,351</u>	<u>252,800</u>
As at 31 March 2025						
Cost	21,338	183,932	36,876	12,775	1,436	256,357
Accumulated depreciation	(27)	(3,445)	-	-	(85)	(3,557)
Net book amount	<u>21,311</u>	<u>180,487</u>	<u>36,876</u>	<u>12,775</u>	<u>1,351</u>	<u>252,800</u>

* The comparative information is reclassified to conform with the current year presentation. Refer Note A2(h).

C1. Property, plant and equipment (continued)

	Land and buildings \$'000	Generation structures & other equipment \$'000	Construction work in progress \$'000	Development work in progress \$'000	Right-of-use assets \$'000	Total \$'000
As at 1 April 2025						
Opening net book amount	21,311	180,487	36,876	12,775	1,351	252,800
Depreciation	(11)	(6,365)	-	-	(341)	(6,717)
Additions	2	366	47,467	9,785	2,722	60,342
Disposals and impairment	-	(20)	-	(1,186)	-	(1,206)
Transfers	-	54,743	(52,403)	(2,340)	-	-
Closing net book amount	<u>21,302</u>	<u>229,211</u>	<u>31,940</u>	<u>19,034</u>	<u>3,732</u>	<u>305,219</u>
As at 31 March 2026						
Cost	21,340	239,022	31,940	19,034	4,158	315,494
Accumulated depreciation	<u>(38)</u>	<u>(9,811)</u>	<u>-</u>	<u>-</u>	<u>(426)</u>	<u>(10,275)</u>
Net book amount	<u>21,302</u>	<u>229,211</u>	<u>31,940</u>	<u>19,034</u>	<u>3,732</u>	<u>305,219</u>

C1. Property, plant and equipment (continued)

The amount of finance expense capitalised during the year was \$2,751,000 (2025: \$6,434,000) in respect of solar farm site construction at a weighted average rate of 6.17% (2025: 6.65%).

Total impairment expenses recognised for the year ended 31 March 2026 was \$1,186,000 (2025: \$nil).

Accounting policy

Recognition and measurement

Items of PPE are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of the asset. If significant parts of an item of PPE have different useful lives, they are accounted for as separate components. Subsequent expenditure is capitalised only when it is probable that future economic benefits will flow to the Group and the cost can be measured reliably; otherwise it is expensed as incurred.

Development work in progress

Development work in progress is measured at cost less any accumulated impairment losses. Costs include directly attributable costs (including consenting, connection approvals, land rights and designs, allocated capitalised labour where jointly attributable). Development work in progress is transitioned to Construction work in progress when solar farm financial close is completed.

The Group has assessed land lease arrangements associated with solar farm developments and determined that the leased land is recognised as a right-of-use asset in accordance with NZ IFRS 16 and is not capitalised within PPE.

Construction work in progress

Construction work in progress is measured at cost less any accumulated impairment losses. Costs include directly attributable costs (including construction materials, civil works, grid infrastructure, commissioning costs and allocated capitalised labour where jointly attributable) and borrowing costs on qualifying assets.

Depreciation

Land is not depreciated. Depreciation on other PPE is recognised in profit or loss over the asset’s estimated useful life, net of residual value. Solar equipment is depreciated on a straight-line basis. Generation structures and other equipment comprises solar assets, computer equipment and office equipment (depreciated using the diminishing value method) and plant and equipment (depreciated using the straight-line method). Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the asset’s useful life. Useful lives, residual values and depreciation methods are reviewed at each reporting date and adjusted where appropriate. Estimated useful lives are:

- | | |
|---|---------------------|
| • Buildings | 50 years |
| • Generation structures and other equipment | 2 to 35 years |
| • Right-of-use assets | 4 years to 35 years |

Derecognition

An item of PPE is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal is recognised in profit or loss.

Impairment

The carrying amounts of PPE are reviewed at each reporting date for indicators of impairment. Indicators are assessed with reference to both external and internal factors relevant to the Group’s operations, including:

- changes in electricity market conditions, including spot and contracted energy prices and demand for renewable energy;
- adverse changes in the technological, regulatory or economic environment in which the Group operates;
- evidence of physical damage, obsolescence or underperformance of solar farm assets;
- actual and forecast operational performance, including whether generation volumes and cash flows are consistent with expectations;

C1. Property, plant and equipment (continued)

- increases in market interest rates or other factors that may reduce the recoverable amount of the assets; and
- change in plans to develop a site previously capitalised as a development project.

If an indicator exists, the recoverable amount is estimated and an impairment loss is recognised in profit or loss to the extent that the carrying amount exceeds the recoverable amount.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of those assets until the assets are substantially ready for their intended use. Capitalisation ceases on the date of Site Completion, being the date certified by the Lenders' Certifier appointed under the relevant facility agreement. Where commissioned in stages, capitalisation ceases for each stage at the point that stage achieves Site Completion, even if the broader project remains under construction. Borrowing costs arising after the date of conversion are expensed as incurred, as the underlying asset is no longer a qualifying asset.

Cash flows relating to capitalised borrowing costs are classified as investing activities in the consolidated statement of cash flows, consistent with the classification of cash flows for the underlying qualifying assets.

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, plus initial direct costs incurred, adjusted for lease payments made at or before the commencement date, less any lease incentives received and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located.

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 carrying amount of right of use assets is reviewed at each reporting date to determine whether there is any indication of impairment. If any indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the statement of comprehensive income when the carrying amount exceeds the recoverable amount and directly reduces the carrying amount of the asset.

Certain land used for solar farm developments is accessed through lease arrangements and recognised as right-of-use assets, with corresponding lease liabilities disclosed in Note D3.

Non-current assets pledged as security

As at 31 March 2026, the Group had 1 site under construction and being part-funded by the Westpac construction. Refer to Note D3.

Total compensation from third parties recognised in profit or loss in respect of items of PPE that were impaired, lost or given up was \$952,000 for the year ended 31 March 2026 (2025: \$nil).

