

**KHYBER PAKHTUNKHWA OIL & GAS  
COMPANY LIMITED (KPOGCL)  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE, 2024**

**NAVEED ZAFAR ASHFAQ JAFFERY & CO  
CHARTERED ACCOUNTANTS**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KHYBER  
PAKHTUNKHWA OIL & GAS COMPANY LIMITED**

**REPORT ON THE AUDIT OF FINANCIAL STATEMENTS**

We have audited the annexed financial statements of **Khyber Pakhtunkhwa Oil & Gas Company Limited (The Company)** Peshawar, which comprise the statement of financial position as at June 30, 2024, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows, together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2024, and of the profit, comprehensive income, the changes in equity and cash flows for the year then ended.

**Basis for Opinion.**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditors responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Information Other than the Financial Statements and Auditors' Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Board of Directors' is responsible for overseeing the Company's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

### **Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion;

- a) Proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) The statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) Investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditors' report is S. Mukhtar Hussain Jaffery.

Place: Peshawar

Date: 23 DEC 2025

UDIN: AR2024104499ax0i65bQ

  
Naveed Zafar Ashfaq Jaffery & Co.  
Chartered Accountants

**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2024**

	Note	2024 Rupees	2023 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	5	3,000,000,000	3,000,000,000
Accumulated loss		(2,821,735,559)	(2,873,477,153)
		178,264,441	126,522,847
Advance against issue of shares	5.1	1,000,000,000	500,000,000
		1,178,264,441	626,522,847
<b>NON-CURRENT LIABILITIES</b>			
Deferred Liabilities	6	74,299,667	88,010,115
Provision for decommissioning cost	7	5,290,708	4,699,681
Lease liabilities	8	17,131,584	47,733,002
		96,721,959	140,442,798
<b>CURRENT LIABILITIES</b>			
Lease liabilities - current portion	8	7,071,206	12,799,909
Payable against joint operations	9	455,058,049	1,340,647,884
Trade and other payables	10	41,773,847	52,221,887
		503,903,102	1,405,669,680
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,778,889,502</b>	<b>2,172,635,325</b>
Contingencies and commitments	11		
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	12	20,330,572	55,219,257
Development and production assets	13	125,226,154	131,291,758
Acquisition of interest in joint arrangements	14	691,357,613	691,357,613
		836,914,339	877,868,628
<b>CURRENT ASSETS</b>			
Trade debts	15	65,090,594	39,150,357
Advance income tax	16	12,771,726	12,437,832
Advance for joint operations	17	2,161,142	2,161,142
Advances, deposits and prepayments	18	9,421,501	16,674,902
Cash and cash equivalents	19	852,530,199	1,224,342,464
		941,975,162	1,294,766,697
<b>TOTAL ASSETS</b>		<b>1,778,889,502</b>	<b>2,172,635,325</b>

The annexed notes 1 to 33 form an integral part of these financial statements.

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*M. Khan*  
**CHIEF EXECUTIVE**

*Abdullah Khan*

**DIRECTOR**

**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	Note	2024 Rupees	2023 Rupees
Revenue-net	20	250,119,725	138,944,634
Royalty		(30,888,108)	(16,800,234)
Operating expenses	21	(52,340,723)	(40,290,273)
		(83,228,831)	(57,090,507)
Gross profit		166,890,894	81,854,127
Exploration and prospecting expenditure	22	(87,349,695)	(97,347,136)
General and administration expenses	23	(214,274,866)	(224,302,423)
Exchange gain/(loss) for the year		1,351,266	(457,590,043)
Other income	24	187,980,074	164,417,702
Finance cost	25	(5,361,370)	(8,274,797)
<b>Profit/(loss) before tax</b>		<b>49,236,304</b>	<b>(541,242,570)</b>
Taxation	26	-	-
<b>Profit/(Loss) for the year</b>		<b>49,236,304</b>	<b>(541,242,570)</b>

The annexed notes 1 to 33 form an integral part of these financial statements.

*as 2/2/2024*

*M. Khan*  
**CHIEF EXECUTIVE**

*S. Rahman Khan*

**DIRECTOR**

**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	Note	2024 Rupees	2023 Rupees
Profit/(Loss) for the year		49,236,304	(541,242,570)
Other comprehensive income			
<i>Item that will not be subsequently reclassified to profit or loss:</i>			
Remeasurement gain/(loss) on defined benefit obligation	6.1.2	2,505,290	4,059,919
<b>Total comprehensive profit/(loss) for the year</b>		<b>51,741,594</b>	<b>(537,182,651)</b>

The annexed notes 1 to 33 form an integral part of these financial statements.

*K. Zahid*

*M. M. Khan*  
**CHIEF EXECUTIVE**

*A. Ashraf Khan*

**DIRECTOR**

**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	Share Capital	Accumulated loss	Advance against issue of shares	Total
	-----Rupees-----			
Balance as at 01 July 2022	3,000,000,000	(2,336,294,502)	-	663,705,498
Profit/(loss) for the year	-	(541,242,570)	-	(541,242,570)
Other comprehensive income	-	4,059,919	-	4,059,919
Contribution for issue of shares	-	-	500,000,000	500,000,000
Total	-	(537,182,651)	500,000,000	(37,182,651)
<b>Balance at 30 June 2023</b>	<b>3,000,000,000</b>	<b>(2,873,477,153)</b>	<b>500,000,000</b>	<b>626,522,847</b>
Profit/(loss) for the year	-	49,236,304	-	49,236,304
Other comprehensive income	-	2,505,290	-	2,505,290
Contribution for issue of shares	-	-	500,000,000	500,000,000
Total	-	51,741,594	500,000,000	551,741,594
<b>Balance at 30 June 2024</b>	<b>3,000,000,000</b>	<b>(2,821,735,559)</b>	<b>1,000,000,000</b>	<b>1,178,264,441</b>

The annexed notes 1 to 33 form an integral part of these financial statements.

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*Muhammad Khan*  
**CHIEF EXECUTIVE**

*Abdullah Khan*  
**DIRECTOR**

**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	Note	2024 Rupees	2023 Rupees
<b>Cash flows from operating activities</b>			
Profit/(Loss) before tax for the year		49,236,304	(541,242,570)
<b>Adjustments for:</b>			
- Depreciation	12	11,766,211	17,520,089
- Amortization of development and production assets	13	33,112,895	23,613,184
- Interest on saving accounts	24	(182,020,155)	(163,911,973)
- Gain on disposal	24	(109,372)	(67,075)
- Gain on early termination of lease	24	(4,397,830)	-
- Unwinding of lease liability	8	4,634,573	7,678,439
- Provision for gratuity expense	6.1	14,292,655	19,273,390
- Unwinding of decommissioning cost	25	716,786	449,406
		<u>(72,767,933)</u>	<u>(636,687,110)</u>
<b>Working capital changes</b>			
<b>(Increase)/Decrease in current assets</b>			
- Trade debts		(25,940,237)	(9,670,911)
- Advances, deposits, prepayments and other receivables		7,253,401	(9,960,240)
<b>Increase/(Decrease) in current liabilities</b>			
- Payable to joint venture partners		(885,589,835)	(280,226,726)
- Trade and other payables		(10,448,040)	(5,289,675)
<b>Cash used in operating activities</b>		<u>(987,492,644)</u>	<u>(941,834,662)</u>
Income tax paid		(333,894)	(305,086)
Gratuity paid	6.1	(25,497,813)	(6,368,120)
Leave encashment paid	6.2	-	(143,280)
<b>Net cash used in operating activities</b>		<u>(1,013,324,351)</u>	<u>(948,651,148)</u>
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment	12	(486,000)	(60,000)
Additions to development and production assets	13	(27,173,050)	(1,030,937)
Interest on saving accounts	24	182,020,155	163,911,973
Proceeds from sale of property and equipment	24	170,250	87,040
<b>Net cash generated from investing activities</b>		<u>154,531,355</u>	<u>162,908,076</u>
<b>Cash flows from financing activities</b>			
Payment of lease liability	8	(13,019,269)	(17,743,119)
Advance against issue of shares		500,000,000	500,000,000
<b>Net cash generated from financing activities</b>		<u>486,980,731</u>	<u>482,256,881</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(371,812,265)</u>	<u>(303,486,191)</u>
Cash and cash equivalents at 1 July		<u>1,224,342,464</u>	<u>1,527,828,655</u>
<b>Cash and cash equivalents at 30 June</b>		<u><u>852,530,199</u></u>	<u><u>1,224,342,464</u></u>

The annexed notes 1 to 33 form an integral part of these financial statements.

