

GREENFIELD PETROLEUM CORPORATION

**Consolidated Financial Statements and
Independent Auditors' Report**
For the Year Ended December 31, 2024

GREENFIELDS PETROLEUM CORPORATION

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

The following statement is made with a view to distinguishing the respective responsibilities of the management and those of the independent auditors concerning to the consolidated financial statements of Greenfields Petroleum Corporation (the "Company"), and its subsidiary (together referred to as the "Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of the Group as at December 31, 2024, the consolidated results of its operations, cash flows and changes in equity for the year then ended, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

In preparing the consolidated financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS Accounting Standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS Accounting Standards;
- Maintaining statutory accounting records in compliance with applicable legislation and accounting standards;
- Taking such steps that are reasonably available to them to safeguard the assets of the Group; Detecting and preventing fraud, errors and other irregularities.

The consolidated financial statements for the year ended December 31, 2024 were authorized for issue on August 31, 2025 by the management of the Group.

On behalf of the Management:



John Harkins
President

August 31, 2025
Baku, the Republic of Azerbaijan



Rasul Gafarov
Chief Financial Officer

August 31, 2025
Baku, the Republic of Azerbaijan

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Management of Greenfields Petroleum Corporation:

Opinion

We have audited the consolidated financial statements of Greenfields Petroleum Corporation (the "Company") and its subsidiary (together referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2024, the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Subsequent sale of interest in the ERDPSA

We draw attention to Note 28 of the consolidated financial statements, which describes that subsequent to the year-end the Group has sold its interest in Exploration, Rehabilitation, Development and Production Sharing Agreement (the "ERDPSA") in respect of the offshore block known as Bahar project. While this transaction occurred after the reporting period and does not affect the financial position as at the year end, it may have a significant impact on the Group's future operations and strategic direction. Our opinion is not modified in respect of this matter.

Emphasis of Matter – Related Party Transactions and Balances

Without qualifying our opinion, we draw attention to Note 17 to the accompanying consolidated financial statements. The Group has material balances with related parties. Related parties may enter into transactions which unrelated parties may not and transactions between related parties may not be affected on the same terms, conditions and amounts as transactions between unrelated parties. Our opinion is not qualified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

Baker Tilly Azerbaijan

August 31, 2025
Baku, the Republic of Azerbaijan

GREENFIELDS PETROLEUM CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2024
(In thousand United States dollars)

	Notes	December 31, 2024	December 31, 2023
ASSETS			
Current assets:			
Cash and cash equivalents	5	344	111
Trade and other receivables	6	5,243	3,933
Prepayments	7	184	366
Inventories	8	1,673	2,004
Total current assets		7,444	6,414
Non-current assets:			
Property and equipment	9	166,455	178,414
Advances to suppliers of property and equipment	11	342	292
Total non-current assets		166,797	178,706
TOTAL ASSETS		174,241	185,120
LIABILITIES AND EQUITY			
LIABILITIES:			
Current liabilities:			
Trade and other payables	12	6,127	4,423
Taxes other than income tax payable	13	275	690
Profit petroleum payable under the ERDPSA	14	1,584	244
Interest-bearing loans and borrowings	15, 17	9,137	6,932
Environmental liability		63	62
Total current liabilities		17,186	12,351
Non-current liabilities:			
Interest-bearing loans and borrowings	15, 17	44,332	53,576
Provision for well abandonment and site restoration	16	5,940	5,670
Total non-current liabilities		50,272	59,246
Total liabilities		67,458	71,597
EQUITY:			
Share capital	18	180	180
Paid in capital	18	135,136	127,819
Accumulated deficit		(28,533)	(14,476)
Total equity		106,783	113,523
TOTAL LIABILITIES AND EQUITY		174,241	185,120

On behalf of the Management:


John Harkins
President

August 31, 2025
Baku, the Republic of Azerbaijan


Rasul Gafarov
Chief Financial Officer

August 31, 2025
Baku, the Republic of Azerbaijan

The notes on pages 8 to 39 form an integral part of these financial statements.

GREENFIELDS PETROLEUM CORPORATION
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
For the year ended December 31, 2024
(In thousand United States dollars)

	Notes	Year ended December 31, 2024	Year ended December 31, 2023
REVENUES:			
Oil and gas revenues	19	24,928	25,863
Less profit petroleum under the ERDPSA	14	(1,827)	(1,487)
Less selling and transportation costs	20	(570)	(694)
NET REVENUES		22,531	23,682
COSTS AND EXPENSES:			
Operating expenses	21	(14,580)	(11,886)
Depreciation, depletion and amortization	9, 10	(9,104)	(11,495)
General and administrative expenses	22	(4,587)	(4,050)
OPERATING LOSS		(5,740)	(3,749)
Finance expenses	23	(4,574)	(4,992)
(Loss)/gain on disposal of property and equipment		(5,041)	8
Reversal of impairment loss/(impairment loss) on property and equipment	9	1,691	(511)
Provision for slow-moving inventories	8	(443)	(532)
Impairment of current assets		(16)	-
Expected credit losses on financial assets		-	(39)
Other income		66	264
NET LOSS FOR THE YEAR		(14,057)	(9,551)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(14,057)	(9,551)
NET LOSS PER SHARE IN USD	18	(0.682)	(0.638)

On behalf of the Management:


John Harkins
President

August 31, 2025
Baku, the Republic of Azerbaijan


Rasul Gafarov
Chief Financial Officer

August 31, 2025
Baku, the Republic of Azerbaijan

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GREENFIELDS PETROLEUM CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2024
(In thousand United States dollars)

	Share capital	Paid in capital	Accumulated deficit	Total equity
January 1, 2023	180	105,305	(4,925)	100,560
Transfer to paid in capital (Note 15)	-	15,599	-	15,599
Convertible loan converted to shares (Note 15)	-	6,915	-	6,915
Total comprehensive loss for the year	-	-	(9,551)	(9,551)
December 31, 2023	180	127,819	(14,476)	113,523
Transfer to paid in capital (Note 15)	-	7,317	-	7,317
Total comprehensive loss for the year	-	-	(14,057)	(14,057)
December 31, 2024	180	135,136	(28,533)	106,783

On behalf of the Management:



John Harkins
President

August 31, 2025
Baku, the Republic of Azerbaijan



Rasul Gafarov
Chief Financial Officer

August 31, 2025
Baku, the Republic of Azerbaijan

The notes on pages 8 to 39 form an integral part of these financial statements.

GREENFIELDS PETROLEUM CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2024
(In thousand United States dollars)

	Notes	Year ended December 31, 2024	Year ended December 31, 2023
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss from operations		(14,057)	(9,551)
Adjustments to add non-cash items:			
Depreciation, depletion and amortization	9, 10	9,104	11,495
Finance expenses	23	4,574	4,992
Reversal of impairment loss/(impairment loss) on property and equipment	9	(1,691)	511
Provision for slow-moving inventories	8	443	532
Impairment of current assets		16	-
Expected credit losses on financial assets		-	39
Loss/(gain) on disposal of property and equipment		5,041	(8)
Working capital adjustments:			
Change in trade and other receivables		(1,310)	(8)
Change in inventories		(112)	(601)
Change in prepayments		166	98
Change in trade and other payables (i)		1,770	650
Change in profit petroleum payable under the ERDPSA		1,340	(65)
Change in taxes other than income tax payables		(415)	(58)
Change in environmental liabilities		1	2
Net cash flows from operating activities		4,870	8,028
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for property and equipment		(1,380)	(1,313)
Proceeds from disposal of property and equipment		670	293
Net cash flows used in investing activities		(710)	(1,020)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of borrowings	15	(4,090)	(11,223)
Proceeds from borrowings	15	3,000	7,400
Interest paid on borrowings	15	(2,837)	(1,492)
Payment for the lease liability		-	(2,410)
Net cash flows used in financing activities		(3,927)	(7,725)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		233	(717)
CASH AND CASH EQUIVALENTS, <i>beginning of the year</i>	5	111	828
CASH AND CASH EQUIVALENTS, <i>end of the year</i>	5	344	111

Non-cash transactions excluded from the statement of cash flows

Amounts presented in the consolidated statement of cash flows for the year ended December 31, 2024 do not include the following non-cash transactions:

- (i) USD 66 thousand accruals made for non-current assets during 2024 which were not realized as of December 31, 2024 (December 31, 2023: 75 thousand).

On behalf of the Management:


John Harkins
President

August 31, 2025
Baku, the Republic of Azerbaijan


Rasul Gafarov
Chief Financial Officer

August 31, 2025
Baku, the Republic of Azerbaijan

The notes on pages 8 to 39 form an integral part of these financial statements.

GREENFIELDS PETROLEUM CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2024

(All tabular amounts are expressed in thousand United States dollars unless otherwise stated)

1. GENERAL INFORMATION

Greenfields Petroleum Corporation ("Greenfields" or the "Company"), incorporated in the Cayman Islands, is an oil and natural gas exploration and development corporation focused on the development and production of proven oil and gas reserves principally in the Republic of Azerbaijan. The Company's head office is located at 2001 Timberloch Place, Suite 500, The Woodlands, Texas, 77380, U.S.A., and the registered office is located at 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands.

