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

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **Khyber Pakhtunkhwa Oil and Gas Company Limited (The Company)**, which comprise the statement of financial position as at June 30, 2025, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information 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, 2025, and of the loss, comprehensive loss, 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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: 19 SEP 2026

Naveed Zafar Ashfaq Jaffery & Co.
Chartered Accountants

UDIN Number: AR202510449cyHFhXl4W

KHYBER PAKHTUNKHWA OIL & GAS COMPANY (KPOGCL) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE, 2025

NAVEED ZAFAR ASHFAQ JAFFERY & CO

CHARTERED ACCOUNTANTS

KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2025

	Note	2025 Rupees	2024 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	5	**3,000,000,000**	3,000,000,000
Accumulated loss		**(2,874,851,860)**	(2,821,735,559)
		125,148,140	178,264,441
Advance against issue of shares	6	**1,500,000,000**	1,000,000,000
		1,625,148,140	1,178,264,441
NON-CURRENT LIABILITIES			
Deferred Liabilities	7	**91,358,277**	74,299,667
Provision for decommissioning cost	8	**5,505,581**	5,290,708
Lease liabilities	9	**8,075,707**	17,131,584
		104,939,565	96,721,959
CURRENT LIABILITIES			
Lease liabilities - current portion	9	**9,055,878**	7,071,206
Payable against joint operations	10	**30,455,967**	455,058,049
Trade and other payables	11	**27,172,271**	41,773,847
		66,684,116	503,903,102
TOTAL EQUITY AND LIABILITIES		**1,796,771,821**	1,778,889,502
Contingencies and commitments	12	-	-
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	13	**14,019,762**	20,330,572
Intangible asset	14	**-**	-
Development and production assets	15	**101,939,617**	125,226,154
Acquisition of interest in joint arrangements	16	**691,357,613**	691,357,613
Loan to employees	17	**3,583,373**	1,537,763
		810,900,365	838,452,102
CURRENT ASSETS			
Loan to employees - current portion	17	**2,990,724**	2,065,098
Trade debts	18	**43,206,170**	65,090,594
Advance income tax	19	**13,010,166**	12,771,726
Advance for joint operations	20	**5,183,785**	2,161,142
Advances, deposits and prepayments	21	**8,509,075**	5,818,640
Cash and cash equivalents	22	**912,971,536**	852,530,199
		985,871,456	940,437,399
TOTAL ASSETS		**1,796,771,821**	1,778,889,502

The annexed notes 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2025

	Note	2025 Rupees	2024 Rupees
Revenue-net	23	**243,049,733**	250,119,725
Royalty		**(30,050,609)**	(30,888,108)
Operating expenses	24	**(69,985,977)**	(52,340,723)
		(100,036,586)	(83,228,831)
Gross profit		**143,013,147**	166,890,894
Exploration and prospecting expenditure	25	**(96,495,445)**	(87,349,695)
General and administration expenses	26	**(212,651,067)**	(214,274,866)
Exchange (loss)/gain for the year		**(1,331,773)**	1,351,266
Other income	27	**123,008,313**	187,980,074
Finance cost	28	**(3,146,717)**	(5,361,370)
(Loss) / Profit before tax		**(47,603,542)**	49,236,304
Taxation	29	**-**	-
(Loss) / Profit for the year		**(47,603,542)**	49,236,304

The annexed notes 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2025

	Note	2025 Rupees	2024 Rupees
(Loss) / Profit for the year		**(47,603,542)**	49,236,304
Other comprehensive income			
Item that will not be subsequently reclassified to profit or loss:			
Remeasurement (loss)/gain on defined benefit obligation	7.1.2.2	**(5,512,759)**	2,505,290
Total comprehensive (loss) / profit for the year		**(53,116,301)**	51,741,594

The annexed notes 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2025

	Share Capital	Accumulated loss	Total
	----------Rupees----------		
Balance as at 01 July 2023	3,000,000,000	(2,873,477,153)	126,522,847
Profit/(loss) for the year	-	49,236,304	49,236,304
Other comprehensive income	-	2,505,290	2,505,290
Total	-	**51,741,594**	**51,741,594**
Balance at 30 June 2024	**3,000,000,000**	**(2,821,735,559)**	**178,264,441**
(Loss) for the year	-	**(47,603,542)**	**(47,603,542)**
Other comprehensive loss	-	**(5,512,759)**	**(5,512,759)**
Total	-	**(53,116,301)**	**(53,116,301)**
Balance at 30 June 2025	**3,000,000,000**	**(2,874,851,860)**	**125,148,140**

The annexed notes 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

KHYBER PAKHTUNKHWA OIL AND GAS COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025

