KRESTON A&O AUDIT

**Report on the Audit of the**

Consolidated Financial Statements 2022 in accordance with

International Financial Reporting Standards (IFRS) of

**Eurybia AG, CH-Steinhausen**



a&o kreston audit ag
Birmensdorferstrasse 123
8003 Zürich
hello@kreston.ch
+41 (0)58 101 02 02
**www.kreston.ch**
CHE-102.312.698 VAT

Report of the Statutory Auditor
to the Board of Directors of
**Eurybia AG, CH-Steinhausen**

Zurich, 22 August 2023

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the accompanying consolidated financial statements of **Eurybia AG** and its subsidiaries («the Group»), which comprise the consolidated balance sheet as of December 31, 2022, the consolidated statement of profit or loss and comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, and notes to the consolidated financial statements for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and in compliance with Swiss law.

### Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards (SA-CH). Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of matter

We draw attention to note 12 (a) «Deferred tax assets and liabilities Albania» of the financial statements where the Company has reported deferred tax in the amount of kUSD 11'765 (2021: kUSD 11'838). This deferred tax asset is created from temporary differences arising from carried forward fiscal losses recoverable by the Company against future fiscal profits, for an indefinite period, forecast based on the fiscal regime that regulates the Company's activity. As stated in note 12 of the financial statements, the Company confirms that this asset is recoverable and has no indication of its impairment. The Company has identified, through accounting records, evidence for the self-declaration of fiscal losses carried forward. Until the date of this report, the company has not been audited for the outstanding amount of fiscal losses as of December 31, 2022, consequently there is no evidence for the approved amount of the fiscal loss recognized by the relevant authorities on and for the year ending on December 31, 2022. Our opinion has not been modified on this matter.

**Responsibility of the Board of Directors for the Consolidated Financial Statements**

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors 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, the Board of Directors is responsible for assessing the Group's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and SA-CH 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 Swiss law, ISAs and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Report on Other Legal and Regulatory Requirements**

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

**a&o kreston audit ag**

Qualified electronic signature · Swiss law

Qualified electronic signature · Swiss law

| | |
|---|---|
| Hermann Dünner<br>Licensed Audit Expert<br>Auditor in Charge | Emre Özdemir<br>Licensed Audit Expert |

Enclosures
Consolidated Financial Statements

**EURYBIA AG**

# CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

**EURYBIA AG**
Sennweidstrasse 45, 6312 Steinhausen
Switzerland

info@eurybia.li
+41 71 544 01 20
+41 71 535 59 08
CHE-115.925.456

| | Notes | 2022 kUSD | 2021 kUSD | 2020 kUSD |
|---|---|---|---|---|
| **Assets** | | | | |
| ***Current assets*** | | | | |
| Inventories | 8 | 2,574 | 2,080 | 2,177 |
| Receivables and prepaid expenses | 9 | 7,434 | 3,382 | 2,502 |
| Cash and cash equivalents | 9 | 10 | 53 | 26 |
| **Total current assets** | | **10,018** | **5,515** | 4,705 |
| | | | | |
| ***Non-current assets*** | | | | |
| Property, plant and equipment | 10 | 844 | 661 | 756 |
| Exploration and evaluation assets | 11 | 36,763 | 36,428 | 34,828 |
| Deferred tax assets | 12 | 11,765 | 11,838 | 11,338 |
| **Total non-current assets** | | **49,372** | **48,927** | **46,922** |
| | | | | |
| **Total assets** | | **59,390** | **54,442** | **51,627** |
| | | | | |
| **Liabilities and equity** | | | | |
| ***Current liabilities*** | | | | |
| Accounts payable and accrued liabilities | 9 | 9,438 | 8,641 | 6,794 |
| Lease obligations | 13 | 75 | 37 | 46 |
| VAT and current tax liabilities | 12 | 519 | 179 | 54 |
| Financial liabilities | 9 | 9,503 | 4,288 | 4,610 |
| **Total current liabilities** | | **19,535** | **13,145** | **11,504** |
| | | | | |
| ***Non-current liabilities*** | | | | |
| Financial liabilities | 9 | 7,247 | 9,004 | 11,048 |
| Deferred tax liabilities | 9 | 134 | 120 | 89 |
| Lease obligations | 13 | 170 | 29 | 57 |
| Decommissioning obligation | 14 | 116 | 104 | 81 |
| Employee benefits | 15 | 227 | 297 | 475 |
| **Total non-current liabilities** | | **7,894** | **9,554** | 11,750 |
| | | | | |
| ***Equity*** | | | | |
| Share capital | 16 | 1,691 | 1,486 | 1,486 |
| Treasury shares | | (2,413) | - | - |
| Other reserves | 16 | 86,012 | 79,994 | 71,922 |
| Retained earnings | | (53,329) | (49,737) | (45,035) |
| **Total equity** | | **31,961** | **31,743** | **28,373** |
| | | | | |
| **Total liabilities and equity** | | **59,390** | **54,442** | **51,627** |

| | Notes | 2022 kUSD | 2021 kUSD | 2020 kUSD |
|---|---|---|---|---|
| **Revenue** | | | | |
| Oil sales | 18 | 4,458 | 3,290 | 1,633 |
| Other revenue | | 97 | 136 | 380 |
| **Total operating revenues** | | **4,555** | **3,426** | **2,013** |
| | | | | |
| **Expenses** | | | | |
| Operating | 19 | (2,905) | (2,777) | (2,875) |
| Sales and transportation | | (39) | (33) | (28) |
| General & administrative | 20 | (4,691) | (5,005) | (4,816) |
| Depreciation and impairment | | (97) | (62) | (128) |
| **Operating profit/(loss)** | | **(3,177)** | **(4,451)** | **(5,834)** |
| Net finance income/(expense) | 21 | (340) | (729) | (471) |
| **Profit/(loss) before income tax** | | **(3,517)** | **(5,180)** | **(6,305)** |
| Income tax income/(expense) | 12 | (75) | 478 | 1,202 |
| **Profit/(loss) for the year** | | **(3,592)** | **(4,702)** | **(5,103)** |
| **Basic earnings per share** | 17 | **(0.02)** | **(0.03)** | **(0.040)** |
| **Diluted earnings per share** | 17 | **(0.02)** | **(0.03)** | **(0.040)** |

| | | 2022 kUSD | 2021 kUSD | 2020 kUSD |
|---|---|---|---|---|
| **Profit/(loss) for the period** | | **(3,592)** | **(4,702)** | **(5,103)** |
| **Other comprehensive income/(loss), net of tax** | | | | |
| Items that may be reclassified to profit or loss | | (5) | 568 | (1,466) |
| *Currency translation differences* | | *(5)* | *568* | *(462)* |
| *Currency translation differences from net investment in a foreign operation* | | - | - | (1004) |
| Items that are not reclassified to profit or loss in later periods | | 75 | 190 | 71 |
| *Retirement benefit remeasurements* | *15* | *71* | *190* | |
| **Other comprehensive income/(loss)** | | **70** | **758** | **(1,395)** |
| **Total comprehensive income/(loss)** | | **(3,522)** | **(3,944)** | **(6,498)** |

| kUSD | | Notes | Share capital | Treasury shares | Retained earnings | Other reserves | Total |
|---|---|---|---|---|---|---|---|
| **Total equity at** | **31 December 2019** | | **1,339** | **-** | **(39,932)** | **71,362** | **32,769** |
| Profit/(loss) for the period | | | | - | (5,103) | - | (5,103) |
| Other comprehensive income/(loss) | | | | - | - | (1,395) | (1,395) |
| **Total comprehensive income/(loss)** | | | | **-** | **(5,103)** | **(1,395)** | **(6,498)** |
| Sale of borrowed shares | | | **147** | **-** | - | 1,955 | 2,102 |
| **Total equity at** | **31 December 2020** | | **1,486** | **-** | **(45,035)** | **71,922** | **28,373** |
| Profit/(loss) for the period | | | - | - | (4,702) | - | (4,702) |
| Other comprehensive income/(loss) | | | - | - | - | 758 | 758 |
| **Total comprehensive income/(loss)** | | | **-** | **-** | **(4,702)** | **758** | **(3,944)** |
| Sale of borrowed shares | | | - | **-** | **-** | 7,314 | 7,314 |
| **Total equity at** | **31 December 2021** | | **1,486** | **-** | **(49,737)** | **79,994** | **31,743** |
| Profit/(loss) for the period | | | - | - | (3,592) | - | (3,592) |
| Other comprehensive income/(loss) | | | - | - | - | 70 | 70 |
| **Total comprehensive income/(loss)** | | | **-** | **-** | **(3,592)** | **70** | **(3,522)** |
| Sale of borrowed shares | | | 205 | **-** | **-** | 5,948 | 6,153 |
| Return of shares to Treasury | | | | **(2,413)** | | | (2,413) |
| **Total equity at** | **31 December 2022** | | **1,691** | **(2,413)** | **(53,329)** | **86,012** | **31,961** |

| | Notes | 2022 kUSD | 2021 kUSD | 2020 kUSD |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit/(loss) for the year | | (3,592) | (4,702) | (5,103) |
| Adjustments for | | | | |
| Income tax income/(expense) | 12 | 75 | (478) | (1,202) |
| Depreciation and impairment | 10 | 97 | 62 | 128 |
| Interest on financial liabilities | | 540 | 297 | 457 |
| Other non-cash movements | | (140) | 423 | (2,444) |
| **Cash flows before change in operating assets and liabilities** | | **(3,020)** | **(4,398)** | **(8,164)** |
| Working capital adjustments | | | | |
| (Increase)/ Decrease in inventories | | (494) | 97 | 326 |
| (Increase)/ Decrease in receivables and prepaid expenses | | (4,052) | (771) | 14 |
| (Decrease)/ Increase in accounts payable and accrued liabilities | | 1,102 | 1,746 | 2,220 |
| Other changes | | | | |
| (Decrease)/ Increase in decommissioning obligation | | 12 | 23 | 9 |
| **Total cash flows from operating activities** | | **(6,452)** | **(3,303)** | **(5,595)** |
| **Cash flows from investing activities** | | | | |
| Purchase of property, plant and equipment | 10 | (78) | (26) | (44) |
| Proceeds from sales of property, plant and equipment | | | - | 35 |
| Purchase of exploration and evaluation assets | 11 | (313) | (1,640) | (432) |
| **Total cash flows from investing activities** | | **(391)** | **(1,666)** | **(441)** |
| **Cash flows from financing activities** | | | | |
| Proceeds from financial liabilities | | 3,218 | 560 | 3,747 |
| Proceeds from sales of borrowed shares | | 3,701 | 4,472 | 2,102 |
| Repayment of financial liabilities | | (46) | - | - |
| Payment of lease obligations | | (73) | (36) | (106) |
| **Total cash flows from financing activities** | | **6,800** | **4,996** | **5,743** |
| **Net increase (decrease) in cash and cash equivalents** | | **(43)** | **27** | **(293)** |
| Cash and cash equivalents at the beginning of the financial year | | 53 | 26 | 319 |
| **Cash and cash equivalents at the end of the period** | | **10** | **53** | **26** |

Eurybia AG ("Company" or "Group") is a limited liability company incorporated and domiciled in Steinhausen (ZG), Switzerland and is engaged in exploration, development and production of oil in Albania.