  
**CHIEF EXECUTIVE**



**DIRECTOR**

**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

**1 Legal status and operations**

- (i) Khyber Pakhtunkhwa Oil & Gas Company Limited was incorporated as Public Company on 08 February 2013 under the Companies Ordinance, 1984 (repealed with enactment of the Companies Act, 2017) as a provincial holding company of the Government of Khyber Pakhtunkhwa (GoKPK), consequent upon 18th constitutional amendment and in pursuant to clause 4.1.3 (6) of Petroleum Exploration and Production Policy, 2012. The registered office of the Company is situated at Third Floor, Ali Tower, University Road, Peshawar.
- (ii) The Company is established to engage in the exploration and development of oil and gas resources, including production and sale of oil and gas and related activities in the province of Khyber Pakhtunkhwa. Geographical location of all business units of the Company with working interest have been disclosed in note 31.
- (iii) The Company had been an operator of Lakki Petroleum Concession and had obtained exploration license to carry out exploration and evaluation activities in this block. On 11 January 2023, the Director General Petroleum Concessions (DGPC) during a meeting officially granted exploration rights in the Miran Block to KPOGCL in exchange for the Lakki Block as part of the negotiations. However, it was agreed that complete work program for Lakki block should be transferred to Miran block i.e. at least a total 750 units for Miran block will be undertaken. The Petroleum Concession Agreement (PCA) for Miran Block was signed after the fulfillment of social welfare, training and rental obligations for Lakki block on 7 May 2024. However no exploration activities were performed by the company during the year.
- (iv) In addition, the Company has signed deeds of assignment (DOA) in respect of blocks as follows:

Blocks	Operator	Working Interest	DOA Date
Baratai (3371-17)	OGDCL	2.50%	09 September 2016
Peshawar East (3371-16)*	MPCL	1.84%	21 June 2017
Karak North (3370-15)	Talahassee Resources Inc.	2.50%	21 June 2017
Paharpur (3170-5)*	KUPPEC	2.43%	08 November 2017
Pezu (3070-16)	OGDCL	1.62%	24 May 2019
Kulachi (3170-8)*	OGDCL	2.05%	03 December 2019
Wali West (3269-1)	MPCL	2.50%	18 March 2021
Orakzai (3369-1)	OGDCL	20.00%	21 September 2022
Tirah (3370-14)	OGDCL	15.00%	21 September 2022
Nowshera(3471-1)	OGDCL	2.50% (Carried interest)	22 September 2022
Hazro (2972-7)	OGDCL	0.21% (Carried Interest)	31 March 2024

\* The Operator had declared force majeure over the Peshawar East Block in February 2019 due to security constraints; however, following the receipt of NOC and security clearance from the Ministry of Defence in September 2023, the status was lifted, allowing the resumption of exploration activities under the Petroleum Concession Agreement (PCA). Furthermore, the Operator submitted Notices of Relinquishment for the Paharpur Block (3170-8) and Kulachi Block (3170-8), effective from 13 March 2020 and 7 January 2021 respectively, for which the approval from the Director General Petroleum Concession (DGPC) is still pending.

- (v) The Company's share of minimum work commitments in the concession where the Company has signed Deed of Assignment amounts to US\$ 12.52 million (2023: US\$ 12.52 million). The Company's minimum outstanding commitments have been disclosed in the note 11.2 to these financial statements.

As of 30 June 2024, the Government of Khyber Pakhtunkhwa (GoKPK) has invested Rs. 4 billion in the Company as equity (refer Note 5). This comprises Rs. 2.1 billion received from the provincial budget allocation of Rs. 19.8 billion approved by the Provincial Cabinet in its meeting held on 16 June 2020, plus Rs. 1.9 billion provided in earlier periods prior to the said allocation. The Company is wholly owned by GoKPK, with its funding requirements met through annual allocations from the provincial budget. Furthermore, the Finance Department has approved an allocation of Rs. 3 billion for the Financial year 2024–25.

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**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

**2 Basis of preparation**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by International Accounting Standard Board as notified under the Companies Act 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differs from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

**2.2 Basis of measurement**

These financial statements have been prepared under "historical cost convention" except for lease liability which have been measured at present value of lease payments payable at year end.

**2.3 Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements have been presented in Pakistan Rupees (PKR) which is Company's functional and presentation currency. All the financial information presented has been rounded off to the nearest rupee, unless otherwise stated.

**2.4 Significant accounting estimates**

The preparation of these financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that year, or in the year of the revision and any future year affected.

In the process of applying the Company's accounting policies, the management has made the following estimates, assumptions and judgments which are relevant to these financial statements:

**2.4.1 Property and equipment - note 4.2 and 12**

The Company reviews the useful lives and residual values of property and equipment on the reporting date. Any change in the estimates in future years might affect the carrying amounts of the respective items of property and equipment with a corresponding effect on the depreciation charge and impairment.

**2.4.2 Exploration and evaluation expenditure - note 4.3.2**

The Company's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalized for an area of interest where it is considered likely to be recoverable by future exploration or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalized the expenditure under the policy, a judgment is made that recovery of the expenditure is unlikely, the relevant capitalized amount is written off to the statement of profit or loss.

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**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

**2.4.3 Development and production expenditure - note 4.3.3 and 13**

Development and production activities commence after project sanctioning by the appropriate level of management. Judgment is applied by the management in determining when a project is economically viable. In exercising this judgment, management is required to make certain estimates and assumptions similar to those described above for capitalized exploration and evaluation expenditure. Any such estimates and assumptions may change as new information becomes available. If, after having commenced development activity, a judgment is made that a development and production asset is impaired, the appropriate amount is written off in the statement of profit or loss.

**2.4.4 Provision for decommissioning cost - note 4.3.4**

Provision is recognized for the future decommissioning and restoration cost of oil and gas wells, production facilities and pipelines at the end of their useful lives. The timing of recognition requires the application of judgment to existing facts and circumstances, which can be subject to change. Estimates of the amount of provision recognized are based on current legal and constructive requirements, technology and price levels. Provision is based on the best estimates, however, the actual outflows can differ from estimated cash outflows due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future. The carrying amount of provision is reviewed annually and adjusted to take account of such changes.

**2.4.5 Estimation of oil and natural gas reserves for amortization of development and production assets - note 4.3.3 and 13**

Oil and gas reserves are an important element in calculation of amortization charge and for impairment testing of development and production assets and related property and equipment of the Company. Estimates of oil and natural gas reserves are inherently imprecise, require the application of judgment and are subject to future revisions. Proved reserves are estimated with reference to available reservoir and well information, including production and pressure trends for producing reservoirs and, in some cases, subject to definitional limits, to similar data from other producing reservoirs. All proved reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans.

Changes to the estimates of proved / developed reserves, affect the amount of amortization recorded and impairment, if any, in the financial statements for fixed assets related to hydrocarbons production activities.

**2.4.6 Taxation - note 4.8 and 26**

The Company takes into account the current income tax laws and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

**2.4.7 Measurement of the expected credit loss allowance - note 4.4.4 and 27**

The measurement of the expected credit loss ("ECL") allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of counter parties defaulting and the resulting losses).

Elements of the ECL models that are considered accounting judgments and estimates include:

- Development of ECL models, including the various formulas and choice of inputs;
- Determining the criteria if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Determination of associations between macroeconomic scenarios and, economic inputs, and their effect on probability of default (PDs), exposure at default (EADs) and loss given default (LGDs); and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

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**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

**2.4.8 Provision against financial assets measured at amortised cost - note 4.4.4 and 27**

Pursuant to S.R.O. 985(I)/2019 dated 02 September 2019, the Securities and Exchange Commission of Pakistan (SECP) granted an exemption from the application of the Expected Credit Loss (ECL) model under IFRS 9 for financial assets due from the Government of Pakistan (GoP), requiring instead the application of IAS 39 Financial Instruments: Recognition and Measurement. This exemption was initially valid until 30 June 2021 and was subsequently extended through S.R.O. 1177(I)/2021 until 30 June 2022, S.R.O. 67(I)/2023 until 31 December 2024, and most recently through S.R.O. 1784(I)/2024 dated 4 November 2024, until 31 December 2025.

This regulatory relief was introduced in light of the practical challenges associated with applying ECL to circular debt-related receivables, where recovery timelines from the GoP are uncertain despite the low risk of ultimate default. As such, disclosure of the impact of ECL on these receivables is not required during the exemption period.

Accordingly, the Company has continued to apply IAS 39 and has not recognised ECL on financial assets due directly or ultimately from the GoP, including trade receivables from a government entity amounting to Rs. 58,555,893 (2023: Rs. 35,405,571).

**2.4.9 Employees retirement benefits - note 6**

Defined benefits are provided for workers of the Company as defined in the Khyber Pakhtunkhwa Industrial and Commercial Employment Standing Order Act 2013. The Company recognizes deferred liability for gratuity and accumulating compensated absences. These calculations are made on the basis of current remuneration and number of years in service. The assumptions used are determined by independent actuary annually.

Service cost primarily represents the increase in actuarial present value of the obligation for benefits earned on employees service during the year and the interest on the net liability/(asset) in respect of employee's service in previous years. Calculations are sensitive to changes in the underlying assumptions.

**2.4.10 Provision and contingencies - note 11**

The Company reviews the status of all the legal cases on a regular basis. Based on the expected outcome and lawyers judgments, appropriate disclosure or provision is made.

**2.4.11 Leases - note 4.1.1 and 8**

The Company carries out assessment of arrangements, not legally characterized as leases, but that may contain leases to which IFRS 16 should be applied. According to IFRS 16 a contract is or contains a lease if the contract conveys the right to control the use of an identified asset. The right to control the use of identified asset is conveyed when the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Company also exercises judgements when determining the lease term of contract with renewal and termination options. The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Company uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use (ROU) asset in a similar economic environment.

