KISTOS

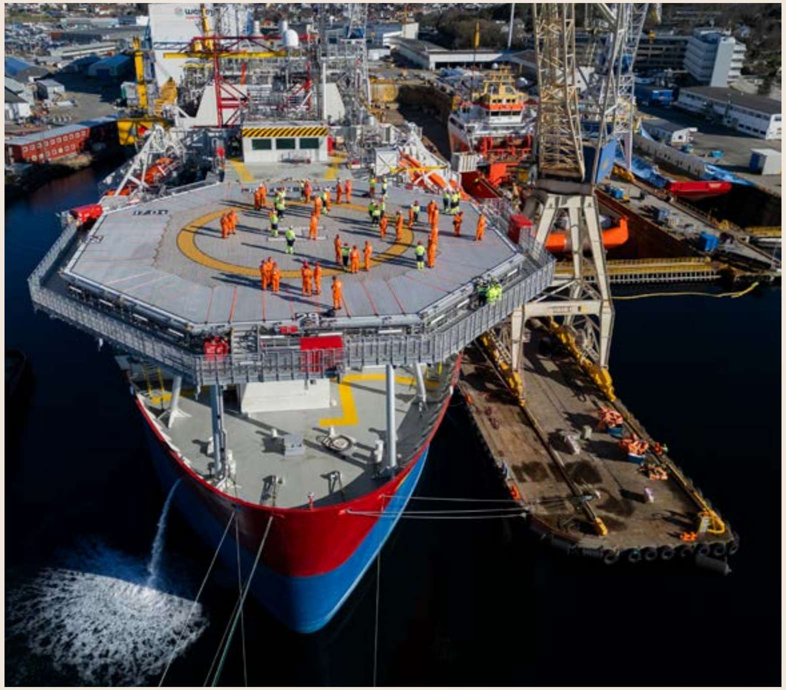
2024 Annual Report and Accounts

Kistos Holdings plc

Contents

2024 Year in Review

Strategic and Operational Highlights



Significant progress on Balder Future

First stage of the Jotun sail away programme has completed. The hook-up and final commissioning of the Jotun FPSO is expected to be undertaken in the coming months, and the operator is targeting first oil by the end of the second quarter in 2025. Once online, the project is expected to increase the area's peak daily production by 80,000 boepd (gross).

8,050 boepd per day production

Production in 2024 net to Kistos averaged 8,050 boepd across our three regions (2023: 8,800 boepd).

Organic growth onshore UK

Following the acquisition of EDF's onshore UK gas storage assets in April 2024, Kistos increased the working gas capacity in July 2024, to 22.1 million therms with a roadmap to reach 35.0 million therms.

Change of operator

The change of operator in the GLA is expected to provide additional momentum in sanctioning a number of development projects, including Glendronach.

Onshore gas storage assets in Cheshire, UK, acquired April 2024

2024 Year in Review

Financial Highlights

Gross profit $117 million

Gross profit of $117 million for the 12 months to 31 December 2024 (2023: $144 million).

Adjusted EBITDA $95 million

Adjusted EBITDA of $95 million[1] for the 12 months to 31 December 2024 (2023: $130 million).

$114 million cash

Cash balances of $114 million (31 December 2023: $215 million), excluding restricted funds of $29 million held in respect of GLA decommission securities.

$65 million tax rebate due in December 2025

Norwegian tax rebate receivable of approximately $65 million (NOK 746 million) in respect of investments in the 2024 calendar year payable in December 2025.

$144 million capital expenditure

Capital expenditure on a cash basis was $144 million (2023: $129 million), representing the significant planned ongoing investment in Norway to progress the Balder Future project to first oil.

Adjusted net debt $52 million

Adjusted net debt of $52 million[2] (2023: adjusted net cash $62 million). Carrying value of Hybrid Bond debt fell to $0.7 million (2023: $15.7 million) based on the likelihood of operational milestones being met, including offload of 500,000 bbls (gross) of Balder crude oil from the Jotun FPSO between 31 December 2024 and 31 May 2025.

Result for the period

Statutory loss after tax of $52 million, (2023: $27 million loss after tax), including $34 million of impairment charges (2023: $63 million) and $27 million of fair value and foreign exchange losses (2023: $13 million gains).

1. Non-IFRS measure. Refer to note 2.2.2 to the financial statements for definition and calculation.
2. Non-IFRS measure. Refer to Appendix B2 to the financial statements for definition and calculation.

Strategic Report

Executive Chairman's Statement

Navigating a Critical Stage in the Balder Future Project

I am pleased to present Kistos Holding plc's (Kistos) annual report for the year ended 31 December 2024. This year has been pivotal for our company as we navigate the critical stage of the Balder Future project in Norway.

The Jotun floating production storage and offloading vessel (FPSO) sail away represents an important milestone, together with all 14 production wells completed and associated subsea equipment installed, the hook-up and final commissioning is expected to be undertaken over the coming months, with first oil targeted for the end of the second quarter of the year. Once online, the project is expected to increase the area's peak daily production of circa 30,000 barrels of oil equivalent produced per day (boepd) (gross) by 80,000 boepd (gross), which is expected to occur approximately three to four months following first oil.

Furthermore, it is anticipated that the completion of the Balder Future project and ongoing drilling of Balder Phase V will unlock future infill and exploration opportunities, as well as tie-back developments with a short time to market. Kistos, alongside the operator, is progressing with further development and exploration projects across the Balder Area with a view to converting 2C resources to 2P reserves in the short to medium term.

"The Jotun FPSO sail away is a major milestone for the Balder Future project, ensuring it remains on track to deliver first oil by the end of the second quarter of 2025 ahead of reaching peak production of circa 11,000 boepd net to Kistos."

In the UK, the Greater Laggan Area (GLA) contributed 3,240 boepd throughout 2024, significantly exceeding the operator budget following good uptime and strong well performance. The GLA joint venture (JV) can look forward to the third-party Victory gas field coming onstream in the final quarter of 2025, while we continue to explore organic development opportunities, including the Glendronach field and potential infill wells at Tormore and Glenlivet. The change of operator in the GLA, which is expected to take place in the second quarter of 2025, will provide additional momentum in sanctioning development projects.

In the Netherlands, production from the Q10-A field averaged 2,070 boepd, impacted by outages on the TAQA-operated P15-D platform. We are prioritising efforts to maximise volumes and lower unit costs, while engaging in discussions regarding the extension of life of the P15-D platform and wider infrastructure, which the operator is committed to achieve.

Kistos achieved a full-year production rate of 8,050 boepd (2023: 8,800 boepd) with sales volumes for liquids at 3,363 boepd (2023: 1,545 boepd) and natural gas at 4,911 boepd (2023: 6,660 boepd). The average realised price of liquids was \$79/boe; for natural gas, it was \$62/boe in the UK and \$63/boe in the Netherlands. Unit operating expenses increased to \$32/boe, driven by lower production in the Netherlands and the UK. Impairment charges of \$34 million were recognised due to higher-than-expected outages and costs on the TAQA-operated P15-D platform.

The acquisition of EDF's gas storage assets for £25 million marked our entry into the midstream market, aligning with our strategy to pursue opportunities that support the energy transition. Kistos has already increased the working gas capacity to 22.1 million therms (by 24%) and we have a roadmap to increase it to 35.0 million therms (a further 62%) by recommissioning Hole House in Cheshire, UK.

"We are committed to optimising production and exploring new growth opportunities to drive substantial returns for our investors."

Looking ahead, we remain committed to optimising production, reducing unit costs and exploring new growth opportunities. The completion of the Jotun FPSO refurbishment and the anticipated start-up of the Balder Future project will drive significant production increases and we will continue leveraging our diversified asset portfolio to navigate market challenges and capitalise on emerging opportunities.

I would like to extend my gratitude to our employees, contractors, suppliers and co-venturers for their dedication and support. Together, we will continue to build on our platform to generate substantial returns for our investors, while maintaining high standards of employee welfare, safety and corporate governance, and a commitment to the environment.

Andrew Austin
Executive Chairman

10 April 2025

Chief Executive Officer's Review

Review of Operations

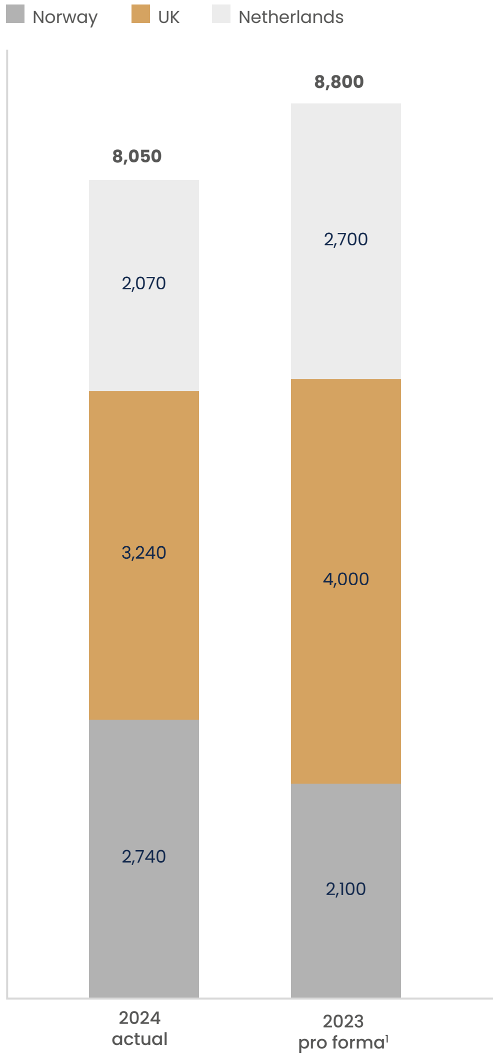
Our priority for 2024 was the completion of onshore and offshore work as part of the Balder Future project in Norway, with first oil targeted for the end of the second quarter.

Full year production was within guidance at 8,050 boepd, supported by volumes in excess of 15% of budgeted production for the GLA, which helped offset a reduction in Norway relating to the delayed start-up of the Balder Future project into 2025.

In Norway, all planned production wells and subsea equipment were completed and installed during 2024, while the Jotun FPSO sail-away commenced in March 2025. In line with the operator's estimates, we anticipate that the hook-up and commissioning of the FPSO will be complete by the end of the second quarter of 2025, with a subsequent ramp-up period resulting in peak production rates during the second half of 2025.

In the Netherlands, there were several production outages on the TAQA-operated P15-D platform. We are prioritising efforts to ensure appropriate plans are in place to maximise volumes and lower unit costs over the coming years and remain in discussions with the operator and other users of the P15-D platform and associated infrastructure to extend the field life past 2027. 2024 also saw Kistos make its first acquisition in the midstream space with the purchase of gas storage assets from EDF Energy. This brings diversification to the business as well as a strong operating team based in Cheshire, UK.

Full year production
(boepd)



Norway

Production and drilling activity

Net production from the Balder, Ringhorne and Ringhorne Øst fields (Kistos 10%, 10% and 7.4%, respectively) averaged 2,740 boepd in 2024, with 22 wells producing oil during the year.

Production was positively impacted during this period by the start-up of the H1 well at Ringhorne in May 2024. However, slower well delivery at Ringhorne, combined with an unplanned platform outage lasting 10 days and the delay of Jotun FPSO start-up into 2025, has resulted in lower production.

The West Phoenix rig finished its programme to drill and complete 14 producers and one injector as part of the Balder Future project, leaving the field in August.

The Balder Phase V programme achieved formal Final Investment Decision (FID) in October 2024, with the approval of a six-well programme that will target 34–38 million barrels of oil equivalent (MMboe) (gross) and approval to utilise all remaining well slots that were installed as part of the Balder Future project. These wells will be drilled with the COSL Pioneer rig, with spud of the first well occurring in early March 2025. First production is anticipated shortly after the Jotun FPSO has fully ramped up, expected for the second half of 2025.

1. Pro forma figures for 2023 include Kistos Norway as if it had been acquired on 1 January 2023. The acquisition completed on 23 May 2023.

Chief Executive Officer's Review

Other activities in 2024 included a three-month flotel campaign at the Ringhorne platform, executing 140,000 hours of maintenance and life extension preparatory works; rich-gas riser replacement between the Balder floating platform unit (FPU) and Ringhorne platform; and the completion of two Ringhorne platform wells.

Balder Future and other developments

The Balder Future project involved drilling 14 new production wells plus one new water injector on the Balder field, alongside the refurbishment of the Jotun FPSO, which will be integrated into the Balder Area hub to increase processing and handling capacities across the Balder and Ringhorne Øst fields. The project's initial target is to extract approximately 140 MMboe (gross) from the area. It will also provide expansion capacity to tie in extra wells to the FPSO after the completion of the Balder Future project.

The upgrade of the Jotun FPSO for the Balder Future project is substantially complete, with final offshore commissioning work ongoing post the vessel's tow-away. All planned wells have been completed, and will be ready for start-up as soon as the Jotun FPSO is installed in the field and tie-ins are complete.

During 2024, $977.4 million (capex of 10.5 billion NOK) gross capital expenditure was incurred, taking the total Balder Future project spend at year-end 2024 to $4,291.2 million (46.1 billion NOK) gross.

The United Kingdom

Greater Laggan Area

The GLA's average net production rate in 2024 was 3,240 boepd (2023: 4,000 boepd), impacted by a planned 21-day turnaround (TAR) and natural reservoir decline. An emergency shutdown and 10-day outage following a heating medium pipework failure at the Shetland Gas Plant (SGP) in December 2023 meant unplanned losses continued during the ramp-up phase in early January. Despite this, 2024 production significantly exceeded the operator budget, driven by positive pipeline de-liquifying operations, on-schedule execution of the TAR and strong Tormore and Glenlivet well performance.

Production trials to restart the single well on the Edradour field in a continuous gas phase were unsuccessful and the well remains suspended with negligible production during 2024. The GLA JV continues to monitor the well and evaluate opportunities to restart it to maximise overall production into the dual flowlines to SGP.

Developments and opportunities

The Glendronach development previously passed all technical stage gates and demonstrated accretive economics utilising existing GLA subsea infrastructure and the SGP. During late 2024, a review of key design decisions commenced, which will culminate in a review of project economics in summer 2025.

The initial results obtained from 2023 seismic surveys of the fields helped inform JV decisions over future development opportunities, including Edradour West. The JV partners concluded that the Edradour West target showed indications of pressure communication with the main structure. Following further work, the opportunity has been downgraded within the GLA hopper due to the likelihood of an oil, rather than gas-filled, target.

The JV continues to mature infill opportunities over the Tormore and Glenlivet fields, with detailed work programmes continuing into 2025. During the year, it is anticipated all options will be high graded; the best development opportunity will be selected for further work towards an FID.

The Victory field development (Shell 100%) received regulatory approval to proceed in January 2024 and development is continuing according to schedule. The Victory field will be produced via a single subsea well tied back via existing GLA infrastructure to the SGP. First gas is targeted for the fourth quarter of 2025. Once on-stream, the addition of Victory production volumes will reduce unit operating costs for the GLA partners while providing a life extension for existing GLA fields.

Change of operatorship

During 2024, it was announced that TotalEnergies E&P UK Ltd (40% and operator of the JV) had agreed to sell its entire stake and operatorship to the Prax Group. The deal is anticipated to complete in the second quarter of 2025 and Kistos views the change of operator as positive regarding evaluating and potentially reaching key investment decisions on future activities in the area.

Benriach

The Benriach exploration well, located on block 206/05c (Kistos 25%), was drilled during the first half of 2023 to a measured depth of approximately 4,400 metres. It is currently in the process of fulfilling work obligations associated with the exploration licence. Following a period of data integration and interpretation, ongoing subsurface evaluation work will conclude in 2025. There are no further firm commitments on the licence, and the term runs until September 2027.

33rd Round Award

Kistos (33%) and its JV partner TotalEnergies (66% and operator) were awarded the P 2683 licence, with minor work commitments required ahead of a potential drill-or-drop decision prior to progressing to Phase C. The licence includes the Ballechin prospect, which was previously identified by the GLA JV partnership; however, it was required to relinquish the acreage prior to Kistos' entry into the licence in 2022.

At the time of the formal licence award, Kistos was made aware of a judicial review launched by Oceana UK, challenging the licence award process followed by the North Sea Transition Authority (NSTA) and affecting all 33rd round exploration licence awards. Until the outcome of this legal challenge is available, the P2683 partnership intend to minimise investment in the licence. In light of the judicial challenge, the JV partners have requested that the NSTA grant an extension to the initial term to enable licensees to sufficiently assess opportunities and decide on progress to Phase C once the process has been concluded in the courts and status of the licence is confirmed.

Onshore UK gas storage

In February 2024, we announced an agreement to purchase EDF's onshore gas storage assets at Hill Top Farm and Hole House in Cheshire, UK, for £25 million payable in cash at completion, less closing working capital adjustments (the 'Gas Storage Acquisition'). The acquisition, which completed in April 2024, was in line with our

Chief Executive Officer's Review

strategy to pursue opportunities that align with the energy transition and diversify our asset portfolio into a stable marketplace that offers significant growth potential.

Hill Top's working gas capacity at acquisition was 17.8 million therms and was successfully increased to 22.1 million therms in July 2024 following an ongoing programme to increase the working pressure range of the cavities. Due to the fast cycle nature of the facility, Hill Top can deliver up to 11% of the UK's onshore flexible daily gas capacity if called upon.

From completion on 23 April to year-end 2024, Hill Top achieved 93.5% operating availability, injecting 112 million therms and withdrawing 97 million therms. It exited 2024 with 18.4 million therms of trading stock. The injected volumes are equivalent to over five cycles from empty to full of working gas within the five operational caverns, in a little over eight months of active ownership; this represents a significant operational change compared to previous on-site operations.

Initial hedges, with injections in July 2024 and withdrawals in the first quarter of 2025, were placed at an average price of 23.5 pence per therm. This took advantage of a good spread emerging in the market during late April, and again in July.

A small portion of storage capacity (<10%) was rented out under an operating margins contract to National Gas for a fixed annual fee. Kistos has been awarded a slightly larger volume for contract year 2025–2026.

A front-end engineering and design (FEED) study was initiated in August 2024 to evaluate the potential reactivation of the Hole House facility, which was last operational in 2018. Based on the latest project plan, no additional cushion gas would be required for recommissioning, while most brine already received would be utilised elsewhere on site. The net working gas across Hill Top and Hole House facilities would increase by roughly 13 million therms (over 60%) in this scenario.

Kistos has an existing agreement with British Salt Limited for receipt of brine for the purpose of re-brining the Hole House caverns. By the end of 2024, three of the four caverns had been fully re-brined.

The Netherlands

Q10-A

Q10-A (Kistos 60% and operator) production in 2024 was 2,070 boepd (2023: 2,700 boepd). No major investment activities were undertaken during the year and production decline was largely as expected, driven by natural pressure decline across producing reservoir intervals. Production was impacted by unplanned downtime during the first quarter of 2024 due to the failure of firefighting pumps on the TAQA-operated P15-D platform. It was also affected by an over-run of the planned summer TAR on the same facility.

Our estimate of recoverable 2P reserves remains in line with those set out at year-end 2023, with slight adjustments to account for the lower offtake during 2024 caused by the unplanned shutdowns.

During 2024, the forecasted future operating cost on the P15-D platform increased beyond our previous expectations. The Group continues to cooperate closely with the operator and other users of the P15-D platform and associated infrastructure to try to ensure volumes are maximised and unit operating costs are minimised in the coming years. The so-called 'hub' model, which is output from this exercise, aims to enable more accurate planning of future costs, profiles and cessation of production timing and should ensure better value is generated for all users.

Orion

The Q10-A Orion oil field (Kistos 60% and operator) is in the Vlieland sandstone formation, which is a stratigraphically shallower formation deposited above the Q10-A gas field. This is a proven play in the area and, although this reservoir has low porosity and permeability, it contains natural fractures that can significantly enhance productivity. This was demonstrated in the third quarter of 2021, when Kistos drilled an appraisal well and flow tested an 825-metre horizontal section at a maximum rate of 3,200 boepd.

Following completion of the design and subsurface aspects of the project, commercial discussions with the P15-D owners continue to seek to establish certainty around operating lifetime of the P15-D platform.

Other

Kistos (60% and operator) requested an extension to the 28 February 2024 submission deadline to apply for a permit to drill an appraisal well on the M10a and M11 licences. During the remainder of 2024, we continued our dialogue with the relevant authorities on this matter and no formal response to the request has been received so far.

In January 2023, Kistos was awarded three new offshore exploration licences (P12b, Q13b and Q14), which are adjacent to the existing Q10 block and cover a total of 507 km^2. Kistos holds a 60% operated working interest in these licences and is partnered with Energie Beheer Nederland (EBN), which holds the remaining 40%. Prospect evaluation of the acreage was carried out by a third-party consultant during 2024, allowing for an updated inventory hopper that has been integrated within the wider group portfolio of opportunities.

Onshore, after concluding the safe abandonment of three wells (HRK-1, DKK-3 and DKK-4) at the end of 2022, Kistos commenced land remediation and returning sites to landowners through 2023. During 2024, Kistos partnered with Callidus to remove 4" and 6" buried pipelines, successfully pulling a total of 4.5 km and 8.8 km of pipeline, respectively. During October, Kistos set a record by pulling more than 1 km section of 6" pipeline in a single go. In 2025, Kistos will complete abandonment works related to any remaining onshore obligations, removing a 10" pipeline via the same methods deployed during 2024.

Reserves and resources

Kistos exited 2024 with 2P reserves of 24.4 MMboe. Production in 2024 was 2.9 MMboe, resulting in a reduction of 0.6 MMboe from year-end 2023 Group 2P reserves of 27.9 MMboe.

Our 2C contingent resources were estimated to be 57.5 MMboe at the end of 2024, including other opportunities in the Balder Area, Orion and M10a/M11, as well as Glendronach and potential infill wells in the GLA.

Peter Mann
Chief Executive Officer (CEO)

10 April 2025

Financial Review

Results for the year ended 31 December

		2024	2023
Production rate	boepd	8,050	8,800
Sales volumes			
Liquids	boepd	3,363	1,545
Natural gas	boepd	4,911	6,660
	boepd	**8,274**	**8,205**
Average realised price			
Liquids	$/boe	79	81
Natural gas - UK	$/boe	62	72
Natural gas - NL	$/boe	63	79
	$/boe	**69**	**76**
Revenue			
Liquids	$'000	98,227	60,660
Natural gas	$'000	111,412	162,372
Gas trade	$'000	6,680	–
	$'000	**216,319**	**223,032**
Unit opex	$/boe	**29**	**26**
Adjusted EBITDA[1]	$'000	**95,324**	**130,242**
Basic loss per share	$/share	**(0.63)**	**(0.32)**
Capital expenditure	$'000	**143,814**	**129,067**
Adjusted net (debt)/cash[2]	$'000	**(51,663)**	**62,067**

1. Non-IFRS measure. Refer to note 2.2.2 in the financial statements for definition and calculation.
2. Non-IFRS measure. Refer to Appendix B2 in the financial statements for definition and calculation.

Revenue

The Group's average realised price across gas and oil sales during the period was primarily impacted by weaker UK and European gas prices. This, together with a slight decrease in production rates, resulted in a decrease in revenue.

In Norway, Kistos ended the joint lifting agreement with Vår Energi ASA (Vår), with the last cargo lifted during January 2024 for a net 53 thousand barrels (kbbls) at an average price of $70/boe. In January 2024, Kistos entered a new sale and lifting arrangement whereby Kistos will sell its share of crude oil only when it has built up sufficient entitlement to fill an offload tanker but will continue being paid monthly on a produced quantity basis. Under the new agreement, two cargoes of crude totalling 1,104 kbbls net to Kistos were lifted during 2024, with an average realised price of $75/boe.

Unit opex

Total unit opex increased by $3/boe during 2024 to $29/boe from $26/boe in 2023 primarily driven by lower volumes and strengthening of sterling against the US dollar.

Adjusted EBITDA

The decrease in Adjusted EBITDA versus the comparable period of 2023 was primarily driven by lower gas prices and production volumes.

General and administration (G&A) costs increased by $5.8 million in 2024, reflecting the inclusion of Kistos Energy Storage, and a one-off credit against G&A costs in 2023 relating to success fees on the Mime Petroleum AW (Mime) Acquisition.

Financial Review

Adjusted EBITDA[1]

$'000	2024	2023
Adjusted EBITDA	**95,324**	**130,242**
Development expenses	(214)	(1,239)
Share-based payment expenses	(560)	(176)
Depreciation and amortisation	(99,923)	(106,949)
Impairments	(34,475)	(63,401)
Transaction costs	(898)	(2,792)
Changes in fair value and release of contingent consideration	–	3,597
Operating loss	**(40,746)**	**(40,718)**

Impairment charges of $34.5 million were recognised during 2024, resulting from higher than planned outages (due to the time bound nature of reserves) and costs on the TAQA-operated P15-D platform.

Loss for the period

$'000	2024	2023
Operating loss	**(40,746)**	**(40,718)**
Interest income	6,417	10,039
Interest expense	(34,196)	(31,108)
Other net finance (costs)/income	(27,357)	12,655
Net finance costs	**(55,136)**	**(8,414)**
Tax credit	43,883	22,538
Loss for the period	**(51,999)**	**(26,594)**

Debt and finance costs

The carrying value of bond debt on 31 December 2024 was $245 million, comprising USD-denominated bonds issued by its Norwegian subsidiary. Hybrid Bond debt with a face value of $45 million is not expected to be payable due to related milestones not being met, as such its carrying value was determined to be $0.7 million on 31 December 2024.

Foreign exchange differences resulting from variances in the presentation currency of the Group and its Norwegian subsidiary are the principal driver of the non-cash other net finance costs.

Tax credit

The net accounting tax credit for 2024 was $43.9 million, arising primarily from tax losses generated in Norway and deferred tax movements in the UK. Taxable profits charged at rates of 75.5%, 78% and 50% applicable to oil and gas production activities in the UK, Norway and the Netherlands respectively and 25% applicable to onshore UK activities, have been offset by capital allowances on the Balder Future project.

Cash taxes paid during the period were $72.2 million (2023: $36.6 million), primarily relating to the settlement of UK tax liabilities on 2022 profits. Cash taxes received during the period were $80.7 million (2023: $78.5 million) relating to capital expenditure on the Balder Future project.

The current tax liability at the year-end was $93.6 million (2023: $142.1 million). Both periods include $49 million provided for in respect of the Solidarity Contribution Tax, for which the Group believes there is a strong argument that the relevant Dutch subsidiary Kistos NL2 BV is out of scope (see note 6.4 to the financial statements). This is because, in its opinion, less than 75% of its turnover under Dutch GAAP was derived from the production of petroleum or natural gas, coal mining, petroleum refining or coke oven products.

Capital expenditure

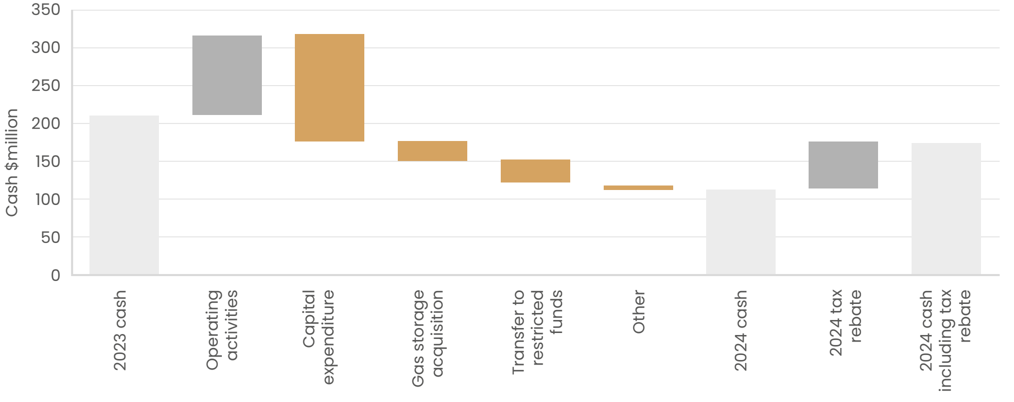
Cash capital expenditure in 2024 was almost entirely related to the Balder Future project, with no drilling or well intervention campaigns in the UK or Netherlands. Expenditures comprised drilling and refurbishment costs on the Jotun FPSO and other facilities.

Capital expenditure in Norway is relievable at an effective rate of 78%, with any tax losses generated during the year creating a tax credit that is receivable as a cash tax rebate the following December. The tax receivable in respect to 2024 Norwegian tax losses (primarily generated by capital expenditure in 2024) is anticipated to be approximately $65 million (NOK 745 million), not including accrued interest, to be received in December 2025.

1. Non-IFRS measure. Refer to note 2.2.2 in the financial statements for definition and calculation.

Financial Review

Cash



Unrestricted cash balances at the end of the year were $114 million (31 December 2023: $215 million). We have access to $20 million of undrawn facilities.

Obligations under Decommissioning Security Agreements (DSAs) for the GLA fields are satisfied, in part, by the purchase of surety bonds and cash collateral held in escrow against letters of credit. During 2025, management will look to replace letters of credit through the purchase of additional surety bonds.

James Thomson
Chief Financial Officer (CFO)

10 April 2025

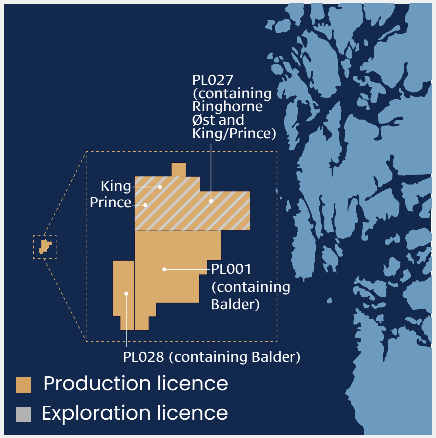
Who We Are

Kistos Holdings plc is an independent, UK-based company that strives to create value for investors and other stakeholders through the acquisition and management of businesses in the energy sector.

Established in October 2020 and headquartered in London, we aim to build a balanced, long-term portfolio with high-quality production and development assets, energy storage infrastructure and energy generation projects.

Led by an experienced management team with a successful track record of value creation, Kistos' strategy is built around the pursuit of growth through strategic mergers and acquisitions (M&A) and prioritising operational excellence to accelerate organic development opportunities.

1. Norway



This licence area includes both production and exploration

Oil and gas production and operations

Our third acquisition in three years was completed in May 2023 when we acquired Mime Petroleum AS. Marking our entry into the Norwegian Continental Shelf (NCS), this transaction added significant oil reserves and resources to our portfolio and further diversified our production base. It will boost Group production to more than 15,000 boepd in 2025 once the Jotun FPSO is on production at the Balder Future development. Oil is processed and stored at the Balder FPU, where it is periodically offloaded onto shuttle tankers.