D. Capital structure, liquidity and financial risk

D1. Cash and cash equivalents and restricted cash

	2026 \$'000	2025 \$'000
Cash on hand	<u>26,802</u>	<u>66,081</u>
Cash and cash equivalents	<u>26,802</u>	<u>66,081</u>

Accounting policy

Cash and cash equivalents comprise cash at bank and on hand, deposits held at call and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

Restricted cash

	2026 \$'000	2025 \$'000
Restricted cash	<u>19,705</u>	<u>27,190</u>
Restricted use cash	<u>19,705</u>	<u>27,190</u>

Restricted use cash comprises cash held under project financing facilities and is not available for general use by the Group.

Cash and cash equivalents are subject to credit risk and, to a lesser extent, market risk (including interest rate risk). Further information on the Group's exposure to credit risk and market risk, including risk management policies and sensitivities, is disclosed in Note D5.

D2. Reconciliation of loss after income tax to net cash inflow from operating activities

	2026 \$'000	2025 \$'000
Net profit / (loss) after tax	(857)	(35,791)
Adjustments for:		
Depreciation and amortisation	6,727	3,286
Fair value loss on derivatives	(22,445)	29,906
Finance expense (classified as financing cash flows)	13,314	7,667
Share-based expenses	3,559	382
Change in operating assets and liabilities:		
(Increase)/decrease in trade receivables	(5,660)	(967)
(Increase)/decrease in inventory	(5,957)	(80)
Increase/(decrease) in trade and other payables (operating)	14,652	(1,634)
Net cash inflow from operating activities	<u>3,333</u>	<u>2,769</u>

D3. Borrowings

Facility	2026		2025	
	Available	Carrying value drawn	Available	Carrying value drawn*
	\$'000	\$'000	\$'000	\$'000
Senior lending facility	62,004	119,840	50,035	98,377
Junior lending facility	9,700	65,500	12,400	63,154
Lease liabilities	-	3,634	-	1,404
Borrowings	71,704	188,974	62,435	162,935

* The comparative information is reclassified to conform with the current year presentation. Refer Note A2(h).

The table below presents a reconciliation of borrowings and lease liabilities arising from financing activities:

	2026 \$'000	2025 \$'000
Opening Balance	162,935	110,311
Cash movements		
Proceeds from borrowings	82,939	97,874
Repayment of borrowings	(68,315)	(54,705)
Repayment of lease liabilities	(213)	(165)
Non Cash movements		
Recognition of new lease liabilities	2,422	1,395
Non-cash interest on lease liabilities	22	52
Capitalised interest and non-cash interest accruals on borrowings	9,184	8,771
Lease remeasurements and terminations	-	(598)
Total borrowings (carrying amount)	188,974	162,935

Senior lending facility

Westpac New Zealand Limited

Westpac provides a \$153,200,000 (of which \$121,546,000 is drawn) Syndicated Facility Agreement ("SFA") of 25 years from 26 September 2022 comprising a Construction Facility and a Term Facility, and is repayable in one lump sum on 3 November 2027, with a continuing refinancing option under the facility agreement.

Construction Facilities are available to fund construction of the Group's generation structures and convert to a Term Facility at the earlier of the relevant solar farm achieving project completion or the contractual sunset date (3 November 2027).

The facility interest rate is calculated using the applicable base rate for the interest period plus the relevant facility margin. At 31 March 2026, the weighted average/period-end interest rates (including swap arrangements) were 6.63% (2025: 7.16%) for the Term Facility and 6.17% (2025: 6.65%) for Construction Facility drawn down.

Borrowings are classified as current liabilities unless, at the reporting date, the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The Construction Facility is classified as current when, at the reporting date, and subject to satisfaction of the relevant facility conditions, the Group expects the outstanding balance to convert to the Term Facility within the next 12 months.

Kiwibank Limited

During the year the Group executed a \$30,450,000 facilities agreement with Kiwibank comprising flexibility to provide a combination of overdraft (revolving working capital, a letter of credits, construction bonding, and market prudential bonding).

D3. Borrowings (continued)

The facilities have a three-year term from 12 March 2026. Borrowings are repayable at maturity, and any claim under a letter of credit or bond is payable on the same date as the claim.

Junior lending facility

TFL Trustee Company Limited and IFM U.S. Infrastructure Debt Fund (Secondary), LP provide a \$62,300,000 plus capitalised interest facility. The IFM Facility is available to fund the construction of the Group's generation structures.

The IFM Facility is a seven-year facility expiring on 29 October 2029, with a final drawdown deadline of 31 October 2026 and is repayable in one lump sum at maturity. Interest is calculated using the base rate agreed at drawdown plus the relevant facility margin. At 31 March 2026, the weighted average/period-end interest rates was 10.91% (2025: 10.91%).

New Zealand Green Investment Finance ("NZGIF")

Lodestone Energy Limited had two facilities with NZGIF which expired during the year, being Facility A of \$12,230,000 to support the working capital and general corporate requirements of the Group and Facility B of \$2,770,000 to support a Letter of Credit.

Security, covenants and compliance

The Group's borrowing facilities are secured using charges over relevant assets, freehold land, bank accounts and share security in the borrowing entities.

Both the SFA and IFM facility contain covenants requiring the relevant Debt Service Coverage Ratio ("DSCR") to be maintained and tested on a quarterly basis.

As at 31 March 2026, the carrying amount of borrowings subject to these arrangements is \$185,340,000 (2025: \$161,531,000).

The related assets subject to security and restrictions include assets and PPE of \$291,133,000 (2025: \$179,392,000) and restricted cash balances of \$19,705,000 (2025: \$27,190,000).

Borrowings are subject to customary security arrangements and financial covenants. The Group complied with all borrowing covenants throughout the year and at 31 March 2026. No borrowings were repayable on demand at 31 March 2026 as a result of covenant breaches.

Undrawn facility

As at 31 March 2026, the Group has undrawn facilities with Westpac totalling \$31,654,000 available until 3 November 2027 (2025: \$50,035,000). In addition, the Group has an undrawn IFM facility of \$9,700,000 available until 31 October 2026 (2025: \$12,400,000 available until 9 October 2025). The Group also has available facilities with Kiwibank totalling \$30,350,000 (overdraft, letter of credit and bonding facilities) (2025: n/a).