*NA Approved*

**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

**3 APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS**

**3.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2024**

The following standards, amendments and interpretations are effective for the year ended June 30, 2024. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Standard/Amendment	period beginning on or after
Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IFRS Practice	January/1/2023
Amendments to IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> – Definition of Accounting Estimates	January/1/2023
Amendments to IAS 12 <i>Income Taxes</i> – Deferred Tax related to Assets and Liabilities arising from a single transaction.	January/1/2023
Amendments to IAS 12 <i>Income Taxes</i> – Temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes	January/1/2023

The Company adopted the narrow-scope amendments to the International Accounting Standard IAS 1, *Presentation of Financial Statements*, which have been effective for annual reporting periods beginning on or after 1 January 2023. Although the amendments did not result in any changes to accounting policies themselves, they impacted the Accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material' rather than 'significant' accounting policies. The amendments also provide guidance on the application of materiality to accounting policy information in the financial statements, assisting the Company to provide useful entity-specific information about its accounting policies instead of duplicating other information in the financial statements.

Management reviewed the accounting policies and updates to the information disclosed in Note 4 Material accounting policies (2023: Significant accounting policies) in certain instances in line with the amendments and concluded that all its accounting policies are material for disclosure.

**3.2 New accounting standards, amendments and IFRS interpretations that are not yet effective**

The following standards, amendments and interpretations are only effective for accounting periods beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Company's operations, or are not expected to have any significant impact on the Company's financial statements other than certain additional disclosures.

Standard/Amendment	period beginning on or after
Amendments to IFRS 7 'Financial Instruments: Disclosures' – Supplier finance arrangements	January/1/2024
Amendments to IFRS 7 'Financial Instruments: Disclosures' – Amendments regarding the classification and measurement of financial instruments	January/1/2024
Amendments to IFRS 9 'Financial Instruments' – Amendments regarding the classification and measurement of financial instruments	January/1/2024
Amendments to IFRS 16 'Leases' – Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	January/1/2024
Amendments to IAS 1 'Presentation of Financial Statements' – Classification of liabilities as current or non-current	January/1/2024

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**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

Amendments to IAS 1 'Presentation of Financial Statements' – Non-current liabilities with covenants	January/1/2024
Amendments to IAS 7 'Statement of Cash Flows' – Supplier finance arrangements	January/1/2024
Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' – Lack of exchangeability	January/1/2025
IFRS 17 'Insurance Contracts'	January/1/2025

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the (SECP):

IFRS 18 'Presentation and Disclosures in Financial Statements' has been issued by IASB effective from January 01, 2027. However, it has not been adopted yet locally by SECP.

IFRS 19 'Subsidiaries without Public Accountability: Disclosures' has been issued by IASB effective from January 01, 2027. However, it has not been adopted yet locally by SECP.

IFRS 17 - 'Insurance contracts' has been notified by the IASB to be effective for annual periods beginning on or after January 1, 2023. However SECP has notified the timeframe for the adoption of IFRS - 17 which will be adopted by January 01, 2026.

#### 4 Material accounting policies

4.1 The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for the changes as indicated below:

##### 4.1.1 Leases

The Company assesses whether a contract is or contains a lease at the inception of the contract and whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration.

###### As a lessor

As a lessor, the Company determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee.

###### Finance lease

Leases where the Company transfers a substantial portion of the risks and rewards incidental to the ownership of an asset to the lessee are classified as finance leases.

The Company derecognises the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee including any unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment.

###### Operating leases

The Company classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Company recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term.

If an arrangement contains lease and non-lease components, the Company allocates the consideration in the contract to the lease and non-lease components based on the stand-alone selling prices in accordance with the principles in IFRS 15.

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**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

**As a lessee**

Leases are recognized as a lease liability and a corresponding Right of Use ("ROU") asset at the date on which the leased asset is available for use by the Company. Liabilities and assets arising from a lease are initially measured on a present value basis. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Company's estimated incremental borrowing rate when the rate implicit in the lease is not readily available. The corresponding ROU assets are measured at the amount equal to the lease liability.

The lease liability is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Company will exercise a purchase, extension or termination option that is within the control of the Company.

The ROU asset, initially measured at an amount equal to the corresponding lease liability, is depreciated on a straight-line basis, over the shorter of the estimated useful life of the asset or the lease term. The ROU asset may be adjusted for certain re-measurements of the lease liability and impairment losses.

Lease payments are allocated between the lease liability and finance costs.

Leases that have terms of less than twelve months or leases on which the underlying asset is of low value are recognized as an expense in the statement of profit or loss when incurred.

**4.2 Property, Plant and Equipment**

**a) Operating Fixed Assets**

Property and equipment and ROU assets arising from leasehold properties, recognized initially at cost less accumulated depreciation and any accumulated impairment losses, except for freehold land and capital work-in-progress which are stated at cost less accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items which comprises of purchase price, non-refundable local taxes and other directly attributable cost including borrowing cost. Capital work-in-progress consists of expenditure incurred and advances made in respect of tangible assets in the course of their construction and installation. Transfers are made to the relevant operating fixed assets category as and when assets are available for use.

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in statement of profit or loss as incurred.

Depreciation is provided on straight line method at rates specified in note 12 to the financial statements so as to write off the cost of property and equipment over their estimated useful life. Moreover, depreciation is calculated on ROU assets arising from leasehold properties on the basis of lease term. Depreciation on additions to property and equipment is charged from the month in which property, plant and equipment is made available for use while no depreciation is charged for the month in which property, plant and equipment is disposed off or derecognized.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within "other income" in the statement of profit or loss.

The carrying value of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value exceeds the estimated recoverable amount, the assets are written down to the recoverable amount.

Disposal of Asset is recognized when significant risks and rewards incidental to the ownership have been transferred to buyer. Gains and Losses on disposal are determined by comparing the proceeds with carrying amount and are recognized in the statement of profit or loss.

**b) Capital work- in- Progress**

Capital work in progress is stated at cost less identified impairment loss, if any. It consists of all expenditures and advances connected with specific assets incurred and made during installation and construction period. These are transferred to relevant property, plant and equipment as and when assets are available for use.

**4.2.1 Right of use Asset**

The right of use asset is initially measured based on the initial measurement of lease liability, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

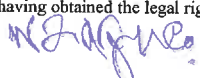
The right of use asset is subsequently measured at cost model. The right of use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right of use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

**4.3 Oil and gas assets**

The Company applies the "Successful efforts" method of accounting for Exploration and Evaluation (E&E) costs.

**4.3.1 Pre license costs**

Costs incurred prior to having obtained the legal rights to explore an area are charged directly to the statement of profit or loss as they are incurred.



**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

**4.3.2 Exploration and evaluation assets**

Under the successful efforts method of accounting, all property acquisitions, exploratory/evaluation drilling costs are initially capitalized as intangible E&E assets in well, field or specific exploration cost centres as appropriate, pending determination.

Costs directly associated with an exploratory well are capitalized as an intangible asset until the drilling of the well is completed and results have been evaluated. Major costs include employee benefits, material, chemical, fuel, well services and rig operational costs. All other exploration costs including cost of technical studies, seismic acquisition and data processing, geological and geophysical activities are charged as exploration and prospecting expenditure in the statement of profit or loss.

Tangible assets used in E&E activities, include the Company's vehicles, drilling rigs, seismic equipment and other property and equipment used by the Company's exploration function and are classified as property and equipment. However, to the extent that such a tangible asset is consumed in developing an intangible E&E asset, the amount reflecting that consumption is recorded as part of the cost of the intangible asset. Such intangible costs include directly attributable overheads, including the depreciation of property and equipment utilized in E&E activities, together with the cost of other materials consumed during the exploration and evaluation phases.

Intangible E&E assets relating to each exploration license/field are carried forward, until the existence or otherwise of commercial reserves have been determined subject to certain limitations including review for indications of impairment. If commercial reserves have been discovered, the carrying value after any impairment loss of the relevant E&E assets is then reclassified as development and production assets and if commercial reserves are not found, the capitalized costs are written off as dry and abandoned wells and are charged to the statement of profit or loss.

E&E assets are not amortized prior to the conclusion of appraisal activities.

**4.3.3 Development and production assets**

Development and production assets are accumulated on a field by field basis and represent the cost of developing the discovered commercial reserves and bringing them into production, together with the capitalized E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets. The cost of development and production assets also includes the cost of acquisition of such assets, directly attributable overheads, and the cost of recognizing provisions for future site restoration and decommissioning.

Expenditure carried within each field is amortized from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the year to the estimated quantities of proved developed reserves at the end of the year plus the production during the year, on a field by field basis. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively. Amortization is charged to the statement of profit or loss.

**4.3.4 Decommissioning cost**

The activities of the Company normally give rise to obligations for site restoration. Restoration activities may include facility decommissioning and dismantling, removal or treatment of waste materials, land rehabilitation, and site restoration.