	Note	2025 Rupees	2024 Rupees
Cash flows from operating activities			
(Loss)/profit before tax for the year		**(47,603,542)**	49,236,304
Adjustments for:			
- Depreciation	13	**8,020,610**	11,766,211
- Amortization of development and production assets	14	**41,303,984**	33,112,895
- Interest on saving accounts	27	**(101,236,153)**	(182,020,155)
- Gain on disposal	27	**(99,817)**	(109,372)
- Gain on early termination of lease	27	**-**	(4,397,830)
- Unwinding of lease liability	9	**2,390,795**	4,634,573
- Provision for gratuity expense	6.1	**14,764,633**	14,292,655
- Unwinding of decommissioning cost	28	**741,860**	716,786
		(81,717,630)	(72,767,933)
Working capital changes			
(Increase)/Decrease in current assets			
- Trade debts		**21,884,424**	(25,940,237)
- Loan to employees		**(2,971,236)**	4,031,221
- Advances, deposits, prepayments and other receivables		**(2,690,435)**	3,222,180
- Advance for joint operations		**(3,022,643)**	-
Increase/(Decrease) in current liabilities			
- Payable to joint venture partners		**(424,602,082)**	(885,589,835)
- Trade and other payables		**(14,601,576)**	(10,448,040)
Cash used in operating activities		**(507,721,178)**	(987,492,644)
Income tax paid		**(238,440)**	(333,894)
Gratuity paid	6.1	**(3,218,782)**	(25,497,813)
Net cash used in operating activities		**(511,178,400)**	(1,013,324,351)
Cash flows from investing activities			
Acquisition of property and equipment	13	**(1,709,800)**	(486,000)
Additions to development and production assets	14	**(18,544,434)**	(27,173,050)
Interest on saving accounts	27	**101,236,153**	182,020,155
Proceeds from sale of property and equipment	27	**99,817**	170,250
Net cash generated from investing activities		**81,081,736**	154,531,355
Cash flows from financing activities			
Principal payment of lease liability	9	**(7,071,205)**	(8,384,696)
Interest payment of lease liability		**(2,390,795)**	(4,634,573)
Advance against issue of shares		**500,000,000**	500,000,000
Net cash generated from financing activities		**490,538,000**	486,980,731
Net decrease in cash and cash equivalents		**60,441,336**	(371,812,265)
Cash and cash equivalents at 1 July		**852,530,199**	1,224,342,464
Cash and cash equivalents at 30 June		**912,971,536**	852,530,199

The annexed notes 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

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) formed as a consequence of 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.

(iii) The Company was granted exploration rights in the Miran Block by the Director General Petroleum Concessions (DGPC) in exchange for the Lakki Block, subject to the transfer of the outstanding work commitment of the Lakki Block to the Miran Block. Following the fulfilment of the related obligations, the Petroleum Concession Agreement (PCA) for the Miran Block was executed on May 7, 2024. No exploration and evaluation activities were undertaken in the block during the year.

During the year, the Company entered into a Farm-Out Agreement (FOA) with an OGDCL-led consortium whereby a 49% working interest in the Miran Block, including operatorship, was assigned to the consortium. The Consortium consists of OGDCL, PPL and GHPL with OGDCL being also the Operator on behalf of the Consortium. Consequently, the Company retained a 51% working interest in the block. Under the terms of the agreement, the consortium will carry 100% of the Company's share of exploration expenditures attributable to its retained interest up to the completion of the first exploratory well. Subsequent to the reporting date, the Deed of Assignment (DOA) was executed on November 12, 2025. Further, in January 2026, the Company received reimbursement of past costs together with the agreed premium in accordance with the terms of the Farm-Out Agreement.

(iv) The joint venture audits of the Baratai Block for last three years were finalized subsequent to the year end. As a result of the audit findings, adjustments aggregating to Rs. 8.851 million relating to the relevant periods were identified through the revised cost statements. Accordingly, these adjustments have been incorporated in the current year's financial statements through corresponding adjustments to development and production assets, concession operating expenses, exploration and prospecting expenditure, and operator's general expenses as per revised cost statements.

(v) 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)*	KUFPEC	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 Defense in September 2023, the force majuer 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 Kufachi 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.

(vi) 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 (2024: 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 2025, the Government of Khyber Pakhtunkhwa (GoKPK) has invested Rs. 4.5 billion in the Company as equity (refer Note 5). This comprises Rs. 2.6 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.

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 the historical cost convention using the accrual basis of accounting, except for the statement of cash flows, which has been prepared on a cash basis, and lease liabilities, which have been measured at the present value of lease payments outstanding at the reporting date.

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 Key judgements and 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.

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 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

The measurement of the expected credit loss ("ECL") allowance for financial assets measured at amortized 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.

2.4.8 Provision against financial assets measured at amortized cost - note 4.4.4

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 recognized ECL on financial assets due directly or ultimately from the GoP, including trade receivables from a government entity amounting to Rs.23,039,242 (2024: Rs 58,555,893).

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.

The company has a policy of carrying out actuarial valuation annually with the assistance of independent actuarial appraisers

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.

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

3.1 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

There are certain amendments to the accounting and reporting standards which became applicable to the Company on 1 July 2024. However, these amendments do not have any significant impact on the Company's financial statements.

3.2 The following standards, interpretations and amendments as notified under Companies Act, 2017 are effective for accounting periods beginning from the dates specified below and have not been early adopted by the Company:

Amendment to IAS 21 'The Effects of Changes in Foreign Exchange Rates', – Lack of Exchangeability (effective for annual reporting periods beginning on or after 01 January 2025 with early adoption available). This amendment clarifies that a currency is exchangeable when an entity is able to exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose; a currency is not exchangeable into the other currency if an entity can only obtain an insignificant amount of the other currency.

Amendment to IFRS 7 'Financial Instruments: Disclosures' and IFRS 9 'Financial Instruments' – Classification and Measurement of Financial Instruments (effective for annual reporting periods beginning on or after 01 January 2026 with early adoption available). These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).

Amendment to IFRS 7 'Financial Instruments: Disclosures' and IFRS 9 'Financial Instruments' – Contracts Referencing Nature–dependent Electricity (effective for annual reporting periods beginning on or after 01 January 2026 with early adoption available). These amendments change the 'own use' and hedge accounting requirements of IFRS 9 and include targeted disclosure requirements to IFRS 7. These amendments apply only to 'contracts referencing nature–dependent electricity' that expose an entity to variability in the underlying amount of electricity because the source of its generation depends on uncontrollable natural conditions (such as the weather).