D3. Borrowings (continued)

Construction facilities classification

Accounting policy

Borrowings are initially recognised at fair value, net of directly attributable transaction costs. Borrowings are subsequently measured at amortised cost using the effective interest method. Any difference between proceeds (net of transaction costs) and the redemption amount is recognised in finance costs over the term of the borrowings using the effective interest method.

If a covenant breach exists at or before the reporting date and results in the related liability becoming repayable within 12 months after the reporting date, the liability is classified as current unless the breach is remedied or waived at or before the reporting date. In relation to non-current borrowings subject to covenant testing within 12 months after the reporting date, the Group considers the risk of the borrowings becoming repayable within 12 months.

Lease liabilities

Lease liabilities relate to solar farm land, office premises and the vehicle fleet. Lease liabilities are initially recognised at the present value of lease payments and subsequently measured at amortised cost. Lease payments include fixed payments (including in-substance fixed payments) and variable payments that depend on an index or rate.

The lease term comprises the non-cancellable period together with extension periods where the Group is reasonably certain to exercise an extension option.

Interest expense on lease liabilities for the year was \$289,000 (2025: \$51,000) consistent with the amount presented in the statement of cash flows. There were no expenses relating to short-term leases, low-value asset leases, or variable lease payments not included in the measurement of lease liabilities, and no income from subleasing right-of-use assets (2025: \$nil).

D4. Finance income and expenses

	2026 \$'000	2025 \$'000
Interest income	<u>1,684</u>	<u>3,038</u>
Finance income	<u>1,684</u>	<u>3,038</u>
Finance expense on borrowings	(12,923)	(6,926)
Interest expense on lease liability	(289)	(51)
Foreign exchange realised loss	(102)	(616)
Foreign exchange unrealised loss	-	(74)
Finance expense	<u>(13,314)</u>	<u>(7,667)</u>
Net financing expense	<u>(11,630)</u>	<u>(4,629)</u>

D4. Finance income and expenses (continued)

Accounting policy

Interest income represents interest revenue on financial assets measured at amortised cost and is calculated using the effective interest method. This primarily comprises credit interest earned on the Group's cash balances, including funds held in project-related and restricted or reserve accounts.

Borrowing costs capitalised to PPE are disclosed in Note C1.

These amounts are recognised in profit or loss using the effective interest method over the term of the underlying financial instruments.

Foreign exchange gains and losses are recognised within finance income and finance expense but do not form part of interest income or interest expense calculated using the effective interest method.

Cash flow information

Total interest paid and presented within financing activities in the consolidated statement of cash flows was \$11,636,000 for the year ended 31 March 2026 (2025: \$3,200,000). Included within this amount was \$269,000 relating to interest paid on lease liabilities (2025: \$23,000).

Principal repayments of lease liabilities of \$213,000 (2025: \$142,000) are also presented within financing activities.

D5. Financial risk management

Lodestone's activities expose it to a variety of financial risks. Management's approach to financial risk is governed by the board approved treasury policy, which outlines the principles of Lodestone's financial risk management framework. The key risks managed are discussed further in this section.

The Group enters into a variety of derivative financial instruments to manage its exposure to various market risks. Derivatives are accounted for as fair value through profit and loss, with no hedge accounting applied. Derivatives are recognised initially at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Fair value changes are recognised in profit and loss as "Net change in the fair value of energy derivatives" or "Net change in fair value of treasury derivatives", depending on the underlying business nature of the derivatives.

Derivatives are not offset in the consolidated financial statements unless the Group has both the legal right and intention to offset. A derivative is presented as a non-current asset or non-current liability where it is not expected to be realised or settled within 12 months.

In the case of a power purchase agreement ("PPA"), where a modification to the contractual terms occurs, the Group assesses whether the modification is quantitatively or qualitatively substantial. Where a substantial modification occurs, the existing financial liability/(asset) is derecognised and a new financial liability/(asset) is recognised. The difference between the existing and modified financial liability/(asset) is recognised immediately as a gain or loss in the consolidated financial statements.

If the modification of the power purchase agreement is not considered a substantial modification, then the carrying amount of the existing financial liability/(asset) is adjusted to reflect the revised cash flows discounted at the existing effective interest rate. The adjustment to the existing liability/(asset) is recognised as a gain or loss in the consolidated financial statements.

Derivative assets and liabilities are classified as current or non-current based on whether settlement is expected within 12 months.

D5. Financial risk management (continued)

(a) Market risk

The Group is exposed to currency, commodity price and interest rate risks through its investments in derivatives.

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk as a result of transactions denominated in a currency other than the Group's functional currency. The currencies giving rise to this risk are primarily US Dollar, resulting from USD denominated construction costs. Forward exchange contracts are entered into to manage this risk.

Realised and unrealised gains and losses on foreign exchange forward contracts are recognised in the statement of comprehensive income. All operational net individual exposures greater than NZD \$100,000 must be 100% hedged as per the treasury policy.

(ii) Commodity price risk

The Group is exposed to movements in the price of electricity arising through the sale and purchase of electricity to and from the market.

The Group aims to hedge price risk on electricity sales and forecast generation volume. Electricity price risk is managed with electricity derivative contracts, including but not limited to power purchase agreements and other wholesale contracts.

The Group enters into electricity derivative contracts or power purchase agreements that establish a fixed price at which future quantities of electricity are purchased and sold. The electricity contracts are periodically settled with any difference between the contract price and the electricity spot price settled between the parties.

Electricity hedging focuses on the Group's net exposure to electricity prices over a four to five-year period.

(iii) Interest rate risk

The Group is exposed to interest rate risk as the Group borrows funds at fixed and floating interest rates. Changes in market interest rates exposes the Group to cash flow risk on future floating interest rate payments.

The Group uses interest rate swaps to manage interest rate risk which is consistent with the treasury policy and is a requirement of our borrowers. This includes hedging 100% of interest rate risk during the construction of the solar farms, and no less than 85% of interest rate risk with tenor that extends to the expiry of the Term Loan facility (5 years after commencement).