Interest

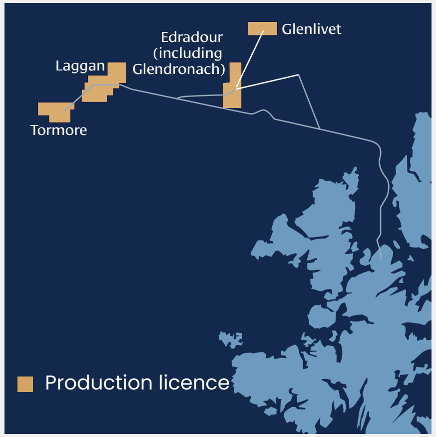
In Norway, Kistos has working interests of 7.4% and 10% in the Ringhorne Ost and Balder fields, respectively. This includes a 10% working interest in the Balder Future project. This comprises the drilling of 14 new production wells and one new water injector on the Balder field alongside the refurbishment of the Jotun FPSO, which will be integrated within the Balder Area hub to increase processing and handling capacities across the Balder and Ringhorne Øst fields. The licences are operated by Vår.

Exploration and development

- Balder Phase V
- Balder Phase VI
- King/Prince

Who We Are

2. The UK



Interest

Kistos has working interests in several offshore licences west of Shetland. These interests include 20% of the Laggan, Tormore, Edradour and Glenlivet producing gas fields, the onshore Shetland Gas Plant and 20% of the Glendronach gas discovery. The licences are operated by TotalEnergies.

Oil and gas production and operations

In July 2022, Kistos consolidated its position as a North Sea gas producer with the acquisition of a 20% interest in the Greater Laggan Area (GLA) from TotalEnergies. This non-operated interest more than doubled our gas production capacity at the time and provided a foothold in the UK.

Commercial gas production from the GLA commenced in 2016. Producing GLA fields are connected to the SGP by a 140 km dual pipeline network.

After processing, crude oil is transferred and stored at the nearby Sullom Voe Terminal until lifted, with wet gas exported to the St Fergus Gas Terminal in Scotland. Here, it is separated into dry gas and natural gas liquids (NGLs), with the gas entering the grid and NGLs (including propane and butane) exported to Braefoot Bay via a further pipeline ready for sale.

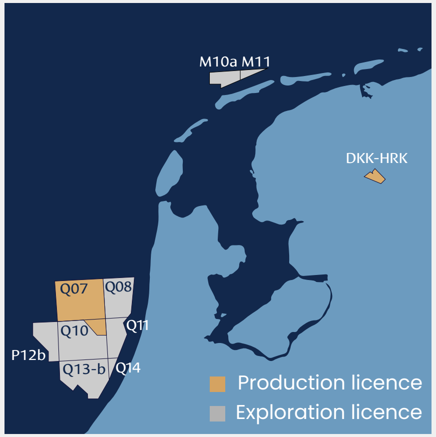
2a. Gas storage

In early 2024, we announced further expansion and diversification, agreeing to purchase EDF's onshore gas storage assets in Cheshire, UK. This transaction diversifies our presence across the energy value chain and gives us a foothold in the midstream market, while providing potential future alternative energy sources for the asset such as compressed air or hydrogen.

Exploration and development

- Glendronach
- Potential future additional infill wells at Glenlivet and Tormore

3. The Netherlands



Interest

Kistos operates several exploration and production (E&P) licences offshore of the Netherlands, in which we have a 60% working interest.

Our partner in the Netherlands, EBN, holds the remaining 40% interest for all our licences.

Oil and gas production and operations

In May 2021, Kistos transitioned from an investing company to an operating business when we acquired Tulip Oil Netherlands (renamed Kistos NL1) and its subsidiary, Tulip Oil Netherlands Offshore (Kistos NL2). This transaction provided us with significant gas reserves, production and technical expertise. It also provided us with 60% interests in, and operatorship of, the producing Q10-A gas field – located 20 km offshore – as well as other oil and gas discoveries in the Dutch sector of the North Sea. Commercial gas production began in February 2019 from the unmanned, primarily solar- and wind-powered Q10-A platform. The natural gas is exported through a 42 km pipeline to the TAQA-operated P15-D platform, where it is processed and transported to shore for sale.

Exploration and development

- Q10-A Orion: Oil development adjacent to existing gas field
- M10a/11: Gas development offshore
- P12b, Q13b, Q14: New exploration licences awarded January 2023

The above are contingent on extending the life of the P15-D platform and associated infrastructure.

The carrying value of the exploration and development assets in the Netherlands is nil after impairments in the current and previous years.

What We Do

What we rely on

Employees and contractors
- 52 employees across three countries

Natural resources
- 24.4 MMboe proved and probable (2P) reserves (end 2024)
- 57.5 MMboe contingent resources (2C)

Financial resources
- $114 million of cash at end 2024, excluding $29.4 million of restricted funds
- $676 million capital employed (total assets less current liabilities)
- $144 million cash capital expenditure

Tangible assets
- 37 producing wells and associated infrastructure
- 20% interest in the SGP
- 10% share in the Jotun FPSO

How we add value

Identify and explore
We seek to identify natural gas and oil fields through acquisition or exploration, and other opportunities in the energy and transition space.

Drill and develop
We drill appraisal wells to assess the viability of oil and natural gas discoveries, and develop the infrastructure and assets needed for viable commercial production.

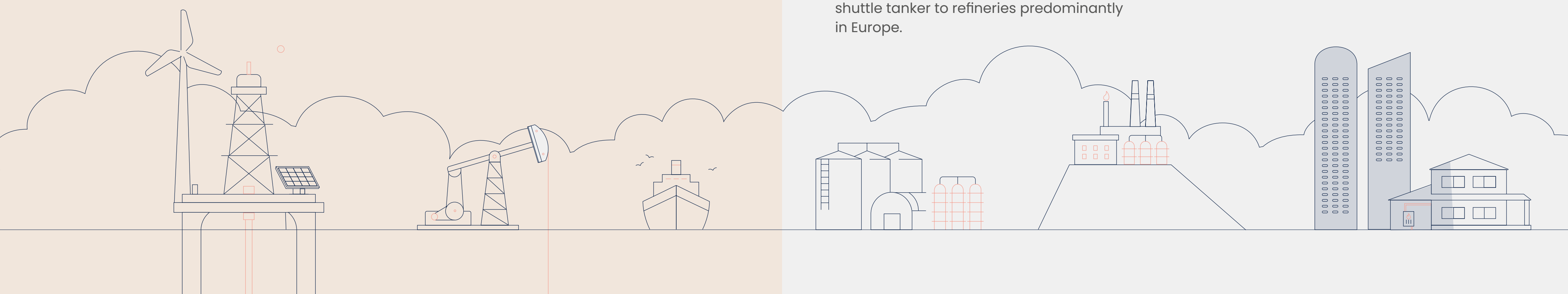
Extraction
We progress development assets into oil and gas production from our operated licences in a safe, responsible and sustainable manner.

Transport and trading
We transport natural gas produced offshore of the Netherlands and the UK to shore, where it is sold. Oil produced from our interests in Norway is exported via shuttle tanker to refineries predominantly in Europe.

Sale
Our gas production in the UK and the Netherlands is sold domestically, enhancing energy security for both countries.

Storage
Our recent acquisition of onshore gas storage assets provides a way to future-proof our business.

Use
Our produced gas is used by industrial and other commercial companies, utility and other power generation businesses, and by residential customers. Produced oil is refined into various components including gasoline, diesel and fuel oil.



Our Business Strategy

Kistos' business model is built on a diverse, international and flexible platform across the energy value chain. We seek to create value for our shareholders through strategic M&A and delivering operational excellence to realise organic opportunities.

Market context

The energy market in which we operate remains in a state of significant change; energy security and price volatility remain key risks in today's market. Conflict in Eastern Europe and the Middle East have caused significant oil and gas price fluctuations over the past 12 months, while the return of Donald Trump to the US Presidency, coupled with his administration's protectionist policies, has exacerbated an already unpredictable market. The UK Government's evolving policy towards the oil and gas industry remains a challenge to operators, with continued uncertainty risking investment in domestically produced oil and gas.

Our journey

October 2020
Incorporation

November 2020
AIM Listing

May 2021
NL1 and NL2 Acquisition

July 2022
GLA Acquisition

April 2023
Balder Area Acquisition

April 2024
Hill Top and Hole House Acquisition

Our path forward

- Enhance cash flow generation
- Progress near-term development
- Grow the business through value-accretive M&A

Generating value across the upstream and midstream markets

Accelerated growth

Accelerating growth through pursuing capital investment options within the Group and value-accretive M&A opportunities with a flexible mandate, allowing us to capitalise on overlooked opportunities beyond the traditional E&P model.

Portfolio diversity

Offering exposure to a broader spectrum of international opportunities across the energy value chain by investing in upstream and midstream markets as well as offshore and onshore environments.

Operational standards

Maintaining high operational standards to maximise output and minimise production downtime while ensuring the safety of our people and the protection of our environment.

Strong partnerships

Established strong partnerships across the industry, working effectively with our JV partners, regulators and industry bodies to deliver energy supply to meet demand.

Our ESG Strategy

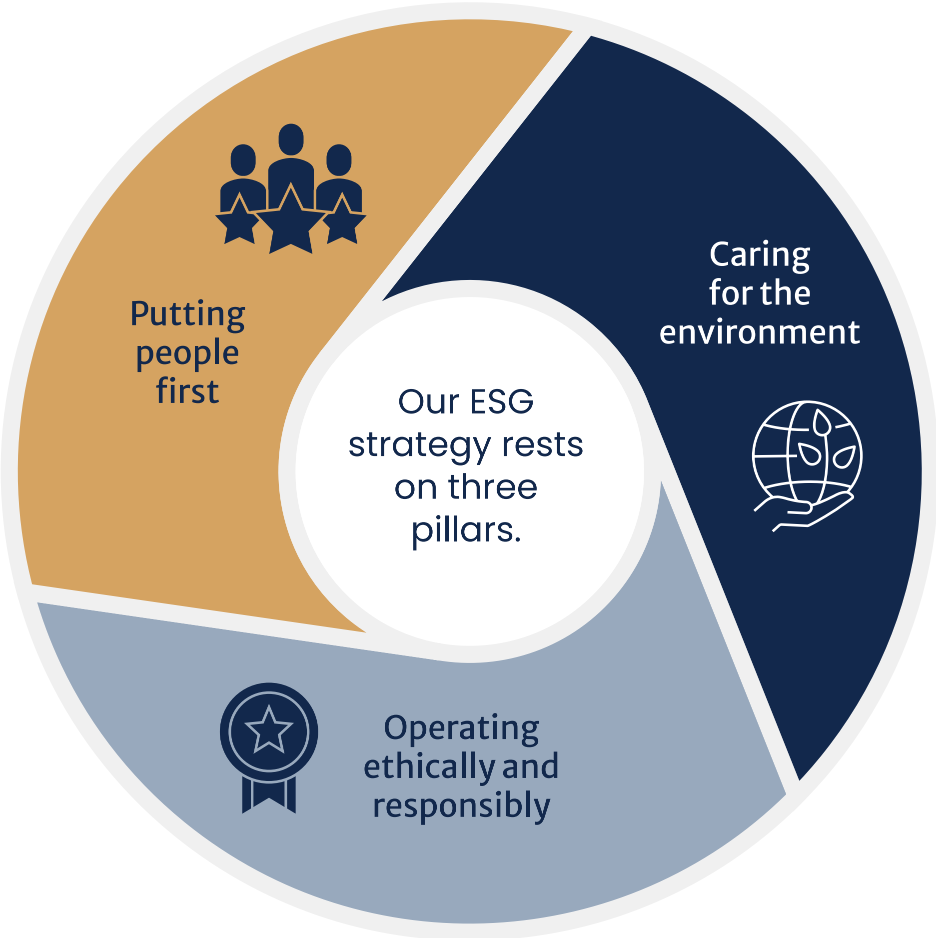
As an energy business, we have a valuable opportunity to support society's transition to a low-carbon future.

Through our environmental, social and governance (ESG) strategy, we look to prioritise sustainable business practices and strengthen our local communities, while upholding our ambitions for growth and investor value creation.

Our ESG strategy is designed to guide us in reducing our environmental impact, enhancing operational efficiency and delivering value for people. At its foundation are our material issues.

Recognising the everchanging nature of the ESG landscape, we are also continually evolving our strategy. We are currently in the process of redefining our ESG goals to more closely align with our current business activities and strategy. This will allow both Kistos and our stakeholders to measure progress across our strategic operations more effectively.

We remain committed to supplying the natural gas that will enable the transition to an economy based on renewable energy, while emitting as little CO_2 as possible. We support the aims of the countries in which we operate – the UK, the Netherlands and Norway – to reach their national greenhouse gas (GHG) emissions targets by 2050 and continue to work closely with partners and suppliers to promote good environmental practices. By doing so, we are confident we can contribute to a more sustainable future without compromising our own ambitions for growth.



Caring for the environment

We will continue to prioritise sustainable business practices with every decision we make.

- Action on climate change
- Global energy transition
- Operational energy use
- Spill performance
- Air quality, emissions and waste
- Decommissioning
- Ecological impacts and biodiversity

Operating ethically and responsibly

We will act with integrity to ensure we're always doing the right thing.

- Risk management
- Business ethics and governance
- Operations in sensitive or complex locations
- Sustainable procurement
- Financial risks of climate change
- Funding and investment
- Economic performance

Putting people first

We will create safe, inclusive workplaces, promote human rights and strengthen our local communities..

- Health and safety
- Access to energy
- Engagement with communities and stakeholders
- Employment, training and education
- Diversity, equality and inclusion
- Human rights

Our 2024 ESG Activities

We strive to operate as a responsible, sustainable business, strategically managing key ESG issues.

Environment

The energy transition will require widespread renewable energy adoption. However, currently, supply is insufficient to meet demand; in the meantime, natural gas and oil represent valuable solutions to transitioning away from fossil fuels. We evaluate emissions intensity and carbon footprint for future projects to inform decisions about potential acquisitions and ongoing operations and projects. Our focus is on maximising facility efficiency and increasing productivity to achieve cost and emissions savings.

Scope 1 and 2 emissions and air quality

Scope 1 emissions from offshore operated assets are minimised, thanks to the solar panels and wind turbines that power the Q10-A platform. The gas storage assets we acquired from EDF Energy in 2024 have some natural gas venting as part of the safety systems for process equipment and rely on grid power for operations. Post acquisition, 507 tonnes of CO_2 equivalent natural gas were vented and 10 tonnes of CO_2 equivalent consumed in diesel.

Scope 2 emissions primarily relate to gas combustion in compressors on the TAQA-operated P15-D platform for processing and exporting gas produced by Q10-A, as well as gas consumed at our SGP in the UK. Some Scope 2 emissions are also attributable to electricity usage in our gas storage assets to drive compressors for natural gas transfer.

In the UK, Scope 1 and 2 emissions intensity increased from 15 kg CO_2e/boe during 2023 to 18 kg CO_2e/boe in 2024. Absolute emissions increased year-on-year by 350 tonnes CO_2e due to the inclusion of the gas storage assets (2024: 22,250 tonnes CO_2e; 2023: 21,900 tonnes CO_2e). With the third-party Victory field scheduled to come onstream before the end of 2025, we anticipate emissions intensity should remain relatively flat for 2025.

Kistos continues supporting electrification of the Balder field, of which we are a non-operating partner, and the Grane field at an acceptable abatement cost. Project commencement is yet to pass the license decision gate.

Actual emissions from operated assets

kg CO_2e/boe		2024	2023	2022
Scope 1	Excluding flaring	<0.01	<0.01	<0.01
	Including flaring	<0.01[1]	0.37	0.28
Scope 1 and Scope 2	Excluding flaring	15.4	18.5	13.8
	Including flaring	15.4	18.9	14.1

tonnes CO_2e		2024	2023	2022
Scope 1	Excluding flaring	520	3	5
	Including flaring	520	643	855
Scope 1 and Scope 2	Excluding flaring	22,480	32,261	42,393
	Including flaring	22,480	32,901	43,243

We only permit flaring when starting up or shutting down to depressurise systems, and from operated rigs during drilling and well-intervention campaigns. In these instances, we have improved our processes for carbon efficiency and conduct annual inspections to identify and prevent operational methane leaks, far surpassing four-year inspection requirements.

Across our Q10-A platform and non-operated interests in the GLA and on the NCS, Group Scope 1 and 2 emissions are significantly below the North Sea average. They are also estimated to be significantly lower than the average estimated CO_2 emissions intensity for liquefied natural gas (LNG) imports of 79 kg CO_2/boe[2].

UK onshore gas storage

Acquiring the Hill Top Farm and Hole House gas storage assets in Cheshire, UK, will enable us to further support national energy supply security. The fast-cycle storage facility is capable of delivering up to 11% of the UK's flexible onshore daily gas capacity if required. The assets are strategically important due to currently limited storage capacity and will become more so as intermittent renewables become the dominant source of grid electricity.

As well as enhancing and diversifying Kistos' current portfolio, these assets could support the energy transition. Facility capacity could be increased by over 60% if Hole House was recommissioned, while both sites could be adapted for uses such as hydrogen storage or compressed air energy storage.

1. There was no flaring in 2024
2. Source: North Sea Transition Authority.

Environment continued

Operational energy use

The Q10-A platform is unmanned and primarily renewably powered by on-site solar panels and wind turbines. This helps save approximately 21 tonnes of CO_2 emissions annually – an 88% decrease in Scope 1 emissions intensity compared to using diesel power alone. Similarly, we estimate our policy of conducting offshore visits via boat rather than helicopter saved 17 tonnes of CO_2 emissions in 2024.

After nearly three decades of service, we expect to decommission the Balder FPU vessel by 2028, two years earlier than previously planned. It will be cleaned of hydrocarbons offshore to ensure safe sea travel to a recycling facility to recover valuable materials, such as steel, and replaced by the natural gas-powered Jotun FPSO, which features advanced equipment for cleaning water produced during routine operations.

In 2024, our Netherlands business continued preparation for ISO14001 certification of an environmental management system (EMS), which will help continually improve environmental performance.

Investment in Spiralis Energy

Tidal energy projects are highly incentivised by the UK government and have significant potential due to strong tidal currents in the area. In 2024, Kistos invested £800,000 in Spiralis Energy to develop its tidal energy solution, a 3D-printed, modularly designed generator that is easier to maintain than subsurface tidal technology.

The next stage is to conduct survivability testing to understand technology performance and resilience in various weather conditions. Our 10% stake in Spiralis is a long-term opportunity to support transitional activities, with potential for significant returns if the technology proves successful.

Spills and incidents

Recognising spills and incidents as a key issue for our business, we aim to maintain zero operational spills annually in our operated sites.

We uphold robust processes to prevent major accidents and spillages at sea; we also maintain mitigation and clean-up procedures for unexpected incidents. All our operated assets have an emergency response team available 24/7 and we participate in operator-run emergency response exercises for our other assets.

During 2024, we experienced one loss of containment event at our gas storage assets when a brine leak occurred at the 1G wellhead during a re-brining activity. No environmental harm was incurred and any liquid was contained within the wellhead cellar before being disposed of by a licenced waste carrier.

In 2024, our Netherlands business reported zero spills, leaks or environmental incidents.

Effluents and waste

The Company produces significant volumes of water when extracting oil. We aim to maintain zero hazardous contaminants in discharges to water annually in our operated sites, in line with sector regulations. We adhere to all relevant guidelines, including maintaining compliance with EU REACH regulations that prevent the use of chemicals and materials considered harmful to the environment. In 2024, we invested in equipment to improve the cleaning of produced water, ensuring effluents have minimal environmental impact.

Biodiversity

We aim to incorporate nature-inclusive design principles into new operated projects where feasible.

As part of our Environmental Action Plan (EAP) town planning conditions, we conduct annual barn owl and bat surveys to understand and monitor our biodiversity impact. We also limit ultrasonic sounds from operations to prevent harm to marine life and take specialist advice to keep seals away from offshore platforms.

Our 2024 ESG Activities

Social

Health and safety

Health and safety is a core focus and we aim to achieve zero harm to workers annually in our offices and operated sites. We continue to strengthen our safety culture by incorporating third-party contractors into our operations, with measurable results for health, safety and environmental (HSE) performance.

HSE performance

Our commitment to continuous HSE improvement and adherence to strict protocols and rigorous testing procedures ensures employee and contractor safety.

During 2024, one Lost Time Injury in wellhead lifting operations occurred at our gas storage facility that was reportable by a contracting company. There was also an equipment failure incident, reportable by a contracting company, when a hydraulic hose failed, resulting in a cherry picker oil leak. No injury resulted from this incident.

Our five-year health and safety plan will drive cross-business alignment while enhancing HSE leadership, certification, contractor management and behavioural safety programmes. It will be implemented by 2028 and builds on existing annual plans for asset integrity and process safety.

Refurbishment of the Jotun FPSO at the Worley Rosenberg yard is part of a project that has been ongoing since 2020. During this time, operator, Vår Energi, has tracked three key HSE performance indicators: total recordable injury rates, dropped object incidents and serious injuries. Preventative measures such as training, campaigns, regular HSE meetings and enforcement of 'Life-Saving Rules' have also been implemented.

Community engagement

For over 20 years, we have fostered strong relationships with the village of Warmingham in Cheshire, UK, where we operate our gas storage facility. In 2024, we enhanced this connection, supporting Warmingham Primary School by funding hooded sweatshirts for school leavers, donating laptops and IT equipment and contributing prizes for the school's winter and summer fairs.

We also supported the wider community, sponsoring – and donating to – the WWII D-Day 80th Anniversary, restoration of the village's WWI memorial clock, the local Women's Institute, the Warmingham Duck Drive and the annual Warmingham Wakes.

Kistos proactively supports and monitors operators' social activities and community investments, ensuring compliance with environmental and social regulations.

Workplace culture

We aim to cultivate a collaborative, supportive workplace culture. We provide time off and financial support so employees can attend relevant training courses. The team at our gas storage facility has also introduced resources such as workshops, 1-2-1 coaching and corporate well-being events. These initiatives increase retention and enable all employees to fulfil their potential.

Diversity, equality and inclusion

We seek to recruit from a diverse candidate pool, upholding a zero-tolerance stance for discrimination based on disability, ethnicity, gender or any other protected characteristic in hiring practices. We embed diversity and inclusion into policies and practices to help dismantle systemic barriers to opportunity and empower leaders to manage diversity. Additionally, we provide equal access to training for all employees.

With a relatively small workforce across the organisation, each role is unique within its region. It is therefore not meaningful to measure the gender pay gap. When seeking to fill new roles, we offer remuneration packages commensurate with level, experience and technical expertise required, regardless of gender.

Human rights

Kistos is committed to respecting human rights as outlined in our Code of Business Conduct and Modern Slavery Statement. Our integrated approach, which applies to all employees and contractors, is embedded in our policies, business systems and processes.

We have identified four areas where respect for human rights is critical to our operations: labour rights, communities, supply chains and security. We closely monitor these areas through feedback mechanisms at all our major facilities. This encourages employees, community stakeholders, contractors and any third party to raise concerns and allows us to rapidly resolve issues including, where necessary, providing access to remedy.

Our 2024 ESG Activities

Governance

The Group's strategic aims, business plan and management of financial and operational resources are determined by the Board. This includes decisions relating to overall supervision, acquisition and divestment. Our Executive Chairman is responsible for implementing the Group's strategy in conjunction with other Executive Directors. The Board collaborates closely with management-level staff to harmonise policies, processes and structures across Kistos. Our governance structure and relevant committees remain well-documented and understood throughout the business.

We participate in industry associations that are shaping ethical and sustainable business practices in the oil and gas industry. For example, we are a member of the HSEQ working committee in the Industry Association for Upstream Oil Companies and participate in task groups focusing on health and safety and ESG issues. We also engage with industry associations that are addressing issues related to drilling and well operations to ensure compliance with industry standards.

Board of Directors

See page 32

Audit and Risk Committees

Chair: Stephen Pawson

See page 43

Remuneration Committee

Chair: Alan Booth

See page 39

Nomination Committee

Chair: Richard Benmore

See page 42

Senior leadership team

The senior leadership team works closely with the Executive Directors on operational and strategic areas, including financial planning and analysis, risk management and controls, corporate governance, business development and HSE matters. The senior leadership team meets on a weekly basis and includes representation from the operational areas below.

Kistos Norway

Kistos Norway comprises the Group's non-operated interests in the Balder and Ringhorne Øst licences in the Norwegian North Sea.

Kistos Norway is led by Sverre Skogen, CEO Kistos Norway.

Kistos Netherlands

Kistos Netherlands comprises the Group's operated interests in the Netherlands, primarily in the Dutch North Sea.

Kistos Netherlands is led by Rene Borsch, Country Manager.

Kistos UK

Kistos UK comprises the Group's non-operated interests in the GLA and the operated storage assets, oversight of which is managed by UK employees and head office functions.

The head office functions include Group finance and accounting, legal, company secretarial, HSE and business development.

Governance continued

Risk management

Risk management is one of our most material issues and we work continually to identify and manage critical financial, operational and reputational risks. Our risk management process provides reasonable assurance that risks are recognised and controlled, thereby protecting our business, people and reputation and ensuring the success of the Group. We have strong, well-documented financial controls in place. A Group-wide Corporate Risk Register is maintained, regularly updated and presented at Board meetings. These processes enable Kistos to achieve its strategic objectives and create value for our shareholders.

Operations in sensitive or complex locations

The Group manages such risks in the context of upcoming developments through engagement with a wide range of stakeholders. Where necessary, alternative options are also considered to mitigate the risks. External consultants with experience in managing these developments are employed to complement our skills and knowledge.

Maintaining high standards of business conduct

Kistos Holdings plc is incorporated in the UK and governed by the Companies Act 2006. The Board recognises the importance of maintaining a high standard of corporate governance and, as such, we have adopted the Quoted Companies Alliance Corporate Governance Code 2018 (the QCA Code). This, together with requirements to comply with the London Stock Exchange's AIM Rules, ensures that we safeguard the interests of our stakeholders.

Ethical behaviour and responsible business practices are embedded throughout the business. For example:

- All permanent employees and longer-term contractors are required to complete training on our Code of Business Conduct;
- Our Anti-Bribery and Corruption Policy reflects our expectation of honest, fair and professional behaviour and our zero-tolerance approach to bribery and unethical behaviour; and
- Our Whistleblowing Policy enables staff to raise any concerns freely and confidentially.

Funding and investment

Financial risks are closely monitored and, where appropriate, risk mitigation steps are implemented. The Group's cash flow projections and forecast compliance with covenants are frequently reviewed by management. Projects are delivered effectively by project leads through clear delivery frameworks and project objectives, timeline and cost are tracked and reported on.

Procurement practices and sustainability of suppliers

We promote a 'one-team' culture, fostering a culture of fairness and respect among our suppliers. Where applicable, we work with suppliers that are pre-qualified for oil and gas operations. We conduct risk assessments to ensure any risks posed by suppliers undertaking activities that support our business are proportional to the scope of the work.

Economic performance

Price volatility is both an opportunity and a risk for our business. In 2024, strong oil prices supported the liquidity of the Norwegian business. While we benefit financially from rises in the price of gas, we still need to consider the wider impacts in terms of fuel poverty and the effect on both manufacturing and the fertiliser industry.

Preparing for reporting in accordance with the CSRD

Throughout 2024, Kistos' Norway and Netherlands subsidiaries prepared to deliver a consolidated sustainability report in line with the EU Corporate Sustainability Reporting Directive (CSRD) directive. This work has required significant training and resource allocation, and has resulted in a consolidated double materiality assessment identifying key material topics for the Norway and Netherlands businesses. To ensure reporting readiness, senior management attended high-level courses organised by the Auditor Association in Norway.

Building in-house competence and engaging in collaborative efforts across the company have contributed to an increased company awareness of corporate sustainability. While EU CSRD regulations are currently being revised, Kistos has built a solid foundation on which to continue our efforts, as a group, in the future.

Advancing risk assessment processes

In the Netherlands, our business is required to complete a comprehensive risk assessment and evaluation process. This involves evaluating potential risks, hazards and internal and external social impacts at our offices, platforms and sites. The assessment and mitigation plans are reviewed by an external examiner to ensure all potential risks are covered and corrective actions are in place.

The process includes an employee survey to gather feedback on workplace safety and satisfaction. The survey results are shared with the company to improve safety measures.

The results of the assessment are reported to the regulator, the State Supervision of Mines (SodM), to review corrective actions and ensure compliance with legal requirements.

Stakeholder Engagement

When making long-term decisions and delivering our strategy, we consult and engage with our stakeholder groups in line with Section 172 of the UK Government's Companies Act 2006.

Kistos Directors seek to create benefit for our stakeholders by maintaining high standards of business conduct and ensuring the long-term success of our Group. Our key stakeholder groups are:

- Employees and contractors;
- Partners and suppliers;
- Governments and regulators;
- Community and environment; and
- Shareholders and bondholders

We carefully consider the impact of our operations on these groups and the consequences of any decision taken. The implementation of our strategic, operational and risk management decisions is detailed in this Strategic Report.

Interactions with our stakeholders

We engage with our stakeholders in a variety of ways to support the Board's understanding of how our activities impact on them. Examples of how we engage with some of our key stakeholder groups are outlined below.

Employees and contractors

Our employees and contractors play a critical role in delivering our business strategy. We frequently engage with employees through remuneration reviews, work appraisals, and training and development opportunities, to better understand their needs and celebrate their contributions. We communicate important business decisions and policies with employees to ensure continuous dialogue and improvement on issues such as working conditions and health and safety.

To facilitate collaboration and team building, the Executive Directors, primarily based in London, regularly visit our other offices in Oslo and The Hague and host weekly video conferences with members of the senior leadership team across all assets. This ensures key messages and updates are communicated to employees via their line managers.

Contractors are invited to weekly meetings where they are integral to current projects and developments. The Executive Directors also host town-hall-style meetings for all staff and long-term contractors to communicate strategic messages such as the impact of acquisitions on the wider business.

Partners and suppliers

Kistos prioritises asset safety and integrity by collaborating with joint operation partners to deliver strategies that mitigate risks, delays or instances of operational underperformance.

We engage regularly with the operators of our GLA and NCS assets, TotalEnergies and Vår Energi, to share knowledge, offer support and establish best practice. Senior management contribute to Technical Committee Meetings (TCMs) and Operating Committee Meetings (OCMs) to advise on material decisions, together with Board representatives, both as an operator in the Netherlands and as a non-operating partner in the UK and Norway.

Governments and regulators

Transparency is critical to building strong relationships with host governments, politicians and regulatory authorities. We comply with all applicable legislation, disclosing all necessary information in the areas where we operate and involving the relevant regulatory bodies where appropriate.

- In the Netherlands, Kistos engages with the State Supervisor of Mines (SodM) on our business and development activity. The Group's external advisors provide guidance to the Board with respect to legislative or regulatory changes. We are also a member of Element NL, which represents the interests of extractive companies when working with regulatory bodies and the Dutch Government.
- In the UK, we are a member of Offshore Energies UK (OEUK) and the Association of British Independent Exploration Companies (BRINDEX), both of which work closely with the NSTA and communicate with the UK Government on regulatory and fiscal matters impacting oil and gas operators.
- In Norway, we engage with the Norwegian Offshore Directorate and the Norwegian Ocean Industry Authority (Havtil). We are also a member of the industry association, Offshore Norge.

