Special purpose consolidated financial statements 2023

Prime Oil & Gas Coöperatief U.A.

Rotterdam
8 September 2024

Contents

Special purpose consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023

	Note	2023 USD 1,000	2022 USD 1,000
Revenue	5	1,162,234	1,446,337
Cost of sales	6	(597,975)	(556,368)
Gross Profit		**564,259**	**889,969**
Other operating income	7	24,709	112,810
Exploration expenses	8	(2,324)	(2,687)
Impairment charges oil and gas properties	9	(263,282)	(82,325)
Other operating expenses	10	(33,276)	(30,825)
Operating Profit		**290,086**	**886,942**
Finance income	11	6,833	6,491
Finance costs	11	(89,523)	(74,644)
Profit before tax		**207,396**	**818,789**
Income tax credit/(expense)	12	248,635	(519,377)
Profit for the year		**456,031**	**299,412**
- membership interest of the parents		456,031	299,412
- non-controlling interest		-	-
Total other comprehensive expense for the year		-	-
Total comprehensive income for the year		**456,031**	**299,412**
- membership interest of the parents		456,031	299,412
- non-controlling interest		-	-

Approved on behalf of the Board:

DocuSigned by:

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8/9/2024

Mr. Aldo Vinicius Perracini
Chief Executive Director

The notes on pages 6 to 73 are an integral part of these special purpose consolidated financial statements.

Special purpose consolidated statement of financial position as at 31 December 2023

		31 December 2023	31 December 2022
		USD 1,000	USD 1,000
Assets	*Note*		
Oil and gas properties	13	2,097,023	2,545,014
Other property, plant and equipment	14	70	191
Other receivables	15	445	426
Non-current assets		**2,097,538**	**2,545,631**
Inventories	16	99,566	95,102
Trade and other receivables	17	245,283	206,464
Prepayments and recoverable taxes	18	334	280
Derivative financial instruments	27	6,378	-
Cash and cash equivalents	19	152,215	331,695
Current assets		**503,776**	**633,541**
Total assets		**2,601,314**	**3,179,172**
Equity	20		
Membership interests		526,210	526,210
Accumulated losses		(141,873)	(141,873)
Unappropriated result		106,031	-
Total equity attributable to members		**490,368**	**384,337**
Loans and borrowings - non-current	21	651,915	360,222
Decommissioning liabilities	22	340,539	328,100
Other provisions	23	305,263	305,263
Employee benefits	24	2,985	4,055
Deferred income tax liabilities	12	484,372	1,055,277
Non-current liabilities		**1,785,074**	**2,052,917**
Loans and borrowings - current	21	86,485	420,439
Trade and other payables	25	162,455	143,235
Taxes and royalties payable	26	76,932	178,244
Current liabilities		**325,872**	**741,918**
Total liabilities		**2,110,946**	**2,794,835**
Total liabilities and equity		**2,601,314**	**3,179,172**

The notes on pages 6 to 73 are an integral part of these special purpose consolidated financial statements.

Special purpose consolidated statement of changes in equity for the year ended 31 December 2023

	Note	Equity attributable to members			Total
		Membership interest	**Retained earnings/(accumulated losses)**	**Unappropriated result**	**Total**
		USD 1,000	USD 1,000	USD 1,000	USD 1,000
Balance as at 1 January 2022		**526,210**	**17,130**	**41,585**	**584,925**
Transfer of result prior year to retained earnings		-	41,585	(41,585)	-
Total comprehensive income					
Profit for the year		-	-	299,412	299,412
Other comprehensive expense	20	-	-	-	-
Total comprehensive income		-	-	**299,412**	**299,412**
Total contributions by and distributions to members of the Company, recognised directly in equity					
- Distributions	20	-	(200,588)	(299,412)	(500,000)
Total transactions with members		-	**(200,588)**	**(299,412)**	**(500,000)**
Balance as at 31 December 2022		**526,210**	**(141,873)**	-	**384,337**
Balance as at 1 January 2023		**526,210**	**(141,873)**	-	**384,337**
Transfer of result prior year to retained earnings		-	-	-	-
Total comprehensive income					
Profit for the year		-	-	456,031	456,031
Other comprehensive expense	20	-	-	-	-
Total comprehensive income		-	-	**456,031**	**456,031**
Total contributions by and distributions to members of the Company, recognised directly in equity					
- Distributions	20	-	-	(350,000)	(350,000)
Total transactions with members		-	-	**(350,000)**	**(350,000)**
Balance as at 31 December 2023		**526,210**	**(141,873)**	**106,031**	**490,368**

The notes on pages 6 to 73 are an integral part of these special purpose consolidated financial statements.