Realised gains or losses on interest rate swaps are recognised in the statement of comprehensive income.

Lodestone groups its financial instruments into two categories - treasury derivatives and energy derivatives:

	2026		2025	
	Assets	Liabilities	Assets	Liabilities
Derivative financial assets/(liabilities) carried at fair value through profit or loss	\$'000	\$'000	\$'000	\$'000
Treasury derivatives	1,259	(2,038)	-	(2,610)
Energy derivatives	1,470	(18,252)	-	(35,818)
Total	2,729	(20,290)	-	(38,428)
Current	948	(10,125)	-	(12,046)
Non-Current	1,781	(10,165)	-	(26,382)
Total	2,729	(20,290)	-	(38,428)

D5. Financial risk management (continued)

Treasury derivatives

Derivatives in the treasury category relate to management of the interest rate risk and foreign exchange risk that arise from Lodestone's funding activities, solar farm construction and from general Group operations. The hedging instruments used are interest rate swaps and forward exchange contracts.

	Hierarchy Level*	2026		2025	
		Assets \$'000	Liabilities \$'000	Assets \$'000	Liabilities \$'000
Interest rate swaps	2	1,183	(2,038)	-	(2,610)
Forward exchange contracts	2	76	-	-	-
Treasury derivatives		1,259	(2,038)	-	(2,610)

* Hierarchy levels are defined in Note D5(d).

Energy derivatives

Derivatives in the energy category relate to management of the electricity price risk that arise from the generation, purchase and sale of energy. These hedges consist of longer-term, large volume power purchase agreements that manage specific risks relating to solar farm generation, and other wholesale electricity swaps.

	Hierarchy Level	2026		2025	
		Assets \$'000	Liabilities \$'000	Assets \$'000	Liabilities \$'000
Power purchase agreement	3	1,294	(13,795)	-	(35,818)
Electricity swaps	2	176	(4,457)	-	-
Energy derivatives		1,470	(18,252)	-	(35,818)

Sensitivity analysis

The table below summarises the impact of changes in market price inputs (assuming all other variables are held constant) on the valuation of treasury and energy hedges, and therefore on the Group's profit after tax and equity.

A positive number in the table below represents an increase in after tax profit and equity.

	Post-tax impact on the income statement and equity	
	2026 \$'000	2025 \$'000
Electricity prices		
+10%	531	(9,303)
-10%	(531)	9,303
Interest rates		
+100 bps (bps denotes basis points)	3,805	1,891
-100 bps	(3,805)	(1,891)
Foreign exchange rates		
+10% (NZD appreciation)	(321)	-
-10% (NZD depreciation)	514	-

D5. Financial risk management (continued)

(b) Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. The Group has concentrations of credit risk arising from a limited number of customers and from its exposure to derivative counterparties and banking institutions. The carrying amounts of cash and cash equivalents, receivables and derivative assets in the balance sheet represent the Group's maximum exposure to credit risk at balance date.

Market participants are required to provide financial collateral to the market-clearing agent (NZX Limited), which would be called upon should any market participant default. Accordingly, credit risk arising from wholesale electricity sales is mitigated through the centrally-cleared nature of the market and associated collateral arrangements.

The Group minimises its exposure to credit risk by applying credit-management practices. Credit assessments are carried out before new customers are accepted, and of existing customers where a material change of contract or circumstance occurs. Individual credit limits are set based on internal or external credit ratings in accordance with the policy, with the size and nature of exposures actively monitored. Where customers are not independently credit rated, an assessment of credit quality is made, taking into account financial position, liquidity and other relevant factors. If appropriate, guarantees are obtained from counterparties to reduce credit risk to acceptable levels.

Cash and cash equivalents and derivative contracts

Credit risk relating to cash balances and derivative financial instruments is concentrated among a limited number of high-credit-quality financial institutions and counterparties. This risk is managed by transacting only with approved counterparties and by setting exposure limits based on counterparty credit ratings. The Group continuously monitors both its exposure levels and the credit ratings of counterparties to ensure compliance with approved limits. For banks and financial institutions, transactions are conducted only with independent counterparties holding a minimum long-term credit rating of 'A'. No treasury dealings are entered into without an International Swaps and Derivatives Association ("ISDA") Master Agreement in place.

D5. Financial risk management (continued)

(c) 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's approach to managing liquidity risk is to ensure that it will always have sufficient funds to meet its liabilities when due, under both normal and stressed conditions.

The board has set a minimum requirement that committed cash and facilities must be maintained to ensure the ability to fund 12 months of core operational spend. The Group ensures it has a spread of maturities and diversity of funding sources to ensure there is not too high a concentration of debt facilities maturing in any specific period. Projected net debt levels for the next twelve months is compared against total committed facilities on a monthly basis, with further longer term reporting to the board on an annual basis. A refinancing plan must be presented to the Board at least six months prior to the expiry of existing debt facilities.

The following tables present a maturity analysis of the Group's financial liabilities and derivatives. The amounts disclosed are the net contractual undiscounted cash flows and, as a result, do not reconcile to the carrying amounts presented in the balance sheet.