We also collaborate with our listings agencies such as the Alternative Investment Market (AIM) and the Oslo Børs.

Community and environment

We work closely with non-governmental organisations (NGOs), coastguards, the Port of Amsterdam and local people to address the potential social and environmental impacts of our operations.

Our work in Norway is as a non-operator, so much of our UK and Netherlands community engagement is concentrated in the Netherlands. For example, in 2024 we continued a gas pipeline removal project, following the decommission of a gas treatment plant in Hamburg. The project involves extensive stakeholder engagement, particularly with landowners and farmers, and aims to restore the land to its original state. In the UK, we engaged with the local community located near our gas storage acquisition in Chesire to build trust and understanding (see page 20 for more information on community engagement).

Shareholders and bondholders

We are a listed company with shares on the AIM market of the London Stock Exchange and bonds on the Oslo Børs. As a key stakeholder group, it is important our shareholders and bondholders understand our strategy and progress. The Executive Chairman, Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for engaging with this group and ensuring other Board members are fully briefed on shareholder and bondholder discussions from investor days and fund manager meetings. More formally, the Board engages with shareholders at the Annual General Meeting (AGM).

Our primary method for communicating with shareholders and bondholders is through the investors section of our website. This is where we publish reports, financial results, investor presentations, share price updates and regulatory news announcements. Kistos maintains regular dialogue with investors and analysts through meetings, conferences and presentations.

Principal Risks and Risk Management

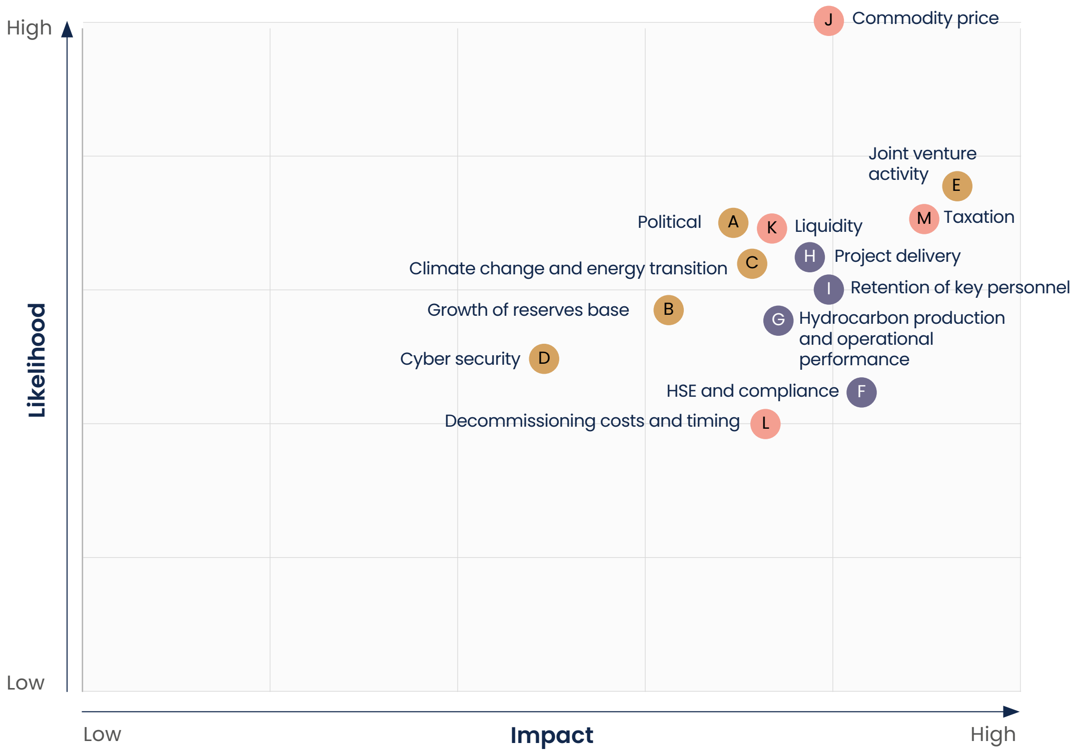
Kistos identifies, assesses and manages the risks critical to its success. The Group's business, people and reputation are safeguarded by overseeing these risks.

We use the risk management process to ensure we are aware, and in control, of the risks we face. This way, we can achieve our strategic goals and create value. We may choose to accept, manage, transfer or remove a risk depending on its nature. We may manage a risk with controls or other actions that reduce its impact. We may transfer a risk to others who can handle it better. Or we may remove a risk by stopping the activities that cause it.

Management maintains a Corporate Risk Register based on risks identified at asset and business level, which includes the underlying risks and mitigating actions for each. This is reviewed by senior management, the Executive Directors, the Audit Committee and the Board.

The principal risks facing the Group, and the actions taken to minimise their likelihood and/or mitigate their impact, are listed in the following table. Directors confirm they have conducted a thorough assessment of the main risks that affect the Group, including those that would significantly harm its strategy, business model, future performance or liquidity.

Strategic	Movement
A Political	↔
B Growth of reserves base	↓
C Climate change and energy transition	↔
D Cyber security	↔
E Joint venture (JV) activity	↑
Operational	
F Health, safety and environmental (HSE) and compliance	↑
G Hydrocarbon production and operational performance	↑
H Project delivery	↑
I Retention of key personnel	↔
Financial	
J Commodity price	↔
K Liquidity	↓
L Decommissioning costs and timing	↔
M Taxation	↔



Principal Risks and Risk Management

A Political

Changes in national government policies towards oil and gas-focused companies could adversely impact the ability of the Group to deliver its strategy.

Change in risk level: No change

Owner: Peter Mann (CEO)

Potential impact

- Refusal of permitting applications for development, appraisal and exploratory drilling.
- Increased costs relating to permitting and legal matters, and delay to projects.
- Impairment of intangible assets.
- Inability to win new licences.
- Loss of value to stakeholders.

Mitigation

- Active member of Element NL, OEUK, BRINDEX, Offshore Norge and other industry associations.
- Engagement with respective governments and other appropriate organisations to ensure the Group is kept abreast of expected political changes.
- Active role taken in making appropriate representations to the relevant departments in governments.

Risk movement

No change in 2024:

- The UK's General Election in 2024 resulted in a change in government. There has been recent government support to proceed with oil and gas projects in the North Sea.
- Presidential elections were held in the United States in 2024, with Trump winning the presidency.
- Norway's coalition government split in early 2025, ahead of Parliamentary elections due later in 2025.

B Growth of business and reserves base

The Group's growth strategy is primarily dependent on identifying new reserves and resources and is delivered through organic growth and acquisitions. Our future oil and gas reserves and production are highly dependent on our success in efficiently developing current reserves and using cost-effective methods to find or acquire additional recoverable reserves.

If we are unable to replace our current and future production, the value of our reserves will decrease and our business and financial position could be materially adversely affected.

Change in risk level: Decrease

Owner: Andrew Austin (Executive Chairman)

Potential impact

- Reduced asset value, leading to potential impairment of oil and gas assets and/or intangible exploration and evaluation (E&E) assets.
- Actual or perceived overpayment for acquisitions, leading to impairments of goodwill and assets.
- Adverse reputational and share price impact.

Mitigation

- A broad range of acquisitions and similar opportunities are evaluated internally, with support from subject matter experts where appropriate. Such targets are scrutinised by the Board, including Non-Executive Directors who challenge the Executive team and other senior management.
- A rigorous assessment process evaluates and determines risks associated with all potential business acquisitions and strategic alliances, including conducting stress-test scenarios for sensitivity analysis. If applicable, each assessment includes an analysis of the Group's ability to operate in a new jurisdiction.
- Country managers and senior team members with responsibility for activities attend weekly senior management meetings, where concerns can be raised and the status of current business development projects is updated.
- Exploration, appraisal and development cases are robustly assessed and stress tested against cost, price and taxation sensitivities.

Risk movement

This risk has decreased in 2024:

- The Group maintains its strategy of securing additional reserves.
- The Balder Future project is nearing completion.
- The change of operator in the GLA is expected to provide additional momentum in sanctioning a number of development projects in the area, including Glendronach.
- In April 2024, the Group acquired 100% of two UK onshore gas storage facilities from EDF. This enabled Kistos' entry into the midstream energy sector, diversifying revenue streams.

C Climate change and energy transition

Changes in laws, regulations, policies, obligations and social attitudes relating to the transition to a lower carbon economy could lead to higher costs or reduced demand and prices for oil and gas, impacting Group profitability. Sources of debt and equity finance may become more expensive or restricted as investors diversify away from oil and gas-based investments. Climate change may result in an increase in the frequency of severe adverse weather conditions.

Change in risk level: No change

Owner: Peter Mann (CEO)

Potential impact

- Increased difficulty in accessing financing due to reduced appetite for investing in the oil and gas industry.
- Increased difficulty in obtaining regulatory approval for new or increased offshore production activities.
- Stranded assets.
- Adverse impact on operating cash flow due to higher carbon credit costs.
- Disruption to operations from extreme weather events may result in shut-ins, physical damage to assets, lost production and reduced cash flow.

Mitigation

- Active reviews of the Group's strategy towards energy transition, with an aim to provide long-term returns to shareholders, and consideration of the impact of climate change and potential policy updates on decision making.
- Integrating environmental considerations as a key factor in determining any potential inorganic growth activity.
- Discounting value of projects in the future for later life production to account for potential demand reduction for hydrocarbons.
- Stress tests of budgets and forecasts in respect to the cost of carbon emission allowances.
- Continued Group exploration and implementation of actions that could reduce our environmental footprint, where it makes commercial and financial sense to do so.
- Design and operate assets to work in most weather conditions and undertake lessons learnt when storms and other events disrupt production.
- Working closely with operators and partners to understand and manage planning and production forecasting.

Risk movement

No change in 2024:

- Although climate change and energy transition remain a key focus for the Group, limited adverse impact has been experienced with regards to the availability of financing opportunities and wider hydrocarbon demand. This is expected to remain stable in the short to medium term.

D Cyber security

There is a risk of financial loss, reputational damage and general disruption from a failure of the Group's IT systems or an attack for the purposes of espionage, extortion, terrorism or ransomware. Any failure of, or attack against, the Group's IT systems may be difficult to prevent or detect, and the Group's internal policies to mitigate these risks may be inadequate or ineffective. The Group may not be able to recover any losses that may arise from a failure or attack.

As the Group grows, there are more IT areas to standardise and migrate to Group standards. In interim periods, there is an increased risk of incidents until such time as policies and standards are fully aligned.

Change in risk level: No change

Owner: James Thomson (CFO)

Potential impact

- Financial loss from phishing attacks that may not be recovered or limitations on the Group's ability to operate that could result in loss of production and/or loss of stakeholder confidence.
- Reputational impact from leak of market-sensitive data or personal information.
- Fines and financial penalties may be levied in the event of a data breach.

Mitigation

- Outsourcing of IT equipment and help-desk services provision to competent and experienced third parties.
- Robust network management systems in place to protect the Group's IT environment.
- Well-designed IT security management model with defensive structural controls.
- Set of rules and procedures in place, including a Disaster Recovery Plan, to restore critical IT functions.
- Regular mandatory employee training and awareness of cyber security matters such as phishing attacks.
- Following any acquisition, plans in place to move acquired businesses onto common IT platforms as soon as possible, using an IT contractor to undertake assessments, gap analyses and on-site audits.
- Detailed understanding of IT environment on any potential acquisition target is typically obtained during due diligence to assess level of current risk (if unacceptable, transactions may not go ahead).

Risk movement

No change in 2024:

- Level of attempted cyber security incidents experienced to date have not materially changed.

Principal Risks and Risk Management

E Joint venture activity

As a minority non-operating partner in the GLA and Balder partnerships, operated by TotalEnergies and Vår respectively, the interests and objectives of each partner may not be aligned.

Change in risk level: Increase

Owner: Peter Mann (CEO)

Potential impact	Mitigation	Risk movement
• Longer decision-making processes resulting in loss of asset value. • Impairment of oil and gas assets, and E&E assets. • Reduction in reserves and resources. • Capital diverted into projects and developments not aligned with Group strategy. • Inability to meet JV cash calls, which may ultimately mean breach of joint operating agreements and loss of licence.	• Representation and active participation in all of JVs' committees (including operating, finance and technical). • Regular engagement with the JV operator and other participants with regards to key decision making, preparation and approval of work programmes and budgets, and general strategic direction.	This risk has increased in 2024: • Prax Group is expected to replace TotalEnergies as operator of the GLA during 2025.

F HSE and compliance

The Group is exposed to various risks in relation to health, safety and environmental (HSE), compliance, planning, environmental, regulatory, licensing and other permitting rules associated primarily with production operations, drilling and construction. There is a risk the Group and/or its primary contractors are in breach of their regulatory obligations with one of the principal regulators in connection with the Group's activities, whether operational (for example, maintaining offshore production consents or a loss of hydrocarbon containment) or corporate (for example, adhering to listing rules and market disclosure regulations). This could restrict the Group and/or its primary contractors' capacity to obtain permits or carry out the Group's activities.

Change in risk level: Increase

Owner: Peter Mann (CEO)

Potential impact	Mitigation	Risk movement
• Injuries to workforce. • Harm to the environment. • Physical damage to assets and infrastructure. • Financial or other penalties imposed. • Reputational damage. • Loss of licence to operate.	• Working closely with regulators to ensure all required planning consents and permits for operations are in place. Maintenance of continuous dialogue with all stakeholders to understand emerging requirements. • Conducting activities in accordance with Board-approved policies, standards and procedures. • Code of Business Conduct and compliance programmes in place to provide assurance on conformity with relevant legal and ethical requirements. • Emergency response plans in place and exercises undertaken to prepare for incidents. • External consultants with experience in managing risk developments employed to help complement the existing team skills. • Audit and Disclosure Committees.	This risk has increased in 2024: • The Group is now operating a new business division following the acquisition of EDF's gas storage business. • Increased level of offshore operations and regular oil tanker liftings have a greater potential for HSE incidents. • Greater focus from regulatory bodies on compliance matters in current environment.

Principal Risks and Risk Management

G Hydrocarbon production and operational performance

The Group's production volumes (and therefore revenue) are dependent on the operational performance of its producing assets. The Group's producing assets are subject to operational risks, including, but not limited to compressor failures; lack of sufficient critical chemical stocks and spare parts; failure of electrical power supply lines; pipeline corrosion; asset integrity; health, safety, security and environment incidents; low reserves recovery from the field; and exposure to natural hazards such as extreme weather events.

Change in risk level: Increase

Owner: Peter Mann (CEO)

Potential impact	Mitigation	Risk movement
• Reduced cash flow from operations. • Increased cash costs per barrel equivalent. • Earlier cessation of production if operational performance issues cannot be rectified economically. • Impairment of assets and loss of stakeholder value.	• Continuous review of production performance from each asset, facilitating performance planning well intervention activities as needed. • To the extent possible, discussions held with third parties to manage both planned and unplanned shutdowns. • Planned and unplanned downtime assumptions built into the corporate budgeting cycle and cash flow projections.	This risk has increased in 2024: • Production was impacted by several unplanned shutdowns of the P15-D processing platform.

H Project delivery

There is a risk of delays in project delivery and higher costs being incurred, especially under the current high inflationary environment. Continued delays to the Balder Future project risk material cost increases and potential additional delay to first oil.

Change in risk level: Increase

Owner: Peter Mann (CEO)

Potential impact	Mitigation	Risk movement
• Delayed and/or reduced cash flow from operations, leading to an inability to adequately finance other future developments. • Impairment of assets. • Reduction in reserves and resources.	• Projects have a clear project delivery framework with a responsible project lead. • Delivery against project objectives, timeline and cost are regularly monitored. • Project costs are stress tested against cost increases with adequate contingency built in to estimates. • Cash flow risk on the Balder project is partially mitigated via the Hybrid Bond structure, whereby the Hybrid Bond will be released in full if Balder Future first oil is delayed beyond May 2025.	This risk has increased in 2024: • Operator progress on the Balder Future project, and in particular upgrade of the Jotun FPSO, has consistently fallen behind schedule and over budget, giving rise to a risk of further delay to the projected first oil date.

I Retention of key personnel

The Group may not be able to retain key personnel, and there can be no assurance that it will be able to continue to attract and retain all personnel suitably qualified and competent necessary for the safe and efficient operation and development of its business. Share options previously granted may be out of the money, reducing incentives for employees to remain with the Group.

Change in risk level: No change

Owner: Peter Mann (CEO)

Potential impact	Mitigation	Risk movement
• Delay to, or cancellation of, projects as a result of lack of appropriately qualified employees to undertake activities. • Loss of 'corporate knowledge' through lack of staff retention, leading to inefficiencies, delays and increased cost.	• The Board seeks to cultivate a safe, respectful working environment where people can thrive. • Benchmarking exercise undertaken by management on reward packages to ensure that acquired staff are retained through a strong remuneration culture. • Workplace surveys undertaken to ascertain morale and employee concerns and allow management to swiftly address any issues. • Long-term share incentive plans in place are regularly reviewed by the Remuneration Committee.	No change in 2024: • James Thomson succeeded Richard Slape as Chief Financial Officer (CFO) with effect from 1 January 2025.

J Commodity price

The Group's cash flow and results are heavily dependent on oil, natural gas and other commodity prices. These, in turn, are dependent on factors like the impact of climate change concerns, geopolitics (including events such as the Russia-Ukraine and Israel-Palestine conflicts and other unrest in the Middle East impacting shipping activities) and regulatory developments.

Change in risk level: No change

Owner: James Thomson (CFO)

Potential impact	Mitigation	Risk movement
• Adverse impact on operating cash flow. • Impairment of oil and gas assets. • Inability to meet bond covenants or repay debt. • Restricted access to financing opportunities in case of a sustained low-price environment.	• Oil and gas markets continuously reviewed by the Board to determine whether future hedges are needed. • Necessary contracts in place to undertake hedging activities if required. • Cash flow projections, liquidity analyses and economic models regularly tested for downside price scenarios. • Exercises undertaken to identify cost reduction and rationalisation opportunities to optimise operating cost per barrel (while maintaining safe and compliant operations).	No change in 2024: • Gas prices are lower compared to prior year but still higher than historic norms. • Market no more or less volatile compared to prior year.

K Liquidity

Adverse changes to production, commodity prices, taxation and surety bond requirements may put pressure on the Group's available liquidity, constraining its options to grow the business or meet obligations to JV partners, suppliers and tax authorities. In extreme downside cases, liquidity pressures may result in minimum liquidity covenants being breached and risk of insolvency.

Change in risk level: Decreased

Owner: James Thomson (CFO)

Potential impact	Mitigation	Risk movement
• Inability to pay suppliers, contractors and employees as liabilities fall due, leading to reputational damage and withdrawal of services. • Non-payment of taxes as they fall due may result in investigations or stringent penalties charged. • Inability to meet bond covenants or repay debt leading to restructuring, shareholder dilution or insolvency.	• Regular review of the Group's cash forecasts and its covenants to ensure an adequate headroom of cash availability. • Engagement and strong relationships with the bond market, surety bond providers and other potential providers of finance to manage access to liquidity if required.	This risk has decreased in 2024: • Hybrid Bond debt, contingent on operational milestones being met, including the offload of 500,000 barrels (gross) of Balder crude oil from the Jotun FPSO between the 31 December 2024 and 31 May 2025 is unlikely to be payable. • Significant cash reserves and undrawn working capital facilities of $20 million maturing in December 2025.

L Decommissioning costs and timing

The future costs and timing of decommissioning is a significant estimate; any adverse movement in price, operational issues or reductions in reserves and resource estimates could have a significant impact on the cost and timing of decommissioning. Where decommissioning costs are to be shared as part of a JV, the Group is exposed to the risk of partners not fulfilling their commitments.

Changes to commodity prices, the taxation regime, inflation rates and other factors may mean that the Group is not able to renew its surety bonds in respect of its DSA obligations, resulting in the Group having to cover its obligations fully in cash and restricting the amount of funds available for other opportunities and day-to-day operations. Significant adverse changes to cash flows may result in insufficient resources to meet its decommissioning obligations, exposing the Group to sanctions from regulators.

Change in risk level: No change

Owner: James Thomson (CFO)

Potential impact	Mitigation	Risk movement
• Reduction in cash flows available for other projects if decommissioning costs materially exceed estimates. • Adverse reputational, regulatory and legal impact if decommissioning obligations cannot be fulfilled.	• In-house decommissioning experience, coupled with focus on delivering asset value to defer abandonment liabilities. • DSAs and postings in place for UK assets, which mitigate risk from a regulatory and JV partner perspective. • Strong relationships with surety bond providers and confidence that the surety market can continue to provide security for the expected DSA provisions.	No change to this risk in 2024: • Underlying nature of decommissioning risks remain unchanged.

M Taxation

Longer-term additional and increased taxes imposed on oil and gas companies by governments, in reaction to so-called 'windfall profits' arising from short-term movements in commodity prices, have led to a higher tax burden. Uncertainty over tax regimes may also hinder future investment decisions while reducing returns from, and profitability of, operations. Should the Dutch tax office rule unfavourably against the Group regarding the Solidarity Contribution Tax, this would have a material impact on the Group's liquidity.

Change in risk level: No change

Owner: James Thomson (CFO)

Potential impact	Mitigation	Risk movement
• Material adverse impact to liquidity position if adverse finding received with regards to Solidarity Contribution Tax. • Retrospective taxation or material changes to tax regimes may render currently economic projects unviable, forcing earlier cessation of production (and reducing overall government tax take), giving rise to asset impairment risk. • An increase in jurisdictions with higher tax rates and unpredictable tax regimes may reduce the hopper of available acquisition and expansion opportunities.	• Engagement with various industry bodies to raise concerns and suggest alternative approaches to proposed taxation policies. • Projects and liquidity projections modelled with various tax sensitivities in place. • Support and advice of external experts and legal counsel on taxation matters, including the Solidarity Contribution Tax, is regularly obtained for areas where significant uncertainty and judgement exists. • Our investment strategy is continuously reviewed, and decisions may be taken to not invest further in, or to withdraw from, jurisdictions with a recent history of significant adverse tax changes, implementation of retrospective taxation, or where the taxation regime proves too burdensome.	No change to this risk in 2024: • The energy profits levy rose by 3% to 38% from 1 November 2024 while the 29% investment allowance was removed. This leaves the headline tax rate on oil and gas activities at 78%.

This Strategic Report was approved by the Board of Directors and signed on its behalf by:

Andrew Austin
Executive Chairman

10 April 2025

Corporate Governance Report

Board of Directors

Andrew Austin
Executive Chairman

Tenure

Andrew Austin founded Kistos in November 2020 and held the position of Non-Executive Chairman until admission of Kistos to Alternative Investment Market (AIM) when he assumed the position of interim CEO. In October 2021, he assumed the position of Executive Chairman following the appointments of Peter Mann and Richard Slape.

Experience

Andrew Austin served as Executive Chairman of RockRose Energy from 2016 until 2020, delivering a 42x return to shareholders through a strategy of counter-cyclical acquisitions of legacy/non-core assets in the UK and Dutch sectors of the North Sea. RockRose Energy was sold to Viaro Energy in August 2020 at a price per share of £18.50, representing a premium to the prevailing share price of 64%. Prior to RockRose Energy, Andrew jointly founded IGas in 2004 and developed it to become the leading onshore hydrocarbon producer in the UK, delivering natural gas and crude oil to Britain's energy market.

External appointments

Austin Capital Limited (Director)
Austin Acquisitions 1 Ltd (Director)
Austin Ginyard Ltd (Director)

Peter Mann
Chief Executive Officer

Tenure

Appointed October 2021

Experience

Peter Mann was CEO and Managing Director of RockRose Energy from 2017 until 2021 following five years in the UK onshore oil and gas industry. During this period, Peter was responsible for business strategy and implementing a restructuring strategy in the difficult oil price environment at the time. Prior to joining the oil and gas industry, Peter's career included various management roles. He also served in the British Army for six years.

External appointments

Peter Mann does not hold any current external appointments.

James Thomson
Chief Financial Officer

Tenure

Appointed 1 January 2025

Experience

James was appointed CFO on 1 January 2025 following a transition period with previous CFO, Richard Slape. He has significant natural resources experience, having previously served as Finance Director of RockRose Energy and latterly in a senior finance role at Anglo American. Prior to that James was a Partner at PwC and qualified as a chartered accountant in 2007.

External appointments

James Thomson does not hold any current external appointments.

Board of Directors

Richard Benmore
Non-Executive Director

Tenure

Appointed November 2020

Experience

Richard Benmore has over 40 years' experience in the oil and gas industry with Conoco, Oryx Energy, Nimir Petroleum, EnCana, Nexen Petroleum and IGas. Richard has held a variety of roles – starting his career as a petroleum geologist before moving into various commercial, business development and E&P managerial positions. He recently managed Nexen's unconventional projects in the UK and Poland and was a Board member of Nexen Exploration UK. Richard was a Non-Executive Director of RockRose Energy.

External appointments

Richard Benmore does not hold any current external appointments.

Committees

- Nomination Committee (Chair)

Stephen Pawson
Non-Executive Director

Tenure

Appointed June 2024

Experience

Stephen is the Non-Executive Director and Chair of the Audit Committee at Kistos. He has worked in the oil and gas E&P sector for 40 years, having spent 10 years with both Phillips Petroleum and ARCO British fulfilling various financial roles in the UK and overseas. Stephen was instrumental in forming the finance function of RockRose Energy between 2017 and 2019, incorporating several acquisitions. He brings critical insight to the team, offering a strategic, commercial and innovative outlook as well as extensive practical experience managing and implementing change.

External appointments

Evans and Pawson Ltd

Axies Ventures Ltd

Committees

- Audit and Disclosure Committees (Chair)
- Remuneration Committee

Alan Booth
Non-Executive Director

Tenure

Appointed November 2020

Experience

Alan Booth has over 40 years' experience in oil and gas exploration. He is currently Executive Chair of Storegga, a company delivering CCS, hydrogen and other subsurface renewable projects in the UK and internationally. Between 2013 and 2018, Alan was a Non-Executive Director of Ophir Energy plc, becoming CEO in May 2018. Previously, Alan was founder and CEO of EnCore Oil plc, an AIM-listed oil and gas exploration company and was the founder and Director of EnCounter Oil Ltd. Alan holds a BSc in geology from the University of Nottingham and a MSc DIC (Diploma of Imperial College) in petroleum geology from the Royal School of Mines, Imperial College. He is a former President of the UK Offshore Operators Association (UKOOA) and was a Director of the Oil and Gas Independents' Association (OGIA) between 2006 and February 2020.

External appointments

Storegga Limited (Director)

Committees

- Remuneration Committee (Chair)
- Audit and Disclosure Committees
- Nomination Committee

Chairman's Introduction

The Board has established the corporate governance values of the Company and has overall responsibility for setting the Company's strategic aims, defining the business plan and strategy, and managing the Company's financial and operational resources.

Overall supervision, acquisition, divestment and other strategic decisions are considered and determined by the Board. Andrew Austin, in addition to acting as Executive Chairman and in conjunction with the other Executive Directors, is charged with day-to-day responsibility for implementing the Company's strategy. The Executive Directors are supported by the Non-Executive Directors, senior management of the Group, the wider team and external service providers as required.

The Board follows the Quoted Companies Alliance's Corporate Governance Code (QCA Code) on the basis that it is most suited to our requirements, size, strategy, resources and stage of development. It offers a flexible but rigorous framework that allows Kistos to continue developing its governance model in support of the business. We explain how we apply the 10 provisions of the QCA Code on the following pages.

The Board is united in working to ensure the Company delivers for its shareholders while maintaining high standards of employee welfare, safety and corporate governance, and a commitment to the environment.

Building and maintaining strong relationships with our shareholders is critical to the success of the business. The Board seeks to ensure it engages regularly with investors. In 2024, this included one-to-one meetings with larger investors, attendance at conferences and interviews with the Executive Chairman that were made freely available to all investors online.

As at the date of this document, the Board has adopted the policies and procedures to comply with applicable market abuse legislation, including its Share Dealing Code relating to the dealing in securities of the Company by Directors, Senior Managers and employees.

Signed on behalf of the Board of Directors by:

Andrew Austin
Executive Chairman

10 April 2025

Corporate Governance Statement

Kistos is listed on AIM and complies with obligations under the AIM Rules for Companies. Its shares are traded under the KIST ticker.

This Corporate Governance Report incorporates committee reports from the Audit and Disclosure Committees, the Nomination Committee, the Remuneration Report and the Directors' Report.

Kistos operates within a corporate and regulatory framework commensurate with the scale and scope of its operations. The framework consists of effective Board and committee processes to ensure leadership, strategic direction and operational effectiveness; effective internal controls both financial and non-financial; and appropriate remuneration and reward policies and procedures.

Kistos has adopted the 2018 edition of the QCA Code and, below, we set out details of how we meet those governance principles or explain how and why compliance is not achieved in full.

Kistos Holdings Plc
QCA CODE VERIFIED VERSION ESTABLISHED 2013

Governance principle	Application and compliance	Further information
1. Establish a strategy and business.	Kistos' strategy is considered and approved by the Board, along with continuous monitoring of delivery and progress against objectives. Board deliberations and decisions focus on how shareholder value can be increased and delivered in the short to medium term.	See page 16 of the Strategic Report for more on our strategy and business model.
2. Seek to understand and meet shareholder needs and expectations.	The Board considers how its decisions could impact and be received by shareholders and stakeholders. Kistos engages with shareholders at the Annual General Meeting (AGM), after results announcements and following significant operational events or transactions (subject to compliance with legal and regulatory requirements, including Market Abuse Regulations (MAR)). It also regularly presents at investor events. During 2024, representatives of the Board engaged with stakeholders through a combination of online forums and face-to-face meetings.	See pages 16 and 23 in the Strategic Report and page 36 in the Corporate Governance Report on Kistos' relations with shareholders and wider stakeholder engagement.
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.	The Board and senior management routinely consider the wider impact of its decisions on bondholders, shareholders, employees, suppliers, regulators, business partners and local communities in which Kistos operates.	See pages on stakeholder engagement including our Section 172 Statement (page 23) and our ESG Strategy.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.	The principal risks and uncertainties and the actions required to mitigate against these have all been identified and assessed by the Board of Directors, members of the Audit Committee and senior management. The Board aims to balance the opportunity for growth in shareholder value against the context of our industry's associated risks. Significant decisions are deliberated by the Board considering the principal risks, any mitigations and overall risk tolerance and appetite. Kistos has a Corporate Risk Register, which is prepared using a bottom-up process and is regularly reviewed and updated to take account of any changes to the business, wider environment and likely impact.	See pages 24 to 30 in the Principal Risks and Risk Management section that outline those risks relevant to Kistos and how those risks are managed across the Group.