Liabilities for decommissioning cost are recognized when the Company has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reliable estimate of that liability can be made. The Company makes provision in full for the decommissioning cost on the declaration of commercial discovery of the reserves, to fulfill the obligation of site restoration and rehabilitation. Where an obligation exists for a new facility, such as oil and natural gas production or transportation facilities, this will be on construction or installation. An obligation for decommissioning may also crystallize during the period of operation of a facility through a change in legislation or through a decision to terminate operations. The amount recognized is the estimated cost of decommissioning, discounted to its net present value and the expected outflow of economic resources to settle this obligation. Decommissioning cost, as appropriate, relating to producing/shut-in fields and production facilities is capitalized to the cost of development and production assets and property and equipment as the case may be. The recognized amount of decommissioning cost is subsequently amortized/depreciated as part of the capital cost of the development and production assets and property and equipment.

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**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

While the provision is based on the best estimate of future costs and the economic life of the facilities and property and equipment, there is uncertainty regarding both the amount and timing of incurring these costs. Any change in the present value of the estimated expenditure is dealt with prospectively and reflected as an adjustment to the provision and a corresponding adjustment to property and equipment and development and production assets. The unwinding of the discount on the decommissioning provision is recognized as finance cost in the statement of profit or loss.

**4.3.5 Impairment of oil and gas assets**

E&E assets are assessed for impairment when facts and circumstances indicate that carrying amount may exceed the recoverable amount of E&E assets. Such indicators include, the point at which a determination is made that as to whether or not commercial reserves exist, the period for which the Company has right to explore has expired or will expire in the near future and is not expected to be renewed, substantive expenditure on further exploration and evaluation activities is not planned or budgeted and any other event that may give rise to indication that E&E assets are impaired.

Impairment test of development and production assets is also performed whenever events and circumstances arising during the development and production phase indicate that carrying amount of the development and production assets may exceed its recoverable amount. At the end of each reporting period, an assessment is made to determine whether there are any indications of impairment. Such circumstances depend on the interaction of a number of variables, such as the recoverable quantities of hydrocarbons, the production profile of the hydrocarbons, the cost of the development of the infrastructure necessary to recover the hydrocarbons, the production costs, the contractual duration of the production field and the net selling price of the hydrocarbons produced.

The carrying value is compared against expected recoverable amount of the oil and gas assets, generally by reference to the future net cash flows expected to be derived from such assets. The cash generating unit applied for impairment test purpose is generally field by field basis, except that a number of fields may be grouped as a single cash generating unit where the cash flows of each field are inter-dependent.

Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit in statement of profit or loss to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**4.3.6 Acquisition of interest in joint arrangement**

The Company's policy is to capitalize any signature bonus paid on the acquisition of working interest in petroleum concessions. Such capitalized amounts are amortized on a unit-of-production basis, aligned with the proved reserves, once revenue generation commences from the respective blocks under the concession agreements.

**4.4 Financial Instruments**

**4.4.1 Initial Recognition**

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value, amortised cost or cost as the case may be.

**4.4.2 Classification of financial assets**

The Company classifies its financial instruments in the following categories:

- at fair value through profit or loss ("FVTPL"),
- at fair value through other comprehensive income ("FVTOCI"), or
- at amortised cost.

The Company determines the classification of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

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**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

#### **4.4.3 Subsequent measurement**

##### **i) Financial assets at FVTOCI**

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently,

##### **ii) Financial assets and liabilities at amortised cost**

Financial assets and liabilities at amortised cost are initially recognised at fair value, and subsequently carried at amortised cost, and in the case of financial assets, less any impairment.

##### **iii) Financial assets and liabilities at FVTPL**

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of profit or loss in the period in which they arise.

Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income / (loss).

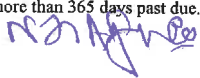
#### **4.4.4 Impairment of financial asset**

The Company recognizes loss allowance for ECL on financial assets measured at amortized cost except for financial assets due directly / ultimately from GoP in respect of which applicability of ECL model is deferred by SECP as explained in note 2.4.8. In relation to the financial assets not covered under aforementioned exemption, for trade debts (if any), the Company applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected allowance. The Company uses General 3-stage approach for deposits, other receivables, cash and bank balances i.e. to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instruments has not increased significantly since initial recognition.

The following were either determined to have low or there was no increase in credit risk since initial recognition as at the reporting date:

- Deposits
- accrued markup
- bank balances;

Loss allowance for trade receivables (if any) are always measured at an amount equal to life time ECLs. The Company considers a financial asset in default when it is more than 365 days past due.



**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

Life time ECLs are the ECLs that results from all possible default events over the expected life of a financial instrument. 12 months ECLs are portion of ECL that result from default events that are possible within 12 months after the reporting date.

ECLs are a probability weighted estimate of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between cash flows due to the entity in accordance with the contract and cash flows that the Company expects to receive).

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

In respect of financial assets due directly / ultimately from GoP, on which ECL model is not applicable as per the aforesaid notification of SECP, the financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

#### **4.4.5 Derecognition**

##### **Financial assets**

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to statement of changes in equity.

##### **Financial liabilities**

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of profit or loss and other comprehensive income.

#### **4.5 Impairment of non-financial assets**

The carrying amounts of non-financial assets other than stock in trade are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of profit or loss.

Impairment loss recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

**4.6 Cash and cash equivalents**

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and at bank and includes short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

**4.7 Provisions**

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are measured at the present value of expected expenditure, discounted at a pre tax rate that reflects current market assessment of the time value of the money and the risk specific to the obligation. Provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

**4.8 Taxation**

Taxation for the year comprises current and deferred tax. Taxation is recognized in the statement of profit or loss except to the extent that it relates to items recognized outside profit or loss (whether in other comprehensive income or directly in equity), if any, in which case the tax amounts are recognized outside profit or loss.

**Current tax**

Provision for current taxation is based on taxable income at the current rate of tax after taking into account applicable tax credits, rebates and exemptions available, if any, adjusted for payments to GoP for payments on account of royalty and any adjustment to tax payable in respect of previous years.

**Deferred tax**

Deferred tax is accounted for using the balance sheet liability method in respect of all taxable temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investment in jointly controlled entities to the extent that it is probable that they will not reverse in a foreseeable future and the investor / joint operator is able to control the timing of the reversal of temporary difference. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the reporting date, adjusted for payments to GoP on account of royalty.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

**4.9 Foreign currency transactions and balances**

Transactions in foreign currencies are translated into functional currency at exchange rates at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at balance sheet date are translated to the functional currency at the exchange rates prevailing at the balance sheet date. The foreign currency gain or loss on monetary items is the difference between amortized costs in the functional currency at beginning of the year, adjusted for effective interest and payments during the year, and amortized cost in foreign currency translated at the exchange rate at reporting date. Exchange differences are included in the statement of profit or loss.

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**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

**4.10 Revenue recognition**

Revenue from contracts with customers is recognized when or as the Company satisfies a performance obligation by transferring a promised good or service to a customer. Revenue associated with the sale of crude oil, natural gas and liquefied petroleum gas is measured based on the consideration specified in contracts with customers. Revenue from contracts with customers is recognized when or as the Company satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of control of oil, natural gas and liquefied petroleum gas coincides with title passing to the customer and the customer taking physical possession.

Revenue is measured at the fair value of the consideration received or receivable which the Company expects to be entitled in exchange for transferring goods, net of government levies. Prices of crude oil and gas are specified in relevant agreements and / or as notified by the Government Authorities based on contracts with customers or petroleum policy. Effect of adjustments, if any, arising from revision in sale prices is reflected as and when the prices are finalized with the customers and/or approved by the GoP.

**4.11 Capital management**

The Company's objective when managing capital is to safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefit for other stakeholders, and to maintain a strong capital base to support the sustained development of its activities.

The Company manages its capital structure which comprises capital and reserves by monitoring returns on net assets and make adjustments to it in the light of changes in economic conditions. There were no changes to Company's approach to capital management during the period and the Company is not subject to externally imposed capital requirement.

**4.12 Intangibles**

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the Company and that the cost of such asset can also be measured reliably. Intangible assets having definite useful life are stated at cost less accumulated amortization and are amortized based on the pattern in which the assets' economic benefits are consumed. Intangible assets which have indefinite useful life are not amortized and tested for impairment annually, if any.

**4.13 Employees retirement benefits**

The company operates an unfunded gratuity scheme covering all eligible employees completing the minimum qualifying year of service as specified by the scheme. The liability is provided on the basis of actuarial valuation using Projected Unit Credit (PUC) Actuarial Method while movement in the liability is included in the statement of comprehensive income. The company has a policy of carrying out actuarial valuations annually with the assistance of independent actuarial appraisers. The latest actuarial

**4.14 Joint Operations**

Investments in joint arrangements are classified as either joint operations or joint ventures depending on contractual rights and obligations of the parties to the arrangement. The Company has assessed the nature of its arrangements and determined them to be joint operations.

The Company has recognized its share of assets, liabilities, revenues and expenses jointly held or incurred under the joint operations on the basis of latest available audited financial statements of the joint operations and where applicable, the cost statements received from the operator of the joint venture, for the intervening period up to the reporting date. The difference, if any, between the cost statements and audited financial statements is accounted for in the next accounting year.

**4.15 Related party transactions**

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible.

**4.16 Trade debts and other receivables**

Trade debts and other receivables are recognized and carried at cost, which is the fair value of the consideration to be received less allowance for expected credit losses (ECL). Expected credit loss is based on the management's assessment of customers' outstanding balances and credit worthiness. Bad debts are written off when identified

**4.17 Trade and other payables**

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts Payable are classified as current liability if payment is due within one year or less (or in the normal operating cycles of business if longer). If not, they are classified as non-current liabilities.