Special purpose consolidated statement of cash flows for the year ended 31 December 2023

		2023	2022
		USD 1,000	USD 1,000
Cash flows from operating activities	*Note*		
Profit before tax		207,396	818,789
Adjustments for:			
Depreciation	6	361,843	262,865
Impairment charges	9	263,282	82,325
Finance result, net of accretion expense	11	69,733	53,943
Accretion expense	22	12,957	14,210
Current E&P taxes	12	(159,972)	(631,690)
Corporate income taxes	12	(134,297)	(11,336)
Other taxes	12	(28,000)	(33,750)
Decrease of provision for employee benefits	24	(1,071)	(3,114)
Working capital adjustments:			
Change in inventories	16	(4,464)	(8,189)
Change in trade and other receivables	17	(31,935)	37,330
Change in crude oil underlift receivables from joint venture partners	17	(6,884)	38,757
Change in crude oil overlift payable to joint venture partners	25	30,462	8,056
Change in prepayments and recoverable taxes	18	(55)	147
Change in trade and other payables	25	(7,662)	(33,651)
Change in taxes and royalties payable	26	(101,312)	46,377
Net cash inflow from operating activities		**470,021**	**641,069**
Cash flows from investing activities			
Expenditures on oil and gas properties	13	(177,531)	(47,767)
Interest income received	11	5,825	6,264
Net cash outflow from investing activities		**(171,706)**	**(41,503)**
Cash flows from financing activities			
Distributions to members	20	(350,000)	(500,000)
Repayments on loans and borrowings	21	(782,314)	(384,475)
Proceeds from loans and borrowings	21	750,000	150,000
Interest expense paid	11	(89,957)	(51,303)
Derivatives	27	(5,370)	-
Increase loans to staff	15	(19)	(83)
Net cash outflow from financing activities		**(477,660)**	**(785,861)**
		(179,345)	**(186,295)**
Cash and cash equivalents at the beginning of the year	19	**331,695**	**517,878**
Foreign exchange variation on cash and cash equivalents		(135)	112
Movement over the year		(179,345)	(186,295)
Cash and cash equivalents at the end of the year		**152,215**	**331,695**

The notes on pages 6 to 73 are an integral part of these special purpose consolidated financial statements.

Notes to the special purpose consolidated financial statements for the year ended 31 December 2023

1 Reporting entity

Prime Oil & Gas Coöperatief U.A. ('the Company') is a cooperative with exclusion of liability incorporated and domiciled in The Netherlands, registered at the trade register with number 34224579 as referred to in Article 9 section A of the Trade Register Act 2007. The address of the Company's registered office is Delftse Poort, Tower A – 21st floor, Weena 505, 3013 AL, Rotterdam, The Netherlands.

The special purpose consolidated financial statements of the Company as at and for the year ended 31 December 2023 comprise the figures of the Company and its subsidiaries (jointly referred to as the 'Group' and individually as 'Group entities').

The Group is primarily involved in the exploration and production of oil and gas through its subsidiaries in Nigeria.

On 17 December 2020, the Company's legal form as Dutch private company with limited liability was converted to a Dutch cooperative with excluded liability, where its shareholders became the members of the Company. The legal entity, including the trade registration number, as well as the economic interests and voting rights in the capital of the cooperative did not change resulting from the conversion.

The Group is owned for 50% by PetroVida Holding B.V., Rotterdam, The Netherlands ('Petrovida') and for 50% by BTG Pactual Holding S.à r.l. ('BTG'), a private limited liability company governed and existing under the laws of the Grand Duchy of Luxembourg. The Petrovida financial statements are available for public use at the Chamber of Commerce in The Netherlands, the BTG financial statements at the Luxembourg Trade and Companies Register. Ultimate parent company of Petrovida is Africa Oil Corporation, Vancouver, Canada. BTG is ultimately held by BTG Pactual Holding S.A., Sao Paulo, Brazil, with a minority stake held by Helios Investment Partners, London, United Kingdom, Petralon Energy Limited, Lagos, Nigeria and various other shareholders.