As at December 31, 2024 and 2023 the Company's shareholders comprised below:

	December 31, 2024		December 31, 2023	
	Number of shares	Ownership, %	Number of shares	Ownership, %
John W. Harkins	20,474	99.33%	20,474	99.33%
Vitol Energy Bermuda	60	0.29%	60	0.29%
Interactive Brokers Canada	44	0.21%	44	0.21%
Shareholder less than 5%	35	0.17%	35	0.17%
Total	20,613	100%	20,613	100%

Details of the change of ownership and consolidation of shares are disclosed in Note 18.

The Company and its subsidiary together will be referred to as the "Group" further in this report.

The Group owns Bahar Energy Limited ("Bahar Energy" or "BEL"), a venture company that on December 22, 2009, entered into an Exploration, Rehabilitation, Development and Production Sharing Agreement (the "ERDPSA") with the State Oil Company of Azerbaijan ("SOCAR") and its affiliate SOCAR Oil Affiliate ("SOA") in respect of the offshore block known as the Bahar Project ("Bahar Project"), which consists of the Contract Rehabilitation Area ("Contract Rehabilitation Area" or "CRA") including the Bahar Gas Field and the Gum Deniz Oil Field and the Exploration Area ("Contract Exploration Area"). Bahar Energy has an 80% participating interest, and SOA has a 20% participating interest in the ERDPSA (together with the "Contractors" or "Contractor Parties"). Bahar Energy formed Bahar Energy Operating Company Limited ("BEOC") for the purposes of acting as operator of the Bahar Project on behalf of the Contractor Parties as required under the ERDPSA.

The BEL is entitled to a twenty-five-year period for development and production from the date of SOCAR's approval of the rehabilitation and production program on October 1, 2010. This period can be extended for another five years with the mutual consent of SOCAR and the BEL.

The ERDPSA has been ratified by the Parliament of the Republic of Azerbaijan and approved by the President of the Republic of Azerbaijan on April 27, 2010.

ERDPSA Operations

Under the provisions of the ERDPSA, the BEL and SOA have established the Bahar Energy Operating Company ("BEOC"), a United Arab Emirates registered joint operating company. Each company's ownership in BEOC is the same as its interest in the ERDPSA. BEOC does not generate any profits and does not charge any fees for operating the ERDPSA oil and gas properties.

Following the provisions of the ERDPSA, Bahar Energy is required to carry SOA's 20% participating interest in the ERDPSA until the end of the calendar quarter during which an average daily rate of Petroleum production from the contract rehabilitation area for thirty (30) consecutive days shall exceed at least two (2) times the average daily rate of the 2008 Petroleum Production ("Target Production Rate 2" or "TPR2") or 9,259 barrels of oil equivalent per day ("boe" or "boe/d").

Under the ERDPSA, Bahar Energy had the obligation to achieve, not later than three (3) years from the date of SOCAR's approval of the "Rehabilitation and Production Program", an average daily rate of petroleum production from the contract rehabilitation area during ninety (90) consecutive days to be one point five (1.5) times the average daily rate of the 2008 Petroleum Production ("Target Production Rate 1" or "TPR1") or 6,944 barrels of oil equivalent per day ("boe" or "boe/d").

GREENFIELDS PETROLEUM CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2024 (Continued)

(All tabular amounts are expressed in thousand United States dollars unless otherwise stated)

On January 10, 2014 BEOC informed SOCAR that they had maintained an average of 6,962 boe/day for the previous 90 consecutive days meeting the TPR1 requirements in accordance with the ERDPSA. However, this production milestone was only acknowledged by SOCAR in 2015, which was followed by the payment of a USD 2,000 thousand bonus obligation by BEL to the government according to the terms of ERDPSA. Meeting the TPR1 based on ERDPSA provisions secured the rights for BEL to the full twenty-five-year development and production period. Additionally, finance costs started to be applied to unrecovered petroleum costs at the end of each calendar quarter.

On March 31, 2014, BEOC achieved Target Production Rate 2 ("TPR2") as defined in Article 3.5, "Special Provisions for Carrying SOA's Participating Interest" of the ERDPSA. Upon achieving TPR2, SOA became obligated to fund 20% of the Contract Rehabilitation Area operating costs and capital expenditures (together with the "Petroleum Costs") starting the second quarter of 2014, thereby relieving BEL from the obligation to carry SOA's 20% share of Petroleum Costs under Carry 1 provisions of the ERDPSA. With TPR2 met, both BEL and SOA, as contractors to the ERDPSA, were obligated to fund their proportionate share of Petroleum Costs through cash call requests issued by BEOC.

However, due to SOA's failure to fund cash calls, BEL continued to carry SOA's portion of petroleum costs. On April 19, 2017, BEL and SOCAR signed a 36-month protocol in respect of the carry of certain costs (the "Protocol"), which addresses the shortfall by SOA in funding its 20% share of Petroleum Costs incurred under the ERDPSA since April 2014. Per the Protocol, which has been effective since April 19, 2017, SOA's 20% share of Petroleum Costs is to be funded from (i) SOA's entitlement share of profit petroleum; and (ii) proceeds from SOCAR's marketing of the 10% compensatory petroleum delivered at no charge to SOCAR by the ERDPSA, (together with the "Protocol Proceeds"). The cash call funding deficiencies by SOA are to be funded by BEL, and the amounts equivalent to BEL's overfunding will be added to Carry 1, which balance is subject to reimbursement through the allocation of SOA's share of current and future production referred to as cost recovery petroleum under the ERDPSA Carry 1 recovery provisions.

On April 19, 2020 BEL and SOCAR signed an addendum on the amendment to the protocol on carry of SOA certain costs and concerning issues related to ERDPSA and the period of the protocol was prolonged another 36 months extending the period of recovery to April 19, 2023. On April 19, 2023, this contract was extended for another 36 months to April 19, 2026.

The Protocol was implemented as a financing mechanism, whereby should BEL pay SOA's share of expenditures, BEL would be entitled to receive SOA's share of Cost Recovery Petroleum until such time as (a) amounts were no longer owing under Carry 1; and (b) no portion of the SOA's share of expenditures was outstanding. Per the Protocol, any amounts received from SOA as Protocol Proceeds are treated as financing and recorded as reimbursements of Petroleum Costs incurred. The Protocol Proceeds do not meet the requirements to be accounted for as oil and gas revenue.

In recent years, Greenfields was unable to raise money through the public markets and the shares were thinly traded on the TSXV. Through the delisting process and a number of Shareholder-approved transactions Greenfields was able to eliminate the burden of maintaining a public listing and continuing as a reporting issuer. Under applicable securities laws, a broad range of regulatory obligations was imposed on companies, such as Greenfields, with public shareholders, including the provision of quarterly financial statements and information to shareholders, mandatory solicitation of proxies for annual meetings, increased insurance costs, transfer agent and stock exchange fees and compliance cost and shareholder communication costs. These regulatory requirements necessitated the employment of independent accountants, reserves evaluators, financial consultants, printers, lawyers and other skilled personnel. The Group believed that the anticipated time and costs entailed in meeting the additional disclosure and other regulatory obligations to which public companies are subject could not be justified in view of Greenfields's business strategy, including its limited number of public shareholders.

The Group applied to delist the shares from the TSX Venture Exchange ("TSXV") and cease to be a reporting issuer in each province in which it reported and terminate its public reporting obligations (the "Applications"). On September 11, 2020 the Group delisted and stopped trading on the TSXV. On May 27, 2021 the Group became a non-reporting issuer.

2. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

In the current year, the Group has adopted all of the applicable new and revised Standards and Interpretations issued by the IASB and the IFRIC of the IASB that are relevant to its operations and effective for the year ended December 31, 2024.

The IASB has issued "Lease Liability in a Sale and Leaseback" (Amendments to IFRS 16) with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. **Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)** requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease.

GREENFIELDS PETROLEUM CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2024 (Continued)

(All tabular amounts are expressed in thousand United States dollars unless otherwise stated)

Amendments to IAS 1: Classification of Liabilities as Current or Non-current - In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

In May 2023, the IASB published **"Supplier Finance Arrangements" (Amendment to IAS 7 and IFRS 7)** – These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

Unless otherwise disclosed, the new standards did not have a material effect on the financial statements of the Company.

3. STANDARDS AND INTERPRETATIONS ISSUED AND NOT YET ADOPTED

At the date of authorization of these consolidated financial statements, other than the Standards and Interpretations adopted by the Group in advance of their effective dates, the following Interpretations were in issue but not yet effective. The Group intends to adopt these new and amended standards and interpretations, if applicable when they become effective.

In August 2023, IASB amended IAS 21 **"The Effects of Changes in Foreign Exchange Rates"** to clarify when a currency is exchangeable into another currency and how a company estimates a spot rate when a currency lacks exchangeability. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency, with a normal administrative delay, and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with the option for early adoption.

On May 30, 2024, the IASB issued amendments to IFRS 9 **"Financial Instruments"** and IFRS 7 **"Financial Instruments: Disclosures"** concerning the classification and measurement of financial instruments. Key changes include:

- **Derecognition of financial liabilities:** Allows liabilities settled via electronic transfer to be considered discharged prior to the settlement date under specified criteria.
- **Classification of financial assets:** Provides guidance on assessing contractual terms for basic lending arrangements, enhances the definition of non-recourse features, and clarifies characteristics of contractually linked instruments.
- **Disclosures:** Introduces new requirements for equity investments at fair value through OCI and for contingent terms affecting cash flows.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with retrospective application allowed and early adoption permitted.