The consolidated financial statements include the accounts of the Company and its wholly-owned operating subsidiary Terraoil Swiss Sh.a. Terraoil Swiss Sh.a. is incorporated in Albania and operates the Albanian oilfields pursuant to a Petroleum Sharing Agreement ("PSA") with Albpetrol Sh.a. (Albpetrol), the state-owned oil company and the Albanian National Agency for Natural Resources (AKBN). The PSA grants the Company the right to all economic benefits and costs associated with the operation of the Visoka oilfield in Albania. On 18 October 2011, the Executive Advisory Committee ("EAC") representing Albpetrol and the Albanian government approved the Master Development Plan for Visoka. The Development Plan included a USD 80 million investment program, which had been fully fulfilled as of the last government audit for the period ended 31 December 2019. The Company took over the oilfield and commenced operations on 8 February 2012.

The PSA stipulates that the Company provides a portion of the production to Albpetrol and pays a royalty to the Government of Albania on its remaining share of production. The PSA has a 25 year term with extension options at the Company's election for further five year increments, subject to government and regulatory approvals. The Company is focused on increasing oil production through investment in Visoka and the acquisition of additional petroleum licenses in Albania. The PSA requires an annual meeting of the EAC to review the Company's investment and operating plan. The Company has fully complied with this requirement and has received EAC approval each year for its plans, including 2021.

## 1. BASIS OF PREPARATION

### (a) Statement of compliance

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

The consolidated financial statements were authorized for issue by the Board of Directors on 16 August 2023.

### (b) Basis of presentation and measurement

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss which are measured at fair value.

The methods used to measure fair values are discussed in note 4.

### (c) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The functional currency of the parent entity is Swiss Francs (CHF). These consolidated financial statements are presented in United States Dollars (USD) (presentation currency), which is the functional currency of the Company's operating subsidiary. Unless otherwise noted, the consolidated financial statements are presented in thousands of US Dollars (kUSD).

### (d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and use judgment regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the financial statements. Accordingly, actual results may differ from the estimated amounts as future confirming events occur. Significant estimates and judgments made by management in the preparation of these consolidated financial statements are as follows:

## 2. BASIS OF PREPARATION (cont'd)

### (d) Use of estimates and judgments (cont'd)

**(i) Depreciation**

Amounts recorded for depreciation are based on estimates of useful lives.

**(ii) Decommissioning obligation**

Amounts recorded for decommissioning obligation and the related accretion expense requires the use of estimates with respect to the amount and timing of decommissioning expenditures. Actual costs and cash outflows can differ from estimates because of changes in laws and regulations, public expectations, market conditions, discovery and analysis of site conditions and changes in technology.

**(iii) Recoverability of accounts receivable**

The recoverability of accounts receivable, due from the Company's buyer of petroleum, who is also the major creditor of the Company, is assessed to determine the carrying value of accounts receivable on the Company's Consolidated Balance Sheets. Management judgment is required in performing the recoverability assessment. No material credit losses have been experienced to date, and the Company expects to collect the accounts receivable balance in full.

**(iv) Deferred taxes**

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings. The Company's income tax filings are subject to audit by taxation authorities in different jurisdictions and the results of such audits may increase or decrease the tax liability. The determination of current and deferred tax amounts recognized in the Consolidated Financial Statements are based on management's assessment of the tax positions, which includes consideration of their technical merits, communications with tax authorities and management's view of the most likely outcome. These differences could materially impact net earnings (loss).

**(v) Employee benefits**

The expense and defined benefit obligation for the significant defined benefit plan in accordance with IAS 19 *Employee Benefits* are determined using the Projected Unit Credit Method, with independent actuarial valuations being carried out at the end of each reporting period. This method takes into account years of service up to the reporting period and requires the Company to make estimates about demographic variables (such as mortality or turnover) and financial variables (such as future salary increase and the long-term interest rate on pension assets) that will affect the final cost of the employee benefits.

**(vi) Leases**

Management uses judgement to determine the incremental borrowing rate and lease term related to the application of IFRS 16. Incremental borrowing rates are based on judgments including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying amount of the right-of-use assets, lease obligations, and the resulting interest and depletion and depreciation expense, may differ due to changes in the market conditions and lease term. Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

## 2. BASIS OF PREPARATION (cont'd)

### (e) Going-Concern Assumptions and Capital Investment Requirements

Capital commitments for field operations are agreed annually between a meeting of the EAC including representatives of the Company, AKBN and Albpetrol. The Company presents its investment plan which takes into account economic conditions and the goals and objectives of the field development. There currently no significant commitments resulting from these meetings.

As at 31 December 2022, the Company has 12 horizontal wells, 10 of which are active, and 235 other wells, 73 of which are active. With these wells and the improvements made, the Company has considerably increased its production capacity and expects to implement its new development plan after the conclusion of its current financing. Gross production in 2022 was approximately 96,000 bbl and the new development plan is expected to provide rapid improvements to production. The Company is free to sell its oil production on the global markets. Finalization of the current financing and the takeover of the three new oil fields in Albania are expected to provide significant increases to the Company's production.

In the fourth quarter of 2019, the Company received a field development plan and economic evaluation for the four fields as required in some international jurisdictions which attributed combined 2P recoverable reserves of 37.8 million barrels and 3P recoverable reserves of 82 million barrels. The after tax 2P NPV 10% was calculated at USD 362 million and the 2P + 2C after tax NPV 10% was calculated at USD 864 million. The last Competent Person's Report (CPR) which was finalized for a standalone project at Visoka was produced by Gaffney Cline and Associates in 2014 and assigned 2P NPV of USD 347.6 million.

The Group is currently undergoing a restructuring whereby all registered shareholders of the Company will receive one share of United Terra Enterprises ("UTP"), which has been incorporated in the Principality of Liechtenstein in exchange for each share of the Company held by the shareholder.

The Group intends to list the shares of UTP on the Hong Kong stock exchange in late 2023 or early 2024, providing access to a liquid trading platform for UTP's shares and greater access to capital. In this regard, the Group has engaged CCB International to provide financial advisory services to initially complete a pre-IPO financing. The corporate finance and capital market services of CCB International have raised almost HKD 5 trillion from the global equity market for hundreds of companies. Additionally, the Group has engaged RPS Group to provide updated Competent Persons' Reports, initially for Visoka, followed by the new three oilfields and the Albanian solar project, which are expected to provide a basis for an increased valuation prior to the planned IPO. Terms of engagement have also been agreed with Eversheds Sutherland, a leading legal firm with vast experience in IPO transactions for European companies on the Hong Kong Stock Exchange.

The recovery of oil prices in 2022 beyond pre-pandemic levels had a significant increase in the appetite of investors to partner with the Company and invest the necessary capital to execute its business plan to increase production in its Albanian subsidiary and bring the Company to a profitable position. The Company secured a cornerstone investor in late 2021 who invested EUR 4.6 million during 2022 and an additional USD 15 million subsequent to year-end. Additionally, the investor has signed an agreement which provides the option to invest an additional USD 10 million by August 31, 2023.  These investments would be sufficient to initiate the planned operations in the Group's business plan to grow production and provide funding to complete a potential IPO, assuming favorable market conditions and regulatory approvals.

Management believes that the going concern assumption is appropriate for these financial statements and that the Company will be able to meet its budgeted capital and administrative costs as well as its other potential capital commitments during the upcoming year and beyond. Management has demonstrated its ability to successfully finance the Company through previous financial crises in the oil industry, and the USD 15 million that have been received subsequent to year-end provide the company sufficient funding to execute its business plan for at least 12 months, including the engagement of the lead investment bank and advisors for the going public process, the conclusion of agreements to take over the operations of the three new fields in Albania and commencing the necessary steps to increase oil production.

## 2. SIGNIFICANT ACCOUNT POLICIES

The accounting policies set out below have been applied consistently by the Group to all periods presented in these consolidated financial statements.

### (a) Basis of consolidation

**(i) Subsidiaries**

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control is obtained until the date that control ceases.

**(ii) Transactions eliminated on consolidation**

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

### (b) Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency at the respective spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the spot rate of exchange ruling at the reporting date. All differences are taken to profit or loss or other comprehensive income, should specific criteria be met. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

The assets and liabilities of operations with a functional currency other than USD are translated into USD at the rate of exchange at the reporting date and their statements of comprehensive income are translated at the average exchange rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income or loss. On disposal of a foreign operation, the accumulated foreign currency translation difference relating to that particular foreign operation is recognized in profit or loss.

### (c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts.

### (d) Financial instruments

Non-derivative financial instruments - Non-derivative financial instruments include cash and cash equivalents, receivables and prepaid expenses, long-term financial liabilities, accounts payable and accrued liabilities and other financial liabilities. Non-derivative financial instruments are initially recognized at fair value plus any directly attributable transaction costs, except for financial assets and liabilities at fair value through profit or loss whereby any directly attributable transaction costs are expensed as incurred.

Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Cash and cash equivalents - Cash and cash equivalents is measured similar to other non-derivative financial instruments. Subsequent to initial recognition, this financial instrument is measured at amortized cost.

Long-term financial liabilities - Long-term financial liabilities are recorded at amortized cost, net of directly attributable transaction costs. Subsequent to initial recognition, the directly attributable transaction costs are amortized into the carrying value using the effective interest method over the term of the debt facility through the consolidated statements of operations and comprehensive income (loss).

## 3. SIGNIFICANT ACCOUNT POLICIES (cont'd)

### (d) Financial instruments (cont'd)

Lease obligations - Lease obligations are obligations of the lessee to pay lease payments that consist of principal and interest components according to the lease agreement. Subsequent to initial recognition, the lease obligations are accreted using the interest rate implicit in the lease, if that rate can be readily determined or if not, the Company's borrowing rate and is recorded as finance expense to the statement of operations and comprehensive income (loss).

Other - Other non-derivative financial instruments, such as receivables and prepaid expenses long-term financial liabilities, accounts payable and accrued liabilities and other financial liabilities are measured at amortized cost, less any impairment losses.

### (e) Property, plant and equipment (PP&E)

#### (i) Initial recognition

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost (if the asset was previously classified as assets in development), any costs directly attributable to bringing the asset into operation and the initial estimate of the decommissioning obligation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Finance leases of PP&E are also included within property, plant and equipment.