2 Basis of preparation

Statement of compliance and authorisation of special purpose consolidated financial statements

The special purpose consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the International Accounting Standards Board (IFRS IASB). IFRS includes the application of International Financial Reporting Standards, including International Accounting Standards (IAS) and related interpretations of the IFRS Interpretations Committee (IFRICs).

The preparation of special purpose consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the special purpose consolidated financial statements, are disclosed in the note 'Significant accounting judgements, estimates and assumptions'.

The special purpose consolidated financial statements were authorised for issue by the Board of Directors.

Comparative figures

These special purpose consolidated financial statements for the year ended 31 December 2023 were prepared together with the comparative period data for the year ended 31 December 2022. The Group has consistently applied the accounting policies used throughout the periods presented, as if these policies had always been in effect, except for the adjustments described below and in note 3 (New standards and interpretations) to these special purpose consolidated financial statements.

Change of estimate - Depreciation of oil and gas properties

The Group's oil and gas properties consist of both drilling and facility assets, where previously the former assets have been depreciated using the UoP-method over total estimated proved and probable reserves ('2P') and the latter assets on a straight-line basis over the economic useful life of the respective field. To better reflect the consumption pattern of the reserves' economic benefits, the Group decided to apply the UoP-method on the facility asset class as well with effect from 1 January 2023. Based on IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors*, this changed pattern of consumption of economic benefits embodied in an asset is considered an accounting estimate and is therefore to be treated prospectively. The Group's significant accounting policies in note 4 to these special purpose consolidated financial statements have been adjusted accordingly.

Basis of measurement

The special purpose consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The Group uses the successful efforts method of accounting for exploration and development costs.

Going concern

The Directors performed their assessment of the Company's ability to continue as a going concern for at least 12 months from the date of preparation of the special purpose consolidated financial statements and have not identified events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. As such, these special purpose consolidated financial statements have been prepared on a going concern basis.

In assessing the appropriateness of the going concern assumption, management have stress-tested the Group's most recent financial projections to incorporate a range of potential future outcomes by considering the Group's principal risks, further potential downside pressures on oil and gas prices and cash preservation measures, including reduced future operating costs, capital expenditure and distributions to members. Consideration has also been given to climate change and energy transition risk, although any associated material impacts are generally considered of a longer-term nature, outside the five-year business plan period. Therefore, this risk was not assessed as a stress case scenario for the going-concern assumption. However, it is worth noting that key assumptions that underpin the amounts recognised in these special purpose consolidated financial statements, such as future oil and gas prices, discount rates, future costs of decommissioning and tax rates, cover periods beyond five years and do take climate change and energy transition implicitly into account.

The assessment performed confirmed that the Group has adequate cash and other liquid resources to enable it to meet its obligations as they fall due in order to continue its operations during the going concern period.

Functional and presentation currency

(i) *Functional currency*

These special purpose consolidated financial statements are presented in USD, which is the Group's functional currency as the majority of the Group's transactions are denominated in USD.

All financial information presented in USD has been rounded to the nearest thousand (USD'000), except when otherwise indicated.

(ii) Foreign currency

Monetary assets and liabilities denominated in foreign currency are translated into USD at the exchange rates prevailing on balance sheet date. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income' or 'finance costs'. Translation differences related to changes in amortised cost are recognised in profit and loss, and other changes in carrying amount are recognised in other comprehensive income.

At year-end the following rates have been used:

2023: EUR 1 = USD 1.1050

2022: EUR 1 = USD 1.0666

Significant accounting judgements, estimates and assumptions

The preparation of the Group's special purpose consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities at the date of the special purpose consolidated financial statements. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Revisions to accounting estimates are recognised prospectively.

In particular, the Group has identified the following areas where significant judgements, estimates and assumptions are required. Changes in these assumptions may materially affect the financial position or financial results reported in future periods. Further information on each of these areas and how they impact the various accounting policies are described below and in the relevant notes to the special purpose consolidated financial statements.