Corporate Governance Statement

Governance principle	Application and compliance	Further information
5. Maintain the Board as a well-functioning and balanced team led by the Chairman.	The Chair of the Board is Andrew Austin. As the founder and 17.25% shareholder, he is not independent. Of the Non-Executive Directors, Alan Booth and Richard Benmore are shareholders in the Company, and Steve Pawson and Richard Benmore have previously held Board and other roles at IGas and RockRose Energy (companies founded by Andrew Austin). Nonetheless, because they are not financially reliant on Kistos, all Non-Executive Directors are considered independent. This is after taking note of The Investment Association's Principles of Remuneration, which encourages share ownership by Non-Executive Directors provided they do not receive incentive awards geared to the share price or corporate performance. Given the size of the Board and the Company, the Directors have not considered it appropriate to have a senior independent Director.	See pages 37 to 38 on the Board composition, meetings held and the work carried out by the Board during the year.
6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.	The Board, collectively, has significant experience in the North Sea oil and gas, exploration, development and production sector. The Directors have also consummated at least 15 significant acquisitions, including the EDF Gas Storage Acquisition in 2024, and planned and executed three farm-out transactions with energy majors as counterparties. In addition, the Board has significant expertise and experience of dealing with the political and social issues facing the industry at both the local and national governmental levels, in the UK and overseas. Where relevant, Board members are given training on their role and fiduciary duties as Director of a listed company. They also have access to internal training materials and resources and receive updates on key matters from the external statutory auditor at least twice a year. The Board and Company does not have an individual who acts as Company Secretary.	See pages 32 to 33 for details of the Board's biographies.
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	The Board does not undergo a formal internal evaluation process, has not engaged a third party to perform an independent review of its effectiveness and has no current plans to do so as the Executive Chairman considers Board performance to be of an appropriate level.	n/a
8. Promote a corporate culture that is based on ethical values and behaviours.	The Board encourages and promotes a corporate culture based on ethical values and behaviours. It endorses policies consistent with fair, safe and ethical values (such as its Anti-Bribery Statement and Policy and Code of Business Conduct) commensurate with the regulatory environment.	See pages 18 to 22 in the Our ESG performance section. Kistos' Anti-Bribery Statement and Policy is published on our website.
9. Maintain governance structures and processes that are fit for purpose and support good decision making by the Board.	The Board is accountable for good governance and maintains control over the Company. Kistos holds regular Board meetings at which financial, operational and other reports are considered and voted on. There is an organisational structure with lines of responsibility and delegation of authority to executive management. Where needed, the Board has access to, and uses, external independent advisers to assist in discharging its duties.	See pages 35 to 38 of the Corporate Governance Report for details of the governance framework. The roles of each Board Committee are set out in their relevant reports.
10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	The Board recognises the benefits of engaging with shareholders and stakeholders and, to ensure this happens, meets regularly to update them on Company activities. Although, due to its size, Kistos does not have a formal investor relations department, investor communications are facilitated in conjunction with the Company's NOMAD and IR advisors. In addition, the Company's financial and operational performance is summarised in the Annual Report and the Interim Report. Other timely and market-sensitive updates are provided throughout the year through the Regulatory News Services (RNS), press releases and regular updates to the Company's website.	See pages 35 to 38 outlining the Company's processes on governance and stakeholder engagement.

Corporate Governance Statement

Board roles and composition

As of 31 December 2024, the Board comprised the Executive Chairman, Chief Executive Officer, Chief Financial Officer and three Non-Executive Directors (all of whom the Board has judged to be independent).

The minimum qualifications for serving as a member of the Board of Directors of Kistos are that a person demonstrates, by significant accomplishment in their field, an ability to make a meaningful contribution to the Board's oversight of the business and affairs of Kistos and that a person has an impeccable record and reputation for honesty and ethical conduct in both their professional and personal activities.

Executive Directors are expected to commit full time to matters concerning the Company. Non-Executive Directors are expected to spend at least one day per month on work for the Company, including attendance at each Board meeting and meetings for any committee to which they are appointed.

In addition, any nominees for the position of Director shall be selected based on, among other things, experience, knowledge, skills, expertise, diversity, ability to make independent analytical inquiries, understanding of Kistos' business environment and willingness to devote adequate time and effort to Board responsibilities.

Executive Chairman

The Executive Chairman's role should be to lead the Board and ensure it determines the nature and extent of the risks the Company is willing to take to implement its strategy; make sure the Board receives accurate, timely and clear information, is consulted on all relevant matters, and, in so doing, endeavours to promote appropriate standards of corporate governance; monitor the contribution and performance of Board members; lead on business development and networking opportunities; aim that the Company communicates clearly to the markets; engage in honest and robust discussions with stakeholders, shareholders and advisers; and work closely with the CEO to represent the Company in key strategic and stakeholder relationships.

Chief Executive Officer

The CEO's role is to lead the Group's performance, Executive Directors and senior management; propose strategies, business plans and policies to the Board; implement Board decisions, policies and strategies including M&A; oversee integration of new businesses into the Group; lead the day-to-day running of every part of the business; and lead, motivate and monitor the performance of the Company's executive and senior management team.

Chief Financial Officer

The CFO's role is to lead the Group's financial operations. This includes tracking cash flow and financial planning; evaluating M&A opportunities as well as analysing the Company's financial strengths and weaknesses and proposing corrective actions; ensuring compliance with internal and external financial reporting; ensuring appropriate stewardship of assets and cash management via appropriate internal controls; and managing the financial actions of the Group.

Non-Executive Director

Non-Executive Directors bring experience and independent judgement to the Board, provide constructive challenge to the Group's strategy and developments, and act as the Chair of one of the Board Committees.

Board objectives and activities

The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets and corporate actions. The Board ensures major business risks are actively monitored and managed, going beyond regulatory compliance to be accountable to all the Company's stakeholders.

The Board's responsibilities cover the development of strategy, including exploration, appraisal and development activity; acquisition and divestment policy; the approval of all major capital expenditure and awarding of major contracts; the Group's capital structure; the consideration of significant financing matters, insurance levels, controls and all financial reporting; oversight and review of principal risks and uncertainties; oversight of independent assurance of policies and procedures; Board membership and appointments; Board and senior management remuneration; and key regulatory and corporate governance matters (including ESG policies). The Board is assisted by principal committees outlined on the next page. Each committee is responsible for dealing with matters within its own terms of reference.

Corporate Governance Statement

Board committees and structure

The Board has four committees:

- Nomination Committee
- Audit Committee
- Disclosure Committee
- Remuneration Committee

All committees operate under clearly defined terms of reference to ensure proper functioning and effective application of best practice. Committees are required to report back to the Board following a committee meeting.

More information regarding each committee can be found on pages 39 to 44.

Board meetings

Meetings attended

Andrew Austin	7/7
Peter Mann	7/7
Richard Slape	7/7
Richard Benmore	7/7
Alan Booth	7/7
Julie Barlow (retired)	3/3
Steve Pawson	5/5

Succession planning

The Nomination Committee reviews Board composition with a view to ensuring its members have a combination of skills and experience that fits with the future of the Company and, within these criteria, promotes gender and ethnic diversity.

Remuneration Committee Report

Overview

The Committee comprises only Non-Executive Directors, being chaired by Alan Booth and having Stephen Pawson as its other member. The Committee met once during the year ended 31 December 2024. The Executive Chairman was also invited to attend these meetings. In accordance with the Committee's terms of reference, no Director may participate in discussions relating to their own terms and conditions of service or remuneration.

Summary of the Committee's responsibilities

The Committee's responsibilities include:

- Making recommendations to the Board of Directors on the Company's policy on remuneration of the Executive Chairman, Executive Directors and any other Senior Managers delegated to the Committee to consider;
- Determining, within agreed terms of reference, the remainder of remuneration packages for each of them, including pension arrangements, bonuses, any compensation payments and the implementation of other executive incentive schemes;
- Ensuring contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- Monitoring the level and structure of remuneration for senior management; and
- Reviewing the design of employee share incentive plans for approval by the Board and determining the policy on annual awards to Executive Directors and Senior Managers.

Key areas of focus in the year ended 31 December 2024

The Committee's particular areas of focus during the year were:

- Review of the Executive Chairman's and Executive Directors' salaries and bonus arrangements for the year; and
- Agreement of bonuses and bonus principles for senior employees.

Chairman's statement

The Committee is pleased to present its Annual Report on Remuneration for 2024. The aim of the Remuneration Committee is to set clear objectives for each individual Executive Director and Executive team member, considering where an individual has particular influence and responsibility.

No increase in salaries was awarded to Executive Directors for the year ended 31 December 2024. A performance bonus was granted at the year-end, partly as a reward for successfully completing the EDF acquisition and integrating the new business into the wider Kistos Group.

The Committee continued to conclude that while it has a general framework for targets, it was not appropriate to set specific targets for 2024.

Looking forward to 2025, we will introduce a new Long-Term Incentive Plan (LTIP) for the Executive Directors and senior management, which will replace the existing Equity Incentive Plan (EIP).

The LTIP will ensure remuneration is closely linked to Total Shareholder Returns (TSR).

Directors' remuneration policy

The Company's policy is to maintain levels of remuneration sufficient to attract, motivate and retain senior executives of the highest calibre who can deliver growth in shareholder value. Executive Directors' remuneration currently consists of basic salary, benefits, Company pension contributions and bonuses. Long-term incentive schemes, including share option plans, may be introduced in the future, in line with Company expansion and feedback from shareholders. The Company aims to strike an appropriate balance between fixed and performance-related rewards so the total remuneration package is structured to align a significant proportion to the achievement of performance targets, reinforcing a clear link between pay and performance.

The performance targets for employees, senior executives and the Executive Directors are intended to be aligned to key business strategy drivers, thereby creating strong alignment of interest between employees, Executive Directors and shareholders.

The Remuneration Committee will continue to review the Company's remuneration policy and make amendments, as and when necessary, to ensure it remains fit for purpose, continues to drive high levels of executive performance and stays both affordable and competitive in the market.

Key activities during the year

- Approving the price and amount of annual share incentive awards granted to employees and senior management.
- Approving the award of bonuses payable to Executive Directors following completion of the Gas Storage Acquisition.
- Agreeing the changes in remuneration for employees and Directors for 2025.

Remuneration Committee Report

Policy table

Element of reward – Base salary

Purpose and link to strategy	To provide fixed remuneration to: • Help recruit and retain key individuals; and • Reflect the individual's experience, role and contribution within the Company.
Operation	The Remuneration Committee considers a number of factors when setting salaries, including: • Scope and complexity of the role; • The skills and experience of the individual; • Salary levels for similar roles within the industry; and • Pay elsewhere in the Company.
Performance conditions	None.
Maximum opportunity	The current base salary of the Directors is shown in the table below. Salary increases, if granted, are made with reference to the average increase for the wider Company. The Committee retains discretion to make higher increases in certain circumstances, for example, following an increase in the scope and/or responsibility of the role or the development of the individual in the role, by benchmarking or following the completion of a material transaction.

Element of reward – Other benefits and pension contributions

Purpose and link to strategy	To provide a basic benefits package, to help recruit and retain key individuals.
Operation	The Company provides Executive Directors with medical insurance and death-in-service cover for themselves (and their family, if elected), either through policies directly arranged by the Company or by making additional contributions to Executive Directors if the individual arranges their own cover. The Company makes pension contributions into a defined contribution scheme at a percentage of gross salary for Executive Directors. Where Executive Directors cannot, or do not wish to, receive contributions from the Company into a pension scheme, an equivalent amount net of relevant deductions is payable in cash. The contribution percentage granted by the Company is equal to that provided to other UK employees.
Performance conditions	None.

Element of reward – Annual bonus

Purpose and link to strategy	To incentivise and reward the achievement of annual financial, operational and individual objectives that are key to the delivery of the Company's strategy.
Operation	• The Remuneration Committee shall determine, on an annual basis, the level of deferral, if any, of the bonus payment into Company shares. • Maximum bonus levels, if applicable, and the proportion payable are considered in light of market bonus levels for similar roles within the industry sector. • In the absence of an agreed equity incentive scheme for Executive Directors, bonuses may contain clawback conditions triggered upon receipt of a resignation notice to encourage retention. • The Remuneration Committee may set targets that require appropriate levels of performance, considering internal and external expectations. • As soon as practicable after the year-end, the Remuneration Committee meets to review performance against objectives, if applicable, and determines amounts payable.
Performance conditions	The award may be based on performance against individual objectives.
Maximum opportunity	No maximum potential bonus has been set.

Share option schemes and long-term incentive plans for Executive Directors

On 1 August 2024, the Executive Directors were granted options under the Company's 2021 EIP. The options vest in three equal instalments, with one-third of the total number of shares under option vesting and becoming exercisable on each of the first, second and third anniversaries of the grant date.

Director	Title	Number of ordinary shares subject to the options	Exercise price per ordinary share
Andrew Austin	Executive Chairman	676,923	£1.30
Peter Mann	CEO	592,308	£1.30
Richard Slape	CFO	507,692	£1.30

The vesting of these options is contingent upon the Executive Director remaining continuously employed with the Company as of each vesting date. This scheme is designed to incentivise and retain key Executive Directors by aligning their interests with those of the shareholders.

The EIP is available to all employees and, among other things, details that no awards under the EIP shall be made where aggregation of such ordinary shares under option would exceed 10% of the share capital of the Company. Awards made under the EIP, including exercise price and number of option awards, are made at the discretion of the Committee.

Remuneration Committee Report

Annual report on remuneration remit of the Remuneration Committee

The remit of the Remuneration Committee is outlined in the Corporate Governance section.

Current arrangements in financial year (audited)

Executive Directors

Executive Directors are employed with either party being able to give a notice period of 12 months. Directors' emoluments for the year were as follows:

£	Salary	Benefits in kind	Bonus (cash)[1]	Bonus (shares)	Pension contributions	Total
Year ended 31 December 2024						
Andrew Austin	440,000	24,243	363,000	130,205	38,664	996,112
Peter Mann	385,000	4,169	356,125	113,772	38,500	897,566
Richard Slape	330,000	6,110	214,500	–	28,728	579,338
Total – Executive Directors	**1,155,000**	**34,522**	**933,625**	**243,977**	**105,892**	**2,473,016**

£	Salary	Benefits in kind	Bonus (cash)[2]	Bonus (shares)	Pension contributions	Total
Year ended 31 December 2023						
Andrew Austin	440,000	16,573	421,000	–	91,388[3]	968,961
Peter Mann	385,000	3,762	355,875	–	38,500	783,137
Richard Slape	330,000	5,165	290,750	–	33,137	659,052
Total – Executive Directors	**1,155,000**	**25,500**	**1,067,625**	**–**	**163,025**	**2,411,150**

1. Bonuses paid and payable in 2024 comprised the following components:
   - A bonus payable in respect of 2024 performance, including the successful completion of the Kistos Energy Storage Acquisition (being £242,000 for Andrew Austin, £250,250 for Peter Mann and £214,500 for Richard Slape).
   - Further bonus paid in January 2024 being £121,000 for Andrew Austin and £105,875 for Peter Mann, in lieu of any long-term incentive plan being in place.
2. Bonuses paid and payable in 2023 comprised the following components:
   - A one-off payment granted in January 2023, intended principally as a retention payment in the absence of an equity incentive scheme available to the Executive Directors (being £300,000 for Andrew Austin, £250,000 for Peter Mann and £200,000 for Richard Slape). These payments were subject to clawback on a pro-rata basis if the Director resigned between 1 January 2023 and 30 June 2023.
   - A bonus payable in respect of 2023 performance, including the successful completion of the Mime Acquisition (being £121,000 for Andrew Austin, £105,875 for Peter Mann and £90,750 for Richard Slape).
3. Representing additional pay in lieu of pension contributions.

The 2025 annual salaries for the Executive Directors have been agreed by the Committee as increasing to £453,200 for Andrew Austin, £396,550 for Peter Mann and £339,900 for James Thomson.

Non-Executive Directors

Non-Executive Directors are employed under rolling contracts with notice periods of three months, under which they are not entitled to any pension, benefits or bonuses.

£	Salary	Benefits in kind	Bonus (cash)	Bonus (shares)	Pension contributions	Total
Year ended 31 December 2024						
Richard Benmore	40,000	–	–	–	–	40,000
Alan Booth	40,000	–	–	–	–	40,000
Julie Barlow*	28,513	–	–	–	–	28,513
Steve Pawson*	20,000	–	–	–	–	20,000
Total – Non-Executive Directors	**128,513**	**–**	**–**	**–**	**–**	**128,513**

* Steve Pawson succeeded Julie Barlow in July 2024.

£	Salary	Benefits in kind	Bonus (cash)	Bonus (shares)	Pension contributions	Total
Year ended 31 December 2023						
Richard Benmore	40,000	–	–	–	–	40,000
Alan Booth	40,000	–	–	–	–	40,000
Julie Barlow	40,000	–	–	–	–	40,000
Total – Non-Executive Directors	**120,000**	**–**	**–**	**–**	**–**	**120,000**

The 2025 annual salary for each Non-Executive Director has been agreed by the Committee as increasing to £50,000.

Directors' interest in ordinary shares

	Shares at 31/12/24	**% of total shares in issue at 31/12/24**	**Shares at 31/12/23**	**% of total shares in issue at 31/12/23**
Andrew Austin	14,295,162	17.25	14,295,162	17.25
Peter Mann	1,264,516	1.53	1,264,516	1.53
Richard Slape	129,032	0.15	129,032	0.15
Richard Benmore	1,132,258	1.37	1,132,258	1.37
Alan Booth	232,258	0.28	232,258	0.28
Steve Pawson	–	–	–	–

Alan Booth
Chair, Remuneration Committee

10 April 2025

Nomination Committee Report

Summary of the Committee's responsibilities

The Committee's responsibilities include:

- Regularly reviewing the size, structure and composition (including the skills, knowledge, experience and diversity) of the Board of Directors, and making recommendations to the Board with regard to any changes;
- Keeping under review the leadership needs of the organisation, at both executive and non-executive levels, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- Being responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- Reviewing, annually, the time required from Non-Executive Directors; and
- Ensuring plans are in place for orderly succession to the Board of Directors and senior management positions, to maintain an appropriate balance of skills and experience within the Group and Board.

Nomination Committee

The role of the Nomination Committee is to assist the Board in regularly reviewing its composition and those of its Committees, to lead the process for Board appointments and ensure effective succession planning for the Board and senior management.

The Nomination Committee is chaired by Richard Benmore and its other member is Alan Booth.

The following matters were considered during 2024:

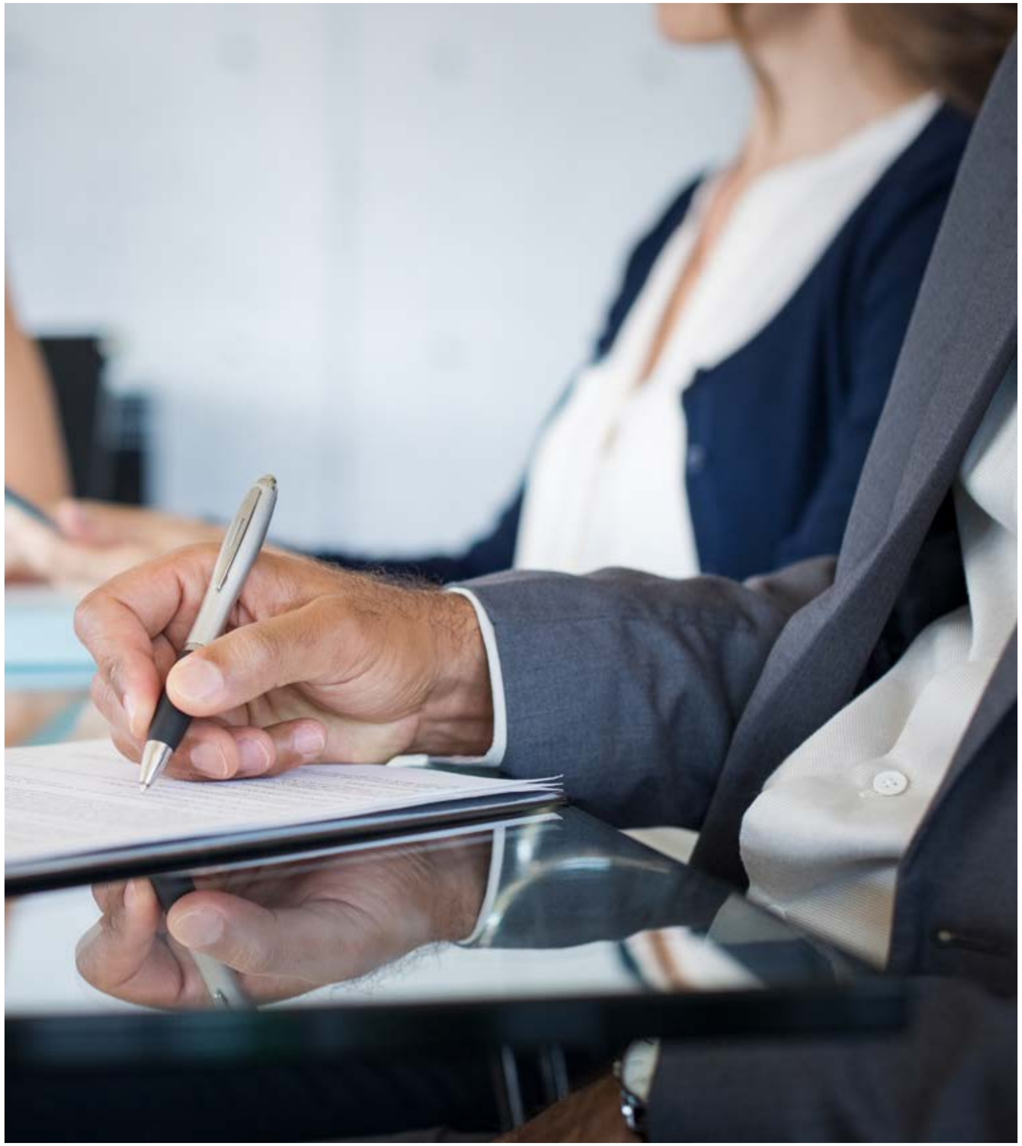
- Succession planning for the CFO and recommending to the Board the appointment of James Thomson to succeed Richard Slape as CFO; and
- Recommending to the Board the appointment of Stephen Pawson as a Non-Executive Director and chair of the Audit Committee to succeed Julie Barlow.

CFO appointment process in 2024

Succession planning for all Directors, including the Executive Directors, is an ongoing cycle of work. The Nomination Committee has oversight of senior leadership succession plans, ensuring they are aligned to the long-term strategic ambitions and the diverse leadership needs of the Group.

The Board, through its Nomination Committee, initiated a process to identify the best person for the role of CFO, following Richard Slape stating his intention to retire from the Group.

Following conclusion of the rigorous process and a recommendation from the Committee, the Board concluded that James Thomson would bring proven financial, strategic and commercial expertise to the role. The remuneration arrangements for the appointment of James Thomson and the retirement of Richard Slape were approved by the Remuneration Committee. James Thomson joined the Board as CFO on 1 January 2025.



Audit and Disclosure Committees' Report

Summary of the Committees' responsibilities

The Audit Committee and Disclosure Committee, although having separate remits, discharge their responsibilities in the same meetings and have the same Directors sitting on both. As such, the overview of both Committees' activities is presented on a combined basis in this report.

The Committees' responsibilities include the following:

- The Audit Committee reviews reports from management and the Group's auditors relating to the Group's Annual Report and Accounts and interim results announcements. It advises the Board on whether the Annual Report and interim announcements are fair, balanced and understandable, and provide the information necessary for Kistos' stakeholders to assess performance against the Group's strategy. Ultimate responsibility for reviewing and approving the Annual Report and Accounts remains with the Board of Directors;
- The Audit Committee ensures compliance with accounting standards and the AIM Rules and confirms effective systems of internal financial and non-financial controls (including the management of risk and whistleblowing) are maintained;
- The Audit Committee reviews external auditors' independence and considers the nature, scope and results of auditors' work and policy on any non-audit services provided by external auditors. The Committee is also responsible for making recommendations to the Board of Directors on the appointment and remuneration of external auditors;
- The Disclosure Committee enforces the Group's inside information policy, assesses whether information is 'inside information' and resolves queries about its materiality. For instance, the Committee will determine whether an announcement is required in respect of any such inside information and procure that such announcement is made as soon as possible, in accordance with the provisions of the AIM Rules and UK Market Abuse Regulations (MAR); and
- The Disclosure Committee operates as part of the Audit Committee and monitors and reports upon the Company's obligations under the Disclosure Guidance and Transparency Rules.

Audit Committee

The Committee comprises only Non-Executive Directors, being chaired by Stephen Pawson and with Alan Booth as its other member. Meetings are aligned with the Group's financial reporting calendar and the Committee met three times during the year ended 31 December 2024, and again in March 2025.

The Executive Chairman, CEO and CFO are invited to attend each meeting of the Committee and participated in all the meetings during the year. Members of the senior management team are also invited to attend where appropriate. The external auditors attend meetings and meet the Committee without the presence of management at least annually.

Audit Committee membership

Audit Committee meetings attended during 2024 (out of a total possible):

- Stephen Pawson (Chair) 2/2
- Julie Barlow (retired)* 1/1
- Alan Booth 3/3

*Chair of the Audit Committee until retirement.

In May 2024, the Committee met primarily to review and approve the 2023 Annual Report and Accounts. In support of this, the Committee received papers from management on significant and judgemental financial reporting issues and considered the appropriateness of the conclusions therein and disclosures made in the financial statements. The Committee also received the audit completion paper from BDO LLP and challenged the external auditor on its approach and findings, considered the effectiveness of the external auditor and reviewed its independence.

At the September 2024 meeting, the Committee reviewed and approved the 2024 Interim Results announcement, including the disclosures made around the EDF Gas Storage Acquisition, pro forma information and other matters.

During the December 2024 meeting, the Committee received the proposed plan for the external audit of the Group's 2024 Annual Report and Accounts by BDO, including the approach to be taken in auditing the EDF Gas Storage Acquisition, the acquisition accounting arising therein and the impact of new auditing standards, and received an update from BDO on new and developing accounting and disclosure requirements. The Committee also received an update from management concerning internal controls and risk management, compliance, whistleblowing and fraud.

Other matters considered included the review of the Committee's remit, the appropriateness of its resources and training, assessing the external auditor's independence and objectivity, and agreeing the annual audit fees payable to BDO.

Annual Report and financial reporting

With regards to the 2024 Annual Report and Accounts, the areas of focus for the Committee included:

- The asset acquisition accounting under IFRS 3 following the EDF Gas Storage Acquisition, including the accounting for, and presentation of, the relationship with a third-party energy and commodities trading partner;
- The Directors' assessment of going concern and the completeness, accuracy and appropriateness of the disclosure in the financial statements;
- Impairment tests undertaken, and the results of those tests, for the Netherlands, Norway and UK producing assets, intangible exploration assets and goodwill;
- Taxation matters, including any developments to the Solidarity Contribution Tax liability and appropriate disclosure of this and other unpaid tax liabilities;
- Consistency of application of accounting policies;
- Ongoing compliance with relevant financial reporting standards, AIM and legal requirements;
- The appropriateness of assumptions and judgements for items subject to estimates; and
- The clarity and completeness of disclosures in the financial statements.

Overall, the Committee focuses on whether, taken as a whole, the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders and stakeholders to assess the Group's performance, business model and strategy. The Committee and the Board believe this to be the case. The Committee particularly considered the following major financial statement items that require significant judgement and contain key sources of estimation uncertainty in the preparation of the 2024 Annual Report and Accounts.

New accounting issues arising during the year

Acquisition of EDF Gas Storage

The Committee considered the judgements, estimates and other assumptions in deriving the fair value of assets and liabilities acquired. The Committee challenged management on the assumptions used and other key areas of judgement such as the accounting for a lease arrangement whereby Kistos Energy Storage Ltd leases out storage capacity to a third-party energy and commodities trading partner. The Committee was satisfied as to the assumptions made and that appropriate disclosures had been made in the financial statements.

Recurring accounting issues

Going concern

The Committee received up-to-date cash flow projections prepared by management for the period ending 31 December 2026 taking into account recent market volatility and the ongoing uncertainties surrounding the escalating trade war. This analysis considered a range of downside sensitivities linked to the Group's principal risks, including a long-term decline in commodity prices below the forward curve post the start of the trade war and a two-month delay to first oil from the Jotun FPSO. The Committee concluded it was appropriate to adopt the going concern basis.

Taxes

The Committee noted there had been minimal change to the underlying fact patterns that led to the recognition of the Solidarity Contribution Tax charge in the prior year financial statements, and that therefore it remained appropriate to retain the provision on the balance sheet.

Impairment

The Committee received management's memoranda on impairment testing of intangible and tangible assets and agreed with management that an impairment test was required for the UK Production cash-generating unit (CGU) and Norway Production CGU (due to the requirements under IFRS 3 to perform a test annually where goodwill is allocated to a CGU) and that sufficient impairment triggers (higher than forecast downtime and increased costs on the TAQA-operated P15-D platform) had arisen that required an impairment test of the Netherlands Production CGU. Management presented to the Committee cash flow forecasts, including various risks and sensitivities covering production rates, capital expenditure and commodity prices.

It also examined the discount rate used by management to discount the cash flows to present value and concluded that the rate was appropriate. The Committee challenged management's methodology and agreed that an impairment charge should be recognised against the Netherlands Production CGU, and that the other impairment tests demonstrated the recoverable amounts were in excess of the relevant CGU's carrying amount.

Other financial reporting matters

The Committee considered other disclosures, judgements and areas of estimation that had an impact on the financial statements including:

- Non-IFRS measures;
- Estimation and disclosure of abandonment liabilities;
- The reserves bases and methodology for unit-of-production depreciation charges; and
- Events after the balance sheet date, including the Gas Storage Acquisition.

The Committee agreed with management's treatment in each case.

Stephen Pawson
Chair, Audit and Disclosure Committees

10 April 2025

Directors' Report

The Directors present their report and audited consolidated financial statements of the Group for the year ended 31 December 2024.

Company registration

Kistos Holdings plc is a public company limited by shares, incorporated in England and Wales with registered number 14490676, and is the ultimate parent company of the Kistos group of companies. Its registered office is 2nd Floor, 3 St James's Square, London SW1Y 4JU.

Principal activities and status

The Group's principal area of activity is the acquisition and operation of companies or businesses in the energy sector, with a focus on upstream oil and gas activities. The Group's operations are currently based in the Netherlands, Norway and United Kingdom.

Dividends

The Directors did not pay an interim dividend and have not proposed a final dividend.

1 James Thomson succeeded Richard Slape as CFO on the 1 January 2025, following Richard Slape stating his intention to retire from the Group.

2 Stephen Pawson succeeded Julie Barlow as Non-Executive Director on the 19 June 2024, following Julie Barlow stating her intention to retire from the Group.