#### (ii) Depreciation/amortisation

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, as follows:

| | |
|---|---|
| Buildings and grounds | 20 – 25 years |
| Machinery and equipment | 5 years |
| Furniture and fixtures | 4 – 5 years |
| Vehicles | 5 years |

Tangible assets used in exploration and evaluation activities (such as the Group's machinery and equipment) are classified as property, plant and equipment. However, to the extent that such tangible assets are consumed in developing an E&E asset, the amount reflecting that consumption is recorded as part of the E&E assets. Consequently, depreciation on tangible assets used in exploration and evaluation activities is capitalized as exploration and evaluation assets.

#### (iii) Subsequent costs

Costs of replacing parts of PP&E are recognized as PP&E only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation/amortisation are reviewed at each reporting period and adjusted prospectively, if appropriate.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (f) Exploration and evaluation assets (E&E)

Pre-license costs are recognized in the statement of comprehensive income as incurred.

Exploration and evaluation (E&E) costs, including the costs of acquiring licenses and directly attributable general and administrative costs, initially are capitalized as either tangible or intangible E&E assets according to the nature of the assets acquired. E&E costs are accumulated on an oilfield level pending determination of technical feasibility and commercial viability. The Company has developed a field development plan which details its plans to achieve commercial viability.

E&E assets are assessed at the field level for impairment. The field level is appropriate to consider impairment as the Company makes its economic decisions at the field level, assets are shared, production is comingled and treated together and sales of product are negotiated at the field level. E&E assets are assessed for impairment if:

- sufficient data exists to determine technical feasibility and commercial viability, and
- facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

The technical feasibility and commercial viability of a license is considered to be determinable based on several factors, including the assignment of proven reserves. A review of an exploration license or field is carried out, at least annually, to ascertain whether the project is technically feasible and commercially viable. Upon determination of technical feasibility and commercial viability of a license, E&E assets attributable to the reserves estimated for the license are first tested for impairment and then reclassified from E&E assets to a separate category within property, plant and equipment referred to as development and production assets.

### (g) Leases

A contract is, or contains, a lease if the contract provides the right to control the use of an identified asset for a period of time in exchange for consideration. A lease obligation is recognized at the commencement of the lease term measured as the present value of the lease payments not already paid at that date. Interest expense is recognized on the lease obligations using the effective interest rate method and net payments are applied against the lease obligation. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease obligation, adjusted for lease incentives received and initial direct costs. Depreciation is recognized on the right-of-use asset over the lease term.

### (h) Inventory

Inventory consists of oil in tanks and supplies and is valued at the lower of cost or market value. The cost of inventory is determined using the weighted average method. Oil inventories include expenditures incurred to produce, upgrade and transport the product to the storage facilities.

### (i) Employee benefits

Amendments to IAS 19, Plan Amendment, Curtailment or Settlement, applies to plan amendments, curtailments, or settlements occurring on or after 1 January 2020. These amendments apply only to any future plan amendments, curtailments, or settlements of the Group.

The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(i) Employee benefits (cont'd)**

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss.

An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The Company had no plan amendments, curtailments or settlements during the year.

The expense and defined benefit obligations for the significant defined benefit plans in accordance with IAS 19 are determined using the Projected Unit Credit Method, with independent actuarial valuations being carried out at the end of each reporting period.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises changes in the net defined benefit obligation as follows:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements are included in general and administrative expenses
- Net interest expense or income is included in finance expense.

**(i) Service cost**

Service cost includes current service cost, past service cost and gains or losses on settlements. Past service cost is recognized in the period the plan amendment has been approved by the board of the respective pension plan.

**(ii) Net interest cost**

Net interest is calculated by applying the discount rate to the net defined liability or asset.

**(iii) Remeasurements**

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

**(j) Impairment**

**(i) Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Material financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(j) Impairment (cont'd)**

**(i) Financial assets(cont'd)**

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

**(ii) Non-financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is determined. E&E assets are assessed for impairment when they are reclassified to PP&E.

For the purpose of impairment testing, assets, except E&E assets, are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less cost of disposal.

Fair value less cost of disposal is determined as the amount that would be obtained from the sale of a CGU in an arm's length transaction between knowledgeable and willing parties (as defined in the fair value hierarchy in note 4). Given the nature of the assets of the CGU, the fair value less cost to sell is determined as the net present value of the estimated future cash flows expected to arise from the continued use of the CGU, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted by an appropriate discount rate which would be applied by a market participant to arrive at a net present value of the CGU.

Value in use is determined as the net present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. Value in use is determined by applying assumptions specific to the Company's continued use and can only consider approved future development costs. Estimates of future cash flows are made using forecasts of commodity prices and expected production volumes. The latter considers assessments of field reservoir performance and includes expectations about proved and unproved volumes, which are risk-weighted utilizing geological, production, recovery and economic projections.

E&E assets are assessed at the oil field level when they are assessed for impairment, both at the time of any triggering facts and circumstances as well as upon their eventual reclassification to property, plant and equipment.

An impairment loss is recognized in profit or loss if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of other assets recognized in prior years is assessed at each reporting date for any indications that the impairment has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (k) Decommissioning obligations

The Company's activities give rise to dismantling, decommissioning and site remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of expenditures required to settle the present obligation at the reporting date. Subsequent to the initial measurement, the obligation is adjusted at the end of each reporting period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as accretion within finance expenses whereas increases/decreases due to changes in the estimated future cash flows are adjusted in the relevant asset. Actual costs incurred upon settlement of the decommissioning obligation are charged against the obligation to the extent the obligation was established.

### (l) Revenue

The Company's revenues are primarily derived from the production of crude oil. Prices are agreed between the Company and the customers in the related sales contracts and fluctuate with the market price of the product. Settlement can be satisfied through cash payments or offsetting liabilities.

Revenue from the sale of crude oil is recorded when the significant risks and rewards of ownership of the product is transferred to the buyer, the economic benefits associated with the transaction are likely to flow to the Company and the Company has no continuing managerial involvement or control over the product, which is usually when legal title passes to an external party. Other revenue from customers includes revenue earned from disposing of wastewater from other operators into injection wellbores.

Revenue is recorded net of any royalties when the amount of revenue can be reliably measured and the costs incurred in respect of the transaction can be measured reliably.

The quantity of oil sold may exceed the Company's share of production, giving rise to an overlift. The Company's share of oil sold is included in revenue and the overlift is included in accounts payable. The liability is revalued at period end if such value exceeds the value of the oil at the time of the overlift. Revaluations between period are included in other expenses.

### (m) Finance income and expense

Net finance income or expense is comprised of interest income, interest expense on borrowings and finance lease and accretion of the discount on decommissioning liabilities.

Foreign currency gains and losses, reported under finance income and expense, are reported on a net basis.

### (n) Income Tax

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (n) Income Tax (cont'd)

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

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Company's policy for income tax uncertainties is that tax benefits will be recognized only when it is more likely than not the position will be sustained on examination.

### (o) Earnings per share

Basic earnings per share is calculated by dividing the net earnings or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by dividing the profit adjusted by dilutive effects applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted.

## 4. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Company assesses financial assets and liabilities according to the fair value hierarchy as described below:

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

#### (a) Cash and cash equivalents

The fair value of cash and cash equivalents, receivables and accounts payable and accrued liabilities approximate their carrying value due to their short term–to-maturity.

#### (b) Employee benefits

The valuation of the pension plan assets is carried out yearly and recognized at its fair market value.

## 5. FINANCIAL RISK MANAGEMENT

The Company, as part of its operations, carries a number of financial instruments including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. The Company is exposed to the following risks related to its financial assets and liabilities:

### (a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The majority of the Company's trade receivable balances relate to oil sales. The Company's policy is to enter into agreements with customers that are well established and well financed entities in the oil and gas industry such that the level of risk is mitigated. To date, the Company has not experienced any credit losses in the collection of its trade receivables.
The carrying amount of accounts receivable represents the maximum credit exposure.

The following table shows the total of receivables and prepaid expenses of the respective periods presented divided into the current portion of the balance as well as the balances past due but not impaired:

| | Current | Past due but not impaired since 30-60 days | Past due but not impaired since 61-90 days | Past due but not impaired since over 90 days | 31 December 2022 kUSD **Total** |
|---|---|---|---|---|---|
| Trade receivables Albania | 3,509 | - | - | 993 | **4,502** |
| Other receivables Switzerland | 60 | - | - | 132 | **192** |
| VAT net receivables Switzerland | 31 | - | - | - | **31** |
| Prepayments Albania | 56 | - | - | - | **56** |
| Prepayments Switzerland | 2,653 | - | - | - | **2,653** |
| **Total** | **6,309** | **-** | **-** | **1,125** | **7,434** |

| | Current | Past due but not impaired since 30-60 days | Past due but not impaired since 61-90 days | Past due but not impaired since over 90 days | 31 December 2021 kUSD **Total** |
|---|---|---|---|---|---|
| Trade receivables Albania | 2,760 | - | - | 422 | **3,182** |
| Other receivables Switzerland | 119 | - | - | - | **119** |
| VAT net receivables Switzerland | 36 | - | - | - | **36** |
| Prepayments Albania | 55 | - | - | - | **55** |
| Prepayments Switzerland | 25 | - | - | - | **25** |
| **Total** | **2,995** | **-** | **-** | **422** | **3,417** |

| | Current | Past due but not impaired since 30-60 days | Past due but not impaired since 61-90 days | Past due but not impaired since over 90 days | 31 December 2020 kUSD **Total** |
|---|---|---|---|---|---|
| Trade receivables Albania | 109 | 307 | 89 | 1,754 | **2,259** |
| Other receivables Switzerland | 116 | - | - | - | **116** |
| VAT net receivables Albania | 30 | - | - | - | **30** |
| VAT net receivables Switzerland | 26 | - | - | - | **26** |
| Prepayments Albania | 56 | - | - | - | **56** |
| Prepayments Switzerland | 15 | - | - | - | **15** |
| **Total** | **352** | **307** | **89** | **1,754** | **2,502** |

## 5. FINANCIAL RISK MANAGEMENT (cont'd)
### (a) Credit risk (cont'd)

Value Added Tax (VAT) receivable is reimbursed on a timely basis by the respective government subject to its audit verification.

The Company manages the credit exposure related to cash and cash equivalents and accounts receivable by selecting counterparties based on credit risk and monitoring all investments to ensure a stable return, avoiding complex investment vehicles with higher risk such as asset backed commercial paper.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9 which permits the use of the lifetime expected loss provision for all trade receivables. Prior credit losses in the collection of accounts receivable by the Company have been negligible and the Company does not anticipate any significant future credit losses based on forward looking information. Accordingly, no provision has been recorded for expected credit losses.