Judgements

(i) Classification of joint arrangements (Note 4)

The special purpose consolidated financial statements include transactions of non-operated Production Sharing Agreements ('PSAs'). The PSA transactions include the Group's proportionate share of the PSAs assets, liabilities and expenses, with items of a similar nature on a line-by-line basis, from the date that participation in the PSA arrangements commenced.

The Group has applied judgment in determining that it has joint control over the PSAs. This determination recognises that all major decisions outside the original scope of the operations require unanimous approval by at least the Group and one or more of the PSAs partners. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement, such as approval of the capital expenditure program for each year and appointing, remunerating and terminating the key management personnel or service providers of the joint arrangement. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

Classifying the arrangement requires the Group to assess its rights and obligations arising from the arrangement. Specifically, the Group considers:

- The structure of the joint arrangement – whether it is structured through a separate vehicle.
- When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
  - The legal form of the separate vehicle;
  - The terms of the contractual arrangement;
  - Other facts and circumstances (when relevant).

As the Group has a proportionate share of the rights to the PSAs' assets and the obligations for the PSAs' liabilities, it classifies these interests as a Joint Operation under IFRS 11, *Joint Arrangements*, and presents its proportionate share of the assets, liabilities, revenues and expenses on a line-by-line basis in the special purpose consolidated financial statements.

This assessment often requires significant judgement, and a different conclusion on joint control and also whether the arrangement is a joint operation or a joint venture, may materially impact the accounting. If the Group did not have both joint control and a proportionate share of the rights to the PSAs' assets and obligations for the PSAs' liabilities, it would present only its net investment in the PSAs and its proportionate share of the PSAs' net income in the special purpose consolidated financial statements.

(ii) Accounting for leases and joint operations (Note 4)

Where the Group participates in a joint operation, either as a lease operator or non-operator party, determining whether to recognise and whether to measure a lease obligation involves judgement and requires identification of which entity has primary responsibility for the lease obligations entered into in relation to the joint operation's activities.

Where the joint operation (including all parties to that arrangement) has the right to control the use of the identified asset and all parties have a legal obligation to make payments to the third-party supplier, each joint operation participant would recognise its proportionate share of the lease-related balances. This may arise where all parties to an unincorporated joint operation sign the lease agreement, or the joint operation is some sort of entity or arrangement that can sign in its own name.

However, where the Group is the lead operator and the sole signatory such that it is the one with the legal obligation to pay the third-party supplier, it would recognise 100% of the lease-related balances on its balance sheet. The Group would then need to assess whether the arrangement with the non-operator parties contains a sublease. This assessment would be based on the terms and conditions of each arrangement and may be impacted by the legal jurisdiction in which the joint arrangement operates. Regardless of whether there is a sublease or not, the Group, in case it acts as the lead operator, would continue to recognise the lease liability for as long as it remains a party to the arrangement with the third-party supplier and has primary obligation to the lease payments.

(iii) Revenue recognition (Note 5)

Judgement is required in determining when and how much revenue to recognise from contracts with customers. While the Group has determined that all revenue from contracts with customers is earned at a point in time, there is judgement involved in this consideration. Contractual arrangements for the sale of different products or with different terms may result in revenue being recognised over time.

There is also judgement involved in assessing whether the Group is the principal or agent in revenue transactions. In determining that the Group is acting as principal, the terms of the agreements were carefully considered and it was concluded that the Group controls the product before it is transferred to the customer. In alternate arrangements, the Group could be determined to be acting as agent.

Under the terms of existing contracts, the Group has determined that shipping or transportation services are not being provided to the customer, and that the only performance obligations are for the sale of crude oil and natural gas. Judgement is required in determining whether shipping is being provided as a service, and this impacts on the identification of performance obligations, whether all performance obligations are recognised at a point in time or over time, and the overall timing of revenue recognition.

Finally, judgement is required to determine whether the contractual arrangements contain only variable consideration, or also embedded derivatives, and if variable consideration, whether to exercise the constraint.