IFRS 17 'Insurance Contracts' establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. SECP vide its SRO 1715(I)/2023 dated 21 November 2023 has directed that IFRS 17 shall be followed for the period commencing 01 January 2026 by companies engaged in insurance /takaful and re– insurance /re–takaful business.

In July 2024, the IASB issued 'Annual improvements to IFRS – Volume 11' (Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7). The amendments are effective for annual reporting periods beginning on or after 01 January 2026 with early adoption available.

The above standards and amendments to approved accounting standards have not been early adopted by the Company and are not likely to have any material impact on the Company's financial statements. Other than the aforesaid standards and amendments, IASB has also issued the following standards and interpretation, which have not been notified locally or declared exempt by the SECP as at 30 June 2025: –

– IFRS 1 (First–time Adoption of International Financial Reporting Standards)
– IFRS 18 (Presentation and Disclosure in Financial Statements)
– IFRS 19 (Subsidiaries without Public Accountability: Disclosures)
– IFRIC 12 (Service Concession Arrangements)

4 Material accounting policy information

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 derecognizes 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.

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 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 profit or loss account 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 and equipment is made available for use while no depreciation is charged for the month in which property and equipment is disposed off oe 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 carry value of fixed assets are reviewed for impairment when events or changes in circumstances indicate that carrying value exceeds the estimated recoverable amount, the assets or written down to the recoverable amount.

Disposal of assets is recognized when significant risks and rewards incidental to the ownership have been transferred to buyer . Gain 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 profit or loss as they are incurred.

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 centers 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.

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.

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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 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, amortized 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 amortized 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.

Financial assets that meet the following conditions are subsequently measured at amortized 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, they are measured at fair value, with gains or losses arising from changes in fair value recognized in other comprehensive income / (loss).

ii) Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized 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. Realised and unrealised 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 recognise 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.

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 derecognises 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 derecognises 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 derecognised 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 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.

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 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 profit or loss.

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 valuation was carried out on June 30,2025.

Actuarial gains and losses are recognized as income or expense in the other comprehensive income. The Company recognizes expense in accordance with IAS 19 "Employee Benefits". Past service cost is recognized immediately to the extent the benefits are already vested.

The amount recognized in statement of financial position represents the present value of the defined benefit obligation adjusted for the actuarial gains and losses.

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.

5 Share capital

Authorized share capital

2025 Numbers	2024 Numbers		Note	2025 Rupees	2024 Rupees
600,000,000	300,000,000	Ordinary shares of Rs 10 each		**6,000,000,000**	3,000,000,000
Issued, subscribed and paid up capital					
300,000,000	300,000,000	Ordinary shares fully paid in cash		**3,000,000,000**	3,000,000,000

5.1 Each Share carry equal voting rights.

6 Advance against issue of Shares:

	Note	2025 Rupees	2024 Rupees
Opening balance		1,000,000,000	500,000,000
Advance received during the year	6.1	500,000,000	500,000,000
Closing balance		**1,500,000,000**	**1,000,000,000**

6.1 During the year, the Company received capital funding of Rs. 500 million from the Government of Khyber Pakhtunkhwa, in addition to Rs. 1,000 million received during the preceding two years. At the time of receipt, the Company's authorized share capital of Rs. 3 billion had already been fully subscribed; consequently, the funding was recorded as an advance against the issuance of shares. In order to convert these advances into equity, the Company increased its authorized share capital from Rs. 3 billion to Rs. 6 billion during the year. The corresponding allotment of shares have been subsequently made through rights issue on June 20, 2026.
After the year end, 150,000,010 ordinary shares of Rs. 10 each under right issue were subscribed and as a result, the issued subscribed and paid up capital has been increased from Rs. 3 billion to Rs. 4.5 billion.

7 Deferred Liabilities

	Note	2025 Rupees	2024 Rupees
Employees retirement benefits/Gratuity			
Provision for gratuity	7.1	**91,139,450**	74,080,840
Provision for leave encashment	7.2	**218,827**	218,827
		91,358,277	74,299,667

7.1 Movement in net defined benefit (asset) / liability

Balance at 01 July	**74,080,840**	87,791,288
Included in profit or loss	**14,764,633**	14,292,655
Remeasurements chargeable in other comprehensive income	**5,512,759**	(2,505,290)
Benefits paid during the year	**(3,218,782)**	(25,497,813)
Balance at 30 June	**91,139,450**	74,080,840

7.1.1 Reconciliation of liability recognized in the statement of financial position

Present value of defined benefit liability	**91,139,450**	74,080,840
	91,139,450	74,080,840

7.1.2 Included in statement of profit or loss

Current service cost	**8,295,480**	6,509,213
Gains and losses arising on plan settlements	**-**	812,628
Interest cost	**6,469,153**	6,970,814
Net defined benefit liability	**14,764,633**	14,292,655

7.1.2.1 Expense is recognized in the following line items in statement of financial position

General administrative expenses	**14,764,633**	14,292,655
	14,764,633	14,292,655

7.1.2.2 Included in unconsolidated statement of comprehensive income

Actuarial gains from changes in demographic assumptions	**1,091,926**	**-**
Actuarial gains from changes in financial assumptions	**2,910,333**	9,202,964
Experience adjustments on defined benefit liability	**1,510,500**	(11,708,254)
	5,512,759	(2,505,290)

	Note	2025 Rupees	2024 Rupees
7.1.3 Key actuarial assumptions			
Significant actuarial assumptions used were as follows:			
Significant assumptions			
Discount rate used for interest cost in profit or loss		**14.00%**	**15.75%**
Discount rate used for the year end obligation		**11.75%**	**14.00%**
Expected increase in eligible salary		**18.12%**	**40.00%**
Other assumptions			
Mortality rate	7.1.4.1	**SLIC 2001-2005 setback 1 year**	**SLIC 2001-2005 setback 1 year**

7.1.3.1 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).