Trade and other Payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Exchange gains and losses arising on transaction in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

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**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

**5 Share capital**

**Authorized share capital**

2024 Numbers	2023 Numbers	Note	2024 Rupees	2023 Rupees
<u>300,000,000</u>	<u>300,000,000</u>	Ordinary shares of Rs 10 each	<u>3,000,000,000</u>	<u>3,000,000,000</u>

**Issued, subscribed and paid up capital**

<u>300,000,000</u>	<u>300,000,000</u>	Ordinary shares fully paid in cash	<u>3,000,000,000</u>	<u>3,000,000,000</u>
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<b>5.1</b>	<b>Advance against issue of Shares:</b>	5.1.1	<b>1,000,000,000</b>	<b>500,000,000</b>
<b>5.1.1</b>	An amount of Rs. 500 million was received during the year from the Government of Khyber Pakhtunkhwa as capital funding in addition to Rs 500 million which has been received during pervious year. At the time of receipt, the Company's authorized share capital of Rs. 3 billion was fully utilized; therefore further shares could not be issued and the amount was recorded as advance against issue of shares.			

Subsequent to the year end, the Company has increased its authorized share capital to Rs. 6 billion; however, the related right issue of shares is under process.

**6 Deferred Liabilities**

**Employees retirement benefits-Gratuity**

	Note	2024 Rupees	2023 Rupees
Provision for gratuity	6.1	<u>74,080,840</u>	<u>87,791,288</u>
Provision for leave encashment	6.2	<u>218,827</u>	<u>218,827</u>
		<u>74,299,667</u>	<u>88,010,115</u>

**6.1 Movement in net defined benefit (asset) / liability**

Balance at 01 July		<u>87,791,288</u>	<u>78,945,937</u>
Included in profit or loss	6.1.1	<u>14,292,655</u>	<u>19,273,390</u>
Remeasurements chargeable in other comprehensive income	6.1.2	<u>(2,505,290)</u>	<u>(4,059,919)</u>
Benefits paid during the year		<u>(25,497,813)</u>	<u>(6,368,120)</u>
Balance at 30 June		<u>74,080,840</u>	<u>87,791,288</u>

**6.1.1 Included in statement of profit or loss**

Current service cost		<u>6,509,213</u>	<u>12,850,337</u>
Gains and losses arising on plan settlements		<u>812,628</u>	<u>-</u>
Interest cost		<u>6,970,814</u>	<u>6,423,053</u>
Net defined benefit liability		<u>14,292,655</u>	<u>19,273,390</u>

**6.1.2 Included in unconsolidated statement of comprehensive income**

Actuarial gains from changes in financial assumptions		<u>9,202,964</u>	<u>(855,911)</u>
Experience adjustments on defined benefit liability		<u>(11,708,254)</u>	<u>(3,204,008)</u>
		<u>(2,505,290)</u>	<u>(4,059,919)</u>

**6.1.3 Key actuarial assumptions**

Significant actuarial assumptions used were as follows:

**Significant assumptions**

Discount rate used for interest cost in profit or loss	15.75%	13.50%
Discount rate used for the year end obligation	14.00%	15.75%
Expected increase in eligible salary	40.00%	15.63%

**Other assumptions**

Mortality rate	6.1.4.1	SLIC 2001- 2005 setback 1 year	SLIC 2001- 2005 setback 1 year
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**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

6.1.3.1 Assumption regarding future mortality rate is based on State Life Corporation (SLIC 2001-2005), ultimate mortality rate with 1 year setback as per recommendation of Pakistan Society of Actuaries (PSOA).

**6.1.4 Sensitivity analysis**

The calculation of the defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of a change in respective assumptions by one percent.

	<b>Defined benefit obligation</b>	
	Effect of 1 percent increase	Effect of 1 percent decrease
	Rupees	Rupees
Change in discount rate	44,764,323	57,199,278
Change in salaries	57,158,591	44,688,774

6.1.4.1 Although the analysis does not take into account full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

6.1.5 Expected gratuity expense for the next year is Rs. 15,061,652.

**6.1.6 Risks associated with defined benefit liability - gratuity**

**6.1.6.1 Salary risk - (linked to inflation risk)**

The risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

**6.1.6.2 Demographic risks**

**Mortality risk** - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

**Withdrawal risk** - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

6.1.7 At 30 June 2024, the weighted average duration of defined benefit plan is 12 years. (2023: 12 Years)

6.1.8 Maturity profile of defined benefit obligation	Note	2024 Rupees	2023 Rupees
The expected future benefit payments under the plan are as follows:			
Within 1 year		4,128,275	5,288,200
1 – 5 years		24,660,375	33,791,936
Beyond		2,533,498,584	4,735,101,892

**6.2 Provision for leave encashment**

Balance at 01 July		218,827	362,107
Benefits paid during the year		-	(143,280)
Balance at 30 June	6.2.1	218,827	218,827

6.2.1 The Company has discontinued the leave encashment policy with effect from November 2019. Accordingly, the Company has not carried out any actuarial valuation in respect of provision for leave encashment.

*M. A. J. Mea*

**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	Note	2024 Rupees	2023 Rupees
<b>7 Provision for decommissioning cost</b>			
Balance at 01 July		4,699,681	3,451,591
Provision of decommissioning cost during the year		-	-
Unwinding of provision of decommissioning cost during the year		716,786	449,406
		<u>5,416,467</u>	<u>3,900,997</u>
Revision in provision of decommissioning cost at 30 June		(125,759)	798,684
Balance at 30 June		<u>5,290,709</u>	<u>4,699,681</u>
Significant financial assumptions used were as follows:			
Discount rate per annum	14.09% ~ 15.28%		10.56% ~ 15.28%
Inflation rate per annum	12.70%		13.17%
<b>8 Lease liabilities</b>	Note	2024 Rupees	2023 Rupees
Balance at 01 July		60,532,911	66,161,383
Additions during the year		-	4,436,208
		60,532,911	70,597,591
Unwinding of lease liability		4,634,573	7,678,439
Reversals on early termination of lease liability		(27,945,425)	-
Payments made during the year		(13,019,269)	(17,743,119)
Balance at 30 June		24,202,790	60,532,911
Less: Current portion		(7,071,206)	(12,799,909)
		<u>17,131,584</u>	<u>47,733,002</u>
<b>9 Payables against joint operations</b>		<u>455,058,049</u>	<u>1,340,647,884</u>
<b>Payable to Operator - OGDCL</b>			
<b>For Blocks:</b>			
Baratai		38,541,356	7,279,149
Pezu		6,304,127	6,096,239
Kulachi		1,933,670	1,989,281
Orakzai		304,051,851	988,620,724
Tirah		59,954,337	335,823,629
		<u>410,785,341</u>	<u>1,339,809,022</u>
<b>Payable to Operator - MPCL</b>			
<b>For Blocks:</b>			
Peshawar East		10,424,962	4,827,466
Wali West		33,847,746	(3,988,604)
		<u>44,272,708</u>	<u>838,862</u>
		<u>455,058,049</u>	<u>1,340,647,884</u>
<b>10 Trade and other payables</b>			
CSR obligations	10.1	14,854,708	25,080,246
Accrued liabilities		4,403,398	7,427,579
Payable to Halliburton		7,891,112	7,891,112
Sales tax payable		2,576,388	2,168,755
Royalty payable		4,994,842	3,600,035
Other payables		7,053,399	6,054,160
		<u>41,773,847</u>	<u>52,221,887</u>

10.1 The balance represents USD 45,034 related to training obligations under the Lakki Block, which was swapped with the Miran Block on 7 May 2024 and USD 8,288 relates to social welfare and training obligations for the Miran Block for the period from 7 May to 30 June 2024, following the grant of the exploration licence to KPOGCL.

*K. A. J. J.*

**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

**11 Contingencies and commitments**

**11.1 Contingencies**

- (a) An assessment order under Section 122(9) of Income Tax Ordinance 2001 was made creating demanded tax recovery of Rs.1.09 Million for the tax year 2014 against which the company filed an appeal with Commissioner IR (Appeals I) on 22-01-2019. The case was decided in favour of the company but the department challenged the decision of Commissioner Appeals and filed an appeal in Appellate Tribunal Inland Revenue Peshawar on May 16 2019. The case is currently pending adjudication and management believes that the balance of convenience favors the company , accordingly no provision has been made in this respect in the financial statements.
- (b) Deputy Commissioner Inland Revenue (DCIR), vide its order dated June 02, 2022, raised a tax demand of Rest. 19.83 million under Section 122(1) and 214C for Tax Year 2016. The Company filed an appeal before the Commissioner Inland Revenue (Appeals). Vide order dated October 10, 2024, a significant portion of the demand was decided in the Company's favor, while the remaining matters were remanded to the tax department for re-examination. Management believes that no material liability is likely to arise and accordingly no provision has been made in this respect in the financial statements.
- (c) The Company filed an appeal before the Commissioner Inland Revenue (Appeals) against a demand of Rest. 7.7 million raised under section 161 of the Income Tax Ordinance, 2001 for Tax Year 2020. Vide order dated December 11, 2024, the demand was largely decided in the Company's favour and reduced to Rs. 0.39 million only. It was further contested through a rectification application before CIR appeals which is under process.
- (d) The Company filed an appeal before the Commissioner Inland Revenue (Appeals) against a withholding audit demand of Rs. 4.4 million raised under section 161(1A) of the Income Tax Ordinance, 2001 for Tax Year 2021. Vide order dated December 11, 2024, the case was decided in the Company's favour and the entire demand has been annulled.
- (e) There is a dispute in respect of amount payable to M/S Halliburton since 2018 against the software and services provided by them. They have submitted four invoices for such software and services with the total amount of Rs 12,456,989 whereas the Company has recognized and accounted for only two of their invoices amounting to Rs 7,891,112. The last meeting with Halliburton was held on 22 January 2021 to resolve the matter but it has been pending since then and no progress has been made to resolve the issue.