At 31 March 2026

	Less than 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying Amount liabilities \$'000
Non-derivatives financial liabilities						
Trade and other payables	(16,661)	(110)	-	-	(16,771)	(16,771)
Borrowings (excluding leases)	(18,225)	(111,001)	(99,458)	-	(228,684)	(185,339)
Lease liabilities	(494)	(491)	(1,231)	(6,310)	(8,526)	(3,635)
Total non-derivatives	(35,380)	(111,602)	(100,689)	(6,310)	(253,981)	(205,745)
Net-settled derivatives						
Power purchase agreements	(6,995)	(3,735)	(2,774)	-	(13,504)	(12,501)
Electricity swaps	(1,309)	(815)	(2,157)	-	(4,281)	(4,281)
Interest rate swaps	(1,694)	(146)	687	636	(517)	(855)
Total net-settled derivatives	(9,998)	(4,696)	(4,244)	636	(18,302)	(17,637)
Gross-settled derivatives						
Trading derivatives						
Forward exchange contracts						
- inflow	5,761	-	-	-	5,761	-
- outflow	(5,685)	-	-	-	(5,685)	-
Total gross-settled derivatives	76	-	-	-	76	76
Total derivatives	(9,922)	(4,696)	(4,244)	636	(18,226)	(17,561)
Net outflows	(45,302)	116,298	(104,933)	(5,674)	(272,207)	(223,306)

D5. Financial risk management (continued)

At 31 March 2025	Less than 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying Amount liabilities \$'000
Non-derivatives financial liabilities						
Trade and other payables	(8,051)	(98)	-	-	(8,149)	(8,149)
Borrowings (excluding leases)	(39,748)	(4,647)	(174,456)	-	(218,851)	(161,531)
Lease liabilities	(335)	(345)	(1,036)	(60)	(1,776)	(1,404)
Total non-derivatives	<u>(48,134)</u>	<u>(5,090)</u>	<u>(175,492)</u>	<u>(60)</u>	<u>(228,776)</u>	<u>(171,084)</u>
Net-settled derivatives						
Power purchase agreements	(18,039)	(10,955)	(12,915)	(2,627)	(44,536)	(35,818)
Electricity swaps	-	-	-	-	-	-
Interest rate swaps	(1,001)	(1,170)	(490)	-	(2,661)	(2,610)
Total net-settled derivatives	<u>(19,040)</u>	<u>(12,125)</u>	<u>(13,405)</u>	<u>(2,627)</u>	<u>(47,197)</u>	<u>(38,428)</u>
Gross-settled derivatives						
Forward exchange contracts						
- inflow	-	-	-	-	-	-
- outflow	-	-	-	-	-	-
Total gross-settled derivatives	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total derivatives	<u>(19,040)</u>	<u>(12,125)</u>	<u>(13,405)</u>	<u>(2,627)</u>	<u>(47,197)</u>	<u>(38,428)</u>
Net outflows	<u>(67,174)</u>	<u>(17,215)</u>	<u>(188,897)</u>	<u>(2,687)</u>	<u>(275,973)</u>	<u>(209,512)</u>

(d) Fair value hierarchy

The nature of inputs to valuation techniques determines the fair value hierarchy level that is applied as per NZ IFRS 13 Fair Value Measurement. The levels are outlined as:

Level one: inputs comprise unadjusted quoted prices from an active market for identical assets and liabilities. There are no financial instruments currently within this level.

Level two: comprises other observable inputs other than quoted prices included within the level one hierarchy. Financial instruments in this level include interest rate swaps and foreign exchange contracts.

The fair values of level two derivatives are determined using discounted cash flow models. The key inputs in the valuation models were:

Derivative	Valuation input
Interest rate swap	Forward interest rate curve
Foreign exchange contract	Forward foreign exchange rate curves
Electricity swaps	ASX futures pricing

Level three: comprises inputs not based on observable market data. Financial instruments in this level includes power purchase agreements.

The results and key drivers of changes in the valuation of power purchase agreements are reviewed at least six monthly. The Chief Financial Officer reports key changes in fair value to the Board. Any changes to the valuation methodology are reported to the Audit and Risk Committee.

D5. Financial risk management (continued)

The fair values of power purchase agreements are determined using discounted cash flow models. The selection of valuation inputs requires significant judgement, and therefore there is a range of reasonably possible assumptions in respect of these inputs that could be used in estimating the fair values of these derivatives. Maximum use is made of observable market data when selecting inputs and developing assumptions for the valuation technique. The key inputs are summarised in the table below:

Valuation input	Description of input	Range of significant inputs	Inter-relationship between significant inputs and fair value measurement
Forward electricity price path	Where quoted prices are not available for long-dated power purchase agreements, Lodestone uses its best estimate of long-term forward wholesale electricity prices. The price path is based on a forecast prepared by an independent third-party expert, with adjustments made for contract location and time-of-day generation profiles.	\$70/MWh to \$261/MWh, excluding observable ASX Prices used in the short term (2025: \$81/MWh to \$234/MWh). MWh denotes megawatt-hour.	Fair value is inversely related to forward wholesale electricity prices for sell hedges, and positively related for buy hedges. Accordingly, an increase in forward wholesale electricity prices decreases the fair value of sell hedges and increases the fair value of buy hedges, resulting in an increase in derivative liabilities or a decrease in derivative assets for sell hedges, and an increase in derivative assets or a decrease in derivative liabilities for buy hedges, depending on the position at balance date. A decrease in forward wholesale electricity prices has the opposite effect.
Discount rate	Discount rates based on market wholesale interest rate curves, adjusted for counterparty risk.	3.71% to 6.75% (2025: 6.48% to 6.50%)	The discount rate is based on observable market data, including market wholesale interest rate curves adjusted for counterparty credit risk. The discount rate is independent of other inputs, with a higher discount rate reducing the fair value of future cash flows, both positive and negative.

The table below summarises the impact of changes in significant inputs on the fair value of level 3 instruments, and therefore on the group's profit after tax and equity. A positive number in the table below represents an increase in after tax profit and equity.

	Post-tax impact on the income statement and equity	
	2026 \$'000	2025 \$'000
Sensitivity of level 3 fair values		
Electricity forward price increased by 10%	(1,109)	(9,303)
Electricity forward price decreased by 10%	1,109	9,303
Discount rate +1%	53	414
Discount rate -1%	(197)	(428)

D5. Financial risk management (continued)

	2026 \$'000	2025 \$'000
Reconciliation of level 3 fair values - Power purchase agreements		
Power purchase agreement derivative liabilities		
Balance as at 1 April	(35,818)	(7,688)
Unrealised changes in fair value	23,317	(28,130)
Realised changes in fair value	<u>2,782</u>	<u>(7,562)</u>
Total gain / (loss) in the statement of comprehensive income	26,099	(35,692)
Settlements	(2,782)	7,562
Remeasurement	<u>26,099</u>	<u>(35,692)</u>
Balance as at 31 March	<u>(12,501)</u>	<u>(35,818)</u>

The unrealised and realised Level 3 fair value movements in the Group's consolidated income statement are recognised within 'Net changes in fair value of energy derivatives'.