7.1.4 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.

	Defined benefit obligation	
	Effect of 1 percent increase	Effect of 1 percent decrease
	Rupees	Rupees
Change in discount rate	58,055,508	44,764,323
Change in salaries	67,400,808	57,158,591

7.1.4.1 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.

7.1.5 Expected gratuity expense for the next year is Rs. 15,640,801

7.1.6 Risks associated with defined benefit liability - gratuity

7.1.6.1 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.

7.1.6.2 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.

7.1.7 At 30 June 2025, the weighted average duration of defined benefit plan is 12 years. (2024: 12 Years)

7.1.8 Maturity profile of defined benefit obligation			
The expected future benefit payments under the plan are as follows:	Note	2025 Rupees	2024 Rupees
Within 1 year		**12,170,219**	4,128,275
1 – 5 years		**38,345,115**	24,660,375
Beyond		**675,760,346**	2,533,498,584

		Note	2025 Rupees	2024 Rupees
7.2	**Provision for leave encashment**			
	Balance at 01 July		**218,827**	218,827
	Benefits paid during the year		**-**	-
	Balance at 30 June	7.2.1	**218,827**	218,827

7.2.1 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.

8	**Provision for decommissioning cost**		
	Balance at 01 July	**5,290,708**	4,699,681
	Unwinding of provision of decommissioning cost during the year	**741,860**	716,786
		6,032,568	5,416,467
	Revision in provision of decommissioning cost at 30 June	**(526,987)**	(125,759)
	Balance at 30 June	**5,505,581**	5,290,708
	Significant financial assumptions used were as follows:		
	Discount rate per annum	**10.15% ~ 11.59%**	14.09% ~ 15.28%
	Inflation rate per annum	**9.38%**	12.70%
9	**Lease liabilities**		
	Balance at 01 July	**24,202,790**	60,532,911
	Additions during the year	**-**	-
		24,202,790	60,532,911
	Unwinding of lease liability	**2,390,795**	4,634,573
	Reversals on early termination of lease liability	**-**	(27,945,425)
	Payments made during the year	**(9,462,000)**	(13,019,269)
	Balance at 30 June	**17,131,585**	24,202,790
	Less: Current portion	**(9,055,878)**	(7,071,206)
		8,075,707	17,131,584
9.1	**Maturity analysis- Contractual undiscounted lease payments**		
	Less than one year	**10,452,150**	9,462,000
	One to two years	**8,322,950**	10,452,150
	Two to three years	**-**	8,322,950
	Total undiscounted lease payments	**18,775,100**	28,237,100
9.2	The following are the amounts recognized in the statement of profit or loss:		
	Depreciation expense of right-of-use assets	**6,916,600**	10,668,732
	Accretion of interest	**2,390,795**	4,634,573
10	**Payables against joint operations**	**30,455,967**	455,058,049
	Payable to Operator - OGDCL		
	Blocks		
	Baratai	**9,089,545**	38,541,356
	Pezu	**252,646**	6,304,127
	Kulachi	**1,971,002**	1,933,670
	Orakzai	**8,725,296**	304,051,851
	Tirah	**4,335,739**	59,954,337
		24,374,228	410,785,341
	Payable to Operator - MPCL		
	Blocks		
	Peshawar East	**386,350**	10,424,962
	Wali West	**5,695,389**	33,847,746
		6,081,739	44,272,708
		30,455,967	455,058,049

NZA & Co.

	Note	2025 Rupees	2024 Rupees
11 Trade and other payables			
CSR obligations	11.1	**13,070,180**	14,854,708
Accrued liabilities		**3,918,535**	4,403,398
Payable to Halliburton	11.2	**-**	7,891,112
Sales tax payable		**1,123,674**	2,576,388
Royalty payable		**2,838,694**	4,994,842
Other payables		**6,221,188**	7,053,399
		27,172,271	41,773,847

11.1 The balance relates to social welfare and training obligations relating to Miran Block.

11.2 The outstanding liability payable to Halliburton amounting to Rs. 7.89 milliion has been derecognized during the year. Such derecognition was made in accordance with the legal advisors opinion dated April 22, 2026 and in persuant to the Board resolution no. BOD-89-03(i) dated April 30, 2026. The resulting write back has been recognized as other income in the statement of profit or loss.

12 Contingencies and commitments

12.1 Contingencies

(a) The Company filed an appeal before the Commissioner Inland Revenue (Appeals) against a demand of Rs. 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. It was further contested through a rectification application before CIR appeals which is under process.

(b) Showcause notices bearing no. 3605 and 3649 were issued dated August 08, 2018 for late payment of KP Sales Tax amounting Rs. 305,700/- and Rs. 283,581/- respectively. A detailed reply was submitted on August 28, 2018 along with documentary evidence. The proceedings are currently in progress. 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) A showcause notice bearing no. 304 was issued dated April 14, 2025 for late submission of Federal Sales Tax amounting Rs. 54,800/-. A detailed reply was submitted on April 14, 2025. The proceedings are currently in progress. Management believes that no material liability is likely to arise and accordingly no provision has been made in this respect in the financial statements.