On July 18, 2024, the IASB published **"Annual Improvements to IFRS Accounting Standards – Volume 11"**.

This publication includes the following amendments:

- IFRS 1: Clarifications on hedge accounting for first-time adopters.
- IFRS 7: Guidance on recognizing gains or losses on derecognition.
- IFRS 7: Improved disclosures for deferred differences between fair value and transaction price.
- IFRS 7: Enhancements to introduction and credit risk disclosures.
- IFRS 9: Clarifications on lessee derecognition of lease liabilities.
- IFRS 9: Additional guidance on transaction price determination.

GREENFIELDS PETROLEUM CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2024 (Continued)

(All tabular amounts are expressed in thousand United States dollars unless otherwise stated)

- IFRS 10: Clarifications on the determination of a 'de facto agent.'
- IAS 7: Improvements related to the cost method.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026.

On April 9, 2024, the IASB issued a new standard – IFRS 18, "Presentation and Disclosure in Financial Statements" – in response to investors' concerns about the comparability and transparency of entities' performance reporting. The new requirements introduced in IFRS 18 will help to achieve comparability of the financial performance of similar entities, especially related to how 'operating profit or loss' is defined. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'.

IFRS 18 will apply for reporting periods beginning on or after January 1, 2027 and also applies to comparative information.

In May 2024, the IASB published the new standard **IFRS 19 "Subsidiaries without Public Accountability: Disclosures"**, which permits a subsidiary to provide reduced disclosures when applying IFRS Accounting Standards in its financial statements. IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

An entity is only permitted to apply IFRS 19 when:

- it is a subsidiary;
- it does not have public accountability, and
- its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

The new standard is effective for reporting periods beginning on or after January 1, 2027 with earlier application permitted.

On June 26, 2023, the International Sustainability Standards Board (ISSB) published the first two IFRS Sustainability Disclosure Standards IFRS S1 "General requirements for the disclosure of sustainability-related financial information" and IFRS S2 "Climate-related disclosures". The standards contain requirements for the disclosure of material information about an entity's significant sustainability-related risks and opportunities that are necessary for investors to evaluate the entity.

IFRS S1 establishes general requirements with the objective of requiring an entity to disclose information about its sustainability-related risks and opportunities. IFRS S1 prescribes how an entity should prepare and present its sustainability-related financial information. It sets out general requirements for the content and presentation of these disclosures so that the information disclosed is useful to primary users of financial reporting in making decisions about the provision of resources to the entity.

IFRS S2 sets out requirements for identifying, assessing and disclosing information about climate-related risks and opportunities that is useful to the primary users of general-purpose financial reporting.

The two standards are to be applied for reporting periods beginning on or after January 1, 2024. Earlier application is permitted. If an entity applies IFRS S1 earlier, it must disclose this accordingly and apply IFRS S2 at the same time. The mandatory application of the ISSB standards is dependent on their adoption by a jurisdiction into applicable law. This does not affect entities' ability to apply the standards voluntarily (in addition). As at the date of this report, these standards were not adopted by the jurisdiction where the company operates.

IFRS 10 "Consolidated Financial Statements" and IAS 28 (amendments) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" – The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture.

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Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

Unless otherwise disclosed, the new standards and interpretations are not expected to have a material effect on the financial statements of the Company.

4. MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of these consolidated financial statements are set out below.

Going concern

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) on a going concern basis which presumes that the Group will continue its operations in the normal course of business for the foreseeable future. The Group incurred losses in the amount of USD 14,057 thousand and USD 9,551 thousand during the years ended December 31, 2024 and 2023 and its current liabilities exceeded its current assets by USD 9,742 thousand and USD 5,937 thousand, respectively, indicating the existence of material uncertainty. As disclosed in Note 28 to the consolidated financial statements, subsequent to the year-end, the Group agreed with SOCAR on sale of its participation interest in BEOC. While this transaction occurred after the reporting period and does not affect the financial position as at the year-end, it may have a significant impact on the Group's future operations and strategic direction.

Basis of preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis. The consolidated financial statements are presented in USD except when otherwise indicated.

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period.

Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

In particular, information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements is described in the following notes:

- Income tax;
- Oil and gas properties;
- Impairment;
- Provision for liabilities and charges, including Asset Retirement Obligation;
- Contingencies;
- Allocation of petroleum costs and cost recovery oil between contracting parties under the Protocol.

Judgments

In the process of applying the Group's accounting policies, the management has made the following judgments, apart from those involving estimates, which have the most material effect on the amounts recognized in the consolidated financial statements.

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Reserves base

Oil and gas development and production properties are depreciated on a unit-of-production basis, at a rate calculated by reference to the proved reserves determined in accordance with the Society of Petroleum Engineer's rules and incorporating the estimated future cost of developing and extracting those reserves. Commercial reserves are determined using estimates of oil in place, recovery factors and future oil prices, the latter having an impact on the proportion of the gross reserves which are attributable to the host government under the terms of the ERDPSA. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs.

The level of estimated commercial reserves is also a key determinant in assessing whether the carrying value of any of the Group's development and production assets has been impaired.

Carrying value of oil and gas assets

Wells are depreciated using the units-of-production (UOP) method over proven developed mineral reserves.

Other oil and gas assets are depreciated using the units-of-production (UOP) method over proved developed and undeveloped mineral reserves. The calculation of the unit-of-production rate of amortization could be impacted to the extent that actual production in the future is different from current forecast production based on proved reserves. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves.

These factors could include:

- changes in proved reserves;
- the effect on proved reserves of differences between actual commodity prices and commodity price assumptions;
- unforeseen operational issues;
- revision of ERDPSA terms.

Initial recognition of related party transactions

In the normal course of business, the Group enters into transactions with its related parties. IFRS 9 requires the initial recognition of financial instruments based on their fair values. Judgment is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgment is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. The Group determines the level of impairment of non-financial assets on an individual basis, unless it is not possible to estimate the recoverable amount of the individual asset. If the recoverable amount of an individual asset cannot be determined, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit (CGU)).

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiary or other available fair value indicators.

Impairment losses of continuing operations are recognized in the consolidated statement of profit or loss and comprehensive income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

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For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss and comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

It is reasonably possible that the oil price assumption may change which may then impact the estimated life of the field and may then require a material adjustment to the carrying value of goodwill and tangible assets. The Group monitors internal and external indicators of impairment relating to its tangible and intangible assets.

Provision for expected credit losses of financial assets

The Group applies an internal model for assessing expected credit losses of its trade receivables. The model takes inputs from historical observed data, financial information and external rating reports of counterparties, if any, and assigns scores to counterparties. Afterwards, the internally evaluated scores are mapped to the probability of default rates of international rating agencies, such as Moody's. At every reporting date, default rates are updated based on the available latest information. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions.

The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the counterparty's actual default in the future.

Allocation of petroleum costs and cost recovery oil between contracting parties under Protocol

As indicated in Note 1, in accordance with the Protocol, SOA's 20% share of Petroleum Costs is to be funded from (i) SOA's entitlement share of profit petroleum; and (ii) proceeds from SOCAR's marketing of the 10% compensatory petroleum delivered at no charge to SOCAR by the ERDPSA, (together with the "Protocol Proceeds").

During the year ended December 31, 2024, Protocol Proceeds in the amount of USD 3,250 thousand were used to fund the share of SOA for funding and accordingly the petroleum costs attributable to BEL decreased. (December 31, 2023: USD 3,179 thousand).

Management believes that the allocation of petroleum costs and cost recovery oil between contracting parties complies with the requirements of the Protocol.

Decommissioning (Abandonment) costs

Decommissioning costs will be incurred by the Group at the end of the operating life of certain of the Group's facilities and properties. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be material adjustments to the provisions established which would affect future financial results.

The Group estimated the related decommissioning costs of oil wells based on the management's competence and benchmark information. The estimation of decommissioning costs mainly included certain materials and manpower, rent of vessels, equipment and other services that used in the calculation of provision for well abandonment fund based on 31 active oil wells. The management believes that the Group is not liable for the decommissioning of other oil and gas properties (inactive wells and assets originated before the ERDPSA sign date). However, if the parties to ERDPSA agree on a different scenario in the future, the decommissioning costs might be changed.

Provision for obsolete and slow-moving inventory

At the end of every reporting period, the Group assesses the physical condition and usefulness of its inventories and recognizes provision against obsolete and slow-moving inventory, if it is necessary. The assessment is sensitive to the management's estimation on condition and future use of items and technological changes in the industry.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of material judgment and estimates of the outcome of future events.

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A joint operator accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS applicable to the particular assets, liabilities, revenues and expenses.

Foreign currency translation

Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in United States dollars ("USD"), which is the Group's functional and presentation currency.

Certain transactions and balances are carried out in Azerbaijan manat ("AZN"). Within Azerbaijan, the official exchange rates are determined principally by the Central Bank of the Republic of Azerbaijan and are generally considered to be a reasonable approximation of market rates. The translation of AZN-denominated assets and liabilities into USD for the purposes of these consolidated financial statements does not indicate that the Group could realize or settle in USD the reported values of assets and liabilities. Likewise, it does not indicate that the Group could return or distribute the entire value of capital reported in USD to its shareholder.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are premeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit or loss and comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

The exchange rates used to translate the AZN balances into the USD and EUR as of December 31, 2024 and 2023 were the official exchange rates of the Central Bank of the Republic of Azerbaijan ("CBRA"), which were as follows.