When determining whether amounts that are past due are collectable, management assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount.

### (b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or jeopardizing the Company's business objectives.

The Company prepares annual capital expenditure budgets which are monitored regularly and updated as considered necessary. Crude oil production is monitored to provide current cash flow estimates and the Company utilizes authorizations for expenditures on projects to manage capital expenditures.

The Company monitors its liquidity position regularly to assess whether it has the resources necessary to fund planned exploration commitments on its exploration and evaluation assets or that viable options are available to fund such commitments from new equity issuances or alternative sources of financing such as farm-out agreements. However, as an exploration company at an early stage of development and without significant internally generated cash flow, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Company, or that actual exploration expenditures may exceed those planned. Alternatives available to the Company to manage its liquidity risk include deferring planned capital expenditures that exceed amounts required by work programs to retain concession licenses, farm-out arrangements and securing new equity or debt capital. Amounts in current accounts payable and accrued liabilities are due on demand.

The contractual maturities of financial liabilities, at 31 December 2022, 2021 and 2020 are as follows:

| | | | | | | 31 December 2022<br>kUSD |
|---|---|---|---|---|---|---|
| | **Carrying Amount** | **Contractual Cash Flows** | 2023 | 2024 | 2025 | 2026 and after |
| Accounts payable and accrued liabilities | **9,438** | **9,438** | 9,438 | - | - | - |
| Current financial liabilities | **9,503** | **9,503** | 9,503 | - | - | - |
| VAT and other taxes net payables | **519** | **519** | **519** | **-** | **-** | **-** |
| Non-current financial liabilities | **7,247** | **7,247** | - | 2,192 | 99 | 4,956 |
| **Total** | **-** | **-** | - | - | - | - |
| | **26,707** | **26,707** | **19,460** | **2,192** | **99** | **4,956** |

## 5. FINANCIAL RISK MANAGEMENT (cont'd)

### (b) Liquidity risk (cont'd)

| | Carrying Amount | Contractual Cash Flows | 2022 | 2023 | 2024 | 31 December 2021 kUSD 2025 and after |
|---|---|---|---|---|---|---|
| Accounts payable and accrued liabilities | **8,641** | **8,641** | 8,641 | - | - | - |
| Current financial liabilities | **4,288** | **4,288** | 4,288 | - | - | - |
| VAT and other taxes net payables | **214** | **214** | 214 | - | - | - |
| Non-current financial liabilities | **9,004** | **9,004** | - | 3,569 | - | 5,435 |
| **Total** | **22,147** | **22,147** | **13,143** | **3,569** | **-** | **5,435** |

| | Carrying Amount | Contractual Cash Flows | 2021 | 2022 | 2023 | 31 December 2020 kUSD 2024 and after |
|---|---|---|---|---|---|---|
| Accounts payable and accrued liabilities | **7,589** | **7,589** | 7,589 | - | - | - |
| Current financial liabilities | **4,610** | **4,610** | 4,610 | - | - | - |
| Non-current financial liabilities | **11,048** | **11,048** | - | 3,897 | 1,199 | 5,951 |
| **Total** | **23,247** | **23,247** | **12,199** | **3,897** | **1,199** | **5,951** |

### (c) Market risk

Market risk is the risk that changes in market factors, such as foreign exchange rates, interest rates and commodity prices, will affect the Company's cash flows, profit or loss, liquidity or the value of the financial instruments. The objective of market risk management is to mitigate market risk exposures where considered appropriate and maximize returns.

#### (i) Foreign currency exchange rate risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Company is exposed to foreign currency fluctuations as certain expenditures are denominated in Euro (EUR), Albanian Lek (ALL) and Swiss Franc (CHF).

The average and year-end exchange rates for these currencies were as follows in terms of one USD:

| | CHF 31 December | Average | ALL 31 December | Average |
|---|---|---|---|---|
| 2022 | 0.93 | 0.96 | 107.05 | 113.05 |
| 2021 | 0.92 | 0.92 | 106.54 | 103.55 |
| 2020 | 0.89 | 0.94 | 100.84 | 108.58 |

The Company had no forward foreign exchange rate contracts in place as at or during the years ended 31 December 2022, 2021 and 2020.

## 5. FINANCIAL RISK MANAGEMENT (cont'd)
### (c) Market risk (cont'd)

#### Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in ALL and CHF exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The only additional impact on the Group's equity would be as a result of translation differences to the presentation currency. The Group's exposure to foreign currency changes for all other currencies is not material.

| Currency | Change in Rate | Effect on profit before tax and pre-tax equity 2022 | Change in Rate | Effect on profit before tax and pre-tax equity 2021 | Change in Rate | Effect on profit before tax and pre-tax equity 2020 |
|---|---|---|---|---|---|---|
| CHF | 5% | (540) | 5% | (797) | 5% | (1,010) |
| CHF | -5% | 514 | -5% | 759 | -5% | 962 |
| ALL | 10% | (434) | 10% | (517) | 10% | (386) |
| ALL | -10% | 395 | -10% | 470 | -10% | 351 |
| EUR | 5% | (166) | - | - | - | - |
| EUR | -5% | 174 | - | - | - | - |

**(ii) Interest rate risk**

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company's financial assets and liabilities are not exposed to interest rate risk.

The Company has not entered into any interest rate hedges or swaps.

**(iii) Commodity price risk**

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in commodity prices. Lower commodity prices can also impact the Company's ability to raise capital. Commodity prices for oil are impacted by world economic events that dictate the levels of supply and demand. From time to time the Company may attempt to mitigate commodity price risk through the use of financial derivatives. The Company's production is usually sold using "spot" or near-term contracts, with prices fixed at the time of transfer of custody or on the basis of a monthly average market price.

The Company has not entered into any mitigating commodity futures and has no commodity price risk on its financial instruments.

## 6. CAPITAL MANAGEMENT

The Company's objective when managing capital is to maintain its capital base in order to provide flexibility in the future development of the business and maintain investor, creditor and market confidence. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company considers its capital structure to include shareholders' equity, long-term debt and working capital, defined as current assets less current liabilities. In order to maintain or adjust the capital structure, the Company may issue shares, enter into debt facilities or utilize alternative sources of financing such as farm-out agreements. The Company may also negotiate with creditors to receive more favourable repayment terms or achieve subordination of debts. As at 31 December 2022, 2021 and 2020, the Company had no farm-out arrangements.

During 2019, the Company entered into an agreement with a creditor whereby the Company purchased kUSD 19,654 owing by its subsidiary to a group of companies controlled by the creditor. Under the terms of the agreement, the Company agreed to pay the creditor USD 10 million cash and 3,200,000 shares of the Company (kUSD 9,654). USD 6 million was subsequently paid, leaving USD 4 million outstanding, which is interest free and due on 31 December 2023 unless further extended. At the end of 2022, the Company had offsetting accounts receivable from the creditor of approximately USD 1.4 million and the open balance remains outstanding.

## 6. CAPITAL MANAGEMENT (cont'd)

The Company may also adjust its capital spending to manage current and projected debt levels.

| | | | kUSD |
|---|---|---|---|
| | 31 December 2022 | 31 December 2021 | 31 December 2020 |
| Current assets | 10,018 | 5,550 | 4,705 |
| Less: current liabilities | (19,535) | (13,180) | (11,504) |
| **Working Capital** | **(9,517)** | **(7,630)** | **(6,799)** |
| | | | |
| Financial liabilities (non-current) | 7,247 | 9,004 | 11,048 |
| Long-term trade payables | - | - | - |
| **Long term debt** | **7,247** | **9,004** | **11,048** |
| | | | |
| Shareholders' equity | 31,961 | 31,743 | 28,373 |
| Working Capital | (9,517) | (7,630) | (6,799) |
| Long term debt | 7,247 | 9,004 | 11,048 |
| **Total Capital** | **29,691** | **33,117** | **32,622** |

There were no changes in the Company's approach to capital management during the year or comparative periods. The Company has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future.

## 7. RELATED PARTY TRANSACTIONS

**(a) Subsidiaries**

The interests in the only subsidiary Terraoil Swiss Sh.a. are set out in note 1.

**(b) Key management personnel compensation**

Key management personnel compensation includes all compensation paid to executive management, Board of Directors and related parties of executive management members and is comprised of the following:

| | | | kUSD |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Short-term employee benefits and salaries | (1,446) | (1,182) | (1,482) |
| Post-employment benefits | (97) | (101) | (128) |
| **Total** | **(1,543)** | **(1,283)** | **(1,610)** |

**(c) Transactions and outstanding balances with related parties**

The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

| | | kUSD |
|---|---|---|
| | Balance payable as of year end | Interest expense |
| **Loans from key management personnel (subordinated)** | | |
| 2022 | - | - |
| 2021 | - | (10) |
| 2020 | 994 | (23) |

The loans owed to key management personnel are included in the non-current financial liabilities.

## 7. RELATED PARTY TRANSACTIONS (cont'd)
### (c) Transactions and outstanding balances with related parties (cont'd)

| | Balance payable as of year end | kUSD<br>Balance prepaid/ receivable as of year end |
|---|---|---|
| **Current accounts payable/receivable/prepaid balances of key management personnel** | | |
| 2022 | 314 | 60 |
| 2021 | 335 | 73 |
| 2020 | 770 | 89 |

The current accounts payable and receivable balances of key management personnel are included in the accounts payable and accrued liabilities and receivables and prepaid expenses, respectively. Additionally, included in non-current loans are kUSD 1,290 (2021 – 1,049, 2020 – 1,373) owing to board, management and entities controlled by board members for advances received or deferred compensation.

### (d) Terms and conditions of transactions with related parties

Outstanding loans from key management personnel at the year-end are fully subordinated and yield interest of 2 - 2.5%. As the loans are fully subordinated the applicable interest charge is credited to the loans payable.

The Company acquired shares through securities lending agreements with key management personnel and a shareholder, which the Company must return to the lenders according to the terms of the agreements. The shares are sold by the Company and the proceeds are presented under Other Reserves. The loaned shares were sold to raise funds during the financial year. The Company holds an additional number of 377,974 shares in its custody account in a trust relationship based on the securities lending agreement.

The Company is entitled to return to the lender the same number of shares to be newly issued through a legal capital increase. The capital increase is expected to result in additional reserves from capital contributions depending on the fair value of shares at the date of the capital increase. The Company pays the borrowing parties a commission fee in line with market conditions. The commission payable for a lending period of one calendar year is based on the par value of the maximum number of shares borrowed on a single day of this calendar year. During 2022, the Company recorded commission fees of kUSD 128 (2021 – kUSD 104, 2020 – kUSD 75) to related parties with respect to these transactions. These amounts remain unpaid.

Current accounts payable and receivable balances of key management personnel represent various allowance expenses in the normal course of business which are outstanding as of year-end.