(iv) Taxes (Note 12)

Judgement is required to determine which arrangements are considered to be a tax on income as opposed to an operating cost. Judgement is also required to determine whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the Group will generate sufficient taxable earnings in future periods in order to utilise recognised deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, oil and gas prices, reserves, operating costs, decommissioning costs, capital expenditure, dividends and other capital management transactions) and judgement about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

In addition, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

(v) Contingencies (Note 31)

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events.

Estimates and assumptions

(i) Hydrocarbon reserve and resource estimates (Notes 13 and 22)

Oil and gas production assets are depreciated on a units-of-production (UoP) basis at a rate calculated by reference to total proved and probable oil and gas reserves ('2P') determined in accordance with the principles contained in the SPE Petroleum Resources Management Reporting System (PRMS) framework.

The Group estimates its commercial reserves based on information provided by reputable independent petroleum engineers, which concerns amongst others the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates.

Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices. The current long-term Brent oil price assumption used in the estimation of commercial reserves is based on the long-term oil price forward curve of Bloomberg L.P. The carrying amount of oil and gas development and production assets at 31 December 2023 is shown in note 13.

As the economic assumptions used may change and, as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Group's reported financial position and results, which include:

- The carrying value of 'Oil and gas properties' (including capitalised asset retirement obligations) of USD 2,097 million (2022: USD 2,545 million) may be affected due to changes in estimated future cash flows.

- Depreciation and amortisation charges in profit and loss may change where such charges are determined using the UoP-method, or where the useful life of the related assets change.
- Provisions for decommissioning amounting to USD 341 million as at 31 December 2023 (2022: USD 328 million) may change where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities.

(ii) Units-of-production depreciation of oil and gas properties (Note 13)

Oil and gas properties amounting to USD 2,097 million (2022: USD 2,545 million) are depreciated using the UoP-method over total estimated proved and probable hydrocarbon reserves ('2P'). This results in a depreciation/amortisation charge that is proportional to the depletion of the anticipated remaining production from the field. The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserve. The calculation of the UoP-rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production based on total estimated proved and probable reserves, or future capital expenditure estimates change. Changes to proved and probable reserves could arise due to changes in the factors or assumptions used in estimating reserves, including the effect on proved and probable reserves of differences between actual commodity prices and commodity price assumptions or unforeseen operational issues.

(iii) Recoverability of oil and gas properties (Note 13)

The Group assesses each asset or cash generating unit (CGU) (excluding goodwill, which is assessed annually regardless of indicators) each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, with reference to total proved and risk-adjusted probable reserves ('2P'), a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. The assessments require the use of estimates and assumptions such as long-term oil prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves (see Hydrocarbon reserves and resource estimates above), operating performance (which includes production and sales volumes), the economic useful lives of the fields, license expiry dates and license renewal fees. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Value in use of oil and gas properties is generally determined as the present value of estimated future cash flows arising from the continued use of the assets, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset/CGU.

Management has assessed its CGUs as being an individual field, which is the lowest level for which cash inflows are largely independent of those of other assets.

(iv) Decommissioning costs (Note 22)

Decommissioning costs will be incurred by the Group at the end of the operating life of some of the Group's facilities and properties. The Group assesses its decommissioning provision, amounting to USD 341 million as at 31 December 2023 (2022: USD 328 million), at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

The provision at reporting date represents management's best estimate of the present value of the future decommissioning costs required, based on cash flows discounted to their present value using a discount rate that reflects current market assessments of the time value of money.

Group's interest in joint arrangements

Except for the Group's licenses in Nigeria, at balance sheet date, all its blocks in former Group entities have been relinquished.

- *Prime 127 Nigeria Limited ('Prime 127')*

Prime 127 currently has a funding interest of 12.4924% (20% of 62.4619%) in the unitised Agbami field. The funding interests of the other partners are: Chevron's company, Star Deep Water Petroleum Limited ('Star'; 49.9695%), Equinor (20.2143%), and Texaco Nigeria Outer Shelf Limited (17.3238%).

Prime 127's current equity interest in the non-unitised part of OML 127 PSA is 8%, while its funding interest is 20%. Although privately held Nigerian company Famfa Oil Limited ('Famfa') is the official operator of the block, the duties of the operator are delegated to Star which has an equity interest of 32% in OML 127 PSA and a funding interest of 80%. Famfa holds the remaining equity interest of 60% in the license. However, cost oil and recovery oil remain 80% and 20% for Star and Prime 127, respectively, as Famfa does not contribute to costs.