	December 31, 2024	December 31, 2023
USD/AZN	1.7000	1.7000
EUR/AZN	1.7724	1.8766

Pre-license (Pre-effective date) costs

Pre-license costs are expensed in the period in which they are incurred.

Exploration and evaluation costs

During the geological and geophysical exploration phase, costs are accumulated in work in progress account. Once the legal right to explore has been acquired, costs directly associated with an exploration well are capitalized as exploration and evaluation intangible assets until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs, bonus payments to the government and payments made to contractors. If no reserves are found, the exploration asset is tested for impairment, if extractable hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells, are likely to be developed commercially; the costs continue to be carried as an intangible asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons.

All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off.

When proved reserves of oil are determined and development is sanctioned, the relevant expenditure is transferred to oil and gas properties after impairment is assessed and any resulting impairment loss is recognized.

Development costs

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells is capitalized within oil and gas properties.

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Oil and gas properties and other property and equipment

Oil and gas properties and other property and equipment are stated at cost, less accumulated depletion, depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Depreciation, depletion and amortization

Wells and other oil and gas properties are depleted on a unit-of-production basis over the proved developed and proved reserves of the field concerned, correspondingly, except in the case of assets where useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved reserves of the relevant area. The unit-of-production rate for the amortization of field development costs takes into account expenditures incurred to date, together with sanctioned future development expenditures.

Other property and equipment are generally depreciated on a straight-line basis over their estimated useful lives, and major inspection costs are amortized over three to five years which represents the estimated period before the next planned major inspection.

Major maintenance and repairs

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalized. Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced assets which is immediately written off.

Inspection costs associated with major maintenance programs are capitalized and amortized over the period to the next inspection. All other maintenance costs are expensed as incurred.

Construction in progress

Construction in progress includes all expenses related to the acquisition of property and equipment, including respective variable overheads directly attributable to the construction. Accrual of depreciation and amortization of these assets commences when they are actually put into operation. The Group measures the carrying value of the construction in progress on a regular basis to identify any indication of impairment of construction in progress and to accrue a respective allowance.

Intangible assets

Intangible assets are stated at the amount initially recognized, less accumulated amortization and accumulated impairment losses. Intangible assets include computer software.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization on a straight-line basis over their useful lives and any accumulated impairment losses. Internally generated intangible assets are not capitalized and expenditure is reflected in the consolidated statement of profit or loss and comprehensive income in the year in which the expenditure is incurred.

Financial instruments

Financial assets and financial liabilities are recognized in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

All regular-way purchases or sales of financial assets are recognized and derecognized on a trade date basis. All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently 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;
- 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.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (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;
- 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 measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met;-
- the Group may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. For financial assets other than purchased or originated credit-impaired financial assets (i.e., assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

The Group's majority of financial assets were classified as financial assets measured subsequently at amortized cost. The Group's financial liabilities were classified as financial liabilities measured subsequently at amortized cost. The Group does not classify any financial liabilities as measured at fair value through profit or loss.

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Impairment of financial assets

The Group applies the expected credit loss model to financial assets measured at amortized cost or at fair value through other comprehensive income.

The allowance for expected credit losses for a financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition.

If at the reporting date, the credit risk on a financial asset has not increased significantly since initial recognition, the allowance for expected credit losses for that financial asset (except trade receivables, where the simplified approach is elected) is measured at an amount equal to 12-month expected credit losses. For trade and other receivables, whether they contain a significant financing component or not, measurements based on lifetime expected credit losses are applied.

The Group utilizes an internal model to assess expected credit losses. The model was developed in accordance with IFRS 9 and designed to assess the credit risk exposure of counterparties taking into account the characteristics of financial assets by assigning a scoring system to counterparties. The assigned score is returning PD (Probability of Default) on an individual basis. Move of the asset from one score band to a lower score band is considered a significant increase in credit risk among other criteria.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of financial liability.

Derecognition of financial liabilities

The Group removes a financial liability (or a part of a financial liability) from its consolidated statement of financial position when, and only when, it is extinguished – i.e., when the obligation specified in the contract is discharged or cancelled or expires.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and at hand and short-term deposits with an original maturity of three months or less. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date are included in other non-current assets.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Inventories

Inventories are stated at a lower cost and net realizable value. Cost is determined by the first-in, first-out method and comprises direct purchase costs, cost of production, transportation and manufacturing expenses. Supplies are valued at cost to the Group mainly using the first-in, first-out cost method or net realizable value, whichever is the lower.

Pipeline fill

Crude oil which is necessary to bring a pipeline into working order is treated as a part of the related pipeline on the basis that it is not held for sale or consumed in a production process, but is necessary to the operation of a facility during more than one operating cycle, and its cost cannot be recouped through the sale (or is significantly impaired). This applies even if the part of the inventory that is deemed to be an item of property and equipment cannot be separated physically from the rest of the inventory. Valuation is carried at cost and it is depreciated over the useful life of the related asset.

Trade and other payables

Trade payables are accrued when the counterparty performs its obligations under the contract and are carried at amortized cost using the effective interest method.

Short-term leases and leases of low-value assets

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

Interest-bearing loans and borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statement of profit or loss and comprehensive income when the liabilities are derecognized, as well as through the amortization process.

Provisions

General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of profit or loss and comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision for well abandonment and site restoration

Provision for well abandonment and site restoration/decommissioning is recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. A corresponding amount equivalent to the provision is also recognized as part of the cost of the related property and equipment. The amount recognized is the estimated cost of decommissioning, discounted to its present value. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property and equipment. The unwinding of the discount on the decommissioning provision is included as a finance cost.

Current income tax

The taxation of the Group's hydrocarbon activities conducted with respect to the ERDPSA contract area, as defined in Note 1, is governed by the provisions of the ERDPSA. According to these provisions, the Government represented by the State Oil Fund of the Republic of Azerbaijan ("SOFAZ"), must pay all income taxes on behalf of the Group and any interest, fines or penalties charged for a delay in the income tax payments.

If SOFAZ fails to pay the Group's income tax, including estimated income tax, then the Group shall have the right to make payments of its income tax directly to the state budget. In such a case, the government's future entitlement to lift profit petroleum shall be decreased and the Group's entitlement shall be increased correspondingly by a volume of equivalent value to such amount of income tax. The income tax rate is determined at a rate of twenty-two (22) percent, which shall remain fixed for the entire term of the ERDPSA.

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The Group recognizes income tax liability according to the ERDPSA provisions and simultaneously decreases its obligation for profit petroleum under ERDPSA to the government by that amount. As of December 31, 2024, the Group had cumulative brought forward tax loss in the amount of USD 219,008 thousand (December 31, 2023: USD 219,783 thousand).

Social protection fund

In accordance with the legislation of the Republic of Azerbaijan, the Group remits mandatory state social insurance contributions to the State Social Protection Fund of the Republic of Azerbaijan on behalf of their employees who are citizens of the Republic of Azerbaijan. These contributions represented 22% of the employees' salaries in 2024 and 2023 and were expensed as incurred. The Group is not obliged to pay any post-retirement benefits.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects. Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared.

Dividends that are declared after the reporting date are treated as a subsequent event under IAS 10 "Events after the Reporting Date" and disclosed accordingly.

Paid in capital

Share-based payment costs attributed to all share options granted to employees, directors, and service providers are measured at fair value at the date of grant using an option-pricing model and expensed over the vesting period with a corresponding increase to share-based payments reserve. Upon exercise of stock options, the consideration received, together with the amount previously recognized in share-based payments reserve, is recorded as an increase to common stock and paid-in capital.

Additionally, debt-to-equity swaps were considered as paid-in capital.

Revenue recognition

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Revenue from contracts with customers is recognized as or when the Group 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. This generally occurs when the product is physically transferred into a vessel, pipe or another delivery mechanism. Revenue from the production of oil and gas in which the Group has an interest with other producers is recognized based on the Group's working interest and the terms of the relevant production sharing contracts. Differences between production sold and the Group's share of production are not material. Sales between companies as disclosed are based on prices generally equivalent to commercially available prices.

Other income and expenses

Other income and expenses are recognized on an accrual basis.

Profit petroleum under ERDPSA

Profit petroleum is the balance of total production from the contract area under ERDPSA remaining after deducting the quantities of crude oil and non-associated natural gas necessary to enable recovery of operating costs and the portion of capital costs recovery petroleum used to recover accumulated capital costs which are calculated on a calendar quarter basis and shall be shared between the government, SOA and the Group according to the mechanism defined in Article 13.6 of ERDPSA. Profit petroleum payable under ERDPSA represents profit oil which should be distributed by the Group to the government.

Title to profit petroleum is out of crude oil and non-associated natural gas and is recognized at the time when the title to crude oil passes to the buyer in accordance with Article 13.7 of ERDPSA.

Contingent liabilities and assets

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

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5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	December 31, 2024	December 31, 2023
Cash at banks	340	110
Cash in hand	4	1
Total cash and cash equivalents	344	111

6. TRADE AND OTHER RECEIVABLES

	December 31, 2024	December 31, 2023
Trade receivables from oil sales	2,161	2,249
Trade receivables from natural gas sales	3,082	1,684
Other receivables	1,567	1,567
Less: allowance for expected credit losses	(1,567)	(1,567)
Total trade and other receivables, net	5,243	3,933

The trade receivables account was denominated in USD and represents amounts due from SOCAR for sales of crude oil and natural gas under the ERDPSA. As of December 31, 2024 and 2023, the Group considered the carrying amount of receivables as fully collectible.