Future developments

The likely and current future developments of the Group's business are outlined within the Strategic Report.

Research and development

The Group undertakes various research and development studies as part of its continuous evaluation of reservoirs. It does so by improving its internal geological and petrophysical models, production forecasting and other outputs.

Streamlined energy and carbon reporting

Under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (the '2018 Regulations'), the Company is an unquoted company and therefore the energy use and associated greenhouse gas (GHG) emissions to be considered are those assets located in the UK and UK offshore area within the Group's boundary of reporting. The Group has set the boundary for reporting to be the operational control boundary, which would therefore include only those assets where the Group is the nominated or legal operator of the JV or consortium. As such, energy use and associated GHG emissions for operated assets being the Q10-A (in the Netherlands) and gas storage assets (in the United Kingdom), have been reported in our 2024 ESG activities report on page 18.

Political donations

The Group made no political donations during the year.

Charitable donations

The Group made no charitable donations during the year.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

- Andrew Austin (Executive Chairman)
- Peter Mann (CEO)
- Richard Slape[1] (CFO)
- James Thomson[1] (CFO)
- Alan Booth (Non-Executive Director)
- Stephen Pawson[2] (Non-Executive Director)
- Julie Barlow[2] (Non-Executive Director)
- Richard Benmore (Non-Executive Director)

Under the Company's Articles of Association, all Directors currently in office retire at the AGM.

Directors' indemnities and insurance

Subject to the conditions set out in the Companies Act 2006, the Company has arranged appropriate Directors' and Officers' insurance to indemnify the Directors and Officers against liability in respect of proceedings brought by third parties. Such provision remains in force at the date of this report.

The Company indemnifies the Directors against actions they undertake or fail to undertake as Directors or Officers of any Group company, to the extent permissible for such indemnities to meet the test of a qualifying third-party indemnity provision as provided for by the Companies Act 2006. The nature and extent of the indemnities is as described in Section 154 of the Company's Articles of Association as adopted on 17 November 2022. These provisions remained in force throughout the year and remain in place at the date of this report.

Substantial shareholdings

As of the 14 March 2025, the latest practicable date in compiling this information, in addition to the Directors' interests as set out in the Remuneration Report, the Company had received notification from the following institutions and individuals of interests more than 3% of the Company's issued ordinary shares with voting rights:

Holder	Number	Interest
Tulip Oil Holding BV	8,742,775	10.55%
Canaccord Genuity Wealth	4,620,970	5.58%
Investec Wealth & Investment Limited	4,160,700	5.02%
Schroders plc	4,125,000	4.97%
Fidelity Worldwide Investment	4,071,962	4.91%
Chelverton Asset Management	3,250,000	3.92%
Trium Capital LLP	3,219,035	3.88%

The Company is not a closed company as defined in the Income and Corporation Taxes Act 1988. The Company is incorporated, domiciled and registered in the United Kingdom.

Directors' Report

Rights and obligations of ordinary shares

At a General Meeting, every holder of ordinary shares present in person and entitled to vote shall have one vote. Every proxy entitled to vote shall have one vote (unless the proxy is appointed by more than one member, in which case the proxy has one vote for or one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution; or if the proxy has been instructed by one or more shareholders to vote either for or against a resolution and by one or more of those shareholders to use their discretion on how to vote). On a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. Subject to the relevant statutory provisions and the Articles of Association, holders of ordinary shares are entitled to a dividend if declared and paid out of profits available for such purposes. Subject to the relevant statutory provisions and the Articles of Association, on a return of capital on a winding-up, holders of ordinary shares are entitled to participate in such a return. There are no redemption rights in relation to the ordinary shares.

AGM notice

Notice of the forthcoming AGM will be advised separately.

Independent auditors

The Audit Committee continues to review the external auditor's independence and consider the quality, nature, scope and results of its work. The auditor, BDO LLP, has indicated willingness to continue in office and a resolution that it be reappointed as auditor of the Company will be proposed at the next AGM.

As required under s418(2) of the Companies Act, the Directors have ensured all relevant information has been provided to the auditor.

Information included elsewhere in the Annual Report

The Strategic Report is set out on pages 6 to 30 and includes a comprehensive review of the business and the future developments of the Group.

Other disclosures required by the Companies Act 2006 have been included in the Strategic Report and/or financial statements as follows:

- Page 65 and note 4.6 to the financial statements – the Group's financial risk management objectives and policies.
- Pages 18 to 23 – information concerning environmental matters, engagement of employees, policy for employment of disabled people and training thereof, community issues, social matters, human rights, anti-corruption and anti-bribery matters.
- Page 23 – stakeholder engagement.
- Page 22 – business conduct, including anti-slavery and the UK Bribery Act.
- Page 52 and note 1.3 to the financial statements – significant events occurring after the reporting period.
- Page 61 and note 2.8 to the financial statements – acquisitions during the reporting period.

Details of any long-term incentive schemes can be found within the Remuneration Committee Report.

Corporate governance

The Company's statements on corporate governance can be found in the Corporate Governance Report section above, which forms part of this Directors' report and is incorporated into it by cross reference.

Going concern

To assess the Group's ability to continue as a going concern, base case and downside cash flow forecasts have been prepared that cover a period of 21 months from the approval of this report (ie to 31 December 2026).

The forecasts and projections made in adopting the going concern basis consider forecasts of commodity prices, production rates, operating and G&A expenditure, committed and sanctioned capital expenditure, foreign exchange rates and the timing and quantum of future tax payments and receipts.

Based on the judgements summarised below, and provided in detail within note 1.2 to the financial statements (which includes consideration of both reasonably plausible downside scenarios and mitigating actions management could take) these financial statements have been prepared on a going concern basis.

The Group's total cash balance as of 31 December 2024 was $114 million, excluding $29 million of restricted funds. The key assumptions within the base case include:

- The repayment of $131 million of bonds that mature in September 2026.
- Should the Group ultimately be required to settle Solidarity Tax Payments, based on legal advice that the Group has received, this would occur outside of the going concern period.
- The same level of availability of surety bonds used to cover obligations under Decommissioning Security Agreements (DSAs). The obligation for the GLA assets in respect of 2025 was £62.9 million, which the Group satisfied via both the purchase of surety bonds and posting cash collateral to an escrow fund.

The base case forecast indicated that the Group would be able to maintain sufficient liquidity across the going concern period.

As part of the assessment and taking into account the significant effect on commodity prices of the recent market volatility and the ongoing uncertainties surrounding intra jurisdictional tariffs, reasonably plausible downside scenarios were also prepared and analysed. In addition to cash outflows detailed above, these included:

- A reduction to the oil and gas price assumptions based on recent price volatility to a level below the current forward curve for the duration of the forecast period;
- A reduction to forecast production rates based on reasonably plausible changes to technical assumptions and sensitivities for the duration of the forecast period;
- A two-month delay in first oil from the Jotun FPSO;
- An assumption that the 2026 DSA for the GLA fields, estimated to be in excess of £70 million, had to be to be fully covered in cash; and
- The impact of mitigating actions that are within the Directors' control, including deferring capital expenditure and certain other payments.

The outcome of applying all these reasonably plausible downside scenarios and mitigating actions simultaneously against the base case supported the Directors' going concern conclusion.

Management conducted a reverse stress test, which demonstrated that the Group could endure sustained oil prices below $50 per barrel throughout the forecast period. This would be possible while also applying the other reasonably plausible downsides mentioned above subject to implementing further mitigating actions within the Directors' control.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards, and the Directors have elected to prepare the Company's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (GAAP) (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit of the Group for that period.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with UK-adopted international accounting standards subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and, hence, for taking reasonable steps to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website, including the publication of its Annual Report and financial statements thereon. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions.

This report was approved by the Board of Directors on 1 April 2025 and signed on its behalf by:

Andrew Austin
Executive Chairman

10 April 2025

Consolidated Financial Statements

Consolidated Financial Statements

Consolidated income statement

$'000	Note	**Year ended 31 December 2024**	Year ended 31 December 2023 (restated)
Revenue	2.1	216,319	223,032
Other operating income/(expense)		5,193	(203)
Cost of sales		(104,562)	(78,422)
Gross profit		**116,950**	**144,407**
Exploration and development expenses		(1,034)	(3,618)
Abandonment expenses		(3,533)	(1,835)
General and administrative expenses	3.2	(18,731)	(12,920)
Depreciation and amortisation	2.4, 2.5	(99,923)	(106,949)
Impairment	2.6	(34,475)	(63,400)
Change in fair value and releases of contingent consideration		–	3,597
Operating loss		**(40,746)**	**(40,718)**
Interest income	3.5	6,417	10,039
Interest expenses	3.5	(34,196)	(31,108)
Other finance income	3.5	15,003	26,680
Other finance costs	3.5	(42,360)	(14,025)
Net finance costs		**(55,136)**	**(8,414)**
Loss before tax		**(95,882)**	**(49,132)**
Tax credit	6.1	43,883	22,538
Loss for the period		**(51,999)**	**(26,594)**
Basic loss per share ($)	3.1	**(0.63)**	**(0.32)**
Diluted loss per share ($)	3.1	**(0.63)**	**(0.32)**

Consolidated statement of other comprehensive income

$'000	Note	**Year ended 31 December 2024**	Year ended 31 December 2023 (restated)
Loss for the period		**(51,999)**	**(26,594)**
Item that may be reclassified to profit or loss:			
Foreign currency translation differences	5.6	(3,956)	3,059
Total other comprehensive loss		**(55,955)**	**(23,535)**

The restatement relates to a change in presentation currency – see note 1.4.
A reclassification to the presentation of certain prior period amounts has been made – see note 1.5.

Consolidated balance sheet

$'000	Note	**31 December 2024**	31 December 2023 (restated)	1 January 2023 (restated)
Non-current assets				
Goodwill	2.5	49,215	54,239	11,642
Intangible assets	2.5	30,272	34,591	46,446
Property, plant and equipment	2.4	489,508	455,286	302,399
Deferred tax assets	6.2.2	1,885	2,133	606
Investment in associates		1,066	65	65
Other long-term receivables		176	165	109
		572,122	**546,479**	**361,267**
Current assets				
Inventories	4.5	18,436	22,544	10,373
Trade and other receivables	4.2	20,602	29,215	58,463
Current tax receivable	6.3.1	65,450	88,690	–
Restricted funds	4.1	29,385	185	27
Cash and cash equivalents	4.1	113,753	214,789	226,869
		247,626	**355,423**	**295,732**
Total assets		**819,748**	**901,902**	**656,999**
Equity				
Share capital and share premium	5.4	9,979	9,979	9,979
Other equity	5.5	5,557	3,897	–
Other reserves	5.6	71,311	74,714	71,492
Retained earnings		(50,088)	1,911	28,504
Total equity		**36,759**	**90,501**	**109,975**
Non-current liabilities				
Abandonment provision	2.3	251,426	231,283	132,239
Bond debt	5.1	245,243	237,936	86,473
Deferred tax liabilities	6.2.1	134,389	144,146	126,687
Other non-current liabilities	4.4	7,703	678	4,495
		638,761	**614,043**	**349,894**
Current liabilities				
Trade payables and accruals	4.3	32,180	44,477	22,821
Other current liabilities	4.4	14,952	6,152	18,321
Current tax payable	6.3.2	93,604	142,125	153,222
Abandonment provision	2.3	3,492	4,604	2,766
		144,228	**197,358**	**197,130**
Total liabilities		**782,989**	**811,401**	**547,024**
Total equity and liabilities		**819,748**	**901,902**	**656,999**

The restatement relates to a change in presentation currency – see note 1.4.
A reclassification to the presentation of certain prior period amounts has been made – see note 1.5.

The notes on pages 51 to 73 are an integral part of these financial statements and were approved by the Board of Directors on 10 April 2025.

James Thomson
Chief Financial Officer

Consolidated Financial Statements

Consolidated statement of changes in equity

$'000	Share capital and share premium (note 5.4)	Other equity (note 5.5)	Other reserves (note 5.6)	Retained earnings	Total equity
At 1 January 2023 (restated)	9,979	–	71,492	28,504	109,975
Loss for the period	–	–	–	(26,593)	(26,593)
Other comprehensive income	–	–	3,059	–	3,059
Total comprehensive loss for the period	**–**	**–**	**3,059**	**(26,593)**	**(23,534)**
Share-based payments	–	–	163	–	163
Issue of warrants (note 5.5)	–	3,897	–	–	3,897
At 31 December 2023 (restated)	**9,979**	**3,897**	**74,714**	**1,911**	**90,501**
Loss for the period	–	–	–	(51,999)	(51,999)
Other comprehensive income	–	–	(3,956)	–	(3,956)
Total comprehensive loss for the period	**–**	**–**	**(3,956)**	**(51,999)**	**(55,955)**
Share-based payments (note 3.4)	–	–	553	–	553
Issue of warrants (note 5.5)	–	1,660	–	–	1,660
At 31 December 2024	**9,979**	**5,557**	**71,311**	**(50,088)**	**36,759**

Consolidated cash flow statement

$'000	Note	Year ended 31 December 2024	Year ended 31 December 2023 (restated)
Cash flows from operating activities:			
Loss for the period after tax		**(51,999)**	**(26,593)**
Tax credit	6.1	(43,883)	(21,804)
Net finance costs	3.5	55,136	8,414
Depreciation and amortisation	2.4, 2.5	99,923	106,949
Impairment	2.6	34,475	63,400
Change in fair value and releases of contingent consideration		–	(3,597)
Share-based payment expense	3.4	553	163
Income tax paid		(72,175)	(36,552)
Income tax received		80,713	78,520
Interest income received		6,008	10,012
Abandonment costs paid	2.3	(6,933)	(2,102)
Decrease in trade and other receivables		4,856	40,483
Decrease in trade and other payables		(9,975)	(1,754)
Decrease in inventories		6,494	4,797
Movement in other working capital items		317	353
Net cash flow generated from operating activities		**103,510**	**220,689**
Cash flows from investing activities:			
Payments to acquire tangible and intangible fixed assets		(143,814)	(129,067)
Net cash acquired in Mime Acquisition		–	7,799
Consideration paid for GLA Acquisition		–	(17,388)
Consideration paid for Gas Storage Acquisition, net of cash acquired		(22,073)	–
Investment in Spiralis		(1,000)	–
Transfer to restricted funds		(29,385)	–
Net cash flow used in investing activities		**(196,272)**	**(138,656)**
Cash flows from financing activities:			
Interest paid		(5,773)	(12,685)
Repurchase and redemption of bond debt	5.2	–	(90,422)
Lease repayments and other financing cash flows		(412)	(1,390)
Other		(2,823)	–
Net cash flow used in financing activities		**(9,008)**	**(104,497)**
Decrease in cash and cash equivalents		**(101,770)**	**(22,464)**
Cash and cash equivalents at start of period	4.1	214,974	226,896
Effects of foreign exchange rate changes		549	10,542
Cash and cash equivalents at end of period	**4.1**	**113,753**	**214,974**

The restatement relates to a change in presentation currency – see note 1.4.

Notes to the Consolidated Financial Statements

Section 1: General information and basis of preparation

Kistos Holdings plc (the 'Company') is a public company, limited by shares, incorporated and domiciled in the United Kingdom and registered in England and Wales under the Companies Act 2006 (registered company number 14490676). The nature of the Company and its consolidated subsidiaries' and associate (together, the 'Group') operations and principal activity is the exploration, development and production of gas and other hydrocarbon reserves principally in the North Sea and creating value for its shareholders through the acquisition and management of companies or businesses in the energy sector.

1.1 Basis of preparation and consolidation

The financial statements have been prepared under the historical cost convention in accordance with UK-adopted International Accounting Standards, in conformity with the requirements of the Companies Act 2006 and in accordance with the requirements of the Alternative Investment Market (AIM) Rules.

These financial statements represent results from continuing operations, there being no discontinued operations in the periods presented.

The accounting period of these consolidated financial statements is the calendar year 2024, which ended at the balance sheet date of 31 December 2024. The comparative period is the calendar year 2023, ending at the balance sheet date of 31 December 2023.

1.2 Going concern

To assess the Group's ability to continue as a going concern, base case and downside cash flow forecasts have been prepared that cover a period of 21 months from the approval of this report (ie to 31 December 2026).

The forecasts and projections made in adopting the going concern basis consider forecasts of commodity prices, production rates, operating and G&A expenditure, committed and sanctioned capital expenditure, foreign exchange rates and the timing and quantum of future tax payments and receipts.

Based on the judgements summarised below, and provided in detail within note 1.2 to the financial statements (which includes consideration of both reasonably plausible downside scenarios and mitigating actions management could take) these financial statements have been prepared on a going concern basis.

The Group's total cash balance as of 31 December 2024 was $114 million, excluding $29 million of restricted funds. The key assumptions within the base case include:

- The repayment of $131 million of bonds that mature in September 2026.
- Should the Group ultimately be required to settle Solidarity Tax Payments, based on legal advice that the Group has received, this would occur outside of the going concern period.
- The same level of availability of surety bonds used to cover obligations under Decommissioning Security Agreements (DSAs). The obligation for the GLA assets in respect of 2025 was £62.9 million, which the Group satisfied via both the purchase of surety bonds and posting cash collateral to an escrow fund.

The base case forecast indicated that the Group would be able to maintain sufficient liquidity across the going concern period.

As part of the assessment and taking into account the significant effect on commodity prices of the recent market volatility and the ongoing uncertainties surrounding intra jurisdictional tariffs, reasonably plausible downside scenarios were also prepared and analysed. In addition to cash outflows detailed above, these included:

- A reduction to the oil and gas price assumptions based on recent price volatility to a level below the current forward curve for the duration of the forecast period;
- A reduction to forecast production rates based on reasonably plausible changes to technical assumptions and sensitivities that extend for the duration of the forecast period;
- A two-month delay in first oil from the Jotun FPSO;
- An assumption that the 2026 DSA for the GLA fields, estimated to be in excess of £70 million, had to be to be fully covered in cash; and
- The impact of mitigating actions that are within the Directors' control, including deferring capital expenditure and certain other payments.

The outcome of applying all these reasonably plausible downside scenarios and mitigating actions simultaneously against the base case supported the Directors' going concern conclusion.

Management conducted a reverse stress test, which demonstrated that the Group could endure sustained oil prices below $50 per barrel throughout the forecast period. This would be possible while also applying the other reasonably plausible downsides mentioned above subject to implementing further mitigating actions within the Directors' control.

Notes to the Consolidated Financial Statements

1.3 Significant events and changes in the period

The financial performance and position of the Group was significantly affected by the following events and changes during the period:

- The acquisition of 100% of the share capital of EDF Energy (Gas Storage) Limited (subsequently renamed Kistos Energy Storage Limited) from EDF Energy (Thermal Generation) Limited for cash consideration of £25 million ($31.1 million) less closing working capital adjustments (the Gas Storage Acquisition). The main assets acquired in the transaction comprise two gas storage facilities onshore in the UK, Hill Top Farm (Hill Top) and Hole House Farm (Hole House), which has a total current working volume of up to 21.2 million therms (note 2.8).
- An impairment charge of $34 million relating to production assets in the Netherlands segment as a result of lower uptime and higher cost estimates on the P15-D Platform to which Q10a is tied back (note 2.6.1).

1.4 Foreign currencies and translation

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 each entity operates (the functional currency). Transactions in currencies other than the functional currency are translated to the entity's functional currency at the foreign exchange rates at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Significant judgement – functional currency of Kistos Energy (Norway)AS

Under IAS 21 The Effects of Changes in Foreign Exchange Rates, management is required to exercise judgement when determining an entity's functional currency, which is defined as 'the currency of the primary economic environment in which the entity operates'. Sales revenue and debt issued by the entity is denominated in United States Dollars (USD), whereas operating expenditure, capital expenditure, general and administrative expenditure (G&A) and tax receivables are denominated primarily in Norwegian Krone (NOK). Furthermore, day-to-day working capital funding is provided by the Group in NOK. Having taken the factors and requirements in IAS 21 into account, management has determined the functional currency of Kistos Energy (Norway) AS to be NOK. If a different functional currency was chosen, this would affect the volatility of revenue and operating profit arising from exchange rate movements, determine which transactions could and could not be hedged, influence the identification of embedded currency derivatives and potentially give rise to temporary differences impacting profit or loss.

All UK-incorporated entities in the Group, including Kistos Holdings plc, have a functional currency of pounds Sterling (GBP). All Dutch-incorporated entities have a functional currency of Euros (EUR). Norwegian-incorporated entities have a functional currency of NOK.

Change in presentational currency

The Group changed its presentation currency from Euros (EUR) to US Dollars (USD) effective 1 January 2024. The presentation currency has been changed as the Group's debt is now all denominated in USD, and an increasing proportion of the Group's revenues is derived from the sale of crude oil, which is priced in USD.

A change in presentation currency represents a change in accounting policy under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and therefore requires the restatement of comparative financial information.

The results and balance sheet of all the Group entities that have a functional currency different from the presentation currency were translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented were translated at the closing rate at the date of that balance sheet (except for certain items in equity that are translated at the historical rate);
- Income, expenditure and cash flows were translated at average exchange rates for the periods; and
- The effects of translating the Group's financial results and financial positions into USD was recognised within 'Other comprehensive income' and against the foreign currency translation reserve (within 'Other reserves' on the balance sheet).

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

1.5 Material accounting policies

Information concerning the Group's accounting policies is now disclosed in the relevant section of the financial statements if one or more of the following applies:

- There has been a change in accounting policies during the period;
- An accounting policy has been chosen from a set of alternatives under IFRS;
- An accounting policy has been derived using the general guidance in IAS 8 (in the absence of specific IFRS requirements);
- An accounting policy requires the application of significant judgement or assumptions; and
- The accounting requirements for a transaction or event are complex.

The Group has applied its accounting policies consistently throughout the current and prior periods. A minor reclassification has been made to the presentation of certain line items in the financial statements and the notes:

- On the consolidated income statement, 'Production costs' has been renamed as 'Cost of sales' and 'Exploration and development expenses' are now on the same line.
- On the consolidated income statement a gross profit line has been added.

Notes to the Consolidated Financial Statements

1.6 New and amended accounting standards adopted by the Group

The Group has applied the following new accounting standards, amendments and interpretations for the first time:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7).

The adoption of changes and amendments above has not had any material impact on the disclosure or on the amounts reported in the financial statements, nor are they expected to significantly affect future periods.

1.7 New and amended accounting standards not yet adopted

A number of other new and amended accounting standards and interpretations have been published that are not mandatory for the reporting period ended 31 December 2024, nor have they been early adopted. These standards and interpretations are not expected to have a material impact on the consolidated financial statements except for IFRS 18 which we expect to have significant impact on the presentation on the consolidated financial statements.

1.8 Accounting judgements and major sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only the period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effects on the amounts recognised in the financial statements are:

- Determining the functional currency of Kistos Energy (Norway) AS (note 1.4);
- The identification of impairment indicators for assets (note 2.6);
- The ongoing accounting treatment of the Hybrid Bond (note 5.1);
- Uncertain tax positions (note 6.4);
- Accounting for revenue from gas storage (note: 2.1); and
- The acquisition of gas storage is not considered to meet the definition of business acquisition under IFRS 3 due to lack of substantive processes that contribute to the creation of outputs. The transaction, therefore, is concluded to represent an asset acquisition.

The assumptions concerning the future, and other major sources of estimation uncertainty at the balance sheet date that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are:

- Estimated future cash flows from assets used as basis for impairment testing for fixed assets and goodwill (note 2.6);
- Estimated quantity of hydrocarbon reserves and contingent resources (section 2); and
- The estimated cost for abandonment provisions (note 2.3). The Group has performed a sensitivity analysis of reasonable possible changes in the significant assumptions. A 1% change in the discount rate would result in an impact of $33 million on the provision for asset retirement obligation.

Section 2: Gas and oil operations

Critical judgements and key sources of estimation uncertainty applicable to this section as a whole

Key source of estimation uncertainty – estimation of reserves and contingent resources

Reserves and contingent resources are those hydrocarbons that can be economically extracted from the Group's licence interests. The Group's reserves and contingent resources have been estimated based on information compiled by operators of the licence interests and other qualified persons, and updated and refined by the Group's internal experts and external contractors. These estimates use standard recognised evaluation techniques and include geological and reservoir information (as updated from data obtained through operation of a field), capital expenditure, operating costs and decommissioning estimates. These inputs are validated where possible against analogue reservoirs, and actual historical reservoir and production performance.

Changes to reserves estimates may significantly impact the financial position and performance of the Group. This could include a significant change in the depreciation charge for fixed assets, the timing (and carrying value) of abandonment provisions, the results of any impairment testing performed, and the recognition and carrying value of any deferred tax assets.

Notes to the Consolidated Financial Statements

2.1 Revenue

Significant judgement – revenue from gas storage

The gas storage trading arrangement has been assessed as meeting the definition of an operating lease under IFRS 16 based on the following judgements:

- *The trading partner obtains substantially all the benefits from the use of the storage facility. Although the Company receives a disproportionately higher share of profits, this is justified by the high operational costs and the specialised nature of the asset.*
- *The trading partner controls the use of the asset and the Company's involvement in decision making is deemed primarily focused on maintaining asset integrity rather than determining its use.*

Accounting policy

Revenue from contracts with customers is measured based on the transaction price specified in a contract with the customer, being based on quoted market prices for the gas or liquids. All revenue is measured at a point in time, being that point at which the Group meets its promise to transfer control of a quantity of gas or liquids to a customer. For gas, control is transferred once the hydrocarbons pass a specified delivery point in a pipeline. For liquids sales, control is transferred in accordance with the incoterms specified in the contract.

Where compensation is received as part of a claim under loss of production insurance, amounts receivable are presented within 'Other income' and not within 'Revenue'. Subsequent remeasurements to compensation, favourable or adverse, are also presented within 'Other income'.

$'000				Year ended 31 December 2024
	Netherlands	Norway	UK	Total
Sales of liquids	–	87,874	10,353	**98,227**
Sales of natural gas	45,236	–	66,176	**111,412**
Gas storage	–	–	6,680	**6,680**
Total revenue from contracts with customers	**45,236**	**87,874**	**83,209**	**216,319**

$'000				Year ended 31 December 2023 (restated)
	Netherlands	Norway	UK	Total
Sales of liquids	1,404	44,133	15,123	**60,660**
Sales of natural gas	71,259	–	91,113	**162,372**
Total revenue from contracts with customers	**72,663**	**44,133**	**106,236**	**223,032**

All Netherlands segment revenue in the current year was derived from a single external customer. Revenues from transactions with another single external customer amounted to $157 million across the Norway and UK segments excluding Kistos Energy Storage.

In the prior period, all Norway segment revenue was derived from a single external customer. Revenues from transactions with another single external customer amounted to $140 million across the UK and Netherlands segments.

2.2 Segmental information

2.2.1 Segments and principal activities

The performance of the Group is monitored by the Executive Directors (comprising the Executive Chairman, Chief Executive Officer and Chief Financial Officer) on a geographical basis. For the period ended 31 December 2024 there are three (31 December 2023: three) reportable segments identified for the Group's business:

- The Netherlands: Comprising the production and sale of gas and other hydrocarbons from the Q10-A field, and the costs associated with exploration, appraisal and development of other Dutch licences.
- Norway: Comprising the production of oil from interests in the Balder and Ringhorne Øst fields offshore Norway. This segment was created during the current period, following the completion of the acquisition in May 2023 (note 2.8).
- The UK: Comprising the production and sale of gas and other hydrocarbons from the Group's interest in the GLA, and the costs associated with exploration, appraisal and development of other licences in the UK North Sea. As well as the newly acquired UK gas storage assets which comprises two facilities – Hill Top and Hole House.

The key measure of performance used by the Executive Directors to review segment profit and loss is Adjusted EBITDA (note 2.2.2). They also receive disaggregated information concerning revenue, income tax charge and capital expenditure by segment on a regular basis. Information about other income statement measures, and the quantum of total assets and liabilities by segment, is not regularly provided to the Executive Directors. Transactions between segments are measured on the same basis as transactions with third parties and eliminate on consolidation.

Notes to the Consolidated Financial Statements

2.2.2 Adjusted EBITDA

The Executive Directors use Adjusted EBITDA as a measure of profit or loss to assess the performance of the operating segments. Adjusted EBITDA is a non-IFRS measure, which management believes is a useful metric as it provides additional useful information on performance and trends. Adjusted EBITDA is not defined in IFRS or other accounting standards and therefore may not be comparable with similarly described or defined measures reported by other companies. It is not intended to be a substitute for, or superior to, any nearest equivalent IFRS measure.

Adjusted EBITDA excludes the effects of significant items of income and expenditure that may have an impact on the quality of earnings such as impairment charges, other non-cash charges such as depreciation and share-based payment expense, transaction costs, changes in contingent consideration relating to business acquisitions and development expenditure. A reconciliation of Adjusted EBITDA by segment to operating loss, the nearest equivalent IFRS measure, is presented below.

$'000	Note	**Year ended 31 December 2024**	Year ended 31 December 2023 (restated)
Netherlands Adjusted EBITDA		28,169	52,394
Norway Adjusted EBITDA		42,696	26,155
UK Adjusted EBITDA		28,034	55,807
Corporate and other		(3,575)	(4,114)
Group Adjusted EBITDA		**95,324**	**130,242**
Development expenses		(213)	(1,239)
Share-based payment expense	3.4	(560)	(176)
Depreciation and amortisation	2.4, 2.5	(99,923)	(106,949)
Impairments	2.6	(34,475)	(63,401)
Transaction costs		(899)	(2,792)
Change in fair value and releases of contingent consideration		–	3,597
Operating loss		**(40,746)**	**(40,718)**

Transaction costs in the current period relate to the acquisition of the EDF storage assets. Transaction costs in the prior period include amounts relating to the acquisition of Mime Petroleum.

2.2.3 Other segmental and geographical disclosures

$'000	**Year ended 31 December 2024**	Year ended 31 December 2023 (restated)
Income tax charge/(credit) by segment:		
Netherlands	8,900	5,258
Norway	(33,057)	21,000
UK	(10,199)	(35,718)
Unallocated and consolidation adjustments	(9,527)	(13,078)
Total	**(43,883)**	**(22,538)**

$'000	**Year ended 31 December 2024**	Year ended 31 December 2023 (restated)
Impairment charges by segment:		
Netherlands	34,095	63,400
UK	380	–
Total	**34,475**	**63,400**

$'000	**Year ended 31 December 2024**	Year ended 31 December 2023 (restated)
Non-current assets (other than financial instruments and deferred tax assets) by geographical region:		
Netherlands	26,005	106,749
Norway	349,947	279,270
UK	193,042	158,162
Total	**568,994**	**544,181**

Revenue by segment is presented in note 2.1. The amount of inter-segment revenue was not material.