Deferred 'day one' gains or losses

A presumption exists that derivative contracts are entered into on an arm's length basis, and where there is no transaction amount received or paid, the fair value is \$nil. The pricing contained within the power purchase agreements may therefore deviate from derived market rates for a variety of reasons or assumptions that parties may have.

As the fair value of the power purchase agreements are derived based on observable and unobservable inputs, the difference between the initial market fair value and transaction fair value of \$nil (termed a 'day one difference') is deferred and amortised over the life of the instrument on a consistent basis that is taken into account when pricing between market participants.

The following table details the movements and amounts of deferred 'day one' gains (losses) included in the fair value of level three electricity instruments:

	2026 \$'000	2025 \$'000
Deferred day one gains/(losses)		
Balance as at 1 April	(4,436)	(10,313)
Amortisation realised during the year	6,149	5,877
New power purchase agreements	<u>(1,466)</u>	<u>-</u>
Balance as at 31 March	<u>247</u>	<u>(4,436)</u>

Day one difference of \$6,149,000 (2025: \$5,877,000) in relation to the power purchase agreements were amortised, including \$1,620,000 (2025: \$nil) in relation to agreement modification. The carrying amount at the date of a modification is extinguished and any gains on modification are recognised into the statement of profit or loss and other comprehensive income.

The Group entered into 3 new power purchase agreements in the current period (2025: \$nil).

The closing amount is reflective of the difference that is yet to be recognised in the income statement over the remaining term of the power purchase agreements and the amount included in the fair value of the level three power purchase agreements.

D5. Financial risk management (continued)

(e) Capital management

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

This framework remains unchanged from previous years. The capital structure of the Group consists of borrowings, cash and cash equivalents, and equity attributable to the shareholders of Lodestone, comprising share capital, reserves and retained earnings, as disclosed in the balance sheet.

D6. Share capital

	2026	2025	2026	2025
	Number of	Number of	\$'000	\$'000
	Shares	Shares		
Share capital				
Ordinary shares	942,331,912	940,165,288	153,979	153,396
Preference shares	149,355,563	149,355,563	48,272	48,080
	<u>1,091,687,475</u>	<u>1,089,520,851</u>	<u>202,251</u>	<u>201,476</u>
Movements in shares				
	2026	2025	2026	2025
	Number of	Number of	\$'000	\$'000
	Shares	Shares		
Ordinary shares				
Balance at the beginning of the year	940,165,288	140,173,109	153,396	2,819
Reclassification event	-	799,992,179	-	150,577
Share options exercised in the year	2,166,625	-	583	-
Balance at the end of the year	<u>942,331,913</u>	<u>940,165,288</u>	<u>153,979</u>	<u>153,396</u>
Preference shares				
Balance at the beginning of the year	149,355,563	191,233,333	48,080	150,577
Reclassification event	-	(191,233,333)	-	(150,577)
Preference shares issued	-	149,355,563	-	49,974
Transaction costs	-	-	192	(1,894)
Balance at the end of the year	<u>149,355,563</u>	<u>149,355,563</u>	<u>48,272</u>	<u>48,080</u>

The Group has two classes of shares, ordinary shares and preference shares. Preference shares carry preferential rights in certain liquidity events designed to protect the holder's invested capital, while voting and dividend rights are otherwise consistent with ordinary shares. All shares have been issued, are fully paid, and have no par value.

On 20 July 2025, 2,166,625 share options were exercised at strike prices of \$0.14 and \$0.25.

During the prior financial year all participating preference shares were converted to ordinary shares applying the reclassification rate and based on a total equity valuation of \$350,000,000, and increasing the number of ordinary shares issued by 608,758 ("the Reclassification event") for Note D6.

Accounting policy

Ordinary shares and preference shares are classified as equity. Incremental costs directly attributable to the issue of new shares or rights are shown as an equity deduction from the proceeds.

D7. Share-based expenses

Employee and director share scheme

Certain employees, including senior executives, and independent directors of the Group receive part remuneration in the form of equity-settled share-based payments. These arrangements comprise share options granted to eligible participants in return for services rendered.

The fair value of share options granted is measured at grant date and recognised as an expense over the relevant vesting period, with a corresponding credit recognised in the share-based payment reserve. The expense recognised for each reporting period reflects management's estimate of the number of options expected to vest and is revised at each reporting date to reflect the proportion of the vesting period completed.

D7. Share-based expenses (continued)

Share options are subject to service-based vesting conditions, requiring participants to remain employed by the Group (or continue in service as a director) for the specified vesting period applicable to each tranche. Vesting occurs over periods of up to four years from the grant date. Options that vest are exercisable at any time up to, but not later than, the tenth anniversary of the grant date.

During the year ended 31 March 2026, the Group recognised an expense of \$3,765,000 (2025: \$382,000) in relation to the equity-settled share-based payment arrangements. Movements in the number of share options outstanding, together with the related weighted average exercise prices, are set out below:

	2026	2026	2025	2025
	Weighted average exercise price in \$ per share	Number of options	Weighted average exercise price in \$ per share	Number of options
As at 1 April	0.23	9,357,553	0.31	6,632,553
Granted	0.33	46,734,107	0.70	2,900,000
Forfeited	0.25	(87,500)	0.50	(175,000)
Exercised	0.17	(2,166,625)	-	-
Expired	-	-	-	-
As at 31 March	0.32	53,837,535	0.23	9,357,553
Exercisable at 31 March	0.23	5,682,764	0.22	6,836,383

The share options outstanding at 31 March 2026 have exercise prices ranging from \$0.14 to \$0.33 (2025: \$0.14 to \$0.33) and a weighted-average remaining contractual life of 8.8 years (2025: 8.4 years). The weighted-average share price at the date of exercise for share options exercised during the year ended 31 March 2026 was \$0.33 (2025: no options exercised).