7. PREPAYMENTS

The prepayments in the amount of USD 184 thousand and USD 366 thousand, include the advance payments for operating services and inventories to be used in operations as of December 2024 and 2023, respectively. As at December 31, 2024 the Group recognized bad debt expense for prepayments in the amount of USD 16 thousand (December 31, 2023: nil).

8. INVENTORIES

Inventories consist of the following:

	December 31, 2024	December 31, 2023
Spare parts and materials	2,547	2,669
Oil in stock	366	132
Fuel	194	194
Less provision for slow-moving inventories	(1,434)	(991)
Total inventories	1,673	2,004

Cost is determined on a first-in, first-out basis and includes expenditures incurred in acquiring inventories and bringing them to their existing location and condition. As at December 31, 2024 the Group recognized allowance for slow-moving inventories in the amount of USD 1,434 thousand (December 31, 2023: USD 991 thousand).

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9. PROPERTY AND EQUIPMENT

	Oil and gas properties	CIP	Other assets	Total
Initial cost				
January 1, 2023	223,706	16,657	1,658	242,021
Additions	1,241	576	-	1,817
Change in decommissioning provision	4,818	-	-	4,818
Transfer (internal)	3,458	(3,458)	-	-
Disposals	-	(285)	-	(285)
December 31, 2023	233,223	13,490	1,658	248,371
Additions	566	698	-	1,264
Change in decommissioning provision	(99)	-	-	(99)
Transfer (internal)	1,489	(1,489)	-	-
Disposals	-	(5,711)	-	(5,711)
December 31, 2024	235,179	6,988	1,658	243,825
Accumulated DDA				
January 1, 2023	(55,362)	(3,125)	(1,582)	(60,069)
Charge for the year	(9,367)	-	(10)	(9,377)
Impairment loss	-	(511)	-	(511)
December 31, 2023	(64,729)	(3,636)	(1,592)	(69,957)
Charge for the year	(9,094)	-	(10)	(9,104)
Reversal of impairment loss	-	1,691	-	1,691
December 31, 2024	(73,823)	(1,945)	(1,602)	(77,370)
Net book value				
December 31, 2024	161,356	5,043	56	166,455
December 31, 2023	168,494	9,854	66	178,414

Bonus in the amount of USD 4,000 thousand, for the right to contract area development plan was paid to SOCAR in accordance with the ERDPSA and this cost has been included in the initial cost of oil and gas properties as of December 31, 2024 and 2023. The carrying amount of the bonus was USD 2,277 thousand as of December 31, 2024 (December 31, 2023: USD 2,381 thousand).

The Group recorded a reversal of impairment loss in the amount of USD 1,691 thousand for CIP as at December 31, 2024. As at December 31, 2023, impairment loss is recorded in the amount of USD 511 thousand for CIP due to changes in future plans of the utilization of those assets.

In assessing whether a write-down is required in the carrying value of a potentially impaired asset, its carrying value is compared with its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Given the nature of the Group's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers are taking place. Unless otherwise indicated, the recoverable amount used in assessing the impairment charges is value in use.

After individual assessment of assets, the Group assesses the recoverable amount of cash-generating unit to which the oil and properties belong. The Group estimates value in the use of cash-generating unit using a discounted cash flow model. The calculation of value in use is most sensitive to the following assumptions:

- Production volumes;
- Discount rate;
- Commodity price.

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Estimated production volumes are based on detailed data for the fields and take into account development plans for the fields agreed by management as part of the long-term planning process. The management utilizes a risk-adjusted basis for the different categories of oil reserves recognized (being 90% of proved, 50% of probable and 10% of possible reserves).

The Group generally estimates value in use using a discounted cash flow model. The future cash flows as of December 31, 2024 and 2023 are adjusted for risks specific to the asset and discounted using a pre-tax discount rate of 6.5%. This discount rate is derived from the Group's pre-tax weighted average cost of long-term borrowings.

The management uses escalated price case for commodity price assumption which implies a varying price over the life of the project with future escalations of prices indexed to the Brent Forward Pricing as listed on NYMEX and USD 95 per thousand cubic meters of natural gas.

As of December 31, 2024 and 2023 the Group did not recognize any impairment loss on the cash-generating unit to which oil and gas properties belong.

The Group shall be responsible for the maintenance and repair of all facilities controlled and operated in connection with the petroleum operations. Fees from third parties' access to contractor facilities shall be credited to the petroleum operations account. SOCAR shall have the right to use excess capacity in contractor facilities provided such use does not interfere with or adversely affect petroleum operations. Third parties may use such excess capacity on terms agreed with the contractor. Prior to zero balance, the priority of such use of contractor facilities shall be first the Group, then third parties, and finally SOCAR. During the year ended December 31, 2024, the Group did not transfer any assets to SOCAR.

10. RIGHT-OF-USE ASSET

	Vessels	Total
Initial cost		
January 1, 2023	<u>8,264</u>	<u>8,264</u>
December 31, 2023	<u>8,264</u>	<u>8,264</u>
December 31, 2024	<u>8,264</u>	<u>8,264</u>
Accumulated depreciation		
January 1, 2023	(6,146)	(6,146)
Charge for the year	(2,118)	(2,118)
December 31, 2023	<u>(8,264)</u>	<u>(8,264)</u>
December 31, 2024	<u>(8,264)</u>	<u>(8,264)</u>
Net book value		
December 31, 2024	<u>-</u>	<u>-</u>
December 31, 2023	<u>-</u>	<u>-</u>

11. ADVANCES TO SUPPLIERS OF PROPERTY AND EQUIPMENT

	December 31, 2024	December 31, 2023
Advances to suppliers of property and equipment	<u>342</u>	<u>292</u>
Total advances to suppliers of property and equipment	<u>342</u>	<u>292</u>

As of December 31, 2024 advances to suppliers of property and equipment in the amount of USD 342 thousand mainly include payments for the reconstruction services (December 31, 2023: USD 292 thousand).

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12. TRADE AND OTHER PAYABLES

	December 31, 2024	December 31, 2023
Trade accounts payable	5,872	4,264
Payables for property and equipment	193	127
Other payables	62	32
Total trade and other payables	6,127	4,423

As of December 31, 2024 and 2023, trade and other payables in the amount of USD 6,065 thousand and USD 4,391 thousand mainly include payables for the repair of production and technical facilities, marine services, medical insurance of employees and other insurance services, electricity expenses, professional fees and other payables related to the Group's operations, respectively.

13. TAXES OTHER THAN INCOME TAX PAYABLE

	December 31, 2024	December 31, 2023
Personal income tax	234	380
Other tax payables	41	190
VAT payable	-	120
Total taxes other than income tax payable	275	690

As of December 31, 2023, VAT payables in the amount of USD 120 thousand represent the VAT payables from sales of natural gas to SOCAR Gas Export Department.

14. PROFIT PETROLEUM UNDER THE ERDPSA

Profit petroleum is the balance of total production from the contract area under the ERDPSA remaining after deducting the quantities of crude oil and non-associated natural gas necessary to enable recovery of operating costs and the portion of capital costs recovery petroleum used to recover accumulated capital costs which are calculated on a calendar quarter basis and shall be shared between the Government, SOA and the Group according to the mechanism defined in the ERDPSA. Profit petroleum payable under ERDPSA represents profit petroleum which should be distributed by the Group to the government.

Profit petroleum oil and gas payable as of December 31, 2024 and 2023, consisted of the following:

	December 31, 2024	December 31, 2023
Profit petroleum payable to the government	1,584	244
Total profit petroleum payable under the ERDPSA	1,584	244

According to the ERDPSA, the share of profit oil to which the government is entitled in a calendar year is deemed to include a portion representing the income tax imposed upon and due by the Group and which will be paid directly by SOFAZ on behalf of the Group to the appropriate tax authorities. This portion of income tax and revenue is presented gross in the consolidated statement of profit or loss and comprehensive income.

Profit petroleum under the ERDPSA represents the share of profit oil attributable to the government. The share of profit oil to which the government is entitled in a calendar year is deemed to include a portion representing the income tax imposed upon and due by the Group and which will be paid directly by SOFAZ on behalf of the Group to the appropriate tax authorities.