Notes to the Consolidated Financial Statements

2.3 Abandonment provision

Source of estimation uncertainty – estimate of abandonment provisions

Decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the expected cessation of production date of the related asset, the emergence of new technology or experiences at other assets. The expected timing, work scope, amount of expenditure and risk weighting may also change. Therefore, significant estimates and assumptions are made in determining the abandonment provision balance. The estimated decommissioning costs, and inflation and discount rates applied to derive the amounts recognised on the balance sheet, are reviewed at least annually, and the results of this review are then assessed alongside estimates from operators (where the Group is a non-operating partner in an arrangement).

Accounting policy

An abandonment provision for decommissioning is recognised when the related facilities or wells are installed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related oil and gas asset. Where the Group acts as operator in a joint operation, only the Group's share of abandonment liabilities is recognised on the balance sheet. The provision recognised is the estimated cost of abandonment at the time of undertaking the work, discounted to its net present value, and is reassessed typically annually. Abandonment costs expected to be incurred within 12 months of the balance sheet date (and thus classified as current liabilities) are not discounted.

Changes in the estimated timing of abandonment or abandonment cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. Where the related item of property, plant and equipment has been fully impaired, the corresponding adjustment is recognised in profit and loss.

$'000	**Abandonment provision**
At 1 January 2024 (restated)	**235,887**
Acquisitions	41,802
Accretion expense	9,066
Changes in estimates to provisions	7,762
Utilisation	(6,933)
Effect of change to discount rate	(17,786)
Foreign exchange differences	(14,880)
At 31 December 2024	**254,918**
Of which:	
Current	3,492
Non-current	251,426
Total	**254,918**

Abandonment provisions primarily include:

- In the Netherlands, the Group's share of the estimated cost of abandoning the producing Q10-A wells, decommissioning the associated infrastructure, plugging and abandoning the currently suspended Q11-B well, and removal and restoration of certain onshore pipelines and corresponding land from historic assets. Abandonment of the producing wells and infrastructure is expected to take place between five and eight years from the balance sheet date, in 2026 for the Q11-B well and within one year for the onshore pipelines and land restoration.
- In the UK Production segment, the Group's share of the estimated cost of plugging and abandoning the producing and suspended Laggan, Tormore, Edradour and Glenlivet wells, removal of the associated subsea infrastructure, and demolition of the Shetland Gas Plant (SGP) and restoration of the land upon which the plant is constructed. Abandonment is expected to take place between six and fourteen years from the balance sheet date, subject to production and commodity price forecasts and level of use of the SGP by third parties.
- In Norway, plugging and abandonment of drilled wells on Ringhorne and Balder, and removal of the Balder floating production unit (FPU) and Ringhorne platform. Abandonment is expected to take place in five to fifteen years' time.
- In the UK Storage segment, the rebrining of gas storage caverns and decommissioning of gas storage plant assets. Abandonment is expected to take place in approximately twenty years' time.

Abandonment provisions are initially estimated in nominal terms, based on management's assessment of publicly available economic forecasts and determined using inflation rates of 2.0% to 2.50% (2023: 2.0% to 2.5%) and a discount rate of 2.6% to 5.1% (2023: 2.2% to 3.8%). The changes in estimates to provisions arise primarily as a result of the increased inflation rate assumed in certain regions.

Notes to the Consolidated Financial Statements

The Group has in issue £45 million ($56 million) of surety bonds and an amount of £17.9 million ($22.4 million) held in a separate bank account (restricted funds) for the purposes of providing security against letters of credit as at 31 December 2024 to cover its obligations under DSAs for the GLA fields and infrastructure. The amount of the bonds required is re-assessed each year, changing in line with estimated post-tax cash flows from the assets, revisions to the abandonment cost, inflation rates, discount rates and other inputs defined in the DSAs.

The Group is obliged to deposit to Vår Energi a post-tax amount of $12.7 million (plus interest accruing at Secured Overnight Financing Rate (SOFR)+3%), payable three months after the date of the first oil produced from the Balder and Ringhorne fields over the Jotun FPSO. Based on current estimates of interest rates and expected timing of Balder first oil, the amount to be deposited is anticipated to be approximately $16 million. This amount will be repaid to the Group upon final decommissioning of the fields.

2.4 Property, plant and equipment

Significant judgement – assessment of capitalised borrowing costs

For longer-term upstream development projects, judgement is applied in determining when substantially all the activities necessary to prepare assets for their intended use are complete. This judgement impacts when the Group ceases capitalisation of borrowing costs in accordance with IAS 23 Borrowing costs. Due to the nature of these projects, in particular where the Group does not operate the assets or fields in question, it can be difficult to separately identify the costs attributable to developed reserves (which are ready for their intended use) from those costs attributable to undeveloped reserves.

The Norwegian assets, as outlined in note 2.8, were acquired in May 2023 for a consideration of $4 million, including $218 million of borrowings acquired as part of the acquisition. Management has judged that these fields included in the fair value of oil and gas assets acquired had commenced production and that substantially all activities necessary to prepare the assets for their intended use were complete prior to the date of acquisition. As a result, no borrowing costs have been capitalised in respect of these fields post-acquisition. Capital expenditures incurred subsequent to the date of acquisition have been funded through the Group's operating cash flows and existing cash balances rather than borrowings.

Accounting policy

All field development costs are capitalised as property, plant and equipment. Property, plant and equipment related to production activities are depreciated typically on the unit of production method, with the exception of the Group's interest in the SGP, which is depreciated on a straight-line basis to the estimated cessation of production date of the related gas fields. Where a sidetrack from an original well is drilled, the costs of the original well are estimated and written off to the income statement. The cost of ordinary maintenance and repairs are expensed as incurred, whereas costs for improving and upgrading production facilities are added to the acquisition costs and depreciated together with the related asset.

All expenditure carried within each field is depreciated from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of reserves or resources at the end of the period plus the production in the period, generally on a field-by-field basis or by a group of fields that are reliant on common infrastructure. For larger ongoing development projects where both production and significant capital expenditure are ongoing, the unit of production ratio is calculated by reference to total expected project costs and total field 2P reserves. For other projects, where there is no currently approved Final Investment Decision (FID) in place to access 2P reserves, the unit of production ratio is calculated by reference to the net book value of assets attributable to the field(s) and total 1P reserves. Reserves used as the basis for unit of production depreciation may not be the same as reserves used by management for other internal and external reporting purposes.

For storage assets, depreciation is calculated on a straight-line basis, less any residual value, over the useful life defined as the period during which the Company expects to draw future economic benefit from their use, other than land and properties under construction. Assets under construction are recognised as the cost of purchase, construction and installation of tangible assets to bring them into use. For the assets to be brought into use, they are transferred to facilities class and depreciated over 20 years.

Notes to the Consolidated Financial Statements

$'000	Freehold Land	Oil and gas assets	Gas storage facilities and other	Total
Cost				
At 1 January 2023 (restated)	–	458,169	1,893	**460,062**
Acquisition of business (note 2.8)	–	134,621	29	**134,650**
Additions	–	110,152	462	**110,614**
Foreign exchange differences	–	36,907	99	**37,006**
At 31 December 2023 (restated)	**–**	**739,849**	**2,483**	**742,332**
Acquisition of business (note 2.8)	2,091	2,578	73,202	**77,871**
Additions	–	146,258	731	**146,989**
Disposals and decommissioning	–	(9,119)	(5,146)	**(14,265)**
Foreign exchange differences and other movements	2	(64,113)	291	**(63,820)**
At 31 December 2024	**2,093**	**815,453**	**71,561**	**889,107**
Accumulated depreciation and impairment				
At 1 January 2023 (restated)	–	(157,258)	(405)	**(157,663)**
Depreciation charge for the period	–	(106,284)	(445)	**(106,729)**
Impairment note (2.6)	–	(14,061)	–	**(14,061)**
Foreign exchange differences and other movements	–	(8,568)	(25)	**(8,593)**
At 31 December 2023 (restated)	**–**	**(286,171)**	**(875)**	**(287,046)**
Depreciation charge for the period	–	(97,466)	(1,757)	**(99,223)**
Impairment note (2.6)	–	(25,982)	–	**(25,982)**
Accumulated depreciation on disposals	–	–	60	**60**
Foreign exchange differences and other movements	–	18,053	(5,461)	**12,592**
At 31 December 2024	**–**	**(391,566)**	**(8,033)**	**(399,599)**
Net book value at 31 December 2023 (restated)	–	453,678	1,608	**455,286**
Net book value at 31 December 2024	**2,093**	**423,887**	**63,528**	**489,508**

Due to the nature of the Group's oil and gas development projects, it is not practical to ascertain the carrying amount of expenditure that is under construction.

The 'Other' category includes office and IT equipment, including assets (primarily office leases) held as right-of-use assets (note 5.3).

2.5 Intangible assets and goodwill

Accounting policy

The Group adopts the successful efforts method of accounting for exploration and evaluation costs. Costs incurred before a licence is awarded or obtained are expensed in the period. All licence acquisition, exploration and evaluation costs and directly attributable G&A costs are subsequently capitalised by well, field or exploration area, as appropriate. These costs are written off as exploration costs in the income statement unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment.

Specific indicators that would result in an immediate impairment include relinquishment of a licence and a sub-commercial drilling result. In such circumstances, subsequent expenditure on those licences is also recognised as an impairment in the income statement.

$'000	Goodwill	Exploration and evaluation assets	Other intangible assets	Total
Cost				
At 1 January 2023 (restated)	11,642	93,814	–	**105,456**
Acquisition	41,786	7,673	366	**49,825**
Additions	–	23,751	345	**24,096**
Other	–	(676)	–	**(676)**
Foreign exchange differences	4,630	5,038	43	**9,711**
At 31 December 2023 (restated)	**58,058**	**129,600**	**754**	**188,412**
Additions	–	354	318	**672**
Foreign exchange differences	(5,089)	(5,494)	(55)	**(10,638)**
At 31 December 2024	**52,969**	**124,460**	**1,017**	**178,446**
Accumulated amortisation and impairment				
At 1 January 2023 (restated)	–	(47,369)	–	**(47,369)**
Amortisation for the period	–	–	(220)	**(220)**
Impairment (note 2.6)	(3,731)	(45,608)	–	**(49,339)**
Foreign exchange differences	(88)	(2,557)	(9)	**(2,654)**
At 31 December 2023 (restated)	**(3,819)**	**(95,534)**	**(229)**	**(99,582)**
Amortisation for the period	–	(400)	(300)	**(700)**
Impairment (note 2.6)	–	(8,312)	(181)	**(8,493)**
Foreign exchange differences	65	9,742	9	**9,816**
At 31 December 2024	**(3,754)**	**(94,504)**	**(701)**	**(98,959)**
Net book value at 31 December 2023 (restated)	54,239	34,066	525	**88,830**
Net book value at 31 December 2024	**49,215**	**29,956**	**316**	**79,487**

The Group's interests in oil and gas licences are outlined in note 2.7.

2.6 Impairment of assets and goodwill

Critical judgement – identification of impairment indicators

Under IAS 36, the Group is required to consider if there are any indicators of impairment for property, plant and equipment. The judgement as to whether there are any indicators of impairment takes into consideration a number of internal and external factors, including changes in estimated reserves, significant adverse changes to production versus previous estimates made by management, changes in estimated future oil and gas prices, changes in estimated future capital and operating expenditure to develop and produce commercial reserves, and adverse changes in applicable tax regimes. Where indicators are present and an impairment test is required, the calculation of the recoverable amount requires estimation of its value in use (VIU) and/or fair value less costs of disposal (FVLCOD), using discounted cash flow models or other approaches. These assessments are performed on a cash-generating unit (CGU) basis, unless a lower level is deemed appropriate.

No impairment indicators were identified for the gas storage business.

The judgement as to whether there are any indicators of impairment for intangible exploration assets is made by reference to, among other factors, the indicators outlined in IFRS 6, including the lack of planned or budgeted substantive expenditure on a licence, a lack of commercially viable reserves discovered, and other factors that indicate that the carrying amount of the intangible asset is unlikely to be recovered in full from successful development or by sale.

Key source of estimation uncertainty – estimated future cash flows used in impairment testing

In performing impairment tests, management uses discounted cash flow projections to estimate the FVLCOD of an asset's or CGU's recoverable amount. These forecasts include estimates of future production rates of gas and oil products, commodity prices and operating costs, and are thus subject to significant risk and uncertainty. Changes to external factors and internal developments and plans can significantly impact these projections, which could lead to additional impairments or reversals in future periods. Where applicable, a sensitivity analysis to the key estimates and assumptions is outlined below.

2.6.1 Netherlands segment impairment test

Production in 2024 was adversely impacted by several unplanned shutdowns on the TAQA-operated P15-D platform and during 2025, a planned shutdown for maintenance and an extended Tar will significantly reduce Q10-A production. Together with this loss of production and the current plan to cease production in 2027, management considered there to be impairment triggers for the Netherlands Production CGU. The CGU contains six producing wells at the Q10-A gas field, the Q10-A platform and associated infrastructure.

Kistos continues to evaluate opportunities together with the operator of the P15-D platform to extend cease of production out to the 2030s; however, no further progress has been made on agreeing commercial terms for this extension.

The recoverable amount was determined on a FVLCOD basis, using a discounted cash flow approach in line with how market participants would value the asset (and corresponding to how the Group would value similar assets), with the estimate therefore being classified as Level 3 in the fair value hierarchy due to a number of unobservable inputs used in the estimate. Costs of disposal were considered to be immaterial for the purposes of the impairment test.

The key assumptions used in the valuation were as follows:

- TTF gas prices based on consensus economics data;
- Gas production forecasts based on internal reservoir modelling until cessation of production in 2027;
- Operating expenditure based on forecasts and information provided by the operator of the P15-D platform in the P15 Hub model, comprising the main component of operating costs; and
- A nominal post-tax discount rate of 8%.

Costs of disposal were considered to be immaterial for the purposes of the impairment test. The recoverable amount of the CGU was estimated to be $27 million, giving rise to an impairment charge of $25.5 million recognised against oil and gas assets.

An intangible asset of $8.6 million was recognised on acquisition of the Orion exploration asset, as a consequence of marginal economics in the select stage and on top of that a lack of progress in agreeing commercial terms for the extension of the P15-D platform as mentioned above, the full carrying value has been impaired.

Sensitivity analysis undertaken indicates that a reasonably possible decrease to the TTF gas price and production volumes of 10% and an increase of the discount rate of 1%, would increase the impairment by circa $14 million and circa $0.3 million respectively.

2.6.2 UK segment impairment test

The UK Production CGU, comprising the Group's working interest in the producing Laggan, Tormore, Edradour and Glenlivet fields and the SGP is required to be tested for impairment annually as goodwill allocated to the CGU (being $8.3 million) was acquired in a business combination.

The recoverable amount was determined on a FVLCOD basis, using a discounted cash flow approach in line with how market participants would value the asset (and corresponding to how the Group would value similar assets), with the estimate therefore being classified as Level 3 in the fair value hierarchy due to a number of unobservable inputs used in the estimate. Costs of disposal were considered to be immaterial for the purposes of the impairment test.

The key assumptions used in the valuation were as follows:

- NBP gas prices based on economic consensus data;
- Production and cost estimates forecast by the asset operator, with the nearby Victory field coming online in 2025, will utilise the capacity at SGP, contribute to the operating cost and extend the economic cut-off date of the asset to end of 2027; and
- A nominal post-tax discount rate of 8%.

The results of the impairment test were that the recoverable amount exceeded the carrying amount and therefore no impairment charge was necessary.

Within the UK Exploration CGU, there is impairment of $0.4 million for Benriach licence. This is residual costs following the exploration well drilled during 2023 and proved to be sub-commercial.

2.6.3 Norway segment impairment test

The Norway production CGU, comprising the Group's working interests in the Balder and Ringhorne Øst fields and share of the Jotun FPSO, is required to be tested for impairment annually as goodwill allocated to the CGU (being $40.9 million) was acquired in a business combination.

The recoverable amount was determined on a FVLCOD basis, using a discounted cash flow approach in line with how market participants would value the asset (and corresponding to how the Group would value similar assets), with the estimate therefore being classified as Level 3 in the fair value hierarchy due to a number of unobservable inputs used in the estimate. Costs of disposal were considered to be immaterial for the purposes of the impairment test.

The key assumptions used in the valuation were as follows:

- Oil prices based on economic consensus data;
- Production and cost estimates reflecting the operator's view of the field and development project as at 31 December 2024, as reflected in the 2025 Work Programme and Budget (which was approved by both Kistos and Vår Energi) and the operator's longer-term Revised National Budget (RNB) submission. The 2025 budget approved assumes first oil from the Jotun FPSO in the second half of 2025; and
- A nominal post-tax discount rate of 8%.

The results of the impairment test were that the recoverable amount exceeded the carrying amount and therefore no impairment charge was necessary.

2.7 Joint arrangements and licence interests

Accounting policy

The Group is engaged in oil and gas exploration, development and production through unincorporated joint arrangements; these are classified as joint operations in accordance with IFRS 11. Where the Group is a non-operated partner, it accounts for its proportionate net share of the assets, liabilities, revenue and expenses of these joint operations, with amounts billed by operators to the Group also recognised within trade payables. Where the Group acts as operator to the joint operation, the net amount of the liabilities is presented on the Group's balance sheet, with amounts billed to the partners in respect of recovery of costs paid on behalf of the joint operation recognised within receivables.

The Group has the following interests in joint arrangements at the balance sheet date that management has assessed as being joint operations.

The operator of the licences held by Kistos Energy Limited is TotalEnergies E&P UK Limited. The operator of the licences held by Kistos Energy (Norway) AS is Vår Energi ASA.

Except where otherwise noted, the interest and status of licences is the same as at the end of the prior period.

Field or licence	Country	Licence holder	Licence type	Status	Interest at 31 December 2024
M10a & M11[1]	Netherlands	Kistos NL1 B.V.	Exploration	Operated	60%
Donkerbroek	Netherlands	Kistos NL1 B.V.	Production	Operated	60%
Donkerbroek-West	Netherlands	Kistos NL1 B.V.	Production	Operated	60%
Akkrum-11	Netherlands	Kistos NL1 B.V.	Production	Operated	60%
Q07	Netherlands	Kistos NL2 B.V.	Production	Operated	60%
Q08	Netherlands	Kistos NL2 B.V.	Exploration	Operated	60%
Q10-A	Netherlands	Kistos NL2 B.V.	Production	Operated	60%
Q10-B	Netherlands	Kistos NL2 B.V.	Exploration	Operated	60%
Q11	Netherlands	Kistos NL2 B.V.	Exploration	Operated	60%
P12b[2]	Netherlands	Kistos NL2 B.V.	Exploration	Operated	60%
Q13b[2]	Netherlands	Kistos NL2 B.V.	Exploration	Operated	60%
Q14[2]	Netherlands	Kistos NL2 B.V.	Exploration	Operated	60%
P911, P1159, P1195, P1453[3] and P1678 (Laggan, Tormore, Edradour and Glenlivet)	UK	Kistos Energy Limited	Production	Non-operated	20%
P2411 and P1453 (Benriach)[2]	UK	Kistos Energy Limited	Exploration	Non-operated	25%
P2683[2] (Ballechin)	UK	Kistos Energy Limited	Exploration	Non-operated	33%
PL001	Norway	Kistos Energy (Norway) AS	Production	Non-operated	10%
PL027[4]	Norway	Kistos Energy (Norway) AS	Production	Non-operated	10%
PL027C	Norway	Kistos Energy (Norway) AS	Production	Non-operated	10%
PL027HS	Norway	Kistos Energy (Norway) AS	Production	Non-operated	10%
PL028	Norway	Kistos Energy (Norway) AS	Production	Non-operated	10%
PL028S	Norway	Kistos Energy (Norway) AS	Production	Non-operated	10%

1. Following successful appeal against non-renewal (decision received in July 2023), the licence was re-awarded to Kistos retroactively from 30 June 2022.
2 Acquired or awarded during the current period.
3 Licence P1453 is split into the portion including and excluding the Benriach area.
4 Licence 027 comprises Balder and Ringhorne Øst fields. Kistos' share of the Ringhorne Øst unit is 7.4%.

Notes to the Consolidated Financial Statements

2.8 Acquisitions

Accounting policy

The Group accounts for asset acquisitions using the asset acquisition accounting method when the acquired set of activities and assets do not meet the definition of a business.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transfered to the Group.

Any contingent consideration is measured at fair value at the date of acquisition and discounted to present value if the consideration is expected to be settled more than 12 months from the balance sheet date. If an obligation to pay contingent consideration meets the definition of equity it is not remeasured, and any subsequent settlement is accounted for within equity. (The existence of a contingent settlement provision in an equity instrument issued as consideration for a business combination is not considered to preclude the fixed-for-fixed criteria of IAS 32.) Otherwise, contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value are recognised in profit or loss presented in a separate line on the face of the income statement.

On 23 April 2024, the Group acquired 100% of the share capital of EDF Energy (Gas Storage) Limited (subsequently renamed Kistos Energy Storage Limited) from EDF Energy (Thermal Generation) Limited for cash consideration of £25 million ($31.1 million) less closing working capital adjustments (the Gas Storage Acquisition). There is no contingent nor deferred payment in this acquisition. The main assets acquired in the transaction comprise two gas storage facilities onshore in the UK, Hill Top and Hole House, which has a total current working volume of up to 21.2 million therms.

The acquisition was accounted for as an acquisition of a group of assets as it was not considered to meet the definition of a business acquisition under IFRS 3 for the following reasons:

- The acquired entity did not have the resources to engage in gas trading (no commercial routes to the market);
- It did not hold a gas shipping licence, which is necessary for moving gas on/off the National Gas Transmission Network (NTS); and
- The acquired activities did not include substantive processes capable of generating outputs.

As this is an asset acquisition, assets and liabilities were initially recognised at cost and then remeasured per applicable accounting standards. The net purchase price was allocated to the individual assets and liabilities based on their relative fair values at the acquisition date. The transaction cost was immaterial. Therefore, it was expensed during the period.

The acquisition consideration and assets and liabilities recognised after purchase price allocation are as follows:

$'000	At acquisition
Consideration:	
Cash	31,250
Working capital adjustment	(4,047)
Total consideration	**27,073**
Net assets acquired:	
Property, plant and equipment	75,777
Freehold land	2,091
Inventory	4,369
Cash and cash equivalents	5,003
Net working capital	(12,003)
Lease liability	(6,362)
Abandonment provisions	(41,802)
Total net assets acquired	**27,073**

Directly attributable acquisition-related costs were not capitalised as part of the transaction as they were not considered to be material.

2.8.1 Acquisition in prior period

On 23 May 2023, the Group completed the acquisition of the entire share capital of, and voting interests in, Mime Petroleum AS (Mime) from Mime Petroleum S.a.r.l., a company incorporated and operating in Norway (the Mime Acquisition). The primary purposes of the acquisition were to gain entry into oil and gas activities on the Norwegian Continental Shelf (NCS) and to increase and diversify the Group's hydrocarbon production, reserves and contingent resources.

Notes to the Consolidated Financial Statements

The acquisition consideration, management's assessment of the fair value of net assets acquired and subsequent goodwill arising are as follows:

$'000	At acquisition
Consideration:	
Cash[1]	–
Fair value of warrants issued	3,897
Total consideration	**3,897**
Net assets acquired:	
Property, plant and equipment	134,650
Exploration and evaluation assets	8,039
Trade and other payables and accruals	(25,112)
Net working capital	4,328
Inventory	15,044
Tax receivable	112,473
Cash and cash equivalents	7,798
Bond debt	(218,058)
Abandonment provisions	(73,096)
Net deferred tax liability	(3,955)
Goodwill	41,786
Total net assets acquired	**3,897**

1. The cash consideration payable was $1.

Transaction costs of $3 million were incurred, recognised within 'General and administrative expenses' within the income statement, and within 'Operating cashflows' in the cash flow statement. The fair value of receivables acquired (included within the 'Net working capital' line above) was estimated to be equal to the gross contractual amount receivable.

As part of the consideration, 5.5 million warrants over shares in Kistos Holdings plc were issued to the vendor with an exercise price of 385 pence per ordinary share. 3.6 million of these warrants can be exercised until 18 April 2028, and 1.9 million can be exercised only between 30 June 2025 and 18 April 2028. If the Hybrid Bond is subject to cancellation (see note 5.1), those bondholders will be allocated 2.4 million warrants over ordinary shares of Kistos Holdings plc at a price of 385 pence each, exercisable between 30 June 2025 and 18 April 2028. Simultaneously, 1.9 million of the original 5.5 million warrants issued to the vendor as consideration for the Mime Acquisition will be cancelled. The fair value of warrants was estimated using a Black-Scholes model and the Group's share price at the acquisition date, adjusted for the estimated probability of issuance; warrants are recognised within 'Other equity' on the balance sheet. A summary of warrants recognised is disclosed in note 5.5.

As part of the completion of the transaction, the terms of the acquiree's bonds were amended. A summary of the bonds acquired is disclosed in note 5.1.

Goodwill arose primarily from the requirements to recognise deferred tax on the difference between the fair value and the tax base of the assets acquired. This fair value adjustment was not tax deductible and therefore results in a net deferred tax liability and corresponding entry to goodwill. The goodwill itself is not deductible for tax purposes.

2.9 Commitments

The Group had outstanding contractual capital commitments at the reporting dates as follows:

$'000	31 December 2024	31 December 2023 (restated)
Contractual commitments to acquire property, plant and equipment	64,121	100,429
Contractual commitments on intangible assets (including commitments on exploration assets)	1,647	102
Total	**65,768**	**100,531**

Section 3: Income statement

3.1 Loss per share

	Year ended 31 December 2024	Year ended 31 December 2023 (restated)
Consolidated loss for the period attributable to shareholders of the Group ($'000)	(51,999)	(26,594)
Weighted average number of shares used in calculating basic earnings per share	82,863,743	82,863,743
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	82,863,743	82,863,743
Basic loss per share ($)	**(0.63)**	**(0.32)**
Diluted loss per share ($)	**(0.63)**	**(0.32)**

The options and warrants granted were not included in the calculation of diluted loss per share because they are antidilutive for the year ended 31 December 2024. These options could potentially dilute basic earnings per share in the future.

Notes to the Consolidated Financial Statements

3.2 General and administrative expenses

$'000	**Year ended 31 December 2024**	Year ended 31 December 2023 (restated)
Wages and salaries	6,522	8,461
Other staff costs	4,087	1,429
Salary and related expenditure	**10,609**	**9,890**
Non-salary expenditure	6,448	3,315
Other general and administrative costs/(credits)	1,674	(285)
Total general and administrative expenses	**18,731**	**12,920**

3.3 Employee benefit expenses

$'000	**Year ended 31 December 2024**	Year ended 31 December 2023 (restated)
Wages and salaries	6,522	8,461
Social security and pension costs	1,783	1,401
Equity-settled share-based payment expense (note 3.4)	560	172
Total employee benefit expenses	**8,865**	**10,034**

At 31 December 2024, the Group employed 52 people (31 December 2023: 33).

The monthly average number of full-time equivalent employees in the Group, excluding non-Executive Directors, is as follows:

	Year ended 31 December 2024	Year ended 31 December 2023
Technical	17	12
Legal and support	3	10
Management	27	7
Total	**47**	**29**

3.4 Share-based payment arrangements

The Group has in place share option and share appreciation right schemes for certain employees across its subsidiaries that are accounted for as equity settled and cash settled respectively. The total charge in respect of share-based payments was $0.6 million (2023: $0.2 million).

The total number of share options outstanding at 31 December 2024 was 2,842,396 (31 December 2023: 166,560), which have exercise prices in the range of 130–441p/share (31 December 2023: 273–441p/share). The closing share price of the Group's Ordinary Shares at 31 December 2024 was 105p.

3.5 Interest and other net finance costs

$'000	**Year ended 31 December 2024**	Year ended 31 December 2023 (restated)
Bank interest income	6,008	8,036
Interest on tax receivables	409	1,976
Other interest income	–	27
Total interest income	**6,417**	**10,039**
Bond interest	(29,474)	(25,585)
Other interest	(600)	–
Interest on tax	(1,299)	(4,545)
Surety bond interest	(2,823)	(978)
Total interest expenses	**(34,196)**	**(31,108)**
Remeasurement gain/(loss) on Hybrid Bond (note 5.1)	15,003	–
Foreign exchange gains on bond debt	–	26,247
Other foreign exchange gains	–	433
Total other finance income	**15,003**	**26,680**
Accretion expense on abandonment provisions and other liabilities (note 2.3)	(9,066)	(6,776)
Accretion expense on lease liabilities	(132)	(108)
Amortisation of bond costs (note 5.1)	–	(1,107)
Warranty recognition	(1,660)	–
Remeasurement gain/(loss) on Hybrid Bond (note 5.1)	–	(3,434)
Loss on bond repurchases	–	(2,600)
Foreign exchange losses on bond debt	(26,118)	–
Other foreign exchange losses	(5,384)	–
Total other finance (costs)	**(42,360)**	**(14,025)**
Total net finance costs	**(55,136)**	**(8,414)**

Section 4: Working capital

4.1 Cash and cash equivalents and restricted funds

As at 31 December 2024, the cash and cash equivalents balance was $113.8 million (2023: $215.0 million).

Under the terms of its bonds, the Group is required to maintain a minimum liquidity balance of $10 million until first oil from the Jotun FPSO (note 5.1).

As at 31 December 2024, restricted funds consisted of $29.4 million (2023: $0.2 million) held in a separate bank account for the purpose of providing security against letters of credit/bonds issued in respect of decommissioning liabilities and surety bonds. The use of cash is restricted by virtue of contractual restrictions with a third party.

4.2 Trade and other receivables

$'000	**31 December 2024**	31 December 2023 (restated)
Trade receivables	349	9,142
Accrued income	11,861	9,819
Receivables due from joint operation partner	858	653
Other receivables and cash overcalls	1,242	1,996
Prepayments	4,939	6,916
VAT receivable	1,353	689
Total trade and other receivables	**20,602**	**29,215**

Accrued income represents amounts due in respect of hydrocarbon sales and gas storage capacity revenue that had not been invoiced at the balance sheet date. All hydrocarbon sales accrued income had been invoiced and collected in full within one month of the corresponding reporting date. Certain amounts relating to gas storage capacity revenue are contractually due to be collected in the second quarter of 2025.

4.3 Trade payables and accruals

$'000	**31 December 2024**	31 December 2023 (restated)
Trade payables	4,427	6,822
Payables to joint operators	1,359	2,881
Accruals	26,394	34,774
Total trade payables and accruals	**32,180**	**44,477**

Trade payables are unsecured and generally paid within 30 days. Accrued expenses are also unsecured and represent estimates of expenses incurred but where no invoice has yet been received, and amounts accrued by joint operators but not yet billed. The carrying value of trade payables and other accrued expenses are considered to be fair value given their short-term nature.

4.4 Other liabilities

Accounting policy

Over/under lift: lifting or offtake arrangements for oil and gas produced in certain fields are such that each participant may not receive its share of the overall production in each period. The difference between cumulative entitlement and cumulative production less stock is 'underlift' or 'overlift'. Overlift is valued at production cost, whereas underlift is valued at the lower of production cost and sales value.