During the prior financial year, a number of share options were repriced as a result of the share reclassification event. The weighted-average exercise prices disclosed for the year ended 31 March 2025 have been restated to reflect this event and are presented on a consistent basis for comparative purposes.

The weighted average fair value of options granted during the year, determined using the Black-Scholes valuation model was \$0.10 per option (2025: \$0.10).

The key valuation assumptions are set out below:

Share option valuation assumptions	2026	2025
Grant date share price	\$0.33	\$0.46
Exercise price	\$0.33	\$0.70
Expected volatility	37.29%	43.50%
Expected option life	3 years	3.2 years
Dividend yield (over vesting period)	0.00%	0.00%
Risk-free interest rate	3.68%	4.56%

Expected volatility is measured as the standard deviation of continuously compounded share returns and is determined based on a statistical analysis of historic weekly share price data for a selection of comparable listed entities with observable market prices. The period of historical data selected is consistent with the expected life of the options. The risk-free interest rate is determined with reference to New Zealand Government bond yields in effect at the grant date. Where necessary, linear interpolation is applied between observable yields to derive a risk-free rate that is consistent with the expected life of the options. The amortisation period is adjusted annually to reflect management's best estimate of the vesting date.

Share options granted in the prior financial year were valued prior to the share reclassification event that occurred during the prior period. As a result, the share price and exercise price inputs disclosed for the year ended 31 March 2025 are not directly comparable to those for options granted in the year ended 31 March 2026.

D8. Earnings per share

	2026 \$'000	2025 \$'000
Net loss after tax	(857)	(35,791)
	Number of Shares	Number of Shares
Weighted average number of shares (basic)	1,091,034,520	946,484,220
Weighted average number of shares (diluted)	1,145,435,327	955,873,896
	2026 Cents	2025 Cents
Basic earnings per share (cents)	(0.8)	(37.8)
Diluted earnings per share (cents)	(0.7)	(37.4)

The basic earnings per share calculation uses the weighted average number of shares on issue over the year.

The diluted weighted average number of shares considers the number of share options that are currently exercisable or will become exercisable depending on the likelihood of meeting vesting conditions.

D9. Dividend

There were no dividends paid or declared during the year (2025: \$nil).

E Other

E1. Trade and other receivables

	2026 \$'000	2025 \$'000
Trade receivables and accrued income	5,682	2,626
ASX prudential deposits	1,027	-
Prepayments	860	1,724
Other receivables	2,806	580
Net GST receivable	546	331
Trade and other receivables	10,921	5,261

Accounting policy

Trade and other receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are non-interest bearing and are generally due for settlement within 30 days and are therefore all classified as current.

A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due. Impairment is calculated based on an expected credit loss model and is recognised in the statement of profit or loss and other comprehensive income. The loss allowance is based on a simplified approach which involves estimating the lifetime expected loss at balance date. This is calculated based on historical credit loss experience and adjusted for forward looking factors specific to debtors and the economic environment.

Bad and doubtful trade receivables

Trade receivables and accrued income that are known to be uncollectable are written off. Total bad debts recognised or written off during the year were \$nil (2025: \$nil).

Credit and market risks, and impairment losses

Information about the Group's exposure to credit and market risks, and impairment losses for trade receivables is included in Note D5. ASX Prudential deposits comprise cash placed on deposit with the Group's broker in connection with energy derivative trading on the Australian Securities Exchange ("ASX") to meet margin requirements. The balance varies based on market price movements and the level of contracts held at balance date.

E2. Trade and other payables

	2026 \$'000	2025 \$'000
Current		
Trade payables and accruals	15,334	6,803
Employee benefits	1,247	1,150
Retentions	80	99
	<u>16,661</u>	<u>8,052</u>
Non-current		
Retentions	110	98
	<u>110</u>	<u>98</u>
Trade and other payables	<u>16,771</u>	<u>8,150</u>

Accounting policy

Trade payables and accruals are financial liabilities recognised when the Group becomes party to the contractual provisions of the instrument (generally, when goods or services are received). They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Due to their short-term nature, the Directors consider the carrying amounts of trade and other payables approximate their fair values.

Employee benefits are expensed as the related service is provided. Employee benefits are recognised as a liability when the Group has a present legal or constructive obligation as a result of past service, measured at the amount expected to be paid at settlement, and are not discounted as they are expected to be settled within 12 months after the reporting date.

Retentions of 10% are withheld from supplier invoices as security for performance and defects obligations. Of the amount retained, 50% is released on acceptance of equipment and the balance is released after a 24-month defects liability period. Amounts expected to be settled within 12 months are classified as current.

Trade payables and accruals

Trade payables and accruals principally comprise amounts outstanding for trade and capital purchases and ongoing costs.

Trade payables are unsecured and are usually paid within 30 days of recognition.

E3. Inventory

	2026 \$'000	2025 \$'000
Spare parts and consumables	142	170
Goods purchased in advance	5,985	-
Inventory	6,127	170

Accounting policy

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method and comprises costs incurred in bringing inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Spare parts and consumables

Spare parts and consumables comprise spare parts and consumables held for the construction, operation and maintenance of the Group’s solar farms.

Goods purchased in advance

Goods purchased in advance comprise equipment purchased in advance that has not yet been allocated to a specific project.

Inventory expense

The cost of inventories recognised as an expense and included in the consolidated statement of profit or loss and other comprehensive income amounted to \$39,000 (2025: \$1,000).

E4. Investments in subsidiaries

The consolidated financial statements include Lodestone, its subsidiaries and controlled entities listed below.

All entities below are based in New Zealand, and their functional currency is New Zealand Dollars.