## 8. INVENTORY

| | 31 December 2022 | 31 December 2021 | 31 December 2020<br>kUSD |
|---|---|---|---|
| Crude oil | 2,208 | 1,839 | 1,849 |
| Other materials | 274 | 192 | 312 |
| Solvent | 92 | 49 | 16 |
| **Total** | **2,574** | **2,080** | **2,177** |

Inventory is comprised of crude oil, diluent, diesel and other stocks, and is valued at the lower of average cost and net realizable value.

## 9. FINANCIAL ASSETS AND LIABILITIES

### (a) Financial assets

| | 31 December 2022 | | 31 December 2021 | | 31 December 2020 | |
|---|---|---|---|---|---|---|
| | Financial assets at amortized cost | **Carrying Amount** | Financial assets at amortized cost | **Carrying Amount** | Financial assets at amortized cost | **Carrying Amount** |
| | kUSD | kUSD | kUSD | kUSD | kUSD | kUSD |
| Receivables and prepaid expenses | 7,434 | 7,434 | 3,273 | 3,273 | 2,502 | 2,502 |
| Cash and cash equivalents | 10 | 10 | 53 | 53 | 26 | 26 |
| **Total** | **7,444** | **7,444** | **3,326** | **3,326** | **2,528** | **2,528** |

### (b) Financial liabilities

| | 31 December 2022 | | 31 December 2021 | | 31 December 2020 | |
|---|---|---|---|---|---|---|
| | Financial liabilities at amortized cost | **Carrying Amount** | Financial liabilities at amortized cost | **Carrying Amount** | Financial liabilities at amortized cost | **Carrying Amount** |
| | kUSD | kUSD | kUSD | kUSD | kUSD | kUSD |
| Accounts payable and accrued liabilities | 9,438 | **9,438** | 8,641 | **8,641** | 6,794 | **6,794** |
| VAT and current tax liabilities | 519 | **519** | 214 | **179** | - | **-** |
| Current financial liabilities | 9,503 | **9,503** | 4,288 | **4,288** | 4,610 | **4,610** |
| Non-current financial liabilities | 7,247 | **7,247** | 9,004 | **9,004** | 11,048 | **11,048** |
| **Total** | 26,707 | **26,707** | 22,147 | **22,112** | 22,452 | **22,452** |

### (c) Receivables and prepaid expenses

| | 31 December 2022 kUSD **Total** | 31 December 2021 kUSD **Total** | 31 December 2020 kUSD **Total** |
|---|---|---|---|
| Trade receivables | 4,698 | 3,306 | 2,375 |
| VAT net receivables | 31 | 35 | 56 |
| Prepaid expenses | 2,705 | 76 | 71 |
| **Total** | **7,434** | **3,417** | **2,502** |

### (d) Accounts payable and accrued liabilities

| | 31 December 2022 kUSD | 31 December 2021 kUSD | 31 December 2021 kUSD |
|---|---|---|---|
| Trade payables and accrued liabilities | 1,701 | 1,231 | 4,900 |
| Payroll tax and other statutory liabilities | 7,378 | 6,919 | 944 |
| Other payables | 165 | 236 | 932 |
| Share subscriptions | 194 | 255 | 18 |
| **Total** | **9,438** | **8,641** | **6,794** |

## 9. FINANCIAL ASSETS AND LIABILITIES (cont'd)

### (d) Accounts payable and accrued liabilities (cont'd)

Share subscriptions represent prepayments from private investors for the purchase of the Group's ordinary shares not yet delivered to the investors as of the respective year end. The outstanding shares can be summarised as follows:

| | kUSD | Number of shares | Average Price per Share (CHF) |
|---|---|---|---|
| 31 December 2022 | 194 | 215,403 | 0.84 |
| 31 December 2021 | 255 | 249,211 | 0.94 |
| 31 December 2020 | 18 | 30,000 | 0.54 |

### (e) Non-current financial liabilities

| | Notes | | Maturity | 31 December 2022 kUSD Total | 31 December 2021 kUSD Total | 31 December 2020 kUSD Total |
|---|---|---|---|---|---|---|
| **Loans from key management** | | | | **836** | **1,049** | **2,367** |
| EUR 263,000 loans | i) | -- | | 278 | 299 | 281 |
| CHF advances and fees | ii) | | | 558 | 750 | 1,092 |
| CHF 650,000 subordinated loan (including accrued interest) | iii) | 2 | Subordinated | - | - | 872 |
| CHF 90,000 subordinated loan (including accrued interest) | iii) | 2.5 | Subordinated | - | - | 122 |
| **Third party convertible loans** | | | | **5,243** | **1,303** | **1,199** |
| CHF 1,140,000 CCLN (including accrued interest) | iv) | 7 | 2023-04-13 | 1,305 | 1,196 | 1,099 |
| USD 100,000 CCLN (including accrued interest) | v) | 7 | 2022-04-30 | 104 | 107 | 100 |
| EUR 3,000,000 loans (including accrued interest) | vi) | 8 | | 3,383 | 150 | - |
| CHF 420,000 loans | | | | 451 | - | - |
| **Third party loans** | | | | **9,006** | **9,120** | **9,567** |
| CHF 3,625,000 subordinated loan (including accrued interest) | vii) | 11.5 | subordinated | 4,470 | 4,493 | 4,457 |
| ALL 9.1 million bank loan | viii) | | | - | 85 | 241 |
| CHF 500,000 non-interest-bearing loan | ix) | - | | 536 | 542 | 561 |
| USD 160,000 subordinated loan (including accrued interest) | xi) | 4 | subordinated | - | - | 207 |
| CHF 90,000 non interest-bearing loan | | - | 2021-12-31 | | | 101 |
| Vendor financing | xi) | - | | 4,000 | 4,000 | 4,000 |
| **Other financial liabilities** | xii) | | | **1,665** | **1,670** | **2,525** |
| **Total financial liabilities** | | | | **16,750** | **13,292** | **15,658** |
| **Less current portion** | | | | **(9,503)** | **(4,288)** | **(4,610)** |
| **Non-current financial liabilities** | | | | **7,247** | **9,004** | **11,048** |

*(i) EUR 263,000 Loans*

The EUR loans were provided by a director and a company controlled by the director of the Company. They are interest free and have no fixed repayment date.

*(ii) CHF 425,000 advances and fees*

This amount is for advances and fees payable to management and directors of the Company which have been deferred to 2024 and bear no interest.

*(iii) kCHF 650 and kCHF 90 subordinated loans from key management personnel*

The loans from 2011 (kCHF 650) and 2014 (kCHF 90) are owed to a member of the key management of the Company. The loans and accrued interest were repaid during 2021 through the issuance of shares.

**9. FINANCIAL ASSETS AND LIABILITIES (cont'd)**
**(e) Non-current financial liabilities (cont'd)**

*(iv) CHF 1,140,000 convertible credit linked note (CCLN)*
The CCLN agreement bears interest of 10% p.a. and matures on 30 April 2023. The CCLN may be prepaid at any time by the Company provided it has not received a conversion notice. Due to the convertible character of the CCLN the equity portion of the CCLN (kUSD 158) is recognised within equity Subsequent to year-end, management received a commitment that the loan would be mainly settled with shares. As a normal procedure, a notice of default was delivered to the Company pending finalization of the settlement.

*(v) USD 100,000 convertible credit linked note (CCLN)*
The CCLN agreement bears interest of 9% p.a. The loan matured on 31 August 2022, but was extended to 31 August 2023 with an increase of interest to 12% for that year. The CCLN may be prepaid at any time by the Company provided it has not received a conversion notice. Additionally, the lender may convert the loan into shares of the Company at a conversion prices of USD 2.50 per share.

*(vi) EUR 3,000,000 convertible loans*
The convertible loans are from the Company's corner-stone investor and bear interest at 8% p.a. and were repayable on February 28, 2023. The Company subsequently entered into an agreement with the investor whereby the investor may convert the loans plus an additional loan made in 2023 of kUSD 3,000 to an aggregate of 15 million shares of the Company prior to December 31, 2023.

*(vii) CHF 3,625,000 subordinated loan from third party*
The loan represents the present value of the interest payments which remain payable under the terms of the CHF 15 million convertible loan which was converted during 2020 and are fully subordinated. The loan bore interest of 11.5% p.a. until 31 May 2022.

*(viii) ALL 9.1 million bank loan*
The loan is a government backed loan with interest paid by the Albanian government. The loan was repayable over 24 months and was fully repaid in 2022.

*(ix) CHF 500,000 non-interest bearing loan*
The loan was granted under the Swiss government Covid credit program, bears no interest and is repayable in instalments between 2023 and 2025.

*(x) kUSD 160 subordinated loan from third parties*
The loans from 2014 of kUSD 207 (including accrued interest) are owed to a third party and bear interest of 4% p.a.. The loan and accrued interest was repaid during 2021 through the issuance of shares..

*(xi) Vendor financing kUSD 4,000*
Vendor financing includes kUSD 4,000 owing to a creditor of the Company which is due on 31 December 2023, unless further extended (see Note 6).

*(xii) Other financial liabilities*
Other financial liabilities include accounts payable totalling kUSD 1,346 which creditors agreed to defer to 2024 and loans totaling kUSD 319.

## 10. PROPERTY, PLANT AND EQUIPMENT (PP&E)

Depreciation on machinery and equipment used in exploration and evaluation activities is reversed and capitalized as E&E assets. Refer to note 3(e).

| | Buildings and Grounds | Machinery and Equipment | Furniture and Fixtures | Vehicles | Right of Use Assets | kUSD Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Balance as at 31 December 2020** | 694 | 2,147 | 203 | 343 | 251 | 3,638 |
| **Additions** | - | 9 | 1 | - | 15 | 25 |
| **Disposals** | - | - | - | - | (96) | (96) |
| **Currency translation** | - | - | (2) | - | (5) | (7) |
| **Balance as at 31 December 2021** | **694** | **2,156** | **202** | **343** | **165** | **3,560** |
| Additions | 17 | 23 | 39 | - | 252 | 331 |
| Disposals | - | - | - | - | (39) | (39) |
| Currency translation | - | - | - | - | (1) | (1) |
| **Balance as at 31 December 2022** | **711** | **2,179** | **241** | **343** | **377** | **3,851** |
| **Accumulated depreciation and impairment** | | | | | | |
| **Balance as at 31 December 2020** | **(180)** | **(2,030)** | **(176)** | **(343)** | **(153)** | **(2,882)** |
| Additions | (3) | (57) | (13) | - | (45) | (118) |
| Disposals | - | - | - | - | 96 | 96 |
| Currency translation | - | - | 1 | - | 4 | 5 |
| **Balance as at 31 December 2021** | **(183)** | **(2,087)** | **(188)** | **(343)** | **(98)** | **(2,899)** |
| Additions | (3) | (48) | (15) | - | (79) | (145) |
| Disposals | - | - | - | - | 39 | 39 |
| Currency translation | - | - | - | - | (2) | (2) |
| **Balance as at 31 December 2022** | **(186)** | **(2,135)** | **(203)** | **(343)** | **(140)** | **(3,007)** |
| **Net book value** | | | | | | |
| **Balance as at 31 December 2020** | 514 | 117 | 27 | - | 98 | 756 |
| **Balance as at 31 December 2021** | **511** | **69** | **14** | **-** | **67** | **661** |
| **Balance as at 31 December 2022** | **525** | **44** | **38** | **-** | **237** | **844** |

## 11. EXPLORATION AND EVALUATION (E&E) ASSETS

| | 2022<br>31 December<br>kUSD | 2021<br>31 December<br>kUSD | 2020<br>31 December<br>kUSD |
|---|---|---|---|
| **Balance beginning of period** | **36,428** | **34,828** | **34,090** |
| Capitalized depreciation | 48 | 57 | 61 |
| Additions | 313 | 1,640 | 433 |
| Disposals | - | - | - |
| Currency translation | (26) | (97) | 244 |
| **Balance end of period** | **36,763** | **36,428** | **34,828** |

Exploration and evaluation assets consist of the Company's evaluation projects which are pending the determination of commerciality.