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15. INTEREST-BEARING LOANS AND BORROWINGS

Non-current portion:

Lender	Effective interest rate	Maturity date	As at December 31, 2024	As at December 31, 2023
CONVERTIBLE LOAN			30,631	37,380
Vitol Energy (Bermuda) Ltd.	SOFR+1.5%	31.12.2027	30,631	37,380
John Harkins	SOFR+1.5%	31.12.2027	-	-
SECURED LOAN			11,568	11,568
Vitol Energy (Bermuda) Ltd.	SOFR+5%	31.03.2025	10,248	10,248
John Harkins	SOFR+5%	30.04.2025	1,320	1,320
"PASHA BANK" OJSC			2,133	4,628
Pasha loan 2	5.7%	03.06.2026	952	4,628
Pasha loan 3	8%	17.09.2026	1,181	-
Total non-current portion of interest-bearing loans and borrowings			44,332	53,576

Current portion:

Lender	Effective interest rate	Maturity date	As at December 31, 2024	As at December 31, 2023
"PASHA BANK" OJSC			5,143	3,738
Pasha loan 1	5%	24.06.2024	-	1,566
Pasha loan 2	5.7%	03.06.2026	3,675	2,172
Pasha loan 3	8%	17.09.2026	1,468	-
SECURED LOAN			3,994	3,194
Vitol Energy (Bermuda) Ltd.	SOFR+5%	On demand	3,838	2,947
John Harkins	SOFR+5%	On demand	156	247
Total current portion of interest-bearing loans and borrowings			9,137	6,932

On April 11, 2023, (i) the Group agreed to convert outstanding convertible loan of John W. Harkins in the amount of USD 6,915 thousand with a conversion price of USD 344.17 per share, (ii) the Group and Vitol Energy (Bermuda) Ltd. agreed to release debt in the amount of USD 15,599 thousand upon the borrower having paid to lender at least USD 5,500 thousand of the outstanding loan, (iii) the Group agreed to amend interest rate of secured loans with an interest of 6.5% per annum. (iv) During the year ended December 31, 2024, the Group and Vitol Energy (Bermuda) Ltd. agreed to release debt in the amount of USD 7,317 thousand upon the borrower having paid to lender at least USD 5,500 thousand of the outstanding loan.

During the year ended December 31, 2024, a loan agreement was signed between the BEOC and "Pasha Bank" OJSC in the total amount of USD 3,000 thousand with a nominal interest rate of 8% and a maturity date of September 17, 2026. The outstanding balance of this loan was USD 2,649 thousand as of December 31, 2024.

During the year ended December 31, 2023, a loan agreement was signed between the BEOC and "Pasha Bank" OJSC in the total amount of USD 7,400 thousand with a nominal interest rate of 5.7% and a maturity date of March 6, 2026. The outstanding balance of this loan was USD 6,800 thousand as of December 31, 2024 (December 31, 2023: 4,628).

During the year ended December 31, 2024, the BEOC paid principal and interest expenses in the amounts of USD 4,090 thousand and USD 430 thousand to Pasha Bank OJSC (December 31, 2023: principal: USD 4,142 thousand, interest: USD 488 thousand).

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On June 15, 2022, the Group agreed to restructure its outstanding loans and borrowings to related parties into the two debt instruments: (i) USD 23 million senior secured loan with an interest of SOFR+5% and with distributions on a pro-rata basis for 4 years, (ii) USD 59 million convertible loan with a final maturity date of 6 years and an interest of SOFR+1.5% payable per annum. The borrower shall pay accrued interest on the loan on the last day of each interest period or the accrued interest payable on that day shall be capitalized to become part of the loan. Convertible loans can either be repaid in full on their final maturity date, or, converted into ordinary shares at a conversion price of USD 3,441.72 per share.

Upon the occurrence of a Conversion Event (execution of an agreement for the sale of the assets or the issued share capital of the Borrower):

- (a) the Borrower shall promptly notify the Lenders upon becoming aware of that event;
- (b) if the Majority Lenders so require, the Majority Lenders shall, by not less than ten (10) days' notice to the Borrower, declare that the Loan, together with accrued interest, shall be converted into Conversion Shares in the capital of the Borrower subject to the following conditions:
 - (i) the number of conversion shares to be issued to each lender at the time of conversion shall be equal to the conversion amount divided by the conversion price pro rata to each lender's participation in the Loan;
 - (ii) the Borrower having obtained all Conversion Approvals; and
 - (iii) no fractional conversion shares will be issued upon conversion. Where the calculation results in a fraction, the number of conversion shares to be issued to a lender shall be rounded up to the nearest whole number of shares which result from the conversion.

A reconciliation of the opening and closing amounts of financial liabilities with relevant cash and non-cash changes from financing activities is stated below:

	Current portion	Non-current portion	Total
January 1, 2024	6,932	53,576	60,508
Cash flow			
Proceeds	-	3,000	3,000
Principal paid	(4,090)	-	(4,090)
Interest paid	(2,837)	-	(2,837)
Non-cash changes			
Interest expense	4,205	-	4,205
Transfer to paid in capital	(377)	(6,940)	(7,317)
Term charge	5,304	(5,304)	-
December 31, 2024	9,137	44,332	53,469
	Current portion	Non-current portion	Total
January 1, 2023	6,076	77,534	83,610
Cash flow			
Proceeds	-	7,400	7,400
Principal paid	(11,223)	-	(11,223)
Interest paid	(1,492)	-	(1,492)
Non-cash changes			
Interest expense	4,727	-	4,727
Transfer to paid in capital	(105)	(15,494)	(15,599)
Convertible loan converted to shares	-	(6,915)	(6,915)
Term charge	8,949	(8,949)	-
December 31, 2023	6,932	53,576	60,508

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16. PROVISION FOR WELL ABANDONMENT AND SITE RESTORATION

The Group makes full provision for the future cost of decommissioning oil production facilities and pipelines on a discounted basis on the installation of those facilities. The well abandonment and site restoration provision represents the present value of well abandonment and site restoration costs relating to oil and gas properties, which are expected to be incurred for various periods within the Group. ERDPSA determines the maximum liability of the Contractor parties for the well abandonment and site restoration provision. These estimates are reviewed regularly to take into account any material changes to the assumptions used in estimation. Under the provisions of ERDPSA, contractor parties are obliged to finance the abandonment of all fixed assets employed in petroleum operations within the contract areas defined in ERDPSA, through the transfer of funds to an escrow account starting from September 1, 2022.

As of December 31, 2024 and 2023, the amount of well abandonment and site restoration provision included in the initial value of oil and gas properties was USD 5,009 thousand and USD 5,108 thousand, respectively.

A reconciliation of the beginning and ending aggregate carrying amount of well abandonment and site restoration provision for the years ended December 31, 2024 and 2023 is as follows:

	Year ended December 31, 2024	Year ended December 31, 2023
Opening balance	5,670	736
Accretion expense	369	116
Revision of estimation due to change in future abandonment costs and discount rate	(99)	4,818
Closing balance	5,940	5,670

The future undiscounted amount of the well abandonment and site restoration provision was USD 99 thousand and USD 4,818 thousand as of December 31, 2024 and 2023, respectively. According to the ERDPSA, well abandonment and site restoration provision fund is to be created in order to finance the abandonment of all fixed assets to be employed. Management estimates that assets will begin to be abandoned at the expiration date of the ERDPSA, which is October 1, 2035.

The Group will make an assessment of future decommissioning costs of its movable assets based on well abandonment instructions issued by SOCAR and correspondingly revises its asset retirement obligation when there is a change in estimation.

The amount of the liability equals the present value of the future well abandonment and site restoration provision, using a risk-free interest rate adjusted for the effect of the Group's credit standing, which equals to 6.5% as of December 31, 2024 and 2023.

17. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The nature of the related party relationships for those related parties with whom the Group entered into material transactions or had material balances outstanding is detailed below:

Nature of relationship	Interest-bearing loans and borrowings	
	December 31, 2024	December 31, 2023
Shareholder	46,193	52,142
Total	46,193	52,142

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Nature of relationship	Interest expense	
	December 31, 2024	December 31, 2023
Shareholder	3,775	4,239
Total	3,775	4,239

Compensation of key management personnel

The remuneration of key management personnel of the Group for the year ended December 31, 2024 amounted to USD 2,097 thousand (December 31, 2023: USD 1,279 thousand).

18. SHAREHOLDER'S EQUITY

As at December 31, 2020, the authorized share capital of the Group consists of 799,992,000 shares of nominal or par value of USD 0.10, 199,998,000 non-voting shares of nominal or par value of USD 0.10 and 100,000 preferred shares of nominal or par value of USD 0.01.

As of December 31, 2024 and 2023, paid in capital in the amount of USD 135,136 thousand and USD 127,819 thousand represents cash transfers to the Group and debt-to-equity conversion by the shareholders to make the Group sustainable in operations.

On April 11, 2023, (i) shareholders who hold less than 5% of shares agreed to surrender six common shares that they hold in the Group, (ii) additionally, 298 common shares of the Group were issued to John W. Harkins for restructuring of borrowings. (iii) the Group issued 20,091 shares to John W. Harkins in exchange for the conversion of existing convertible loan in the amount of 6,915 thousand USD. (iv) During the year ended December 31, 2024, the Group and Vitol Energy (Bermuda) Ltd. agreed to release debt in the amount of USD 7,317 thousand upon the borrower having paid to lender at least USD 5,500 thousand of the outstanding loan.

Common Shares

Each common share carries equal voting rights, is non-preferential, and participates evenly in the event of a dividend payment or in the winding up of the Group.

As at December 31, 2024 and 2023, the paid-in capital of the Group consists of 20,613 common shares and 184 preferred shares.

Outstanding shares	Number of common shares	Number of preferred shares	Amount
January 1, 2023	230	184	105,485
Surrender of common shares	(6)	-	-
Reissuance of treasury shares	298	-	-
Convertible loan converted to shares	20,091	-	6,915
Transfer to paid in capital	-	-	15,599
December 31, 2023	20,613	184	127,999
Transfer to paid in capital	-	-	7,317
December 31, 2024	20,613	184	135,316

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Per Share Information

<i>Amounts are expressed in thousand United States dollars except per share amount</i>	December 31, 2024	December 31, 2023
Weighted average number of common shares outstanding	20,613	14,972
Total comprehensive loss for the year	<u>(14,057)</u>	<u>(9,551)</u>
Basic and diluted loss per share	<u>(682)</u>	<u>(638)</u>

The average market value of the Group's common shares, used for purposes of calculating the dilutive effect of share options, is based on quoted market prices for the year that the equity instruments were outstanding.