**11.2 Commitments**

Commitments in respect of the Company's minimum financial expenditure in following Petroleum Concessions, where the Company is working interest owner:

	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
	<u>USD</u>	<u>USD</u>	<u>Rupees</u>	<u>Rupees</u>
Block No. 3270-9 - Lakki/Miran	7,500,000	7,500,000	2,089,400,250	2,146,368,750
Block No. 3070-16 - Pezu	65,448	65,448	18,232,942	18,730,072
Block No. 3371-16 - Peshawar East	5,704	19,320	1,589,059	5,529,046
Block No. 3371-17 - Baratai	652,000	652,000	181,638,528	186,590,990
Block No. 3170-5 - Paharpur	47,628	47,628	13,268,527	13,630,300
Block No. 3170-8 - Kulachi	141,245	141,245	39,348,978	40,421,847
Block No. 3370-15 - Karak North	76,750	76,750	21,381,529	21,964,507
Block No. 3269-1 - Wali West	937,315	965,750	261,123,493	276,380,749
Block No. 3369-1 - Orakzai	519,260	750,060	144,658,930	214,654,046
Block No. 3370-14 - Tirah	534,435	534,435	148,886,483	152,945,944
	<u>10,479,785</u>	<u>10,752,636</u>	<u>2,919,528,720</u>	<u>3,077,216,252</u>

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**12 Property and Equipment**

PARTICULARS	C O S T				Rate %	DEPRECIATION			W.D.V	
	As at July 1, 2023	Additions	Deletion / Reversal	As at June 30, 2024		As at July 1, 2023	Accumulated depreciation Reversed	For the Year	UP TO June 30, 2024	AS AT June 30, 2024
Leasehold Properties (R.O.U)	78,707,612	-	(44,124,614)	34,582,998		25,470,634	(20,577,018)	10,668,732	15,562,348	19,020,650
<b>Owned assets</b>										
Geological Equipment	352,369	-	-	352,369	20	352,369	-	-	352,369	-
Office Equipment	6,036,397	-	(96,004)	5,940,393	33.33	5,979,473	(96,004)	56,924	5,940,393	-
Furniture	3,476,612	-	-	3,476,612	20	3,423,012	-	14,600	3,437,612	39,000
Computer and Related Accessories	29,900,822	486,000	(1,384,758)	29,002,064	33.33	29,652,467	(1,323,880)	214,255	28,542,842	459,222
Motor Vehicle	59,733,878	-	-	59,733,878	20	58,110,478	-	811,700	58,922,178	811,700
Electrical Equipment	2,261,259	-	-	2,261,259	33.33	2,261,259	-	-	2,261,259	-
Security equipment	11,259,566	-	-	11,259,566	33.33	11,259,566	-	-	11,259,566	-
<b>Total</b>	<b>191,728,515</b>	<b>486,000</b>	<b>(45,605,376)</b>	<b>146,609,139</b>		<b>136,509,258</b>	<b>(21,996,902)</b>	<b>11,766,211</b>	<b>126,278,567</b>	<b>20,330,572</b>

PARTICULARS	C O S T				Rate %	DEPRECIATION			W.D.V	
	As at July 1, 2022	Additions	Deletion / Reversal	As at June 30, 2023		As at July 1, 2022	Accumulated depreciation Reversed	For the Year	UP TO June 30, 2023	AS AT June 30, 2023
Leasehold Properties (R.O.U)	118,268,457	4,436,208	(43,997,053)	78,707,612		53,688,610	(43,997,053)	15,779,077	25,470,634	53,236,978
<b>Owned assets</b>										
Geological Equipment	352,369	-	-	352,369	20	352,369	-	-	352,369	-
Office Equipment	6,123,437	-	(87,040)	6,036,397	33.33	5,837,070	(67,075)	209,478	5,979,473	56,924
Furniture	3,416,612	60,000	-	3,476,612	20	3,403,610	-	19,402	3,423,012	53,600
Computer and Related Accessories	29,900,822	-	-	29,900,822	33.33	29,274,570	-	377,897	29,652,467	248,355
Motor Vehicle	59,733,878	-	-	59,733,878	20	56,977,757	-	1,132,721	58,110,478	1,623,400
Electrical Equipment	2,261,259	-	-	2,261,259	33.33	2,259,745	-	1,514	2,261,259	-
Security equipment	11,259,566	-	-	11,259,566	33.33	11,259,566	-	-	11,259,566	-
<b>Total</b>	<b>231,316,400</b>	<b>4,496,208</b>	<b>(44,084,093)</b>	<b>191,728,515</b>		<b>163,053,297</b>	<b>(44,064,128)</b>	<b>17,520,089</b>	<b>136,509,258</b>	<b>55,219,257</b>

12.1 The Right-of-Use (ROU) assets include the lease for the 3rd Floor of Ali Tower, located on University Road, Peshawar, which serves as the head office of KPOGCL.

12.2 The ROU assets deleted during the year pertain to the lease contracts terminated during the year in respect of 4th Floor and IGH. It further includes the deletion in respect of the previous contract for IGH which were expired in the prior periods but adjusted during the year as fully depreciated ROU asset.

12.3 Out of 38 vehicles, 29 are registered in the name of the Energy and Power Department of the Government of Khyber Pakhtunkhwa (KP).

12.4 Depreciation has been calculated on the basis of individual items of assets which are not fully depreciated.

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**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	Note	2024 Rupees	2023 Rupees
<b>13 Development and production assets</b>			
<b>Producing fields - joint operations</b>			
<b>Cost</b>			
Balance at 01 July		197,180,906	195,351,285
Additions during the year	13.1	27,173,050	1,030,937
Revision in provision of decommissioning cost	7	(125,759)	798,684
Balance at 30 June		224,228,197	197,180,906
<b>Amortization</b>			
Balance at 01 July		65,889,148	42,275,964
Charge for the year		33,112,895	23,613,184
Balance as at 30 June		99,002,043	65,889,148
Carrying amount		125,226,154	131,291,758
<b>13.1</b>	It includes KPOGCL's 2.5% share in the Baratai Block Joint Venture, mainly comprising expenditures of Rs 25,794,704/- incurred on workover operations during the period. It further includes costs relating to the rig mobilization and operations, mud engineering, slick line and perforation services, supply of petroleum, oil and lubricants, and associated support activities capitalized during the year. These costs have been capitalized in line with the company's accounting policy, as they are directly attributable to enhancing the productive capacity of existing wells.		
<b>13.2</b>	The operator has carried out the impairment testing which didn't result in any impairment loss.		
<b>14 Acquisition of interest in joint arrangement</b>	Note	2024 Rupees	2023 Rupees
<b>Cost</b>			
Balance at 01 July		691,357,613	691,357,613
Additions during the year		-	-
Balance at 30 June	14.1	691,357,613	691,357,613
<b>Amortization</b>			
Carrying amount at 30 June		691,357,613	691,357,613
<b>14.1</b>	The Company acquired 20% and 15% working interests in Orakzai and Tirah Petroleum Concessions respectively. The approval on Draft Deed of Assignment (DoA) from the Director General Petroleum Concession (DGPC) for Orakzai block (3369-1) was obtained on 16 June 2022 and for Tirah block (3370-14) on 20 June 2022. The amount represents signature bonus paid to the joint venture partner(OGDCL) in the previous period.		
	As per the Company's accounting policy, the cost will be amortized once revenue generation commences from the respective blocks.		
<b>15 Trade Debts</b>	Note	2024 Rupees	2023 Rupees
Un-secured - Considered good		65,090,594	39,150,357
Trade debts include amount of Rs 58,555,893 (2023: Rs 35,405,571) which is due from related party, Sui Northern Gas Pipeline Limited and the remaining amount of Rs 6,534,701 (2023: Rs 3,744,786) from Attock Refinery Limited.			
<b>16 Income Tax Refund</b>	Note	2024 Rupees	2023 Rupees
Opening balance		12,437,832	12,132,746
Tax paid/deducted during the year:			
Tax withheld on interest income		254,878	184,875
Tax withheld by PTCL		77,322	116,587
Tax withheld by Nayatel		1,694	3,624
		333,894	305,086
Less: Adjusted during the year		-	-
		12,771,726	12,437,832