For the years ended 31 December 2022, 2021 and 2020 there were no impairments or triggers on E&E assets.

## 12. INCOME TAX

### (a) Deferred tax assets and liabilities Albania

Under the terms of the PSA, the Company may utilize all approved capital expenditures and expenses incurred in Albania from inception of the PSA against income earned, net of royalties in determining its taxable income. This results in an immediate tax loss carry forward when capital expenditures plus operating costs and general and administrative costs exceed revenue net of royalties. All such loss carry forwards may be carried forward indefinitely before income taxes are paid. Government audits of these costs have been conducted through 2019 and the Company received confirmation of total costs available for cost recovery of USD 83.2 million. Estimated loss carry forwards are USD 60.9 million.

| | | | **kUSD** |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Total costs | 104,726 | 99,642 | 93,650 |
| Total revenue for cost recovery | (43,844) | (39,297) | (35,902) |
| **Loss carry forward** | **60,882** | **60,345** | **57,748** |

These loss carry forwards have been recognized utilizing the Albanian tax rate on profit oil of 50%, net of deferred tax liabilities for timing differences related to the accelerated depreciation of E&E and PP&E as follows:

| | | | **Albania statement of financial position** kUSD |
|---|---|---|---|
| | 31 December 2022 | 31 December 2021 | 31 December 2020 |
| Crude inventory | (1,104) | (920) | (924) |
| Accelerated depreciation for tax purposes | (17,284) | (17,122) | (16,311) |
| Abandonment and reclamation | 58 | 52 | 40 |
| Lease obligations | 14 | 26 | 38 |
| Losses Available for offsetting against future taxable income | 30,081 | 29,802 | 28,495 |
| **Net deferred tax asset / (liability)** | **11,765** | **11,838** | **11,338** |
| Reflected on the statement of financial position as follows: | | | |
| **Deferred tax assets** | **11,765** | **11,838** | **11,338** |
| **Deferred tax liabilities** | **-** | **-** | **-** |
| **Deferred tax assets / (liabilities), net** | **11,765** | **11,838** | **11,338** |

| | **Albania statement of profit or loss and comprehensive income/(loss)** | | |
|---|---|---|---|
| | | kUSD | |
| | 2022 | 2021 | |
| Crude inventory | (185) | 5 | 83 |
| Accelerated depreciation for tax purposes | (162) | (811) | (209) |
| Abandonment and reclamation | 6 | 6 | 5 |
| Losses Available for offsetting against future taxable income | 268 | 1,300 | 1,366 |
| **Deferred tax income/(expense)** | **(73)** | **500** | **1,245** |
| **Charged/(credited) to** | | | |
| Profit or loss | (73) | 500 | 1,245 |
| Other comprehensive income | - | - | - |
| **Deferred tax income/(expense)** | **(73)** | **500** | **1,245** |

Reconciliation of deferred tax assets / (liabilities), net

| | | kUSD | |
|---|---|---|---|
| | 2022 | 2021 | |
| As at 1 January | 11,838 | 11,338 | 10,093 |
| Tax expense during the period | (73) | 500 | 1,245 |
| **As at 31 December** | **11,765** | **11,838** | **11,338** |

## 12. INCOME TAX (cont'd)

### (b) Deferred tax assets and liabilities Switzerland

| | Switzerland Statement of Financial Position | | |
|---|---|---|---|
| | | kUSD | kUSD |
| | 31 December 2022 | 31 December 2021 | 31 December 2020 |
| Defined benefit pension obligations | 4 | 17 | 52 |
| Other | (138) | (138) | (141) |
| **Net deferred tax asset / (liability)** | **(134)** | **(121)** | **(89)** |
| Reflected on the statement of financial position as follows: | | | |
| **Deferred tax assets** | **-** | **-** | **-** |
| **Deferred tax liabilities** | **(134)** | **(121)** | **(89)** |
| **Deferred tax assets / (liabilities), net** | **(134)** | **(121)** | **(89)** |

| | Switzerland Statement of profit or loss and comprehensive income/(loss) | | |
|---|---|---|---|
| | | | kUSD |
| | 2022 | 2021 | 2020 |
| Defined benefit pension obligations | (13) | (33) | (14) |
| Other | (2) | (1) | (2) |
| **Deferred tax income/(expense)** | **(15)** | **(34)** | **(16)** |
| **Charged/(credited) to** | | | |
| Profit or loss | (2) | (1) | (2) |
| Other comprehensive income | (13) | (33) | (14) |
| **Deferred tax income/(expense)** | **(15)** | **(34)** | **(16)** |

Additionally, the Company has tax loss carry forwards in Switzerland expiring as follows:

| | kUSD |
|---|---|
| 2023 | 1,560 |
| 2024 | 17,546 |
| 2025 | 6,531 |
| 2026 | 12,047 |
| 2027 | 8,599 |
| 2028 | 4,440 |
| 2029 | 6,945 |
| | **57,668** |

Losses expiring prior to 2027 may be utilized to the extent of 20% of the loss amount to shelter taxable income. Losses expiring after 2026 may be fully utilized.

## 12. INCOME TAX (cont'd)

### (c) Deferred tax assets and liabilities consolidated

| | Consolidated statement of financial position kUSD | | |
|---|---|---|---|
| | 31 December 2022 | 31 December 2021 | 31 December 2020 |
| Crude inventory | (1,104) | (920) | (924) |
| Accelerated depreciation for tax purposes | (17,284) | (17,122) | (16,311) |
| Abandonment and reclamation | 58 | 52 | 40 |
| Defined benefit pension obligations | 4 | 17 | 52 |
| Other | (124) | (112) | (103) |
| Losses Available for offsetting against future taxable income | 30,081 | 29,802 | 28,495 |
| **Net deferred tax asset / (liability)** | **11,631** | **11,717** | **11,249** |
| Reflected on the statement of financial position as follows: | | | |
| **Deferred tax assets** | **11,765** | **11,838** | **11,338** |
| **Deferred tax liabilities** | **(134)** | **(121)** | **(89)** |
| **Deferred tax assets / (liabilities), net** | **11,631** | **11,717** | **11,249** |

| | Consolidated statement of profit or loss and comprehensive income/(loss) kUSD | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Crude inventory | (185) | 5 | 83 |
| Accelerated depreciation for tax purposes | (162) | (811) | (209) |
| Abandonment and reclamation | 6 | 6 | 5 |
| Defined benefit pension obligations | (13) | (33) | (14) |
| Other | (2) | (1) | (2) |
| Losses Available for offsetting against future taxable income | 268 | 1,300 | 1,366 |
| **Deferred tax income/(expense)** | **(88)** | **466** | **1,229** |
| **Charged/(credited) to** | | | |
| Profit or loss | (75) | 499 | 1,243 |
| Other comprehensive income | (13) | (33) | (14) |
| **Deferred tax income/(expense)** | **(88)** | **466** | **1,229** |

Reconciliation of deferred tax assets / (liabilities), net

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| As of 1 January | 11,718 | 11,249 | 10,028 |
| Tax expense during the period | (88) | 466 | 1,229 |
| Exchange difference | 1 | 2 | (8) |
| **As at 31 December** | **11,631** | **11,717** | **11,234** |

### (d) Income tax expense

| | 2022 | 2021 | kUSD 2020 |
|---|---|---|---|
| **Current tax** | | | |
| Current tax on profits of the year | - | (21) | (41) |
| **Total current tax income/(expense)** | **-** | **(21)** | **(41)** |
| **Deferred income tax** | | | |
| Decrease (increase) in deferred tax assets | (73) | 500 | 1,245 |
| (Decrease) increase in deferred tax liabilities | (2) | (1) | (2) |
| **Total deferred tax income/(expense)** | **(75)** | **499** | **1,243** |
| **Income tax income/(expense)** | **(75)** | **478** | **1,202** |

## 12. INCOME TAX (cont'd)

### (e) Numerical tax reconciliation

The difference between the income tax reported and the amount computed by applying the statutory tax rate of Switzerland of 14.7% is as follows:

| | 2022 | 2021 | kUSD<br>2020 |
|---|---|---|---|
| **Income before taxes** | **(3,517)** | **(5,176)** | **(6,304)** |
| Applicable tax rate | 14.7% | 14.7% | 14.7% |
| **Expected tax** | **517** | **761** | **927** |
| Change in applicable tax rates on temporary differences | | | - |
| Unrecognized deferred tax assets | (598) | (629) | (550) |
| Non-taxable items | 202 | 51 | (40) |
| Withholding tax levied and other taxes | - | 20 | (40) |
| Difference in tax rate between Albania and Switzerland | (196) | 315 | 905 |
| **Income tax income/(expense)** | **(75)** | **478** | **1,202** |

The Albanian subsidiary currently pays no income taxes under the terms of the Petroleum Agreements in Albania. Taxes only become payable once all costs incurred since inception have been recovered through the sale of petroleum.

## 13. LEASE OBLIGATIONS

The following table reconciles the Company's lease obligations:

| | kUSD<br>31 December 2022 |
|---|---|
| Less than 1 year | 83 |
| 1 - 3 years | 174 |
| Total lease payments | 257 |
| Amounts representing interest | 12 |
| Present value of net lease payments | 245 |
| Current portion of lease obligations | 75 |
| Non-current portion of lease obligations | 170 |

## 14. DECOMMISSIONING OBLIGATION

| | 31 December 2022 | 31 December 2021 | kUSD<br>31 December 2020 |
|---|---|---|---|
| **Provision at beginning of year** | **104** | **81** | **72** |
| Additions | - | 12 | - |
| Accretion | 12 | 11 | 9 |
| **Provisions at end of year** | **116** | **104** | **81** |

The Company's decommissioning obligation results from its ownership interest in petroleum assets including well sites and gathering systems. The total decommissioning obligation is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. For Albania, the Company estimated the total undiscounted amount required to settle the decommissioning obligation at 31 December 2022 is kUSD 989 (2021 and 2020 – kUSD 870). This obligation will be settled at the end of the Company's 30 year license (including the extension option of 5 years) of which 21 years are remaining for the Visoka agreement.