$'000	**31 December 2024**	31 December 2023 (restated)
Bond interest payable	1,153	1,071
Salary and other payroll-related liabilities	1,294	1,083
Lease liabilities	970	326
VAT payable	223	685
Overlift	6,971	1,811
Other	4,341	1,176
Other liabilities – current	**14,952**	**6,152**
Long-term employee benefit liabilities	328	–
Lease liabilities	7,343	678
Other liabilities – non-current	**7,703**	**678**

Notes to the Consolidated Financial Statements

4.5 Inventory

Accounting policy

Liquids inventory (comprising crude oil and natural gas liquids) is held at the lower of cost and net realisable value. The cost of liquids inventory is the cost of production, including direct labour and materials, depreciation and a portion of operating costs and other overheads allocated based on the ratio of liquids to gas production, determined on a weighted average cost basis. Net realisable value of liquids inventory is based on the market price of equivalent liquids at the balance sheet date, adjusted if the sale of inventories after that date gives additional evidence about its net realisable value. The cost of liquids inventory is expensed in the period in which the related revenue is recognised.

For spares and supplies inventories cost is determined on a specific identification basis, including the cost of direct materials and (where applicable) direct labour and a proportion of overhead expenses. Items are classified as spares and supplies inventory where they are either standard parts, easily resalable or available for use on non-specific campaigns, and within property, plant and equipment or intangible exploration and evaluation assets where they are specialised parts intended for specific projects. Write downs to estimated net realisable value are made for slow moving, damaged or obsolete items, typically based on the ageing of stock.

$'000	**31 December 2024**	31 December 2023 (restated)
Spares and supplies	12,185	13,012
Crude oil and natural gas liquids	6,251	9,532
Total inventory	**18,436**	**22,544**

The amount of inventory recognised as an expense in the current period was $10.4 million (2023: $10.3 million). The movement in inventory net realisable value provisions amounted to a charge of $0.1 million (2023: $1.5 million).

4.6 Financial instruments and financial risk management

Accounting policy

Where a financial instrument, such as the Hybrid Bond, contains both a compound instrument and contingent settlement provisions, the entire instrument is measured as a financial liability and not separated.

Gains or losses arising from changes to the remeasurement of the Hybrid Bond are recognised within 'Other net finance costs' in the income statement.

4.6.1 Financial risk management objectives

The Group is exposed to a variety of risks including commodity price risk, interest rate risk, credit risk, foreign currency risk and liquidity risk. The use of derivative financial instruments is governed by the Group's policies approved by the Kistos Board. Compliance with policies and exposure limits is monitored and reviewed internally on a regular basis. The Group does not enter into or trade financial instruments, including derivatives, for speculative purposes.

4.6.2 Financial assets and liabilities carried at fair value

At 31 December 2024, there were no financial assets or liabilities carried at fair value.

4.6.3 Risk management framework

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

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls but also to monitor risks and adherence to limits. Risk management policies and systems are reviewed when needed to reflect changes in market conditions and the Group's activities. The Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

4.6.4 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for the Group has been assessed as comprising foreign exchange risk, interest rate risk and other commodity price risk.

Currency risk

Currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates within the Netherlands, the UK and Norway and is therefore exposed to foreign exchange risk. Most of the Group's exposure to currency risk arises in Norway, where revenue receipts and bond debt are denominated in USD, whereas operating costs, tax receivables, working capital financing and the majority of capital expenditure is denominated in the local functional currency of NOK. Entities within the Group undertake transactions in currencies other than their functional currency, which gives rise to transactional currency risk. The Group manages this risk to an extent by holding certain amounts of cash in currencies other than the entity's functional currency to act as an economic hedge against foreign exchange movements; however, the Group does not currently have a formal currency risk management policy or enter into any currency hedges.

Notes to the Consolidated Financial Statements

As at 31 December 2024, 3% of the Group's cash and cash equivalents was held in USD (31 December 2023: 6%).

A 10% strengthening of USD relative to NOK at 31 December 2024 would have adversely impacted equity and profit and loss by approximately $26 million, with a corresponding 10% weakening positively impacting equity and profit and loss by approximately $26 million. This analysis assumes that all other variables, in particular interest rates, remain constant, and ignores any impact of forecast sales and/or expenses. The exposure to other foreign currency movements is not material.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate movements through its cash and cash equivalents deposits that earn interest at variable interest rates. There is no interest rate exposure on the Group's borrowings as they carry fixed rates of interest (note 5.1).

For the period ended 31 December 2024, it is estimated that a 1% increase in interest rates would have increased the Group's profit after tax by approximately $0.2 million, and a 1% decrease would have reduced the Group's profit after tax by approximately $0.2 million. This sensitivity has been calculated only based on the average cash balances held and estimating an effective tax rate on interest income across the Group. The impact on equity would be the same as the impact on profit after tax.

Other price risks – commodity price risk

Commodity risk predominantly arises from the sale of natural gas and crude oil from the Group's interests in oil and gas licences, as the price realised from the sale of natural gas and crude oil is determined primarily by reference to quoted market prices on the day and/or month of delivery.

The Group has previously used derivatives to mitigate the commodity price risk associated with its underlying oil and gas revenues. Where such transactions are carried out, they are done based on the Company's guidelines.

As at 31 December 2024, the Group had no commodity price hedging arrangements in place.

The Group enters into other commodity contracts (such as purchases of carbon emission allowances, fuel and chemicals) in the normal course of business, which are not derivatives and are recognised at cost when the transactions occur.

4.6.5 Credit risk

Credit risk is the risk that the Group will suffer a financial loss as a result of another party failing to discharge an obligation and predominantly arises from cash and other liquid investments deposited with banks and financial institutions, receivables from the sale of natural gas and other hydrocarbons, and receivables outstanding from its joint operation partner.

The Group has policies that cover the management of credit risk, including review of counterparty credit limits and specific transaction approvals. The Group's oil and gas sales are made to international oil market participants including the oil majors, trading houses and refineries. Joint operators are international major oil and gas market participants and entities wholly owned by the Dutch state. Material counterparty evaluations are conducted utilising international credit rating agency and financial assessments. Where considered appropriate, security in the form of trade finance instruments from financial institutions with appropriate credit ratings, such as letters of credit, guarantees and credit insurance, are obtained to mitigate the risks.

The Group held cash and cash equivalents of $114 million as at 31 December 2024 (2023: $215 million). As at 31 December 2024, over 99% of the Group's cash and cash equivalents (2023: over 99%) are held with bank and financial institution counterparties that have an investment grade credit rating and as such the Group considers that its cash and cash equivalents have low credit risk.

The carrying values of cash and cash equivalents and trade and other receivables (excluding prepayments) represent the Group's maximum exposure to credit risk at year end, as the Group has not recognised an allowance for credit losses in the current or prior period. The Group has no material financial assets that are past due.

4.6.6 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets.

The Group manages its liquidity risk using both short- and long-term cash flow projections, supplemented by debt financing plans and active portfolio management. Ultimate responsibility for liquidity risk management rests with the Kistos Board, which has established an appropriate liquidity risk management framework covering the Group's short-, medium- and long-term funding and liquidity management requirements.

Cash forecasts are regularly produced, and sensitivities run for different scenarios including, but not limited to, proposed acquisitions and/or disposals, changes in commodity prices, different production rates from the Group's producing assets and delays to development projects. In addition to the Group's operating cash flows, portfolio management opportunities are reviewed to potentially enhance the financial capability and flexibility of the Group.

The Group's financial liabilities comprise trade payables (note 4.3), other liabilities (note 4.4) and bond debt (note 5.1). The maturity analysis of financial liabilities is shown in note 4.7.

Notes to the Consolidated Financial Statements

In addition to the amounts held on balance sheet, the Group has in issue £45 million ($56 million) of surety bonds and an amount of £17.9 million ($22.4 million restricted funds) held in a separate bank account for the purposes of providing security against letters of credit as at 31 December 2024 to cover its obligations under DSAs for future abandonment of the GLA fields and infrastructure. Should the Group be in default under the DSAs, resulting in the bond provider being required to pay out on those bonds, the Group would be required to indemnify the providers by paying cash to cover their liability. If the surety market were to deteriorate such that the Group is unable to renew its bonds, then the Group would be required to satisfy its DSA obligations by transferring an equivalent amount of its cash
into trust.

The Group is obliged to deposit to Vår Energi a post-tax amount of $12.7 million (plus interest accruing at SOFR +3%), payable three months after the date of the first oil produced from the Balder and Ringhorne fields over the Jotun FPSO. Based on current estimates of interest rates and expected timing of Balder first oil, the amount to be deposited is anticipated to be approximately $16 million. This amount will be repaid to the Group upon decommissioning of the fields.

4.7 Maturity analysis of financial liabilities

The maturity analysis of contractual undiscounted cash flows for non-derivative financial liabilities is as follows:

$'000	Within 3 months	3 months to 1 year	1–5 years	More than 5 years	Total
Bond debt[1]	1,404	4,323	325,823	–	**331,550**
Trade payables, accruals and other financial liabilities	46,760	–	–	–	**46,760**
Lease liabilities	100	300	813	–	**1,213**
At 31 December 2023	**48,264**	**4,623**	**326,636**	**–**	**379,523**
Bond debt	1,479	4,555	319,790	–	**325,823**
Trade payables, accruals and other financial liabilities	37,379	–	–	–	**37,379**
Lease liabilities	243	727	1,878	5,496	**8,344**
At 31 December 2024	**39,101**	**5,282**	**321,668**	**5,496**	**371,547**

1. Bond debt excludes the Hybrid Bond, which may have cash outflows in 2025 of $30 million (payable within three months to one year), $15 million (payable within three months to one year) or $nil depending on the timing of milestones achieved from the Jotun FPSO (note 5.1).

Where cash flows are denominated in foreign currencies, the prevailing spot rate at the end of the period has been used to translate into the presentational currency.

Section 5: Capital and debt

5.1 Bond debt

The Group has in issue bond debt as follows:

					31 December 2024		31 December 2023 (restated)	
Bond	**Issuer**	**Currency**	**Coupon rate**	**Maturity date**	**Face value (issued currency)**	**Carrying amount $'000**	Face value (issued currency	Carrying amount $'000
KENO01	KENAS	USD	10.25%[1]	November 2027	$128,782,094	115,131	$116,809,148	99,990
KENO02	KENAS	USD	9.75%[2]	September 2026	$131,468,434	129,382	$124,786,992	122,213
Hybrid Bond	KENAS	USD	n/a	March 2083[3]	$45,000,000	730	$45,000,000	15,733
Total $'000						**245,243**		**237,936**

1. Interest payable wholly in kind via issuance of new bonds annually in December.
2. Interest payable partly in cash (4.5%) quarterly and partly in kind via issuance of new bonds (5.25%) quarterly.
3. Certain amounts of the Hybrid Bond will be cancelled for nil consideration should milestones relating to the Jotun FPSO not be met. If the milestones have not been met by 31 May 2025, the Hybrid Bond will be cancelled in its entirety.

Significant judgement – accounting treatment of Hybrid Bond

Included within the bond debt acquired as part of the Mime transaction is the Hybrid Bond, payment of which is contingent on an operational milestone being met, being the offload of 500,000 barrels (gross) of Balder crude oil from the Jotun FPSO. The Hybrid Bond will decline to $30 million if the milestone is met between 1 January 2025 and 28 February 2025, and to $15 million if the milestone is met between 1 March 2025 and 31 May 2025. If the milestone has not been met by 31 May 2025, the Hybrid Bond will be cancelled in its entirety and bondholders will instead be allocated 2.4 million warrants exercisable into ordinary shares of Kistos Holdings plc at a price of 385p each, exercisable between 30 June 2025 and 18 April 2028. Simultaneously, 1.9 million of the 5.5 million warrants issued to the vendor as consideration for the Mime Acquisition will be cancelled.

The Hybrid Bond is a financial liability and is measured at amortised cost. At each measurement date, the carrying value is re-estimated based on expected future cashflows that take into account the expectation and timing of the milestones being met. Any remeasurement is recorded in profit or loss within finance costs. The fair value of warrants was estimated using a Black-Scholes model and the Group's share price at the acquisition date, adjusted for the estimated probability of issuance (note 2.8).

The KENO01 and KENO02 bonds have minimum liquidity requirements of the issuer, being $10 million minimum liquidity, applicable from 1 January 2024 until first oil from the Jotun FPSO. The minimum liquidity requirement prior to 1 January 2024 was $5 million, and the issuer complied with the covenants at all times.

Notes to the Consolidated Financial Statements

The Group has call options to redeem its bonds as follows:

Bond	Call price	Period of call option
KENO01[1]	100%	From full discharge/redemption of KENO02 until maturity
KENO02[1]	100%	Anytime until maturity
Hybrid Bond[1]	100%	From full discharge/redemption of both KENO01 and KENO02 until maturity

1. Must be called in full, not in part.

5.2 Reconciliation of liabilities arising from financing activities

$'000	Bond debt	Bond interest payable	Other liabilities	Total
At 1 January 2023 (restated)	**86,472**	**890**	**1,296**	**88,658**
Financing cash flows	(90,422)	(12,685)	(412)	**(103,519)**
Non-cash movements:				
Acquisitions (note 2.8)	218,058	7,924		**225,982**
Issue of new bonds via payment-in-kind interest	16,313	(16,313)	–	**–**
Interest expense and amortisation of bond costs	5,866	20,834	108	**26,808**
Loss on bond repurchase	2,600	–	–	**2,600**
Remeasurement of Hybrid Bond	3,434	–	–	**3,434**
Foreign exchange differences	(4,385)	421	12	**(3,952)**
At 31 December 2023 (restated)	**237,936**	**1,071**	**1,004**	**240,011**
Financing cash flows	5,773	(5,773)	(412)	**(412)**
Non-cash movements:				
Acquisitions	–	–	7,873	**7,873**
Issue of new bonds via payment-in-kind interest	19,144	(19,144)	–	**–**
Interest expense and amortisation of bond costs	4,380	25,086	(132)	**29,334**
Remeasurement of Hybrid Bond	(15,003)	–	–	**(15,003)**
Foreign exchange differences	(6,987)	(87)	12	**(7,062)**
At 31 December 2024	**245,243**	**1,153**	**8,345**	**254,741**

5.3 Leases

Lease liabilities are included within 'Other liabilities' on the balance sheet, and right-of-use assets are included within the 'Other' category of property, plant and equipment. The carrying value of right-of-use assets at 31 December 2024 was $5.2 million (31 December 2023: $1.2 million). The depreciation charge on right-of-use assets, cash outflow for leases and expenses relating to low-value and short-term leases was not material in either period presented.

5.4 Share capital and premium

	Number of shares	Share capital ($'000)
At 1 January 2023 (restated)	**82,863,743**	**9,979**
At 31 December 2023 (restated)	**82,863,743**	**9,979**
At 31 December 2024	**82,863,743**	**9,979**

Ordinary shares have a nominal value of £0.10 per share. The Group's policy is to manage a strong capital base so as to manage investor, creditor and market confidence, and to sustain growth of the business. Management monitors its return on capital. There are currently no covenants related to the equity of the Group.

Following approval by the Group's shareholders at the Annual General Meeting in June 2022 and subsequent sanction by the Court in October 2022, the full balance of the merger reserve in Kistos plc was allotted to share premium by means of a bonus share issue and cancellation. A capital reduction was then undertaken to reduce the share premium account of Kistos plc by $48 million with the corresponding credit to retained earnings. These transactions were undertaken in order to increase the distributable reserves of Kistos plc, the parent company of the consolidated Group at the time.

In December 2022, the Group's shareholders and the High Court of Justice of England and Wales sanctioned a scheme of arrangement whereby Kistos Holdings plc, a newly incorporated entity, became the new ultimate parent company of the Group with shareholders receiving one Kistos Holdings plc share for each Kistos plc share held.

The share premium reserve represented amounts paid up on ordinary shares in excess of their nominal value. Following the capital reorganisation, the share premium account reflects that of Kistos Holdings plc, which is nil.

5.5 Other equity

Significant judgement – accounting for revenue from gas storage

Other equity comprises the warrants reserve, which has a balance of $5.6 million. This reserve includes 5.5 million warrants issued to the vendor as part of the Mime Acquisition consideration and 2.4 million warrants issued to the bond holders. The warrants allow the holder to subscribe to shares in Kistos Holdings plc at an exercise price of £3.85 per share. The current year movement of $1.7 million reflects a not material revision to amounts that should have been presented in the prior year.

The warrants reserve was adjusted by $1.7 million in 2024 to reflect the warrants issued to the bond holders given they meet the definition of equity.

Upon issue, the warrants were measured at fair value using a Black-Scholes option pricing model, adjusted for probability of issuance, and are not subsequently remeasured.

Notes to the Consolidated Financial Statements

5.6 Other reserves

Accounting policy

Where a capital reorganisation takes place resulting in a newly incorporated entity acquiring the existing Group, the new entity does not meet the definition of a business and the transaction is therefore outside the scope of IFRS 3. In such a transaction, the substance of the Group has not changed; therefore, the consolidated financial statements of the new entity are presented using the balances and values from the consolidated financial statements from the previous entity. The net assets of the new Group remain the same as the existing Group.

The movements in ordinary shares and other transactions impacting share capital, share premium and the merger and capital reorganisation reserve are as follows:

$'000	Merger reserve	Capital reorganisation reserve	Translation reserve	Share-based payment reserve	Total
At 1 January 2023 (restated)	**147,731**	**(65,422)**	**(11,383)**	**566**	**71,492**
Other comprehensive income	–	–	3,059	–	**3,059**
Transactions with owners:					
Equity-settled share-based payments	–	–	–	163	**163**
At 31 December 2023 (restated)	**147,731**	**(65,422)**	**(8,324)**	**729**	**74,714**
Other comprehensive income	–	–	(3,956)	–	**(3,956)**
Transactions with owners:					
Equity-settled share-based payments	–	–	–	553	**553**
At 31 December 2024	**147,731**	**(65,422)**	**(12,280)**	**1,282**	**71,311**

The merger reserve originally represented the difference between the value of shares in Kistos plc, issued as part of the total consideration of the acquisition of Kistos NL1, and the nominal value per share. Following the capital reorganisation and creation of Kistos Holdings plc as the new parent entity of the Group, the merger reserve now represents the merger reserve of Kistos Holdings plc, being the difference between the amount at which the investment in Kistos plc was recorded and the aggregate nominal value of the shares in Kistos Holdings plc issued.

The capital reorganisation reserve arises only on consolidation and represents the difference between the equity structure of Kistos Holdings plc (as the new parent company of the Group) and the equity structure of Kistos plc (as the parent company of the Group) following the scheme of arrangement.

The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations.

The share-based payment reserve is used to record the grant-date fair value of share options issued to employees of the Group. Corresponding entry to the share-based payment reserve is the charge of share-based payment expense (note 3.4).

Section 6: Tax

6.1 Tax charge or credit for the period

$'000	Year ended 31 December 2024	Year ended 31 December 2023 (restated)
Current tax:		
Current tax credit for current year	(47,292)	(24,303)
Prior period adjustments for current tax	4,201	(1,428)
Total current tax credit	**(43,091)**	**(25,731)**
Deferred tax:		
Origination and reversal of temporary differences	(4,655)	7,099
Change in rates	3,935	–
Adjustments in respect of prior periods	(72)	(3,906)
Total deferred tax (credit)/charge	**(792)**	**3,193**
Total tax credit	**(43,883)**	**(22,540)**

The income tax credit or charge for the period can be reconciled to the accounting loss as follows:

$'000	Year ended 31 December 2024	Year ended 31 December 2023 (restated)
Loss before tax	(95,882)	(49,132)
Income tax credit calculated at the domestic tax rate applicable to each entity's activities	55,226	31,561
Investment allowances and other enhanced deductions	3,388	10,363
Income and expenditure not taxable or deductible	(8,507)	(23,910)
Different tax rates	(1,766)	–
Deferred tax not provided and losses not recognised	7,611	208
Impact of Energy Profits Levy in the UK	(3,756)	–
Solidarity Contribution Tax charge (note 6.4)	–	–
Adjustments in respect of prior periods	(4,127)	5,337
Other (including changes to, and differences in, tax rates)	(4,186)	(1,021)
Tax credit	**43,883**	**22,538**
Effective tax rate	(45.8%)	(46.2%)

Notes to the Consolidated Financial Statements

The applicable domestic tax rates for the Group's activities are as follows:

$'000	**Year ended 31 December 2024**	Year ended 31 December 2023
Netherlands	50%	50%
Norway	78%	78%
United Kingdom	75.5%	75%
United Kingdom (non-ring fence activity)	25%	23.5%

6.2 Deferred tax

6.2.1 Deferred tax liabilities

The movement in the deferred tax liability account is as follows:

$'000	**Year ended 31 December 2024**	Year ended 31 December 2023 (restated)
Deferred tax liability at beginning of period	**144,146**	**126,686**
Recognised on acquisition (note 2.8.1)	–	3,955
(Credit)/charge to income statement	(1,058)	4,669
Foreign exchange differences	(8,699)	8,836
Deferred tax liability at end of period	**134,389**	**144,146**

Deferred tax liabilities primarily comprise temporary differences arising on fixed assets.

6.2.2 Deferred tax assets

$'000	**Provisions**	**Fixed assets and other**	**Total**
Credited to income statement	83	1,425	**1,508**
At 31 December 2023 (restated)	**3,914**	**(1,781)**	**2,133**
Charged to income statement	(245)	(21)	**(266)**
Foreign exchange differences	(228)	245	**18**
At 31 December 2024	**3,441**	**(1,557)**	**1,885**

Accumulated UK non-ring fence tax losses of $24 million (2023: $18 million) have not been recognised due to the uncertainty of where future UK non-ring fence profits may arise from. There is cumulative interest expense restricted of $9 million for which no deferred tax asset was recognised. State Profit Share (SPS) losses of $61 million (2023: $61 million) in the Netherlands have not been recognised due to the uncertainty of future profits arising in the entity holding those losses. These losses can be carried forward indefinitely subject to the entity continuing to hold a production licence.

6.2.3 Changes to tax rates

The tax regime, which applies to the exploration for, and production of, oil and gas in the UK and is thus applicable to Kistos Energy Ltd, currently comprises the Ring Fence Corporation Tax (RFCT) and the Supplementary Charge (SC). The current rates for the RFCT and the SC are set at 30.0% and 10.0% respectively.

In addition, the Energy Profits Levy (EPL) regime, which took effect from 26 May 2022, introduced an additional 25.0% levy on UK oil and gas profits on top of the RFCT and the SC and was revised upwards to 35.0% with effect from 1 January 2023.

On 1 November 2024, the following two changes were made to the EPL regime, which had become law effective from this date under the provisions of the Provisional Collection of Taxes Act (PCOTA):

- The levy rate was increased to 38.0%
- The 29.0% uplift available for certain categories of CAPEX, which resulted in a 129.0% offset against taxable income, was removed, hence the relief is now restricted to 100.0% only. However, decarbonisation expenditures will continue to qualify for uplift but at a reduced rate given a total deduction from 180.0% to 166.0%.

These changes have been reflected in the calculation of the current and deferred EPL for Kistos Energy Ltd.

The Energy Security Investment Mechanism (ESIM), which was legislated on 24 May 2024, provides that the EPL will permanently be disapplied if average oil and gas prices are both at or below the ESIM price threshold for two consecutive quarters.

The EPL regime currently applies until 31 March 2028. However, an extension to 31 March 2030 is expected based on the Autumn Budget 2024 delivered by the UK Government on 30 October 2024. This measure is included in the Autumn Finance Bill 2024, which is yet to become law.

The Company does not believe that the above change will have a significant impact on the deferred EPL position of the Company.

The main rate of corporation tax in the UK is 25% and this rate was applied to the calculation of tax balances in the companies that are not subject to the ring fence tax regime in the UK.

6.3 Current tax

6.3.1 Current tax receivable

The Group has a current tax asset of $65.4 million (2023: $88.7 million) wholly relating to tax losses incurred in Norway. This is anticipated to be received by the Group in December 2025, and accrues repayment interest (the current statutory rate being 4.5%) from 1 January 2025.

Notes to the Consolidated Financial Statements

6.3.2 Current tax liabilities

The Group has current tax liabilities by segment as follows:

$'000	**Year ended 31 December 2024**	Year ended 31 December 2023 (restated)
Netherlands	59,803	55,090
United Kingdom	33,801	87,035
Total	**93,604**	**142,125**

All current tax liabilities relate to taxation of oil and gas activities and are anticipated to be settled within one year of the balance sheet date, except $49 million (2023: $52 million) relating to the Solidarity Contribution Tax (note 6.4) in the Netherlands, for which the timing of settlement is uncertain.

Late or underpaid tax accrues interest at a rate of 6% (2023: 6.25%) in the UK and 10% in the Netherlands. $1.3 million of interest on underpaid tax instalments was charged in the current period (2023: $4.3 million).

6.4 Uncertain tax positions

Significant judgement – recognition of Solidarity Contribution Tax provision

In October 2022, the EU member states adopted Council Regulation (EU) 1854/2022, which required EU member states to introduce a Solidarity Contribution Tax for companies active in the oil, gas, coal and refinery sectors. The Dutch implementation of this solidarity contribution was legislated by a retrospective 33% tax on 'surplus profits' realised during 2022, defined as taxable profit exceeding 120% of the average taxable profit of the four previous financial years. Companies in scope are those realising at least 75% of their turnover through the production of oil and natural gas, coal mining activities, refining of petroleum or coke oven products.

The Group believes that there is an argument that Kistos NL2 B.V. is out of scope of the regulations as, in its opinion, less than 75% of its turnover under Dutch GAAP (the relevant measure for Dutch taxation purposes) was derived from the production of petroleum or natural gas, coal mining, petroleum refining, or coke oven products. Furthermore, the Group understands the implementation of the tax, including its retrospective nature, is subject to legal challenges by other parties and certain EU member states. However, as there is no history or precedent for this tax being audited or collected by the Dutch tax authorities, the Directors, having taken all facts and circumstances into account, applied IFRIC 23, Uncertainty over Income Tax Treatments and made a provision of $49 million (2023: $52 million) relating to the Solidarity Contribution Tax within the current tax charge for the prior period. This is the single most likely amount of the charge if it becomes payable. The Group filed its return in respect of the Solidarity Contribution Tax in May 2024 (which was by the relevant deadline for submission), with its returns stating a nil balance to be paid (for the reasons outlined above). As at the date of approval of these financial statements, the Group had not received any correspondence from the Belastingdienst (Dutch Tax Authority) concerning the Solidarity Contribution Tax.

The Group is aware that Solidarity Contribution Tax is subject to legal challenges on the grounds of, inter alia, the legality of its implementation into Dutch law, the nature of retrospective application and its specific application to oil and gas producers in the Netherlands. While the Group is not directly involved in these challenges, it will closely monitor developments and any outcome.

Should the Belastingdienst make an adverse ruling against the Group and determine that the Group was grossly negligent or undertook wilful misconduct in submitting a nil return, non-filing or late filing of the tax return (or did not pay an amount indicated in the tax return) then material fines or penalties could apply. Late payment interest would also be incurred from 31 May 2024 until the date of final payment – the current rate of interest applicable being 10%.

Notes to the Consolidated Financial Statements

Accounting policy

Where the Group takes positions in tax returns in which the applicable tax regulation is subject to interpretation, it considers whether it is probable that the relevant tax authority will accept that uncertain tax treatment. The Group also considers the range of potential penalties, interest or other charges that may arise from the late payment of taxes. The Group measures its tax liabilities (and related penalties, interest and other charges) based on either the most likely amount if the outcomes are binary, or the expected value if there is a range of possible outcomes.

Section 7: Other disclosures

7.1 Related party transactions

Details of transactions between the Group and other related parties are disclosed below.

7.1.1 Compensation of Directors and key management personnel

Key management personnel are considered to comprise the Directors of Kistos Holdings plc.

$'000	**Year ended 31 December 2024**	Year ended 31 December 2023 (restated)
Short-term employee benefits	3,030	3,476
Post-employment benefits	136	252
Total Directors' remuneration	**3,166**	**3,728**

Short-term employee benefits include $0.9 million of bonuses payable that were unpaid at year end and are included within 'Other liabilities' on the balance sheet.

In the event of a change in control of the Group, the Group is committed to pay the Executive Chairman, CEO and CFO an amount equivalent to 100% of their cash compensation received in the 12 months prior to a change of control being announced.

No long-term benefits or termination benefits were recognised in respect of the Directors. Share-based payment expenses of $0.3 million (2023: nil) were recognised in respect of the Directors. Further information regarding Directors' remuneration is provided in the Remuneration Report.

The highest-paid Director had total remuneration for the period of $1.3 million (2023: $1.2 million).

Total Executive and Non-Executive Directors' remuneration for the period of $3.3 million (2023: $3.2 million).

7.1.2 Loans to key management personnel

$'000	**Year ended 31 December 2024**	Year ended 31 December 2023 (restated)
At start of the period	256	242
Foreign exchange movements	(6)	14
At end of the period	**250**	**256**

Loans to key management personnel are unsecured and interest free. No expense was recognised in the current or prior period for bad and doubtful debts in respect of loans made to related parties.

7.1.3 Other related party transactions

In the prior period, the Group incurred costs of $15,500 in respect of short-term rental of an aircraft owned by a member of key management personnel. The Group also sublet a portion of its office premises to an entity wholly controlled by a member of key management personnel for nil consideration.

7.2 Contingencies

As part of the acquisition of Tulip Oil in 2021, the following contingent payments could be made to the vendor should certain events occur and/or milestones be achieved:

- Up to a maximum of €75 million relating to Vlieland Oil (now Orion), triggered at FID and payable upon first hydrocarbons based on the net reserves at time of sanction;
- Up to a maximum of €75 million relating to M10a and M11, triggered at FID and payable upon first gas, based on US$3/boe of sanctioned reserves; and
- €10 million payable should Kistos take FID on the Q10-Gamma prospect by 2025.

Based on management's current assessments and current status of the projects and developments above, the contingent considerations above remain unrecognised on the balance sheet.

The Group is obliged to deposit to Vår Energi a post-tax amount of $12.7 million (plus interest accruing at SOFR +3%), payable three months after the date of the first oil produced from the Balder and Ringhorne fields over the Jotun FPSO. Based on current estimates of interest rates and expected timing of Balder first oil, the amount to be deposited is anticipated to be approximately $16 million. This amount will be repaid upon decommissioning of the fields.

Contingencies arising from uncertain tax positions are disclosed in note 6.4.

Notes to the Consolidated Financial Statements

7.3 Assets pledged as security

As at 31 December 2024, the carrying value of assets pledged as security under the Group's bond debt (note 5.1) comprised $5 million of inventory and $19 million of cash. In addition, the bond terms grant security over the Group's Norwegian operating assets, which had a combined carrying value in the consolidated financial statements at 31 December 2024 of $308 million.