As from March 2023, Prime 127 voluntary converted the OML 127 license to operate under the new Petroleum Industry Act. Under the terms of this new fiscal regime, OML 127 is subject to a 30% corporate income tax rate compared to the previous 50% PPT regime. The expiry date of the OML 127 concession is December 2024. However, management is confident that the OML will be renewed in accordance with industry practice.

In 2023, no distributions were made by Prime 127 to its shareholders (2022: USD nil).

- *Prime 130 Nigeria Limited ('Prime 130')*

Prime 130's current equity interest in PML 2/3/4 PSA is 32%, while its funding interest is 40% wherein it carries 40% of 20% (i.e. 8%) share of cost of privately held Nigerian company South Atlantic Petroleum Limited ('Sapetro'), the original owner of the concession. Although Sapetro is the official operator of the block, the duties of the operator are delegated to Total Upstream Nigeria Limited ('Tupni'). Tupni has an equity interest of 48% in PML 2/3/4 PSA and a funding interest of 60%, wherein it carries 60% of 20% (i.e. 12%) share of costs of Sapetro. Sapetro holds the remaining equity interest of 20% in PML 2/3/4 PSA. Other partner in the block is China National Offshore Oil Corporation ('CNOOC'), which has an equity interest of 90% in PML 2/3/4 PSC related to the Akpo field, while Sapetro owns the remaining 10% interest in the PSC.

Prime 130 renewed the OML 130 license, resulting in PML 2/3/4 operating under the terms of the new Petroleum Industry Act as from June 2023. Under the terms of this new fiscal regime, PML 2/3/4 is subject to a 30% corporate income tax rate compared to the previous 50% PPT regime. The expiry date of the renewed OML 130 concession is May 2043.

In 2023, Prime 130 declared USD 280 million dividend to its shareholders (2022: USD 450 million).

- *Petrobras Tanzania Limited ('PETAN')*

Petrobras Tanzania Limited ('PETAN') was incorporated in the United Republic of Tanzania in 2004 and has been engaged in the exploration of offshore oil and gas reserves.

In 2022, PETAN distributed liquidation proceeds of USD 3 million to its shareholders (2021: nil distributions). The Company formally closed its subsidiary in Tanzania in March 2023.

There was no change in the Group's risk associated with interests in the joint arrangements.

3 New standards and interpretations

The International Accounting Standards Board (IASB) has issued certain International Financial Reporting Standards or amendments to these, and the IFRS IC has issued certain interpretations. The impact of changes on the Group's special purpose consolidated financial statements has been assessed.

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued.

Except for the changes below, the Group has consistently applied the accounting policies set out in note 4 to all periods presented in these special purpose consolidated financial statements.

New and amended standards adopted by the Group

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2023.

Although these new standards and amendments applied for the first time in 2023, they did not have a material impact on the 2023 special purpose consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023) – effective date 1 January 2023.

On 23 May 2023, the IASB issued *International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12*. The Board amended the standard to provide timely relief for affected entities, to avoid diverse interpretations of IAS 12 Income Taxes developing in practice, and to improve the information provided to users of financial statements before and after Pillar Two legislation comes into effect.

The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

Pillar Two is intended to enter into force in The Netherlands on 31 December 2023, meaning that a Pillar Two tax filing would be mandatory as of the fiscal year 2024. Since the filing deadline is expected to be 18 months after the fiscal year, the anticipated due date for filing the 2024 tax return is therefore set at 30 June 2026.

As the Group has consolidated revenues in excess of EUR 750 million, it should become in scope of Pillar Two, which means it may become liable to pay a minimum effective rate of tax of 15% in every country in which it operates. For that reason, the Group has performed an assessment of the Group's potential exposure to Pillar Two income taxes for the fiscal year 2024. The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and other information available regarding the projected financial performance of the constituent entities in the Group.