## 15. EMPLOYEE BENEFITS

In Switzerland, the insurance plan is contribution based. The plan contains a cash balance benefit formula. Under Swiss law, the collective foundation guarantees the vested benefit amount as confirmed annually to members. Interest may be added to member balances (for balances exceeding the regulatory minimum) at the discretion of the collective foundation. At retirement date, members have the right to take their retirement benefit as a lump sum, an annuity or part as a lump sum with the balance converted to a fixed annuity at the rates defined in the rules of the collective foundation.

There is no employee benefit plan in Albania.

The collective foundation guarantees a sufficient degree of coverage under Swiss law. All risks, e.g. invalidity and death, are covered by insurance.

### (a) Principal assumptions

The principal assumptions used for the purposes of the actuarial valuations were as follows:

| | 31 December 2022 | 31 December 2021 | 31 December 2020 |
|---|---|---|---|
| Discount rate at 31.12. | 2.30% | 0.40% | 0.20% |
| Interest rate on retirement savings capital at 31.12. | 2.30% | 0.50% | 0.90% |
| Future salary increases at 31.12. | 1.00% | 1.00% | 1.00% |
| Future pension increases at 31.12. | 0.00% | 0.00% | 0.00% |
| Future inflation at 31.12. | 0.50% | 0.50% | 0.50% |
| Mortality tables | BVG 2020 GT | BVG2015 GT | BVG2015 GT |
| Date of last actuarial valuation | 2022-12-31 | 2021-12-31 | 2020-12-31 |

### (b) Amounts recognized in comprehensive income

Amounts recognized in comprehensive income in respect of these defined benefit plans are as follows:

| | 31 December 2022 | 31 December 2021 | kUSD<br>31 December 2020 |
|---|---|---|---|
| Current service cost (employer) | (107) | (147) | (223) |
| Interest expense on defined benefit obligation | (4) | (2) | (2) |
| Interest income on plan assets | 3 | 1 | 1 |
| Administration cost excl. cost for managing plan assets | (1) | (1) | - |
| **Components of defined benefit costs recognised in profit or loss** | **(109)** | **(149)** | **(224)** |
| - thereof service and administration cost | 3 | 3 | 3 |
| - thereof net interest on the net defined benefit liability | 3 | 3 | 3 |
| **Remeasurement on the net defined benefit liability:** | | | |
| - Actuarial loss on defined benefit obligation | 191 | 219 | 97 |
| - Return on plan assets excluding interest income | (103) | 3 | (13) |
| - Deferred tax impact | (13) | (32) | (13) |
| **Components of defined benefit costs recognised in other comprehensive income** | **75** | **190** | **71** |

The remeasurement of the net defined benefit liability is included in other comprehensive income.

### (c) Amounts included in the Consolidated statement of financial position

The amount included in the consolidated statement of financial position arising from the entity's obligation in respect of its defined benefit plan is as follows:

| | 31 December 2022 | 31 December 2021 | kUSD<br>31 December 2020 |
|---|---|---|---|
| Defined benefit obligation at 31.12. | 943 | 1,085 | 1,200 |
| Fair value of plan assets 31.12. | 716 | 788 | 725 |
| **Net liability arising from defined benefit obligation** | **227** | **297** | **475** |

## 15. EMPLOYEE BENEFITS (cont'd)

Movements in the present value of the defined benefit obligation in the current year were as follows:

| | 31 December 2022 | 31 December 2021 | kUSD 31 December 2020 |
|---|---|---|---|
| Defined benefit obligation at 1.1. | 1,085 | 1,200 | 747 |
| Interest expense on defined benefit obligation | 4 | 2 | 2 |
| Current service cost (employer) | 110 | 147 | 236 |
| Contributions by plan participants | 38 | 37 | 49 |
| Benefits paid | (87) | (40) | 195 |
| Administration cost (excl. Cost for managing plan assets) | 1 | 1 | 0 |
| Derecognition of pensioners | - | - | - |
| Actuarial loss on defined benefit obligation | (197) | (219) | (103) |
| Currency translation effects | (11) | (42) | 73 |
| **Defined benefit obligation at 31.12.** | **943** | **1,085** | **1,200** |

Movements in the fair value of the plan assets in the current year were as follows:

| | 31 December 2022 | 31 December 2021 | kUSD 31 December 2020 |
|---|---|---|---|
| Fair value of plan assets at 1.1. | 788 | 725 | 346 |
| Interest income on plan assets | 3 | 1 | 1 |
| Contributions by the employer | 89 | 87 | 115 |
| Contributions by plan participants | 38 | 37 | 49 |
| Benefits (paid) / deposited | (87) | (40) | 195 |
| Derecognition of pensioners | - | - | - |
| Return on plan assets excl. interest income | (107) | 3 | (14) |
| Currency translation effects | (8) | (26) | 34 |
| **Fair value of plan assets at 31.12.** | **716** | **788** | **725** |

The fair value of the plan assets at the end of the reporting period for each category, are as follows:

| | 31 December 2022 | 31 December 2021 | kUSD 31 December 2020 |
|---|---|---|---|
| **Quoted market price** | | | |
| Cash and cash equivalents | 20 | 29 | 20 |
| Equity instruments | 238 | 274 | 220 |
| Debt instruments | 237 | 280 | 301 |
| Real estate | 196 | 182 | 162 |
| Others | 26 | 22 | 23 |
| **Total plan assets at fair value (quoted market price)** | **716** | **788** | **725** |
| | | | |
| **Non-quoted market price** | | | |
| Cash and cash equivalents | - | - | - |
| Equity instruments | - | - | - |
| Debt instruments | - | - | - |
| Real estate | - | - | - |
| Others | - | - | - |
| **Total plan assets at fair value (non-quoted market price)** | **-** | **-** | **-** |
| **Total plan assets at fair value** | **716** | **788** | **725** |

## 15. EMPLOYEE BENEFITS (cont'd)

### (d) Sensitivity of the defined benefit obligation to changes in the principal assumptions

Significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate, interest rate on retirement savings capital, future salary increases, future pension increases and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

| | | 31 December 2022 | kUSD 31 December 2021 | kUSD 31 December 2021 |
|---|---|---|---|---|
| Discount rate | -0.25% | 35 | 46 | 59 |
| Discount rate | 0.25% | (33) | (43) | (54) |
| Interest rate | -0.25% | (12) | (12) | (15) |
| Interest rate | 0.25% | 12 | 12 | 16 |
| Salary increase | -0.25% | (2) | (2) | (7) |
| Salary increase | 0.25% | 2 | 3 | 7 |
| Life expectancy | + 1 year | 3 | 11 | 10 |
| Life expectancy | - 1 year | (3) | (10) | (9) |
| Service cost of next year with discount rate | +0.25% | 80 | 106 | (33) |
| Service cost of next year with interest rate | +0.25% | 86 | 113 | 35 |

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statement of financial position. In the collective foundation all actuarial and investment risks are covered by insurance.

The average duration of the benefit obligation is shown below:

| | 31 December 2022 | 31 December 2021 | 31 December 2020 |
|---|---|---|---|
| Weighted average duration of defined benefit obligation | 14.8 | 16.4 | 18.8 |
| Weighted average duration of defined benefit obligation for active members | 14.8 | 16.4 | 18.8 |
| Weighted average duration of defined benefit obligation for pensioners | - | - | - |

The Company expects to make the following contribution to the defined benefit plans during the respective fiscal year:

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Contributions by the employer | 91 | 90 | 99 |
| Contributions by plan participants | 39 | 39 | 43 |

## 16. EQUITY

### (a) Share capital

| | | Number of ordinary shares | Number of shares authorised | CHF Par value per share | kUSD Registered share capital |
|---|---|---|---|---|---|
| **At** | **01 January 2020** | **129,786,508** | **129,786,508** | **0.01** | **1,339** |
| | **Issued during the year** | **13,100,000** | **13,100,000** | **0.01** | **147** |
| **At** | **31 December 2020** | **142,886,508** | **142,886,508** | **0.01** | **1,486** |
| | **Issued during the year** | **-** | **-** | **-** | **-** |
| **At** | **31 December 2021** | **142,886,508** | **142,886,508** | **0.01** | **1,486** |
| | **Issued during the year** | **19,084,955** | **19,084,955** | **0.01** | **205** |
| **At** | **31 December 2022** | **161,971,463** | **161,971,463** | **0.01** | **1,691** |

### (b) Other reserves

| | Notes | Share premium | Foreign currency translation reserve | OCI effects resulting from IAS19 | OCI effects resulting from net investment in a foreign operation(ii) | Statutory legal reserves | kUSD **Total other reserves** |
|---|---|---|---|---|---|---|---|
| **Total equity at 01 January 2020** | | **71,333** | **(1,061)** | **(130)** | **1,004** | **216** | **71,362** |
| Other comprehensive income/(loss) | | **-** | **(462)** | **71** | (1,004) | **-** | **(1,395)** |
| **Total comprehensive income/(loss)** | | | **(462)** | **71** | **(1,004)** | **-** | **(1,395)** |
| Sale of borrowed shares | | 1,955 | - | - | - | - | 1,955 |
| **Total equity at 31 December 2020** | | **73,288** | **(1,523)** | **(59)** | **-** | **216** | **71,922** |
| Other comprehensive income/(loss) | | - | 568 | 190 | | - | 758 |
| **Total comprehensive income/(loss)** | | - | 568 | 190 | | - | **758** |
| Sale of borrowed shares | *i)* | 7,314 | | - | | - | 7,314 |
| **Total equity at 31 December 2021** | | **80,602** | **(955)** | **131** | | **216** | **79,994** |
| Other comprehensive income/(loss) | | - | (5) | 75 | | - | 70 |
| **Total comprehensive income/(loss)** | | - | (5) | 75 | | - | **70** |
| Sale of borrowed shares | *i)* | 5,948 | - | - | | - | 5,948 |
| **Total equity at 31 December 2022** | | **86,550** | **(960)** | **206** | | **216** | **86,012** |

*(i)* *Sale of borrowed shares*

The Company entered into two Security Lending Agreements with shareholders whereby the Company could borrow up to 24 million (2021 - 24 million, 2020 - 22.5 million) shares and sell the shares to raise additional capital. Sales of borrowed shares were as follows:

| | 2022 | 2021 | Number of shares 2020 |
|---|---|---|---|
| **Borrowed shares held in trust, beginning of year** | **3,861,782** | **4,389,737** | **8,146,460** |
| Shares borrowed during the year | 5,600,000 | 9,824,743 | 8,000,000 |
| Shares sold during the year | (9,083,808) | (7,735,481) | (11,756,723) |
| Capital increase | 19,084,955 | - | 13,100,000 |
| Shares returned during the year | (19,084,955) | (2,617,217) | (13,100,000) |
| **Borrowed shares held in trust, end of year** | **377,974** | **3,861,782** | **4,389,737** |
| | | | |
| **Total loaned shares outstanding** | **182,571** | **13,667,526** | **6,460,000** |

The Company pays a commission fee to the lender of the borrowed shares in line with market conditions. The commission payable for a lending period of one calendar year is based on the par value of the maximum number of shares borrowed on a single day during this calendar year. In the years presented, the Company sold borrowed shares in order to raise funds and the net proceeds were directly recorded in the other reserves.