Name	Nature of business	Proportion of ordinary shares held by the Group 2026 %	Proportion of ordinary shares held by the Group 2025 %
Lodestone Energy Holdings No.1 Limited	Intermediate holding company	100	100
Lodestone Energy Holdings No.2 Limited	Intermediate holding company	100	100
Lodestone Energy Holdings No.3 Limited	Non-trading	100	100
Lodestone Solar Limited	Electricity generation	100	100
Lodestone Solar 2 Limited	Non-trading	100	100
Lodestone (Manawatu) Limited	Non-trading	100	100
Lodestone Construction Limited**	Solar construction	100	-
Lodestone Nominee Limited	Nominee services	100	100
Lodestone Retail Limited	Non-trading	100	100
Lodestone LP Holdings Limited*	Limited partnership	100	-
Lodestone Management Services Limited*	Management services	100	-

*Incorporated 2 February 2026

**Incorporated 17 November 2025

E5. Related party transactions

(a) Parent entities

The Company is not controlled by another entity and there is no ultimate controlling party.

(b) Key management personnel

Key management personnel ("KMP") are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. For the Group, KMP includes the Directors, Chief Financial Officer, Chief Operating Officer and GM Legal.

KMP compensation comprised the following:

	2026 \$'000	2025 \$'000
Short-term employee benefits	2,388	3,267
Directors' fees	353	350
Post-employment benefits	-	-
Long-term benefits	-	-
Termination benefits	-	354
Share-based expenses	2,808	373
	<u>5,549</u>	<u>4,344</u>

KMP participate in the Group's employee and director share schemes (refer to Note D7).

At balance date there were \$101,000 outstanding balances payable to KMP (2025: \$120,000). The Group had no material commitments to KMP (2025: \$nil).

E5. Related party transactions (continued)

(c) Transactions with related parties

Related parties include the Directors, Managing Director and their close family members, and entities controlled or significantly influenced by these parties.

Where transactions occurred with such entities, the terms and conditions were no more favourable than those available (or which might reasonably be expected to be available) in similar transactions with unrelated parties on an arm's length basis.

(i) Transactions with related entities

The following transactions occurred with related parties during the year:

	2026	2025
	\$'000	\$'000
Magnetite Energy Investments Limited	-	26
Exercise of employee and directors' share scheme options	<u>163</u>	<u>-</u>
	<u>163</u>	<u>26</u>

Magnetite Energy Investments Limited (a related party of the Managing Director). Services relate to consultancy services provided by an employee of Magnetite Energy (not the Managing Director), contracted to Lodestone Energy Limited. Amounts were billed based on market rates and were due and payable under normal payment terms.

(ii) Outstanding balances with related parties

As at 31 March 2026, there were no outstanding balances with related parties (2025: \$nil).

E6. Capital commitments

As at 31 March 2026, the Group had the following capital expenditure commitments contracted for but not recognised as liabilities:

	2026	2025
	\$'000	\$'000
Infratec contractual obligations	327	5,462
Other capital expenditure commitments	<u>7,269</u>	<u>9,299</u>
	<u>7,596</u>	<u>14,761</u>

Capital commitments are expected to be funded through a combination of available undrawn borrowing facilities and restricted cash held.

As at 31 March 2026, the Group has total undrawn borrowing facilities of \$50,164,000 (2025: \$62,435,000) (refer Note D3) and restricted cash of \$19,705,000 (2025: \$27,190,000) (refer Note D1), providing total available funding of \$69,869,000 (2025: \$89,625,000) to support capital commitments of \$7,596,000 (2025: \$14,761,000).

E7. Contingent event

In relation to the Series D capital raise process, a shareholder has challenged the applicability of the waiver of minority shareholder rights contained within the Shareholders' Agreement and, as a resolution, has proposed that the Company repurchase their shares. The Company and the shareholder continue to work constructively toward a resolution, which may include an alternative pathway to liquidity. In the event of a repurchase, any cash consideration would be offset by the corresponding reduction in the number of shares on issue. A repurchase that is consistent with the Series D valuation would not have a material impact on shareholders.

The Company is seeking to resolve this matter prior to, or in conjunction with, the next capital raise.

E8. Subsequent events

Subsequent to 31 March 2026, the following key events have occurred:

- Ongaonga Road Solar Farm GP Limited was incorporated on 21 May 2026 under the Companies Act 1993.

Independent Auditor's Report

To the Shareholders of Lodestone Energy Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 March 2026;
- the consolidated statements of profit of loss and other comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements of Lodestone Energy Limited (the **Company**) and its subsidiaries (the **Group**) on pages 36 to 76 present fairly in all material respects:

- the Group's financial position as at 31 March 2026 and its financial performance and cash flows for the year ended on that date;
- In accordance with New Zealand Equivalents to International Financial Reporting Standards (**NZ IFRS**) issued by the New Zealand Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (**ISAs (NZ)**). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of Lodestone Energy Limited in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (**IESBA Code**), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

Our firm has provided other services to the Group in relation to Vendor Due Diligence and Regulatory (Capital Market) Reporting. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.

Emphasis of matter

We draw attention to Notes A1(a) and A2(h) of the consolidated financial statements, which describes that the reclassification of comparative information relates to presentation changes arising from the transition to Tier 1 reporting. These changes do not affect measurement or recognition and have been appropriately disclosed. Our opinion is not modified in respect of this matter.

Other information

The directors, on behalf of the Group, are responsible for the other information. The other information comprises information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon as part of the engagement to audit the Company and Group consolidated financial statements.

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 materially misstated.

If, based on the work we have performed, we conclude there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Use of this independent auditor's report

This independent auditor's report is made solely to the Shareholders. Our audit work has been undertaken so that we might state to the Shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, none of KPMG, any entities directly or indirectly controlled by KPMG, or any of their respective members or employees, accept or assume any responsibility and deny all liability to anyone other than the Shareholders for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of directors for the consolidated financial statements

The directors, on behalf of the Group, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS issued by the New Zealand Accounting Standards Board;
 - implementing the necessary internal control to enable the preparation of a consolidated set of financial statements that is free from material misstatement, whether due to fraud or error; and
 - assessing the ability of the Group to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.
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Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and



— to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but it is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board (XRB) website at:

<https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-7-1/>

This description forms part of our independent auditor's report.

A handwritten signature of the KPMG firm, appearing as 'KPMG' in a stylized, cursive script.

KPMG

Auckland

29 May 2026