In the event of failure to repay the borrowings, equity status will change, as outlined in Section 8.1 of the Amended and Restated Convertible Loan Agreement and Section 6.1 of the Amended and Restated Vitol Senior Loan Agreement as follows:

Parties	Equity	Equity %
Mr. John W. Harkins	24,571	14.75%
Vitol Energy Bermuda	141,944	85.20%
Interactive Brokers Canada	44	0.03%
Shareholder less than 5%	<u>35</u>	<u>0.02%</u>
Total	<u>166,594</u>	<u>100%</u>

19. OIL AND GAS REVENUES

The Group's revenues from crude oil are produced in the contract area under ERDPSA and exported through Baku-Novorossiysk and Baku-Tbilisi-Ceyhan pipeline systems. The customers of the Group are SOCAR Marketing and Economic Operations Department that receives the World Market Oil (WMO) at the delivery point in the territory of the Republic of Azerbaijan and carries and delivers to the international markets and SOCAR Gas Export which sells natural gas within the territory of the Republic of Azerbaijan. Revenue is stated net of delivery losses and net of sales taxes, excise duties and similar levies.

	Year ended December 31, 2024	Year ended December 31, 2023
Revenue from the sales of natural gas	13,481	13,477
Revenue from the sales of crude oil	<u>11,447</u>	<u>12,386</u>
Total revenue	<u>24,928</u>	<u>25,863</u>

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During the year ended December 31, 2024 and 2023, the delivered crude oil and natural gas comprised:

	Year ended December 31, 2024	Year ended December 31, 2023
Crude Oil sales, bbl	173,789	180,199
Natural Gas sales, millions of cubic meters	145	144

20. SELLING AND TRANSPORTATION COSTS

	Year ended December 31, 2024	Year ended December 31, 2023
Transportation tariff	373	485
Commission to SOCAR Marketing and Operations Department	115	124
SOCAR pipeline transportation tariff	82	85
Total selling and transportation costs	570	694

For the years ended December 31, 2024 and 2023, selling and transportation costs represent the amounts accrued for various commissions, internal and external pipeline tariffs.

21. OPERATING EXPENSES

Operating expenses comprised the following:

	Year ended December 31, 2024	Year ended December 31, 2023
Payroll	5,609	5,530
Rent expenses	4,173	1,386
Material costs	1,281	1,760
Regular repairs and maintenance	1,274	1,386
Electricity and other utility expenses	1,199	1,141
Firefighting Services	801	307
Fuel expenses	608	923
Security services	199	214
Health and safety expenses	164	278
Ecological expenses	9	18
Transport expenses	3	1
Other expenses	167	172
Elimination under protocol*	(907)	(1,230)
Total operating expenses	14,580	11,886

*Elimination represents allocation of petroleum costs and cost recovery oil between contractor parties under protocol as indicated in Note 4.

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22. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprised the following:

	Year ended December 31, 2024	Year ended December 31, 2023
Payroll	3,561	3,486
Office, travel and other expenses	710	476
Professional services	336	180
Communications	82	86
Insurance expenses	68	64
Bank commissions	58	49
Rent expenses	28	33
Elimination under protocol*	(256)	(324)
Total general and administrative expenses	4,587	4,050

*Elimination represents allocation of petroleum costs and cost recovery oil between contractor parties under protocol as indicated in Note 4.

23. FINANCE EXPENSES

	Year ended December 31, 2024	Year ended December 31, 2023
Interest expense on interest-bearing loans and borrowings	4,205	4,727
Accretion of asset retirement obligation	369	116
Interest expense on lease liabilities	-	149
Total finance expenses	4,574	4,992

24. EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION (EBITDA)

The group presents adjusted EBITDA as a performance measure management believes to be relevant to an understanding of the Group's financial performance.

EBITDA is calculated by adjusting profit to exclude the impact of taxation, net finance expenses, depreciation, amortization, and impairment expense. EBITDA is not a defined performance measure in the Group accounting policy. The Group definition of EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities. Reconciliation of adjusted EBITDA to profit for the year is as follows:

	Year ended December 31, 2024	Year ended December 31, 2023
Loss for the year	(14,057)	(9,551)
Adjustments for:		
Depreciation (Note 9, 10)	9,104	11,495
Finance expenses (Note 23)	4,574	4,992
EBITDA	(379)	6,936

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25. COMMITMENTS AND CONTINGENCIES

Operating Environment of the Group

The Group's operations are conducted in the Republic of Azerbaijan. The Group is exposed to the economic and financial markets of Azerbaijan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Azerbaijan.

The Group has significant exposure to the economy and the level of international energy prices. The disruption of the global supply chains, conflict between the Russian Federation and Ukraine as well as rising consumer demand for goods lead to significant inflationary pressures to the global economy in 2022, including soaring commodity prices. The Group sells oil by reference to the Urals oil blend prices. Average price of the Urals oil blend was USD 66.1 per barrel in 2024, compared to USD 68.5 per barrel in 2023.

The depreciation of Azerbaijani manat in 2015-2016 has led to significant uncertainties in business environment, therefore government took all required actions to keep the exchange rate stable over the past 8 years. As a result, continuous fluctuation in global oil prices did not affect the local currency and therefore did not increase the uncertainty in the business environment.

The economy of Azerbaijan expanded 4.1% year-on-year in the January-December period 2024, accelerating from a 1.1% growth in the same period last year. The non-oil and gas sector increased by 6.2%, while the oil and gas sector rose slightly by 0.3%.

The sustainability of the cease-fire arrangement over the Karabakh region also improves the business environment as there are number of government-led projects to attract investment and develop the territories released from occupation.

GDP reached AZN 126.3 billion (USD 74.3 billion) in 2024 with 4.1% growth compared to 2023. During the year 2023 foreign trade turnover of the Republic of Azerbaijan reached about USD 47.6 billion of which export amounted to USD 26.6 billion and import amounted to USD 21.1 billion according to the statistics of the State Customs Committee.

International credit rating agencies regularly evaluate the credit rating of the Republic of Azerbaijan. Fitch and S&P evaluated the rating of the Republic of Azerbaijan as "BBB-". Moody's Investors Service set a "Ba1" credit rating for the country.

The future economic growth of the Republic of Azerbaijan is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments. The Management is unable to predict, all developments in the economic environment which would have an impact on the Group's operations and consequently what effect, if any, they could have on the financial position of the Group. The management is currently performing sensitivity analyses under different oil price scenarios and elaborating relevant action plans for maintaining the sustainability of the business.

Legal proceedings

In the normal course of business, the Group received some claims from customers and counterparties. The Management expects that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

Tax legislation

Tax, currency and customs legislation of the Republic of Azerbaijan is subject to varying interpretations, and changes, which can occur frequently. The Management's interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the relevant authorities.

Recent events within the Republic of Azerbaijan suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods. The Management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency legislation and customs positions will be sustained.

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Covenants and commitments under the ERDPSA

World Market Oil and Natural Gas Contract

The Group entered into a sales agreement with SOCAR dated October 1, 2010, whereby the Group and SOA committed to sell their full entitlements of crude oil and natural gas produced in the ERDPSA contract area to SOCAR at market prices. Accordingly, the Group sold all the oil and natural gas produced from the rehabilitation area of the ERDPSA to SOCAR.

Zero Balance

Prior to zero balance, the priority of such use of contractor facilities shall be first the Group, then third parties, and finally SOCAR. SOCAR shall pay a mutually agreed fee for such use to be credited to the petroleum operations account. After a zero balance, the priority shall be first the Group, then SOCAR and finally third parties. SOCAR's use after zero balance shall be free of charge, except that maintenance of contractor facilities for the time being not used by the Group and being utilized exclusively by SOCAR, shall be on terms to be mutually agreed upon.

Compensatory Petroleum Obligation

The Group is obliged to deliver at no cost to SOCAR the amount of crude oil equal to 5% of total production of petroleum produced from the Contract Rehabilitation Area within three years following the effective date.

Commencing from the fourth year following the effective date, the Group is obliged to deliver at no charge to SOCAR 10% of total production of petroleum produced from the Contract Rehabilitation Area until the amount so delivered is equivalent to 170,000 tons of crude oil and 630 million cubic meters of non-associated natural gas ("compensatory petroleum").

As of December 31, 2024 the Group had 119,592 tons of crude oil and 385 million cubic meters of non-associated natural gas remaining compensatory petroleum obligation under the ERDPSA (December 31, 2023: 122,182 tons of crude oil and 401 million cubic meters of non-associated natural gas).

Commitment under the Environmental Action Plan

Under the provisions of the ERDPSA, the Group is only liable for those direct losses or damages incurred by third parties (other than any government authorities of the Republic of Azerbaijan) or arising out of any environmental pollution determined by the appropriate court of the Republic of Azerbaijan to have been caused by the fault of the Group. The Group is not responsible to bear any cost, expenses or material liability for claims, damages or losses arising out of or related to any environmental pollution or other environmental damages, condition or problems, which it did not cause, including but not limited to those in existence prior to December 22, 2009.