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**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	Note	2024 Rupees	2023 Rupees
<b>17 Advance for joint operations - Operator</b>			
Advance to KUPEC	17.1	<b>2,161,142</b>	2,161,142
<b>17.1</b>	It represents balance of advance paid in previous years to the Operator KUPEC in respect of Paharpur Block. However, the Operator has relinquished this block and its final audit to conclude joint operations is still in progress and based on the outcome of the final audit a statement will be issued by the Operator and the final settlement will be made accordingly.		
<b>18 Advances, deposits, prepayments and other receivables</b>			
Deposits		1,974,300	2,794,300
Advances for expenses		470,380	400,400
Advances to employees		3,602,861	7,634,082
Prepayments		2,447,182	4,949,854
Advance to suppliers		617,250	586,738
Advance to KP Sales Tax Authority		309,528	309,528
Due from Pakhtunkhwa Energy Development Organization (PEDO)	18.1	214,634	214,634
Provision against receivable from PEDO		9,636,135	16,889,536
		<b>(214,634)</b>	<b>(214,634)</b>
		<b>9,421,501</b>	<b>16,674,902</b>
<b>18.1</b>	This represents receivable on account of expenses incurred by the Company on behalf of PEDO, a related party, in respect of rent and utility expenses of Islamabad Guest House operated by the Company in accordance with agreement dated 19 August 2015. This receivable is interest free. A provision of complete amount has been made in the financial statements.		
<b>19 Cash and cash equivalents</b>			
Cash at bank			
- Current accounts		330,000	330,000
- Saving accounts	19.1	830,701,020	1,210,938,847
Accrued interest on saving accounts		21,347,787	12,565,399
Cash in hand		852,378,807	1,223,834,246
		151,392	508,218
		<b>852,530,199</b>	<b>1,224,342,464</b>
<b>19.1</b>	These carry markup ranging from 19.50% to 20.50% per annum (2023: 12.30% to 19.50% per annum).		
<b>20 Revenue-net</b>			
<b>Gross sales</b>			
- Crude oil		43,403,585	22,764,702
- Gas		245,367,208	137,190,557
		288,770,793	159,955,259
<b>Less: Government levies</b>			
- General sales tax on Gas		37,428,897	20,305,813
- Excise duty		1,222,171	704,812
		38,651,068	21,010,625
		<b>250,119,725</b>	<b>138,944,634</b>
<b>20.1</b>	Government through Finance Act, 2021 imposed sales tax on crude oil with effect from 01 July 2021. This decision was reversed through Finance (Supplementary) Act, 2022 on 15 January 2022.		

*12/2/2024*

**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	Note	2024 Rupees	2023 Rupees
<b>21 Concessions Operating Expenses</b>			
salaries wages and benefit		8,869,610	8,473,268
Time written cost		1,816,683	1,122,436
Crude transportation charges		376,859	237,400
stores and supplies consumed		286,884	225,411
Contract services		1,922,461	1,669,629
Travelling & transportation		143,250	141,840
Repair and maintenance		30,381	46,107
Rent , Fee and taxes		262,623	146,852
Dehydration plant/compressor/separator charges		5,192,573	4,472,984
Vehicles Insurance		41,326	25,786
Communication		32,126	68,711
Utilities		31,088	17,072
Land and crops compensation		119,562	19,304
Miscellaneous		102,402	10,290
Amortization of development and production Asset	13	33,112,895	23,613,184
		<b>52,340,723</b>	<b>40,290,273</b>
<b>22 Exploration and prospecting expenditure</b>			
Concession rental	22.1	524,629	467,777
Geological & Geophysical	22.2	86,801,969	96,384,037
Cost of post well evaluation of dry and abandoned well		23,097	495,322
		<b>87,349,695</b>	<b>97,347,136</b>
<b>22.1</b>	This includes area rental of Rs. 123,960 (2023: Nil) pertaining to the Miran Block, for which the PCA was executed on May 7, 2024. KPOGCL is the operator of the block.		
<b>22.2</b>	It includes expenditures related to environmental studies, data acquisition, geological fieldwork, gravity and magnetic surveys, 2D seismic surveys, 2D seismic data processing, quality control charges, and time-writing costs.		
<b>23 General and administration expenses</b>	Note	2024 Rupees	2023 Rupees
Salaries, wages and benefits	23.1	146,199,970	155,508,956
Directors' expenses		7,804,086	11,181,972
Operators' general expenses	23.2	18,001,798	16,594,363
Training, welfare and corporate social responsibility (CSR)	23.3	2,308,835	-
Legal and professional		3,495,695	3,055,325
Vehicle running and maintenance cost		4,853,486	4,931,771
Repairs and maintenance		5,687,116	3,374,031
Utilities		4,299,355	3,460,937
Professional memberships and subscriptions		1,368,685	1,187,698
Insurance		1,626,141	1,624,951
Auditors' remuneration		1,000,000	1,000,000
Travelling and subsistence		949,256	404,722
Communication		1,082,541	1,274,181
Entertainment		707,157	478,753
Printing, stationery and publications		1,092,989	856,724
Advertising		212,327	250,860
Security services		720,000	632,500
Rent, fees and taxes		442,250	136,780
Trainings and workshops		242,664	197,600
Miscellaneous expenses		414,304	630,210
Depreciation	12	11,766,211	17,520,089
		<b>214,274,866</b>	<b>224,302,423</b>

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**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

- 23.1 It includes payment of an amount of Rs. 33,981,384/- made to 49 employees under golden handshake scheme duly accepted by them.
- 23.2 It represents concession general expenses incurred by the operators on various blocks where the company has interest and includes indirect charges , training and social welfare for blocks where the company has participations under the concession agreement.
- 23.3 It includes Social welfare and training obligations pertaining to the Miran Block for the period from 7th may to 30th June 2024 according to the PCA which was signed on 7th May 2024.

	Note	2024 Rupees	2023 Rupees
<b>24 Other income</b>			
<b>Income from financial assets</b>			
Interest on saving accounts		182,020,155	163,911,973
<b>Income from non-financial assets:</b>			
Gain on disposal of property and equipment		109,372	67,075
Gain on early termination of lease		4,397,830	-
Others		1,452,717	438,654
		<u>187,980,074</u>	<u>164,417,702</u>
<b>25 Finance cost</b>			
Bank charges		10,011	146,952
Unwinding of lease liability	8	4,634,573	7,678,439
Unwinding of decommissioning cost	7	716,786	449,406
		<u>5,361,370</u>	<u>8,274,797</u>
		<b>2024</b>	<b>2023</b>
		<b>Rupees</b>	<b>Rupees</b>
<b>26 Taxation</b>			
- Current tax		-	-
- Deferred tax	26.3	-	-
		<u>-</u>	<u>-</u>

**26.1**

Company's tax liability is determined under special provisions of Section 100 along with Fifth Schedule of Income Tax Ordinance, 2001. In view of the loss during the year and keeping in view the special provisions as per Fifth Schedule, no provision for taxation has been made in these financial statements.

	2024 Rupees	2023 Rupees
<b>26.2 Reconciliation of tax charge for the year:</b>		
Accounting Profit/(loss) before taxation	49,236,304	(541,242,570)
Applicable tax rate	40%	40%
Tax credit on accounting profit/loss at applicable rate	19,694,522	(216,497,028)
Tax effect of deferred tax asset - not recognized	(19,694,522)	216,497,028
	<u>-</u>	<u>-</u>

- 26.3 In view of the uncertainty about timings of taxable profits in the foreseeable future against which the tax losses as carry forward can be utilized, the Company has not recognized deferred tax asset on tax losses and therefore created an equivalent valuation reserve against net deferred tax asset amounting to Rs. 555,433,940 (2023: Rs. 671,137,242).

*M. A. Qureshi*



**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

**27.1 Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's bank balances, deposits, trade debts and other receivables. The carrying amount of financial assets represents the maximum credit exposure.

**Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2024 Rupees	2023 Rupees
Bank balances	19	852,378,807	1,223,834,246
Deposits	18	1,974,300	2,794,300
Trade debts	15	65,090,594	39,150,357
Receivable from E&P Dept. of GoKPK - gross	0	214,634	214,634
		<u>919,658,335</u>	<u>1,265,993,537</u>

**Trade debts**

This mainly represents trade debts from Sui Northern Gas Pipeline Limited which is not yet due and covered under exemption as explained in the note 2.4.8 to these financial statements.

**Bank balances**

The Company limits its exposure to credit risk by investing in liquid securities and maintaining bank accounts only with counterparties that have a credit rating of at least A1 and A1+. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Banks	Credit Rating Agency	Short Term Rating	2024 Rupees	2023 Rupees
National bank of Pakistan	PACRA	A1+	330,000	330,000
Bank of Khyber	PACRA	A1	846,492,590	1,214,105,028
Bank Al-Falah	PACRA	A1+	5,475,955	9,331,674
Bank Al-Habib	PACRA	A1+	80,262	67,544
			<u>852,378,807</u>	<u>1,223,834,246</u>

**Other financial assets**

Rated	-	-
Unrated	2,188,934	3,008,934
	<u>2,188,934</u>	<u>3,008,934</u>

Impact of ECL on financial assets not covered under exemption as explained in note 2.4.8 to these financial statements.