## 16. EQUITY (cont'd)

### (b) Other reserves (cont'd)

The Company is entitled to return to the lender the same number of shares to be newly issued through a capital increase. The capital increase will be performed through settlement with the liability due to the shareholder and is expected to result in additional reserves from capital contributions (KER) for Swiss statutory accounting purposes, depending on the fair value of shares at the date of the capital increase. The Company has received approval of USD 44.9 million of KER by the Swiss tax authorities.

The capital increase to issue the shares returned during 2022 was approved at the Annual General Meeting held on 22 October 2020 and the and the shares were issued in October 2022.

## 17. EARNINGS PER SHARE

The following table summarizes the calculation of basic and diluted weighted average number of common shares:

### (a) Basic earnings per share

| | | | kUSD |
|---|---|---|---|
| | 31 December 2022 | 31 December 2021 | 31 December 2020 |
| **Profit/(loss) attributable to ordinary shareholders** | **(3,592)** | **(4,702)** | **(5,103)** |
| **Weighted average number of ordinary shares outstanding, basic and fully diluted** | **146,067,334** | **142,886,508** | **137,428,175** |

### (b) Diluted earnings per share

The convertible bonds issued (note 9) and shares owing under the Security Lending Agreements have an anti-dilutive impact due to the losses incurred and are therefore not included in the calculation of diluted earnings per share. Based on the above assessment, the result of the basic earnings per share calculation for the financial periods presented does not deviate from the diluted earnings per share calculation.

## 18. OIL SALES

| | | | kUSD |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| Oil sales to customers | 4,964 | 3,669 | 1,815 |
| Oil sales to governmental organizations | 1,020 | 750 | 493 |
| Royalties | (1,526) | (1,129) | (675) |
| **Total** | **4,458** | **3,290** | **1,633** |

The share of production attributed to Albpetrol is recognized as oil sales to governmental organizations and offset by a charge to royalties in an equal amount.

## 19. OPERATING EXPENSES

| | 2022 | 2021 | kUSD 2020 |
|---|---|---|---|
| Personnel | (693) | (669) | (593) |
| Materials and repairs | (873) | (687) | (849) |
| Energy | (781) | (810) | (836) |
| Well servicing and leases | (16) | (18) | (37) |
| Transportation | (273) | (315) | (318) |
| Security and other | (269) | (278) | (242) |
| **Total** | **(2,905)** | **(2,777)** | **(2,875)** |

## 20. GENERAL AND ADMINISTRATIVE EXPENSES

| | 2022 | 2021 | kUSD 2020 |
|---|---|---|---|
| Personnel | (2,568) | (2,417) | (2,438) |
| Office and communications | (190) | (228) | (245) |
| Professional fees | (272) | (392) | (752) |
| Tax and audit | (141) | (101) | (165) |
| Travel and subsistence | (60) | (49) | (94) |
| Financial advisory | (1,257) | (1,610) | (877) |
| Other | (203) | (208) | (245) |
| **Total** | **(4,691)** | **(5,005)** | **(4,816)** |

Professional fees and financial advisory include costs related to the Company's efforts to complete its public listing and raise pre-listing funding.

## 21. FINANCE INCOME AND EXPENSE

### (a) Finance income

| | 2022 | 2021 | kUSD 2020 |
|---|---|---|---|
| Interest income | - | - | - |
| Net foreign exchange gain | - | - | - |
| **Total** | **-** | **-** | **-** |

### (b) Finance expense

| | 2022 | kUSD 2021 | kUSD 2020 |
|---|---|---|---|
| Interest and bank charges | (812) | (466) | (576) |
| Net foreign exchange gain | 609 | (139) | 283 |
| Other finance expenses | (128) | (113) | (177) |
| Accretion of decommissioning obligation | (12) | (11) | (1) |
| **Total** | **(340)** | **(729)** | **(471)** |
| | | | |
| **Net finance expenses** | **(340)** | **(729)** | **(471)** |

Other finance expenses are mainly commission fee expenses related to security lending agreements. Please refer to note 7 for additional information concerning the security lending agreement.

## 22. SEGMENT INFORMATION

The Company defines its reportable segments based on geographic locations.

For the year ended 31 December 2022, revenues of kUSD 4,286 (2021 - kUSD 2,858, 2020 - kUSD 1,854), were derived from two customers who each individually amounted to 10% or more of the Company's revenues.

| Year ended<br>31 December 2022 | Albania | Switzerland | kUSD<br>**Total** |
|---|---|---|---|
| **Revenue** | | | |
| Oil sales | 4,458 | - | 4,458 |
| Other revenue | 93 | 4 | 97 |
| **Total operating revenues** | **4,551** | **4** | **4,555** |
| | | | |
| **Other income** | **-** | **-** | - |
| | | | |
| **Expenses** | | | |
| Operating | (2,905) | - | (2,905) |
| Sales and transportation | (39) | - | (39) |
| General & administrative | (1,181) | (3,510) | (4,691) |
| Depreciation and impairment | (29) | (68) | (97) |
| **Operating profit/(loss)** | **397** | **(3,574)** | **(3,177)** |
| Net finance income/(expense) | 518 | (858) | (340) |
| **Profit/(loss) before income tax** | **842** | **(4,432)** | **(3,517)** |
| Income tax income/(expense) | (73) | (2) | (75) |
| **Profit/(loss)** | **842** | **(4,434)** | **(3,592)** |
| | | | |
| **Assets, 31 December 2022** | **53,633** | **5,757** | **59,390** |
| **Liabilities, 31 December 2022** | **7,596** | **19,833** | **27,429** |
| **Additions to PP&E** | **41** | **38** | **79** |
| **Additions to E&E** | **313** | **-** | **313** |

## 22. SEGMENT INFORMATION (cont'd)

| Year ended 31 December 2021 | Albania | Switzerland | kUSD **Total** |
|---|---|---|---|
| **Revenue** | | | |
| Oil sales | 3,290 | - | 3,290 |
| Other revenue | 90 | 46 | 136 |
| **Total operating revenues** | **3,380** | **46** | **3,426** |
| | | | |
| **Other income** | **-** | **-** | - |
| | | | |
| **Expenses** | | | |
| Operating | (2,777) | - | (2,777) |
| Sales and transportation | (33) | - | (33) |
| General & administrative | (1,156) | (3,849) | (5,005) |
| Depreciation and impairment | (30) | (32) | (62) |
| **Operating profit/(loss)** | **(616)** | **(3,835)** | **(4,451)** |
| Net finance income/(expense) | 82 | (811) | (729) |
| **Profit/(loss) before income tax** | **(534)** | **(4,646)** | **(5,180)** |
| Income tax income/(expense) | 500 | (22) | 478 |
| **Profit/(loss)** | **(34)** | **(4,668)** | **(4,702)** |
| | | | |
| **Assets, 31 December 2021** | **51,442** | **2,891** | **54,333** |
| **Liabilities, 31 December 2021** | **6,638** | **15,952** | **22,590** |
| **Additions to PP&E** | **11** | **15** | **26** |
| **Additions to E&E** | **1,640** | **-** | **1,640** |

| Year ended 31 December 2020 | Albania | Switzerland | kUSD **Total** |
|---|---|---|---|
| **Revenue** | | | |
| Oil sales | 1,633 | - | 1,633 |
| Other revenue | 354 | 26 | 380 |
| **Total operating revenues** | **1,987** | **26** | **2,013** |
| | | | |
| **Other income** | | | |
| | | | |
| **Expenses** | | | |
| Operating | (2,875) | - | (2,875) |
| Sales and transportation | (28) | - | (28) |
| General & administrative | (1,083) | (3,733) | (4,816) |
| Depreciation and impairment | (60) | (68) | (128) |
| **Operating profit/(loss)** | **(2,059)** | **(3,775)** | **(5,834)** |
| Net finance income/(expense) | (145) | (326) | (471) |
| **Profit/(loss) before income tax** | **(2,204)** | **(4,101)** | **(6,305)** |
| Income tax income/(expense) | 1,245 | (43) | 1,202 |
| **Profit/(loss)** | **(959)** | **(4,144)** | **(5,103)** |
| | | | |
| **Assets, 31 December 2020** | **48,666** | **2,961** | **51,627** |
| **Liabilities, 31 December 2020** | **4,036** | **19,218** | **23,254** |
| **Additions to PP&E** | **44** | **-** | **44** |
| **Additions to E&E** | **433** | **-** | **433** |

## 23. SUBSEQUENT EVENTS

On April 3, 2023, the Company, together with UTP, entered into a convertible loan agreement whereby the investor will provide financing of up to USD 25 million. Of this amount, the Company has received USD 15 million. The investor has the option to provide an additional USD 10 million no later than August 31, 2023. Assuming all funding has been received, the loans plus the EUR 3 million previously provided by the investor shall be repaid by the issuance of 70 million shares of the Company which shall then be exchanged for UTP shares. The investor may elect to execute the conversion at any time up to December 31, 2023 but the loans will automatically convert when UTP publishes an intention to float announcing an IPO or on December 31, 2023. Additionally, the main shareholders, in their personal support of the transaction, have agreed to deliver 50 million shares to the investor upon fulfilment of the entire investment commitment.

On May 24, 2023, the criminal investigation against the Company's CEO in Austria was discontinued. In the discontinuance, the prosecutor noted that the identity data of Peter Krempin was misused in order to pretend that he was the owner and director of a sham company that was established solely for the purpose of deceiving potential victims and creating the appearance of respectability (emphasis added). The case was closed because all allegations against Mr. Krempin were clearly false. These allegations were noted by the Company in its sixth supplement of November 30, 2021 to the prospectus dated June 30, 2021 and effectively destroyed any chance of completing the full prospectus offering.