Commitment on Capital Expenditures

The Group plans to undertake the capital expenditure commitments for sustainable production of the remaining ERDPSA period. The capital commitments were associated with the drilling and testing of exploration wells, the upgrade, refurbishment and construction of a drilling rig and other facilities, construction of new production facilities and etc. Under the potential work program, the management expects to invest funds in the amount of USD 27,477 thousand for long-term capital commitments during the period covering from 2024 to 2025.

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26. FINANCIAL RISK MANAGEMENT

Concentration of credit risk

The Group is subject to credit risk from its portfolio of cash and cash equivalents. The Group manages the credit risk by depositing the majority of available cash with highly reputable foreign international banks. Cash balances maintained in several Azerbaijani banks are limited to a level sufficient to cover current operations only. Management of the Group continually monitors the status of the Azerbaijani banks where deposits are maintained.

The Group is also subject to credit risk from the accounts receivable related to oil sales. The Group's trade receivables consist solely of amounts receivable from SOCAR in USD. The Group performs an ongoing assessment of the collectability of accounts receivable. To date, the Group has not experienced any credit losses with respect to its trade accounts receivable and management believes that all trade accounts receivable are fully collectible.

Liquidity risk

The analysis of undiscounted cash flows on the Group's liabilities by remaining contractual maturity at December 31, 2024 and 2023 are set out below:

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	December 31, 2024 Total
LIABILITIES:						
Trade and other payables	(601)	(5,526)	-	-	-	(6,127)
Profit petroleum payable under the ERDPSA	-	(1,584)	-	-	-	(1,584)
Interest-bearing loans and borrowings	(937)	(1,837)	(8,093)	(47,362)	-	(58,229)
Environmental liability	-	-	(63)	-	-	(63)
Provision for well abandonment and site restoration	-	-	-	-	(5,940)	(5,940)
Taxes other than income tax payable	-	(275)	-	-	-	(275)
TOTAL LIABILITIES	(1,538)	(9,222)	(8,156)	(47,362)	(5,940)	(72,218)

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	December 31, 2023 Total
LIABILITIES:						
Trade and other payables	(245)	(4,178)	-	-	-	(4,423)
Profit petroleum payable under the ERDPSA	-	(244)	-	-	-	(244)
Interest-bearing loans and borrowings	(906)	(1,761)	(7,821)	(54,375)	-	(64,863)
Environmental liability	-	-	(62)	-	-	(62)
Provision for well abandonment and site restoration	-	-	-	-	(5,670)	(5,670)
Taxes other than income tax payable	-	(690)	-	-	-	(690)
TOTAL LIABILITIES	(1,151)	(6,873)	(7,883)	(54,375)	(5,670)	(75,952)

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Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	USD	AZN	December 31, 2024 Total
MONETARY ASSETS			
Cash and cash equivalents	324	20	344
Trade and other receivables	5,243	-	5,243
TOTAL MONETARY ASSETS	5,567	20	5,587
MONETARY LIABILITIES			
Trade and other payables	(2,451)	(3,676)	(6,127)
Taxes other than income tax payable	-	(275)	(275)
Interest-bearing loans and borrowings	(53,469)	-	(53,469)
Profit petroleum payable under the ERDPSA	(1,584)	-	(1,584)
Environmental liability	(63)	-	(63)
Provision for well abandonment and site restoration	(5,940)	-	(5,940)
TOTAL MONETARY LIABILITIES	(63,507)	(3,951)	(67,458)
NET OPEN CURRENCY POSITION	(57,940)	(3,931)	
	USD	AZN	December 31, 2023 Total
MONETARY ASSETS			
Cash and cash equivalents	102	9	111
Trade and other receivables	3,676	257	3,933
TOTAL MONETARY ASSETS	3,778	266	4,044
MONETARY LIABILITIES			
Trade and other payables	(1,071)	(3,352)	(4,423)
Taxes other than income tax payable	-	(690)	(690)
Lease liability			
Interest-bearing loans and borrowings	(60,508)	-	(60,508)
Profit petroleum payable under the ERDPSA	(244)	-	(244)
Environmental liability	(62)	-	(62)
Provision for well abandonment and site restoration	(5,670)	-	(5,670)
TOTAL MONETARY LIABILITIES	(67,555)	(4,042)	(71,597)
NET OPEN CURRENCY POSITION	(63,777)	(3,776)	

Interest rate risk

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The level of these changes is determined by management and is contained within the risk reports provided to key management personnel.

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Impact on loss before tax:

	Year ended December 31, 2024		Year ended December 31, 2023	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
Financial liabilities:				
Interest-bearing loans and borrowings	(535)	535	(605)	605
Net impact on loss before tax	(535)	535	(605)	605

Currency risk sensitivity

The following table details the Group's sensitivity to a 10% increase and a decrease in the USD against AZN. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items and adjusts their translation at the end of the period for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

	As of December 31, 2024		As of December 31, 2023	
	USD/AZN +10%	USD/AZN -10%	USD/AZN +10%	USD/AZN -10%
Impact on profit and loss accounts	(393)	393	(378)	378

Commodity price risk sensitivity

The Group is exposed to the risk of fluctuations in the prevailing market commodity prices on crude oil it produces.

The analysis is based on the assumption that the crude oil price changes by 10% and all other variables are held constant for each year individually.

	As of December 31, 2024		As of December 31, 2023	
	Oil and Gas price +10%	Oil and Gas price -10%	Oil and Gas price +10%	Oil and Gas price -10%
Impact on profit and loss accounts	2,493	(2,493)	2,586	(2,586)

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analysis does not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective actions. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the consolidated statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate the potential risk that only represents the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

As of December 31, 2024 and 2023 the Group had no financial instruments measured at fair value.

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized below:

			Fair value measurement using			
	Financial instrument classification	Date of valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets for which fair values are disclosed						
Cash and cash equivalents	Financial assets at amortized cost	December 31, 2024	344	-	-	344
Trade and other receivables	Financial assets at amortized cost	December 31, 2024	-	-	5,243	5,243
Liabilities for which fair values are disclosed						
Trade and other payables	Financial liability at amortized cost	December 31, 2024	-	-	(6,127)	(6,127)
Interest-bearing loans and borrowings	Financial liability at amortized cost	December 31, 2024	-	-	(53,469)	(53,469)

			Fair value measurement using			
	Financial instrument classification	Date of valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets for which fair values are disclosed						
Cash and cash equivalents	Financial assets at amortized cost	December 31, 2023	111	-	-	111
Trade and other receivables	Financial assets at amortized cost	December 31, 2023	-	-	3,933	3,933
Liabilities for which fair values are disclosed						
Trade and other payables	Financial liability at amortized cost	December 31, 2023	-	-	(4,423)	(4,423)
Interest-bearing loans and borrowings	Financial liability at amortized cost	December 31, 2023	-	-	(60,508)	(60,508)

Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by a class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

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	Carrying value 2024	Fair value 2024	Unrecognized gain/(loss) 2024	Carrying value 2023	Fair value 2023	Unrecognized gain/(loss) 2023
Financial assets						
Cash and cash equivalents	344	344	-	111	111	-
Trade and other receivables	5,243	5,243	-	3,933	3,933	-
Financial liabilities						
Trade and other payables	(6,127)	(6,127)	-	(4,423)	(4,423)	-
Interest-bearing loans and borrowings	(53,469)	(53,469)	-	(60,508)	(60,508)	-
Total unrecognized change in unrealized fair value			-			-

Assets and liabilities for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, without specific maturity and variable-rate financial instruments.

Fixed and variable rate financial instruments

For quoted debt instruments, the fair values are determined based on quoted market prices. The fair values of unquoted debt instruments are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

28. EVENTS AFTER THE REPORTING PERIOD

On February 27, 2025, a loan agreement was signed between the BEOC and "Pasha Bank" OJSC in the total amount of USD 9,345 thousand with a nominal interest rate of 7.8% and a maturity date of February 26, 2029.

On May 15, 2025 BEL and SOCAR signed an agreement of sale of BEL's participating interest in BEOC for a total consideration of USD 45,000 thousand, subject to certain adjustments stipulated in the agreement. The final consideration was agreed at USD 41,386 thousand and the transaction was completed in August 2025.

On May 12, 2025, the Group and Vitol Energy (Bermuda) Ltd. signed a Second Amendment to the agreement dated June 16, 2022. According to the agreement upon the execution of a sale event, the Group was entitled to make a settlement payment to Vitol Energy (Bermuda) Ltd. With effect from the confirmation of settlement payment, Vitol Energy (Bermuda) Ltd agreed to fully and irrevocably release and discharge the Group from any and all claims, demands, duties, obligations and liabilities that the Group may have had to Vitol Energy (Bermuda) Ltd. under or in respect of the agreement.

On August 19, 2025, the Group fulfilled the requirements stated in article 3A.3(b) of the agreement by paying USD 4,400 thousand and was thereby released from all obligations to Vitol Energy (Bermuda) Ltd.

Subsequent to the surrender of Vitol Energy (Bermuda) Ltd.'s shares, the Company's new shareholders comprised the following:

	August 19, 2025		December 31, 2024	
	Number of shares	Ownership, %	Number of shares	Ownership, %
John W. Harkins	20,474	99.62%	20,474	99.33%
Interactive Brokers Canada	44	0.21%	44	0.21%
Shareholder less than 5%	35	0.17%	35	0.17%
Vitol Energy Bermuda	-	-	60	0.29%
Total	20,553	100%	20,613	100%