N2 Agreed

**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

**27.2 Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The following are the contractual maturities of the financial liabilities:

	Carrying amount	Contractual cash flows	Maturity up to one year	Maturity from one to five years
<b>2024</b>				
Trade and other payables*	489,260,666	489,260,666	-	-
Lease liabilities including current portion	24,202,790	28,237,100	9,462,000	18,775,100
	<u>513,463,457</u>	<u>517,497,766</u>	<u>9,462,000</u>	<u>18,775,100</u>
<b>2023</b>				
Trade and other payables*	1,387,100,981	1,387,100,981	-	-
Lease liabilities including current portion	60,532,911	74,782,827	19,168,996	55,613,832
	<u>1,447,633,892</u>	<u>1,461,883,808</u>	<u>19,168,996</u>	<u>55,613,832</u>

\*excluding employee benefits payable - current portion, project account, sales tax payable, royalty payable and excise duty payable.

**27.3 Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

**27.3.1 Currency risk**

The Company had no currency risk at year end (2023: Nil).

**27.3.2 Interest rate risk**

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to the changes in the market interest rates. Sensitivity to the interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period.

**Profile**

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	2024	2023	2024	2023
	%	%	Rupees	Rupees
<b>Fixed rate instruments</b>				
Lease liability including current portion	12.96%	16.38%	<u>24,202,790</u>	<u>60,532,911</u>
<b>Variable rate instruments</b>				
Bank balances	19.50% to 20.50%	12.25% to 19.50%	<u>852,378,807</u>	<u>1,223,834,246</u>

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**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

(i) **Fair value sensitivity analysis for fixed rate instruments**

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not effect profit or loss for the year.

(ii) **Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the reporting date would have (decreased) / increased profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Profit or loss	
100 basis points increase	100 basis points decrease
Rupees	

**Cash flow sensitivity**

**Variable rate instruments**

<b>30 June 2024</b>	<b>8,523,788</b>	<b>(8,523,788)</b>
30 June 2023	12,238,342	(12,238,342)

**27.4 Fair values and risk management**

The following table shows the carrying amounts and fair values of financial assets and liabilities. The fair value of financial asset measured at fair value is shown in note 27.5.1. It does not include fair value information for financial asset and financial liabilities not measured at fair value as the carrying amount is a reasonable approximation of fair value.

**27.4.1 Interest rates used for determining fair value**

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. Since the majority of the financial assets are fixed rate instruments, there is no significant difference in market rate and the rate of instrument, fair value significantly approximates to carrying value.

**27.4.2 Determination of fair values**

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/ or disclosure purposes based on the following methods.

**Non - derivative financial assets**

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

**Non-derivative financial liabilities**

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

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**27.5 Financial instruments and risk management (continued)**

**27.5.1 Fair value hierarchy**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Carrying amount			Fair value				
	Fair Value through profit and loss	Amortized cost	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
	Rupees			Rupees				
<b>June 30, 2024</b>								
<i>Financial assets not measured at fair value</i>								
Cash and cash equivalents	-	852,530,199	-	852,530,199	-	-	-	-
Deposits	-	1,974,300	-	1,974,300	-	-	-	-
Trade debts	-	65,090,594	-	65,090,594	-	-	-	-
Receivable from Energy and Power Department of GoKPK - gross	-	214,634	-	214,634	-	-	-	-
	-	919,809,727	-	919,809,727	-	-	-	-
<i>Financial liabilities not measured at fair value</i>								
Lease liabilities including current portion	-	-	24,202,790	24,202,790	-	-	-	-
Trade and other payables	-	-	489,260,666	489,260,666	-	-	-	-
	-	-	513,463,457	513,463,457	-	-	-	-
<b>June 30, 2023</b>								
<i>Financial assets not measured at fair value</i>								
Cash and cash equivalents	-	1,224,342,464	-	1,224,342,464	-	-	-	-
Deposits	-	2,794,300	-	2,794,300	-	-	-	-
Trade debts	-	39,150,357	-	39,150,357	-	-	-	-
Receivable from Energy and Power Department of GoKPK - gross	-	214,634	-	214,634	-	-	-	-
	-	1,266,501,755	-	1,266,501,755	-	-	-	-
<i>Financial liabilities not measured at fair value</i>								
Lease liabilities including current portion	-	-	60,532,911	60,532,911	-	-	-	-
Trade and other payables	-	-	1,387,100,981	1,387,100,981	-	-	-	-
	-	-	1,447,633,892	1,447,633,892	-	-	-	-

12/2/2024

**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

<b>28 Number of employees</b>	2024	2023
Total number of employees at year end		
- Contractual	65	115
- Daily wagers	4	12
	69	127
Average number of employees at year end		
- Contractual	90	120
- Daily wagers	8	12
	98	132

**29 Related party transactions**

Government of Khyber Pakhtunkhwa owns 99.9% (2023: 99.9%) shares of the Company. Therefore, all entities owned and controlled by the Government of Khyber Pakhtunkhwa and Federal Government of Pakistan are related parties of the Company. Other related parties comprise directors, companies with common directorship and key management personnel. The Company in normal course of business pays for electricity, gas and telephone to entities controlled by Federal Government of Pakistan and Government of Khyber Pakhtunkhwa which are not material, hence not disclosed in these financial statements. Transactions of the Company with the related parties and balances outstanding at the year end are as follows:

	2024 Rupees	2023 Rupees
<b>Bank of Khyber, government ownership</b>		
- Balance at 30 June	846,492,590	1,214,105,028
- Interest income on saving account	180,320,974	162,679,469
<b>Sui Northern Gas Pipeline Limited, government ownership</b>		
- Sale of natural gas - net	206,716,140	116,179,932
- Trade debts	58,555,893	35,405,571
<b>Joint operations</b>		
- Exploration and prospecting expenditure	87,349,695	97,347,136
- Development and production assets	27,173,050	1,030,937
- Acquisition of interest in joint arrangement	691,357,613	691,357,613
- Operating expenses (General and production both excluding amortization)	37,229,626	33,271,452
- Cash calls paid to joint venture partners	1,035,909,603	95,559,505
- Exchange gain / (loss)	1,351,266	(457,590,043)
- Advances to joint venture partners	2,161,142	2,161,142
- Payable against joint operations	455,058,049	1,340,647,884
<b>Other government entities</b>		
- Other receivables	214,634	214,634
<b>Key management personnel</b>		
- Remuneration of key management personnel (other than Chief Executive)	12,989,979	26,938,743

Acting Chief Executive Officer, Chief Financial Officer, Company Secretary, Chief Internal Auditor, Manager Exploration, Assistant Manager (PMO).

**30 Remunerations of chief executive officer, directors and executives**

	2024			2023		
	Acting Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
	Rupees					
Managerial remuner:	6,143,222	-	7,416,703	5,109,672	-	16,319,061
Gratuity expense	793,500	-	1,358,407	690,000	-	1,535,310
Other allowances and benefits	4,568,669	-	4,214,869	2,834,328	-	9,084,372
Fee	-	6,525,000	-	-	10,187,500	-
	11,505,391	6,525,000	12,989,979	8,634,000	10,187,500	26,938,743
Number of persons	1	9	3	1	10	6

30.1 CEO and executives are also provided with free use of Company's cars in accordance with their entitlements.

30.2 The director meeting fee has been reduced from Rs. 75,000 to Rs.35,000 per meeting effective from 12 September 2023.

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**KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

**31 Interest in joint operations**

The company has working interest in the following operated / non-operated exploration licenses / leases in Pakistan:

Blocks	Operator	Location	2024 Working interest %	2023
<b><i>Exploration Licenses / Leases - operated</i></b>				
Miran Petroleum	Operated by the Company	North Waziristan and Kurram Agency	100	100
<b><i>Development Licenses / Leases - non-operated</i></b>				
Baratai Petroleum	Oil and Gas Development Company Limited (OGDCL)	Kohat	2.5	2.5
<b><i>Exploration Licenses / Leases - non-operated</i></b>				
Pezu	OGDCL	D.G. Khan, Lakki Marwat, Tank, D.I. Khan &	1.62	1.62
Kulachi Petroleum	OGDCL	D.I. Khan, D.G. Khan, Layyah & Bhakkar	2.05	2.05
Paharpur Petroleum	Kirthar Pakistan B.V.	District D.I. Khan	2.43	2.43
Peshawar East Concession	Mari Petroleum Company Limited	Peshawar	1.84	1.84
Karak North	Talahassee Resources Incorporated	District Karak	2.50	2.50
Wali West	Mari Petroleum Company Limited	North Waziristan, South Waziristan, Tank District, Lakki Marwat and Bannu	2.50	2.50
Orakzai Petroleum Concession	OGDCL	Orakzai Agency, Kurram Agency and Hungo District	20.00	20.00
Tirah Petroleum	OGDCL	Khyber, Kurram and Orakzai Agencies	15.00	15.00
Nowshera	OGDCL	Nowshera District (Carried interest)	2.50	2.50
Hazro	OGDCL	Attock, Swabi & Haripur District (Carried interest)	0.21	0.00

**32 Corresponding figures**

Corresponding figures have been re-arranged and re-classified, where necessary, for more appropriate presentation.

**33 Date of authorization**

These financial statements were authorized for issue on 30<sup>th</sup> October, 2025 by the Board of Directors of the Company.

*NAJAF NA*

*M. H. Khan*  
**CHIEF EXECUTIVE**

*M. A. Khan*

**DIRECTOR**