7.4 Auditor's remuneration

The Group (including its overseas subsidiaries) obtained the following services from the Company's auditors and its associates in respect of the financial years below:

$'000	**Fees for audit of the 2024 accounts**	Fees for audit of the 2023 accounts (restated)
Audit fees:		
Audit of the consolidated financial statements	434	440
Audit of the financial statements of the subsidiaries	277	453
Total audit fees	**711**	**893**
Non-audit fees:		
Other assurance services	10	6
Total non-audit fees	**10**	**6**
Total	**721**	**899**

7.5 Subsequent events

There are no adjusting events subsequent to the balance sheet date.

Company Financial Statements

Company balance sheet as at 31 December 2024

£'000	Note	31 December 2024	31 December 2023
Non-current assets			
Investments in subsidiaries	C	92,524	136,332
		92,524	**136,332**
Current assets			
Cash and cash equivalents		470	3
Other receivables		29	32
Total assets		**93,023**	**136,367**
Equity			
Share capital	D	8,286	8,286
Warrants reserve	D	4,502	4,502
Merger reserve	D	122,641	122,641
Share-based payment reserve	D	1,206	716
Accumulated loss		(45,085)	(186)
Total equity		**91,550**	**135,959**
Current liabilities			
Trade creditors		43	65
Amounts payable to Group undertakings		1,168	343
Share based payment – liability		262	-
Total liabilities		**1,473**	**408**
Total equity and liabilities		**93,023**	**136,367**

The notes on pages 75 to 76 are an integral part of these financial statements.

The loss of the Company for the period was £44.9 million (2023: £0.2 million).

Company statement of changes in equity

£'000	Share capital	Merger reserve	Share-based payment reserve	Warrants reserve	Accumulated loss	Total equity
At 1 January 2023	**8,286**	**122,641**	**147**	**–**	**–**	**131,074**
Loss for the period	–	–	–	–	(186)	**(186)**
Share-based payments	–	–	569	–	–	**569**
Issue of warrants	–	–	–	4,502	–	**4,502**
At 31 December 2023	**8,286**	**122,641**	**716**	**4,502**	**(186)**	**135,959**
Loss for the period	–	–	–	–	(44,899)	**(44,899)**
Share-based payments	–	–	490	–	–	**490**
At 31 December 2024	**8,286**	**122,641**	**1,206**	**4,502**	**(45,085)**	**91,550**

Notes to the Company Financial Statements

A: General

These company financial statements, and the consolidated financial statements together constitute the statutory financial statements of Kistos Holdings plc ('the Company'). The financial information of the Company is included in the consolidated financial statements above.

B: Basis of preparation

The financial statements of Kistos Holdings plc for the period ended 31 December 2024 have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The financial statements have been prepared under the historical cost convention, except for share warrants, which have been initially measured at fair value.

The Company has minimal trading activity and therefore its going concern assessment has been performed as part of the going concern assessment of the Group (see note 1.2 to the consolidated financial statements).

The Company has taken advantage of the exemption provided by Section 408 of the Companies Act 2006 not to publish its individual income statement and related notes, and has also taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined), as equivalent disclosures are included within the consolidated financial statements.
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations provided that equivalent disclosures are included in the consolidated financial statements of the Group in which the entity is consolidated.
- The requirements of IFRS 7 Financial Instruments: Disclosures, as equivalent disclosures are included in the consolidated financial statements.
- The requirement in paragraph 38 of IAS 1 to present comparative information in respect of:
  - Paragraph 79(a)(iv) of IAS 1 (a reconciliation of the number of shares outstanding at the beginning and end of the period);
  - Paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
  - Paragraph 118(e) of IAS 38 Intangible Assets.
- The following paragraphs of IAS 1 Presentation of Financial Statements:
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 111 (statement of cash flows information); and
  - 134–136 (capital management disclosures).
- The requirements of IAS 7 Statement of Cash Flows.
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (the requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24 Related Party Disclosures (key management compensation), and the other requirements of that standard to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary that is a party to the transaction is wholly owned by such a member.

These financial statements have been presented in GBP, being the functional currency of the Company. All amounts are presented rounded to the nearest thousand GBP, unless otherwise stated.

Material accounting policies

The Company's material accounting policies are aligned with the Group accounting policies as set out within the Group financial statements above, with the addition of the following:

- Investments in subsidiaries: Subsidiaries are carried at cost, less provision for impairment.

C: Investments in subsidiaries and associate

£'000	
At 1 January 2023	**131,268**
Capital contribution relating to acquisition of subsidiaries	4,495
Capital contribution relating to share-based payments	569
At 31 December 2023	**136,332**
Impairment	(44,560)
Capital contribution relating to share-based payments	752
At 31 December 2024	**92,524**

Notes to the Company Financial Statements

The Company recognised an impairment to the investment value in the year of £45 million. The market capitalisation value of the Group indicated that there was an impairment trigger. The recoverable amount of the investment was considered using the Group impairment models (note 2.6).

In the prior period, the Company recognised an addition to investments of £4.5 million in respect of the acquisition of Mime Petroleum by the Company's immediate subsidiary, Kistos plc. As part of the acquisition, certain warrants over shares in the Company were issued both as a component of the acquisition consideration and also as potentially issuable warrants to holders of the Hybrid Bond issued by Mime (note 5.1 to the consolidated financial statements). The fair value of the warrants issued (adjusted, where relevant, for the estimated probability of issuance) has been recognised as an increase in the investment in Kistos plc with the corresponding entry to the warrants reserve within equity (note D).

The subsidiaries of the Company as at 31 December 2024 are set out below. All subsidiaries have share capital comprising solely of ordinary shares.

Name of subsidiary	Principal activity	Place of incorporation and operation	Registered office	Proportion of ownership interest and voting power held
Kistos plc*	Provision of head office and administrative services	London, United Kingdom	2nd Floor 3 St James's Square, London SW1Y 4JU	100%
Kistos Energy Limited	Offshore exploration and production of hydrocarbon volumes	London, United Kingdom	2nd Floor 3 St James's Square London SW1Y 4JU	100%
Kistos Finance Limited*	Dormant company	London, United Kingdom	2nd Floor 3 St James's Square London SW1Y 4JU	100%
Kistos NL1 B.V.	Onshore and offshore exploration and production of hydrocarbon volumes	The Hague, Netherlands	Alexanderstraat 18 2514 JM The Hague The Netherlands	100%
Kistos NL2 B.V.	Offshore exploration and production of hydrocarbon volumes	The Hague, Netherlands	Alexanderstraat 18 2514 JM The Hague The Netherlands	100%
Kistos Energy (Norway) AS	Offshore exploration and production of hydrocarbon volumes	Lysaker, Norway	Strandveien 50 1366 Lysaker, Norway	100%
Kistos Energy Storage Ltd	Onshore gas storage	London, United Kingdom	2nd Floor 3 St James's Square London SW1Y 4JU	100%
Spiralis Energy Ltd	Engineering service for Tidal Power	London, United Kingdom	71-75 Shelton Street, London, WC2H 9JQ	10%

* Held directly by the Company.

Kistos plc, Kistos Finance Limited, Kistos Energy Limited and Kistos Energy Storage Ltd are exempt from the requirements of the Companies Act 2006 relating to the audit of their individual accounts as the Company has given a guarantee under section 479C of that Act in respect of the financial year ended 31 December 2024.

D: Capital and reserves

Share capital

Ordinary shares have a nominal value of £0.10 per share. Holders of ordinary shares are entitled to participate in dividends and the proceeds of the Company in the event of winding up in proportion to the number of and amounts paid on shares held. The Company does not have a limit to its authorised share capital.

Merger reserve

The merger reserve arose following the acquisition of Kistos plc by the Company in December 2022, and represents an unrealised profit from the investment in the subsidiary and is therefore not a distributable reserve.

Share-based payment reserve

Following the capital reorganisation, the amendment of share options granted originally by Kistos plc was considered to be a new award of options by the Company, and the options were remeasured at a new grant date (being the date of the acquisition of Kistos plc by the Company). A description of the terms and conditions of the share-based payment arrangements, including vesting requirements and number of options outstanding is disclosed in note 3.4 to the consolidated financial statements.

Warrants reserve

This reserve arose on completion of the Mime Acquisition by the Company's immediate subsidiary, Kistos plc. 5.5 million warrants were issued to the vendor as part of the consideration, with an additional 2.4 million warrants issuable if the Hybrid Bond is not repaid (note 5.1 to the Group financial statements). If the latter event occurs, 1.9 million of the original 5.5 million warrants will be cancelled. The maximum total of warrants that could be issued therefore is 6 million. The warrants allow the holder to subscribe to shares in Kistos Holdings plc at an exercise price of £3.85 per share.

The warrants were measured on acquisition at fair value using an option pricing model and are not subsequently remeasured.

Independent Auditor's Report to the Members of Kistos Holdings plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2024 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Kistos Holdings plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2024, which comprise the Consolidated income statement, the Consolidated statement of other comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in equity, the Consolidated cash flow statement, the Notes to the Consolidated financial statements, including a summary of material accounting policies, the Company balance sheet, the Company statement of changes in equity and the notes to the Company financial statements, including a summary of material accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Group and Parent Company financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We obtained the Directors' Going Concern paper and associated cash flow forecasts in respect of their assessment of going concern and challenged the key underlying judgements and assumptions. In doing so we compared commodity prices used in the forecast to prevailing forward curves, and production levels, operating and capital expenditures to internal and operator forecasts as well as recent performance trends.
- We considered the appropriateness of the Directors' judgement that Decommissioning Security Agreement (DSA) obligations will continue to be covered by surety bonds and not require covering in cash. This included reviewing correspondence from the Group's surety bond providers.
- We considered the appropriateness of the Directors' judgement that the timing of solidarity tax payments being made, if it is determined that tax is payable, would fall outside of the going concern period. This included reviewing legal and tax advice received by the Group and through consulting with our own tax experts.
- We verified the opening cash position (as of 31 March 2025) used in the cash flow forecast by agreeing it to bank account balances.
- We performed checks on the arithmetical accuracy of the cash flow forecasts approved by the Directors.
- We formed our own assessment of risks and uncertainties that could impact the Group and Parent Company based on evidence obtained in other audited areas as applicable and our knowledge of the industry.
- We obtained the Directors' reasonably plausible downside scenario and reviewed if downside scenario assumptions and mitigating actions within the Directors' control were reasonable.

Independent Auditor's Report to the Members of Kistos Holdings plc

- We reviewed managements reverse stress test to determine the lowest oil price throughout the going concern period the Group and Parent Company could endure while remaining a going concern.
- We reviewed the financial statement disclosures regarding going concern to satisfy ourselves that the disclosures are appropriate and consistent with the Directors' going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Key audit matters		**2024**	**2023**
	Accounting for business combinations	No	Yes
	Carrying value of non-current assets	Yes	Yes
	Going concern	No	Yes
	Accounting for business combinations is no longer considered to be a key audit matter because there was no business combination in the year. Going concern is not considered to be a key audit matter because no material uncertainty on Going concern was identified.		
Materiality	*Group financial statements as a whole* $10.6 million (2023: $11.7 million) based on 1.3% (2023: 1.3%) of total assets		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, the applicable financial reporting framework and the Group's system of internal control. On the basis of this, we identified and assessed the risks of material misstatement of the Group financial statements including with respect to the consolidation process. We then applied professional judgement to focus our audit procedures on the areas that posed the greatest risks to the Group financial statements. We continually assessed risks throughout our audit, revising the risks where necessary, with the aim of reducing the Group risk of material misstatement to an acceptable level, in order to provide a basis for our opinion.

Components in scope

As part of performing our Group audit, we have determined the components in scope as follows:

Kistos Holdings plc;

Kistos plc;

Kistos Energy Limited;

Kistos Energy (Norway) AS;

Kistos NL; and

Kistos Energy Storage Limited.

These components were selected based on geographical location and separately identifiable information that enables the Group auditor to plan and perform audit procedures for the purposes of the Group audit.

We used a combination of risk assessment procedures and further audit procedures to obtain sufficient appropriate evidence. These further audit procedures included:

- Procedures on the entire financial information of the component, including performing substantive procedures; or
- Procedures on one or more classes of transactions, account balances or disclosures; or
- Specific audit procedures.

Independent Auditor's Report to the Members of Kistos Holdings plc

Procedures performed at the component level

We performed procedures to respond to Group risks of material misstatement at the component level that included the following.

Component	Component name	Entities	Group audit scope
1	Kistos Holdings plc	Kistos Holdings plc	Statutory audit and procedures on the entire financial information of the component.
2	Kistos Energy Limited	Kistos Energy Limited	Statutory audit and procedures on the entire financial information of the component.
3	Kistos NL	Kistos NL1 B.V. Kistos NL2 B.V.	Procedures on the entire financial information of the component.
4	Kistos Energy (Norway) AS (KENAS)	Kistos Energy (Norway) AS (KENAS)	Statutory audit and procedures on the entire financial information of the component.
5	Kistos plc	Kistos plc	Procedures on one or more classes of transactions, account balances or disclosures
6	Kistos Energy Storage Limited	Kistos Energy Storage Limited	Specific audit procedures

Locations

The Group's operations are primarily in the UK, the Netherlands and Norway.

Kistos Holdings plc's operations are spread over a number of different geographical locations. We visited all three locations. Our teams conducted procedures in the UK, the Netherlands and Norway components.

In addition, our teams worked remotely, holding calls and video conferences with Group and local management.

Working with other auditors

As Group auditor, we determined the components at which audit work was performed, together with the resources needed to perform this work. These resources included component auditors, who formed part of the Group engagement team as reported above. As Group auditor we are solely responsible for expressing an opinion on the financial statements.

In working with these component auditors, we held discussions with component audit teams on the significant areas of the Group audit relevant to the components based on our assessment of the Group risks of material misstatement. We issued our Group audit instructions to component auditors on the nature and extent of their participation and role in the Group audit, and on the Group risks of material misstatement.

We directed, supervised and reviewed the component auditors' work. This included holding meetings and calls during various phases of the audit, reviewing component auditor documentation and evaluating the appropriateness of the audit procedures performed and the results thereof.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report to the Members of Kistos Holdings plc

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td>Carrying value of non-current assets

<u>Group</u>:
Refer to notes 2.4, 2.5 and 2.6 for details of the accounting policy and critical accounting estimates and judgements relating to this key audit matter.

<u>Parent Company</u>:
Refer to note C for details of the accounting policy relating to this key audit matter.</td><td>The Group recognised the following impairment in the period:
• $25.5 million relating to production assets in the Netherlands.
• $8.6 million related to the Orion exploration asset in the Netherlands.

The Parent Company recognised the following impairment in the period:
• £44.6 million in its investment in its subsidiary.

Under IAS 36, management is required to carry out an assessment at least annually for any indicators of impairment on tangible assets. IFRS 6 also requires management to perform an impairment assessment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable mount. Where impairment indicators are identified impairment tests are required to be performed. In addition, goodwill is required to be tested annually for impairment.

Given the materiality of non-current assets in the context of the Group and Parent Company's balance sheets, coupled with the judgements involved in determining if indicators of impairment exist, and estimates involved in estimating if the carrying value is supportable, we have considered this to be a key audit matter.</td><td>Our audit testing over the carrying value of exploration assets included:
• We considered the results of management's exploration activity in the period to determine the presence of impairment indicators.
• We assessed whether the Group's exploration licences were in good standing at the year end.
• We inspected budgets and future work programmes to confirm future exploration activity in respect of each exploration was planned.
• We reviewed minutes of Board meetings and correspondence with regulatory authorities to identify information that may impact the carrying value of the assets.

Our audit testing over the carrying value of the Parent Company's investment in its subsidiary and Group property, plant and equipment, intangible assets and goodwill relating to oil and gas assets included: :
• We obtained and reviewed managements' impairment trigger assessments to determine the assets over which impairment tests were required to be performed.
• For assets that required impairment testing, we obtained management's impairment models and tested the mathematical accuracy of each impairment model.
• We engaged BDO's internal valuation experts to recalculate the discount rates applied in the impairment models.
• We engaged our own external auditor experts to review the reasonableness of the reserves figures used in management's impairment model for all the producing CGUs.
• We obtained and challenged the key estimates used in the models. In doing so we compared commodity prices used in the forecast to prevailing forward curves at the year-end date and operating and capital expenditures to internal and operator forecasts as well as recent performance trends.
• We performed sensitivities on key inputs to the model where appropriate.
• We reviewed the financial statements disclosures regarding any impairment assumptions and sensitivities to check such disclosures are appropriate and in accordance with the accounting framework.

Key observations:
Based on the procedures performed, we found the judgement and estimates made by management regarding the determination of the recoverable amount of property, plant and equipment, intangible assets and goodwill and the Parent Company's Investment in its subsidiary to be reasonable.</td></tr>
</table>

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements	
	2024	2023
Materiality	$10.6 million	$11.7 million
Basis for determining materiality	1.3% of total assets	1.3% of total assets
Rationale for the benchmark applied	Materiality has been based on total assets. While the Group is revenue generating, its strategy is to identify new reserves and resources and does so through development and acquisitions. Since the Group continues to expand and explore new oil and gas fields, we consider total assets to be one of the principal considerations for users of the financial statements.	
Performance materiality	$6.8 million	$8.6 million
Basis for determining performance materiality	65% of materiality	
Rationale for the percentage applied for performance materiality	We considered several factors, including the expected total value of known and likely misstatements and our knowledge of the Group and Parent Company's internal controls.	

	Parent Company financial statements	
	2024	2023
Materiality	£1.2 million	£1.9 million
Basis for determining materiality	1.3% of total assets	1.3% of total assets
Rationale for the benchmark applied	Materiality has been based on total assets because Kistos Holdings plc is a holding company with minimal trading activity. As a result, we consider total assets to be one of the principal considerations for users of the financial statements.	
Performance materiality	£0.7 million	£1.2 million
Basis for determining performance materiality	65% of materiality	
Rationale for the percentage applied for performance materiality	We considered several factors, including the expected total value of known and likely misstatements and our knowledge of the Parent Company's internal controls.	

Component performance materiality

For the purposes of our Group audit opinion, we set performance materiality for each component of the Group, apart from the Parent Company whose materiality and performance materiality are set out above, based on a percentage of between 40% and 75% (2023: 35% and 69%) of Group performance materiality dependent on a number of factors including relative size of component, history of misstatement and our assessment of the risk of material misstatement of those components. Component performance materiality ranged from $1.9 million to $4.2 million (2023: $4.1 million to $7.2 million).

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of $0.3 million (2023: $0.2 million). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Independent Auditor's Report to the Members of Kistos Holdings plc

Other information

The directors are responsible for the other information. The other information comprises the information included in the document entitled 'Annual Report and Accounts' other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • The information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • The Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • The Parent Company financial statements are not in agreement with the accounting records and returns; or • Certain disclosures of Directors' remuneration specified by law are not made; or • We have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities , the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance including the Audit Committee; and
- Obtaining an understanding of the Group's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be elements of the applicable accounting framework, Companies Act, tax legislations, UK oil and gas legislation, the Dutch Mining Act, the Norwegian Petroleum Tax Act, AIM Listing Rules, the QCA corporate governance code..

Independent Auditor’s Report to the Members of Kistos Holdings plc

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be environmental regulations and health and safety legislation.

Our procedures in respect of the above included:

- Review of RNS announcements and minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance and the Audit Committee regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group’s policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls, revenue recognition and management bias regarding the following key accounting estimates and judgements:

- Impairment of non-current assets; and
- Valuation of Abandonment Provision.

Our procedures in respect of the above included:

- Testing the appropriateness journal entries throughout the year, which met specific risk-based criteria, by agreeing them to supporting documentation;
- Performing a detailed review of the Group’s year end adjusting entries and agreeing to supporting documentation any that appear unusual in nature or amount;
- Testing 100% of revenue transactions to supporting documentation to address the existence and accuracy assertions;
- Engaging our own external auditor experts to review the completeness and appropriateness of the Abandonment Provision and the reasonableness of the reserves and resources figures used in management’s impairment testing;
- Assessing the judgements made by management when making key accounting estimates and judgements, and challenging management on the appropriateness of these judgements, specifically around key audit matters as discussed above; and
- Performing a detailed review of the Group’s consolidation entries and, investigating any that appear unusual in nature or amount by inspecting corroborative evidence.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including component auditors who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. For component auditors, we also reviewed the result of their work performed in this regard.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council’s website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

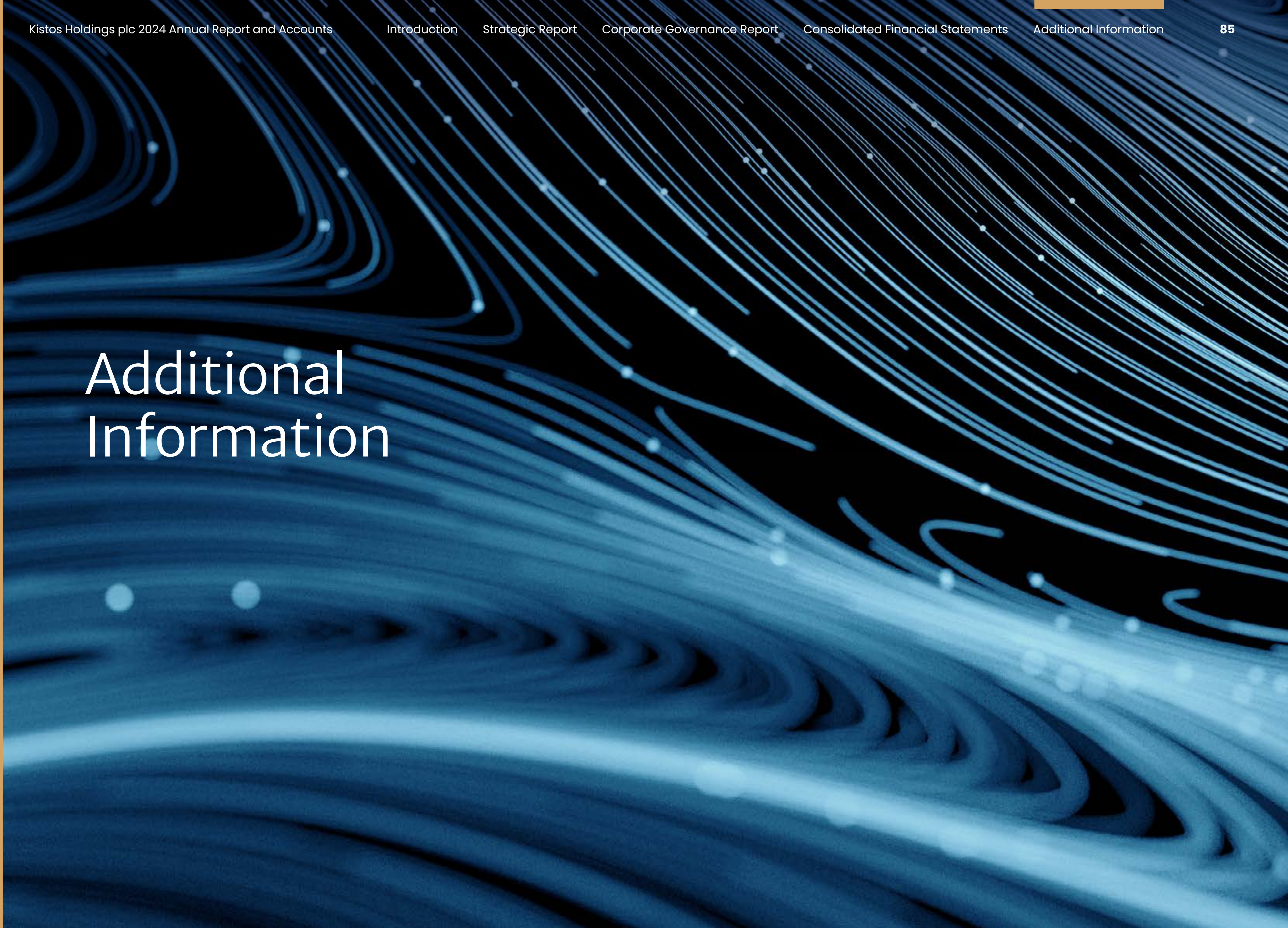
Independent Auditor’s Report to the Members of Kistos Holdings plc

Use of our report

This report is made solely to the Parent Company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Acloque (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom
11 April 2025

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



Additional Information

Appendix A: Glossary

2C	contingent resources
2P	proved plus probable resources
Adjusted operating costs	operating costs per the income statement less accounting movements in inventory.
Average realised sales price	calculated as revenue divided by volumes sold for the period.
bbl	barrel
bcf	billion cubic feet
boe	barrels of oil equivalent
boepd	barrels of oil equivalent produced per day
CGU	cash-generating unit
CIT	Dutch Corporate Income Tax
Company	Kistos Holdings plc
DSA	Decommissioning Security Agreement
E&P	exploration and production
EBN	Energie Beheer Nederland
EIR	effective interest rate
FID	Final Investment Decision
FPSO	floating production storage and offloading vessel
FPU	floating production unit
G&A	general and administrative expenditure
Gas Storage Acquisition	the acquisition of the entire share capital of EDF Energy (Gas Storage) Limited from EDF Energy (Thermal Generation) Limited in April 2024.
GLA	Greater Laggan Area
GLA Acquisition	the acquisition, in July 2022, of a 20% working interest in the P911, P1159, P1195, P1453 and P1678 licences, producing gas fields and associated infrastructure alongside various interests in certain other exploration licences, including a 25% interest in the Benriach prospect in licence P2411, from TotalEnergies E&P UK Limited.
Group	Kistos Holdings plc and its subsidiaries
JV	joint venture
kbbl	thousand barrels
kboe	thousand barrels of oil equivalent
kboepd	thousand barrels of oil equivalent produced per day
KENAS	Kistos Energy (Norway) AS
LTI	lost time incident
MEG	monoethylene glycol
Mime	Mime Petroleum AS
Mime Acquisition	the acquisition, in May 2023, of the entire share capital of, and voting interests in, Mime Petroleum AS (Mime) from Mime Petroleum S.a.r.l., a company incorporated and operating in Norway.
MMBtu	million British thermal units
MT	metric ton
MWh	megawatt hour
NCS	Norwegian Continental Shelf
nm^3	normal cubic metre
norm price	the tax reference price set by the Petroleum Price Council for grades of crude oil sold in Norway.
NSTA	North Sea Transition Authority
PDO	Plan for Development and Operation
RNB	Norwegian Revised National Budget
ROU	right of use
scf	standard cubic feet
SGP	Shetland Gas Plant
sm^3	standard cubic metre
Solidarity Contribution Tax	a tax levied by the Dutch Government, following the adoption of Council Regulation (EU) 1854/2022, which required EU member states to introduce a 'solidarity contribution' for companies active in the oil, gas, coal and refinery sectors. The Dutch implementation of this solidarity contribution has been legislated by a retrospective 33% tax on 'excess profit' realised during 2022, with 'excess profit' defined as that profit exceeding 120% of the average profit of the four previous financial years. Companies in scope are those realising at least 75% of their turnover through the production of oil and natural gas, mining activities, refining of petroleum or coke oven products.
SPS	Dutch State Profit Share tax
SURF	subsea, umbilicals, risers and flowlines

Appendix B: Non-IFRS measures

B1: Pro forma information

Management believes that certain non-IFRS measures (also referred to as 'alternative performance measures') are useful metrics as they provide additional useful information on performance and trends. These measures are primarily used by management for internal performance analysis, are not defined in IFRS or other GAAPs and therefore may not be comparable with similarly described or defined measures reported by other companies. They are not intended to be a substitute for, or superior to, IFRS measures. Definitions and reconciliations to the nearest equivalent IFRS measure are presented below.

In 2023, Pro forma information shows the impact to certain results of the Group as if the Mime Acquisition had completed on 1 January 2023.

No pro forma information is provided in respect of the impact of the Gas Storage Acquisition in 2024 as management considers the pre-acquisition trading result is not representative of future operations because, inter alia, (a) the pre-acquisition trading result in 2024 comprised primarily the closeout of positions placed by the previous operator in 2023; and (b) the pre-acquisition trading arrangement resulted in a different presentation and accounting treatment of trading gains and losses, which are not comparable to the current activity controlled by management.

$'000	Revenue	Adjusted EBITDA
Period ended 31 December 2023 (restated):		
As reported	222,829	130,242
Pro forma period adjustments	166,193	(10,101)
Pro forma	**239,022**	**120,142**

B2: Adjusted net (debt)/cash

Adjusted net (debt)/cash is a measure that management believes is useful as it provides an indicator of the Group's overall liquidity. It is defined as restricted fund and cash and cash equivalents and tax receivables less the face value of outstanding bond debt excluding the Hybrid Bond which, in management's view, represents contingent consideration rather than bond debt due to the payment triggers associated with it.

$'000	Note	31 December 2024	31 December 2023 (restated)
Restricted fund and cash and cash equivalents	4.1	143,138	214,974
Tax receivable		65,450	88,689
Face value of bond debt (excluding Hybrid Bond)	5.1	(260,251)	(241,596)
Adjusted net (debt)/cash		**(51,663)**	**62,067**

Note that the prior year has been updated to include 'Tax receivable'.

B3: Adjusted operating costs and unit opex

Adjusted operating costs are operating costs per the income statement less accounting movements in inventory, which are primarily those operating costs capitalised into liquids inventory as produced and expensed to the income statement only when the related product is sold.

$'000	Year ended 31 December 2024	Year ended 31 December 2023 (restated)
Production costs	104,562	(77,347)
Accounting movements in inventory	(8,331)	(1,048)
UK Storage segment operating costs	(10,872)	-
Adjusted operating costs	**85,359**	**77,347**
Pro forma period adjustment	–	10,284
Pro forma adjusted operating costs	**94,162**	**87,631**
Total production (kboe)	2,947	2,995
Pro forma period adjustment (kboe)	–	226
Total pro forma production (kboe)	**2,947**	**3,221**
Unit opex	$29/boe	$26/boe
Pro forma unit opex	–	$27/boe

Appendix C: Conversion factors

The conversion factors below have been used by management in the presentation of certain disclosures in the Annual Report on a consistent basis.

37.3 scf of gas in 1 nm^3 of gas

5,561 scf of gas in 1 boe

149.2 nm^3 of gas in 1 boe

1.7 MWh of gas in 1 boe

34.12 therms of gas in 1 MWh of gas

7 MT of natural gas liquids in 1 boe

Exact conversions of volumes of gas to barrels of oil equivalent (boe), volume of gas to energy (therms or MWh) and volumes of natural gas liquids to boe is dependent on the calorific value of gas and exact composition of natural gas liquids, and therefore can change on a daily basis and may be different from those conversion factors used by other companies.

General Information

Directors

Andrew Austin – Executive Chairman

Peter Mann – Chief Executive Officer

Richard Slape – Chief Financial Officer (resigned 1 January 2025)

Richard Benmore – Non-Executive Director

Julie Barlow – Non-Executive Director (resigned 19 June 2024)

Alan Booth – Non-Executive Director

Stephen Pawson – Non-Executive Director (appointed 19 June 2024)

James Thomson – Chief Financial Officer (appointed 1 January 2025)

Company secretary

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