12.2 Commitments

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

	2025 USD	2024 USD	2025 Rupees	2024 Rupees
Block No. 3269-2 - Miran	**7,500,000**	7,500,000	**2,129,739,000**	2,089,400,250
Block No. 3070-16 - Pezu	**65,448**	65,448	**18,584,954**	18,232,942
Block No. 3371-16 - Peshawar East	**5,704**	5,704	**1,619,738**	1,589,059
Block No. 3371-17 - Baratai	**652,000**	652,000	**185,145,310**	181,638,528
Block No. 3170-5 - Paharpur	**47,628**	47,628	**13,524,695**	13,268,527
Block No. 3170-8 - Kulachi	**141,245**	141,245	**40,108,665**	39,348,978
Block No. 3370-15 - Karak North	**76,750**	76,750	**21,794,329**	21,381,529
Block No. 3269-1 - Wali West	**937,315**	937,315	**266,164,841**	261,123,493
Block No. 3369-1 - Orakzai	**519,260**	519,260	**147,451,770**	144,658,930
Block No. 3370-14 - Tirah	**534,435**	534,435	**151,760,942**	148,886,483
	10,479,785	10,479,785	**2,975,894,243**	2,919,528,720

(a) As stated in note 1 (iii), the Company has entered into farm out arrangement with the Consortium consisting of OGDCL, PPL and GHPL with OGDCL being also the operator on behalf of the Consortium. Under this arrangement, the consortium will carry 100% of the Company's share of exploration expenditure attributable to its retained interest upto the completion of first exploratory well. Any subsequent cost beyond what is already stated above shall be equally borne by the respective parties corrsponding to their working interests.

13 Property and Equipment

		C O S T					DEPRECIATION				W.D.V
	PARTICULARS	As at July 1, 2024	Additions	Deletion / Reversal	As at June 30, 2025	Rate %	As at July 1, 2024	Accumulated depreciation Reversed	For the Year	UP TO June 30, 2025	AS AT June 30, 2025
	Leasehold Properties (R.O.U)	34,582,998	-	-	34,582,998		15,562,348	-	6,916,600	22,478,948	12,104,050
Owned assets	Geological Equipment	352,369	-	-	352,369	20	352,369	-	-	352,369	-
	Office Equipment	5,940,393	-	(85,322)	5,855,071	33.33	5,940,393	(85,322)	-	5,855,071	-
	Furniture	3,476,612	99,800	(400,334)	3,176,078	20	3,437,612	(400,334)	23,643	3,060,921	115,157
	Computer and Related Accessories	29,002,064	495,000	-	29,497,064	33.33	28,542,842	-	175,750	28,718,592	778,472
	Motor Vehicle	59,733,878	-	-	59,733,878	20	58,922,178	-	811,700	59,733,878	-
	Electrical Equipment	2,261,259	1,115,000	-	3,376,259	33.33	2,261,259	-	92,917	2,354,176	1,022,083
	Security equipment	11,259,566	-	(664,000)	10,595,566	33.33	11,259,566	(664,000)	-	10,595,566	-
	Total	**146,609,139**	**1,709,800**	**(1,149,656)**	**147,169,283**		**126,278,567**	**(1,149,656)**	**8,020,610**	**133,149,521**	**14,019,762**

		C O S T					DEPRECIATION				W.D.V
	PARTICULARS	As at July 1, 2023	Additions	Deletion / Reversal	As at June 30, 2024	Rate %	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
Owned assets	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	-
	Total	**191,728,515**	**486,000**	**(45,605,376)**	**146,609,139**		**136,509,258**	**(21,996,902)**	**11,766,211**	**126,278,567**	**20,330,572**

13.1 The Right-of-Use (ROU) asset represents the lease for the 3rd Floor of Ali Tower, located on University Road, Peshawar, which serves as the head office of the Company.

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

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

		Note	2025 Rupees	2024 Rupees
14	**Intangible asset (Accounting Software)**			
	Cost			
	Balance at 01 July		**58,899,925**	58,899,925
	Additions during the year		**-**	-
	Balance at 30 June		**58,899,925**	58,899,925
	Amortization			
	Balance at 01 July		**(58,899,925)**	(58,899,925)
	Charge for the year		**-**	-
	Balance at 30 June		**(58,899,925)**	(58,899,925)
	Carrying amount at 30 June		**-**	-
	Amortization rate		**20%**	**20%**
15	**Development and production assets**			
	Producing fields - joint operations			
	Cost			
	Balance at 01 July		**224,228,197**	197,180,906
	Additions during the year	15.1	**18,544,434**	27,173,050
	Revision in provision of decommissioning cost	8	**(526,987)**	(125,759)
	Balance at 30 June		**242,245,644**	224,228,197
	Amortization			
	Balance at 01 July		**99,002,043**	65,889,148
	Charge for the year		**41,303,984**	33,112,895
	Balance as at 30 June		**140,306,027**	99,002,043
	Carrying amount		**101,939,617**	125,226,154

15.1 It includes KPOGCL's 2.5% share in the Baratai Block Joint Venture, mainly comprising expenditures incurred on workover operations during the period. It further includes costs relate to 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.

		Note	2025 Rupees	2024 Rupees
16	**Acquisition of interest in joint arrangement**			
	Cost			
	Balance at 01 July		**691,357,613**	691,357,613
	Additions during the year		**-**	-
	Balance at 30 June	16.1	**691,357,613**	691,357,613
	Amortization		**-**	-
	Carrying amount at 30 June		**691,357,613**	691,357,613

16.1 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.

		Note	2025 Rupees	2024 Rupees
17	**Loan to employees**			
	Advance against salary		**6,574,097**	3,602,861
Less:	Current portion of advance		**2,990,724**	2,065,098
	Non-current balance of advance		**3,583,373**	**1,537,763**
18	**Trade Debts - Unsecured - Considered good**			
	Sui northern gas pipeline limited	18.1	**23,039,242**	58,555,893
	Attock refinery limited		**20,166,928**	6,534,701
			43,206,170	65,090,594

18.1 This represents due from realted party "Sui nothern gas pipeline limited" of Rs. 23,039,242 in respect of sale of gas.

19	**Income Tax Refund**			
	Opening balance		**12,771,726**	12,437,832
	Tax paid/deducted during the year:			
	Tax withheld on interest income		**120,617**	254,878
	Tax withheld by PTCL		**117,823**	77,322
	Tax withheld by Nayatel		**-**	1,694
			238,440	333,894
	Less: Adjusted during the year		**-**	-
			13,010,166	12,771,726
20	**Advance for joint operations**			
	Advance to KUFPEC			
	Opening balance		2,161,142	2,161,142
	Adjustment on account of final audit	20.1	3,022,643	-
	Closing balance		**5,183,785**	**2,161,142**

20.1 It represents balance receivable from the operator KUFPEC on the basis of the final audit, which has been finalized of December 29, 2025, showing the final balance of US $18,255 under final settlement.

21	**Advances, deposits, prepayments and other receivables**			
	Deposits		**2,034,300**	1,974,300
	Advances for expenses		**772,431**	470,380
	Prepayments		**3,071,052**	2,447,182
	Advance to suppliers		**2,004,647**	617,250
	Advance to KP Sales Tax Authority	21.1	**-**	309,528
	Receivable from PEDO	21.1	-	214,634
	Other receivable		**626,645**	-
			8,509,075	6,033,274
	Provision against receivable from PEDO		**-**	(214,634)
			8,509,075	5,818,640

21.1 Management performed a review of long-outstanding balances in accordance with the Company's Finance Manual, which requires the ageing and assessment of potentially non-recoverable receivables. As these balances had remained outstanding for an extended period and the underlying conditions indicate non-recoverability existed at the reporting date, the Board authorized the write-off of receivables amounting to Rs. 309,528 from the KP Sales Tax Authority and Rs. 214,634 from PEDO.

	Note	2025 Rupees	2024 Rupees
22 Cash and cash equivalents			
Cash at bank			
- Current accounts		**330,000**	330,000
- Saving accounts	22.1	**906,169,805**	830,701,020
Accrued interest on saving accounts		**6,000,846**	21,347,787
		912,500,651	852,378,807
Cash in hand		**470,885**	151,392
		912,971,536	852,530,199

22.1 These carry average markup rate of 13.63% per annum (2024: 20.42%).

23 Revenue-net			
Gross sales			
- Crude oil		**38,175,713**	43,403,585
- Gas		**243,308,021**	245,367,208
		281,483,734	288,770,793
Less: Government levies			
- General sales tax on Gas		**37,114,784**	37,428,897
- Excise duty		**1,319,217**	1,222,171
		38,434,001	38,651,068
		243,049,733	250,119,725

23.1 Government through Finance Act, 2021 imposed sales tax on crude oil with effect from 01 July 2021. However this decision was reversed through Finance (Supplementary) Act, 2022 on 15 January 2022.

24 Concessions Operating Expenses		
Salary wages and benefits	12,457,073	8,869,610
Time witten cost	2,309,930	1,816,683
Crude transportation charges	330,608	376,859
Store and supplies consumed	361,299	286,884
Contract service	2,061,636	1,922,461
Travelling and transportation	350,325	143,250
Repaire and maintenance	21,715	30,381
Rent fee and taxes	358,709	262,623
Dehydration plant/compressor/separator charges	5,108,815	5,192,573
Vehicle insurance	48,217	41,326
Communication	30,129	32,126
Utilities	38,255	31,088
Land and corp compensation	38,466	119,562
Miscellaneous	707,857	102,402
Workover charge	4,458,959	-
Amortization of development and production Asset	41,303,984	33,112,895
	69,985,977	52,340,723

		Note	2025 Rupees	2024 Rupees
25	**Exploration and prospecting expenditure**			
	Concession rental	25.1	**7,645,706**	524,629
	Geological & Geophysical	22.2	**88,849,739**	86,801,969
	Cost of post well evaluation of dry and abandoned well		**-**	23,097
			96,495,445	87,349,695

25.1 This includes area rental of Rs. 2,691,453 (2024: Rs. 123,960) pertaining to the Miran Block, for which the Petroleum Concession Agreement (PCA) was executed on May 7, 2024. KPOGCL is the operator of the block.

25.2 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.

26	**General and administration expenses**			
	Salaries, wages and benefits		**102,827,340**	134,694,579
	Directors' remuneration		**23,120,668**	18,030,391
	Training, welfare and corporate social responsibility (CSR	26.1	**15,618,086**	2,308,835
	Rent, fees and taxes	26.2	**15,850,775**	442,250
	Operators' general expenses	26.3	**19,083,094**	18,001,798
	Vehicle running cost		**6,737,109**	4,853,486
	Legal and professional		**3,934,000**	3,495,695
	Utilities		**3,757,469**	4,299,355
	Repairs and maintenance		**2,694,730**	5,687,116
	Professional memberships and subscriptions		**1,865,502**	1,368,685
	Travelling and subsistence		**1,957,064**	1,071,866
	Insurance		**1,631,286**	1,626,141
	Auditors' remuneration		**1,000,000**	1,000,000
	Security services		**868,800**	720,000
	Communication		**859,008**	1,082,541
	Entertainment		**1,018,977**	1,205,633
	Printing, stationery and publications		**776,806**	1,099,989
	Bad debt expense – KP Sales Tax Authority	21.1	**309,528**	-
	Miscellaneous expenses		**300,931**	414,304
	Trainings and workshops		**261,655**	893,664
	Advertising		**157,629**	212,327
	Depreciation	13	**8,020,610**	11,766,211
			212,651,067	214,274,866

26.1 It includes Social welfare and training obligation pertaining to the Miran Block for the FY 2025 according to the PCA which was signed on 7th May 2024.

26.2 This includes a fee of Rs. 15.84 million paid to the Securities and Exchange Commission of Pakistan (SECP) in connection with the increase in the Company's authorized share capital from Rs. 3 billion to Rs. 6 billion.

26.3 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 agreements.

	Note	2025 Rupees	2024 Rupees
27 Other income			
Income from financial assets			
Interest on saving accounts		**101,236,153**	182,020,155
Income from non-financial assets:			
Gain on adjustment of Lakki Training Fund	27.1	**12,906,682**	-
Gain on write-back of payable to Halliburton	11.2	**7,891,112**	-
Gain on disposal of property and equipment		**99,817**	109,372
Gain on early termination of lease		**-**	4,397,830
Others		**874,549**	1,452,717
		123,008,313	187,980,074

27.1 This represents the adjustment on account of salary paid to staff of E&P department on the authorization by DGPC, which is duly adjusted against CSR payable in respect of Lakki block.

	Note	2025 Rupees	2024 Rupees
28 Finance cost			
Bank charges		**14,062**	10,011
Unwinding of lease liability	9	**2,390,795**	4,634,573
Unwinding of decommissioning cost	8	**741,860**	716,786
		3,146,717	5,361,370

		2025 Rupees	2024 Rupees
29 Taxation			
- Current tax		**-**	-
- Deferred tax	29.3	**-**	-

29.1

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.

	2025 Rupees	2024 Rupees
29.2 Reconciliation of tax charge for the year:		
Accounting profit/(loss) before taxation	**(47,603,542)**	49,236,304
Applicable tax rate	**40%**	40%
Tax credit on accounting profit/loss at applicable rate	**(19,041,417)**	19,694,522
Tax rate difference	**-**	-
Prior year	**-**	-
Minimum tax on revenue	**-**	-
Tax effect of permanent differences	**-**	-
Tax effect of deferred tax asset - not recognized	**19,041,417**	(19,694,522)
	-	-

29.3 In view of the uncertainty about timings of taxable profits in the foreseeable future against which the tax loss 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. 1,010,285,366 (2024: Rs. 555,433,940).

		2025 Rupees	2024 Rupees
Tax losses for which no deferred tax asset was recognized expire as follows:			
Expire - tax loss		**2,598,555,528**	1,455,762,959
Never expire - unabsorbed depreciation		**92,254,658**	87,779,876
Loss year	**Expiry date (year)**		
Unadjusted brought forward loss 2019	TY 2025	**-**	**196,718,584**
Unadjusted brought forward loss 2020	TY 2026	**329,020,166**	**288,214,415**
Unadjusted brought forward loss 2021	TY 2027	**282,280,273**	**91,914,372**
Unadjusted brought forward loss 2022	TY 2028	**1,115,237,711**	**245,832,829**
Unadjusted brought forward loss 2023	TY 2029	**619,932,975**	**633,082,759**
Unadjusted brought forward loss 2024	TY 2030	**252,084,403**	

30 Financial instruments and risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

30.1 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	2025 Rupees	2024 Rupees
Bank balances	22	**912,500,651**	852,378,807
Deposits	21	**2,034,300**	1,974,300
Trade debts	18	**43,206,170**	65,090,594
Receivable from E&P Dept. of GoKPK - gross	21.1	**-**	214,634
		958,367,766	919,658,335

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	2025 Rupees	2024 Rupees
National bank of Pakistan	PACRA	A1+	**330,000**	330,000
Bank of Khyber	PACRA	A1	**902,837,528**	846,492,590
Bank Al-Falah	PACRA	A1+	**9,244,075**	5,475,955
Bank Al-Habib	PACRA	A1+	**89,048**	80,262
			912,500,651	852,378,807
Other financial assets				
Rated			**-**	-
Unrated			**2,034,300**	2,188,934
			2,034,300	2,188,934

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

30.2 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
2025				
Trade and other payables*	**53,665,870**	**53,665,870**	-	-
Lease liabilities including current portion	**17,131,585**	**18,775,100**	**10,452,150**	**8,322,950**
	70,797,455	**72,440,970**	**10,452,150**	**8,322,950**
2024				
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
	513,463,456	517,497,766	9,462,000	18,775,100

*excluding employee benefits payable - current portion, sales tax payable and royalty payable.

30.3 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.

30.3.1 Currency risk

PKR is the functional currency of the Company and as a result currency exposure arise from transactions and balances in currencies other than PKR (i.e. US $). The Company's potential currency exposure comprise;

– Transactional exposure in respect of non functional currency monetary items.

– Transactional exposure in respect of non functional currency expenditure and revenues.

The potential currency exposures are discussed below;

Trade Debts	**43,206,170**	65,090,594
Advance to Joint Operations	**5,183,785**	2,161,142
	48,389,955	67,251,736
Payable to Joint Operations	**(30,455,967)**	(455,058,049)
CSR Obligations payable	**(13,070,180)**	(14,854,708)
	(43,526,147)	(469,912,757)
	4,863,808	(402,661,021)

30.3.2 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

Profile

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

	2025	2024	2025	2024
	%		Rupees	Rupees
Fixed rate instruments				
Lease liability including current portion	**12.96%**	12.96%	**17,131,585**	24,202,790
Variable rate instruments				
Bank balances	**13.63%**	20.42%	**912,500,651**	852,378,807

(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

	Profit or loss	
	100 basis points increase	**100 basis points decrease**
	Rupees	
Cash flow sensitivity		
Variable rate instruments		
30 June 2025	**9,125,007**	**(9,125,007)**
30 June 2024	8,523,788	(8,523,788)

30.4 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

30.4.1 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.

30.4.2 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.

30.5 Financial instruments and risk management (continued)

30.5.1 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			
June 30, 2025								
Financial assets not measured at fair value								
Cash and cash equivalents	-	912,971,536	-	912,971,536	-	-	-	-
Deposits	-	2,034,300	-	2,034,300	-	-	-	-
Trade debts	-	43,206,170	-	43,206,170	-	-	-	-
Receivable from Energy and Power Department of GoKPK - gross	-	-	-	-	-	-	-	-
	-	958,212,006	-	958,212,006	-	-	-	-
Financial liabilities not measured at fair value								
Lease liabilities including current portion	-	-	17,131,585	17,131,585	-	-	-	-
Trade and other payables	-	-	53,665,870	53,665,870	-	-	-	-
	-	-	70,797,455	70,797,455	-	-	-	-
June 30, 2024								
Financial assets not measured at fair value								
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	-	-	-	-
Financial liabilities not measured at fair value								
Lease liabilities including current portion	-	-	24,202,790	24,202,790	-	-	-	-
Trade and other payables	-	-	489,260,666	489,260,666	-	-	-	-
	-	-	513,463,456	513,463,456	-	-	-	-

31 Number of employees

	2025	2024
Total number of employees at year end		
- Contractual	51	65
- Daily wagers	4	4
	55	69
Average number of employees at year end		
- Contractual	58	90
- Daily wagers	4	8
	62	98

32 Related party transactions

Government of Khyber Pakhtunkhwa owns 99.9% (2024: 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:

	2025 Rupees	2024 Rupees
Bank of Khyber, *government ownership*		
- Balance at 30 June	**902,837,528**	846,492,590
- Interest income on saving account	**100,432,038**	180,320,974
Sui Northern Gas Pipeline Limited, *government ownership*		
- Sale of natural gas - net	**204,874,020**	206,716,140
- Trade debts	**23,039,242**	58,555,893
Oil and Gas Development Company Limited - Joint operations, *government ownership*		
- Exploration and prospecting expenditure	**96,495,445**	87,349,695
- Development and production assets	**18,544,434**	27,173,050
- Acquisition of interest in joint arrangement	**691,357,613**	691,357,613
- Operating expenses (General and production both excluding amortization)	**47,765,087**	37,229,626
- Cash calls paid to joint venture partners	**587,946,835**	1,035,909,603
- Exchange gain / (loss)	**(3,949,030)**	1,351,266
- Payable against joint operations	**30,455,967**	455,058,049
Pakhtunkhwa Energy Development Organization (PEDO), *government ownership*		
Receivable from PEDO	-	214,634
Key management personnel		
- Remuneration of key management personnel	**21,916,829**	12,989,979

33 Remunerations of chief executive officer, directors and executives

		2025			2024		
		Chief Executive Officer	**Directors**	**Executives**	Chief Executive Officer	Directors	Executives
		Rupees					
Managerial remuneration	**33.1**	**14,367,096**	**-**	**12,650,323**	6,143,222	-	7,416,703
Gratuity expense		**1,278,250**	**-**	**1,634,000**	793,500	-	1,358,407
Other allowances and benefits		**1,325,322**	**-**	**7,632,506**	4,568,669	-	4,214,869
Fee		**-**	**6,150,000**	**-**	-	6,525,000	-
		16,970,668	**6,150,000**	**21,916,829**	11,505,391	6,525,000	12,989,979
Number of persons		**1**	**8**	**7**	1	9	3

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

34 Interest in joint operations

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

Blocks	Operator	Location	2025 Working interest %	2024 Working interest %
Exploration Licenses / Leases - operated				
Miran Petroleum	Operated by the Company	North Waziristan and Kurram Agency	**100**	100
Development Licenses / Leases - non-operated				
Baratai Petroleum	Oil and Gas Development	Kohat	**2.5**	2.5
Exploration Licenses / Leases - non-operated				
Pezu Petroleum Concession	Oil and Gas Development	D.G. Khan, Lakki Marwat, Tank, D.I. Khan & Tribal area of D.I. Khan	**1.62**	1.62
Kulachi Petroleum	Oil and Gas Development	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	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	Oil and Gas Development Company Limited	Orakzai Agency, Kurram Agency and Hungo District	**20.00**	20.00
Tirah Petroleum	Oil and Gas Development	Khyber, Kurram and Orakzai Agencies	**15.00**	15.00
Nowshera	Oil and Gas Development	Nowshera District (Carried interest)	**2.50**	2.50
Hazro	Oil and Gas Development	Attock, Swabi & Haripur District (Carried interest)	**0.21**	0.21

34.1 As indicated in note 1 (iii), the Company, during the year, has entered into a farm out arrangment with OGDCL led consortium whereby 49% working interest in Miran Block including operatorship has been assigned to the Consortium. The Consortium consists of OGDCL, PPL and GHPL with OGDCL being also the Operator on behalf of the Consortium. Consequently, the Company retained a 51% working interest in the block and the Deed of Assignment (DOA) has been executed on November 12, 2025.

35 Corresponding figures

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

36 Date of authorization

These financial statements were authorized for issue on 19 Aug, 2026 by the Board of Directors of the Company.

12 Apr 26

CHIEF EXECUTIVE **DIRECTOR**