Based on the assessment performed, the Pillar Two effective tax rates in all jurisdictions in which the Group operates are either above 15% or other transitional safe harbour relief applies. As such, the Group may be eligible to apply safe harbour rules during the transition period, allowing a simplified tax calculation and filing for all the years beginning on or before 31 December 2026, but excluding fiscal years ending after 30 June 2028. Management is currently not aware of any circumstances under which this might change. Therefore, the Group does not expect a potential exposure to Pillar Two top-up taxes for the fiscal year 2024. However, it provides additional information on the potential impact of the GloBE Rules in its disclosures to these special purpose consolidated financial statements.

Considering that the Pillar Two rules significantly differ from the local tax and financial accounting determination of income, and regulations become more clear over time, further investigation is required to assess the exact impact of these rules on the Group - in addition to the impact from an organizational and compliance point of view. Therefore, the Group is following up closely with its tax advisor to monitor new developments in this respect.

Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021) – effective date 1 January 2023.

The amendment to *IFRS 17 Insurance contracts* is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

As this Standard is not considered applicable to the Group's current activities and transactions, there is no material impact on the Group's figures or accounting policies from the adoption of this Standard with effect from 1st January 2023.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021) – effective date 1 January 2023.

For some transactions, IFRS Standards require the simultaneous recognition of an asset and a liability. A consequence is that IAS 12 could also require the recognition of offsetting temporary differences. Before the amendments, it was not clear whether IAS 12 required recognition of deferred taxes for these temporary differences or whether the initial recognition exemption applied. That exemption prohibits an entity from recognising deferred tax assets and liabilities on initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable profit.

The Board amends IAS 12 to provide a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a decommissioning provision and the corresponding decommissioning asset. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognises deferred tax for all temporary differences related to leases and decommissioning obligations and recognises the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Early application of the amendments is permitted.

The Group already recognises deferred taxes in respect of the temporary differences on decommissioning. As such, the adoption of these amendments to IAS 12 do not have a material impact on the Group's figures or accounting policies with effect from 1st January 2023.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021) – effective date 1 January 2023.

The amendments will help companies:

-improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements; and

-distinguish changes in accounting estimates from changes in accounting policies.

Following feedback that more guidance was needed to help companies decide what accounting policy information should be disclosed, the Board issued amendments to *IAS 1 Presentation of Financial Statements* and *IFRS Practice Statement 2 Making Materiality Judgements*. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. To support this amendment, the Board also amended *IFRS Practice Statement 2 Making Materiality Judgements* (Materiality Practice Statement) to explain and demonstrate the application of the 'four-step materiality process' to accounting policy disclosures.

The amendments to IAS 1 will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

As the Group considers that its currently disclosed significant accounting policies do not materially differ from its material accounting policies, there is no material impact on the Group's figures or accounting policies from the adoption of these amendments with effect from 1st January 2023.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021) – effective date 1 January 2023.

The Board has issued amendments to *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The amendments to IAS 8 will be effective for annual reporting periods beginning on or after 1st January 2023, with early application permitted.

As the Group considers that its assessment of changes in accounting policies and changes in accounting estimates, as well as the distinguishment thereof, has been sufficiently adequate in past and present, there is no material impact on the Group's figures or accounting policies from the adoption of these amendments with effect from 1st January 2023.

IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020) – effective date 1 January 2023.

IFRS 17 Insurance Contracts was issued by the Board on 18 May 2017 and is needed to address many inadequacies in the wide range of insurance accounting practices used applying *IFRS 4 Insurance Contracts.*

As this Standard is not applicable to the Group's current activities and transactions, there is no material impact on the Group's figures or accounting policies from the adoption of this Standard with effect from 1st January 2023.

New standards, amendments and interpretations not yet adopted by the Group

The following new standards and amendments to standards and interpretations are not mandatory for 31 December 2023 (IFRS IASB) reporting periods and have - when applicable - not been early adopted in preparing these 2023 special purpose consolidated financial statements.

When applicable, there is no material impact expected on the Group's special purpose consolidated financial statements or accounting policies from the adoption of these standards and amendments to standards and interpretations.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022) – effective date 1 January 2024.

The International Accounting Standards Board (IASB) has issued '*Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)*' with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.

The amendment requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

A seller-lessee applies the amendments retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' to sale and leaseback transactions entered into after the date of initial application.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

There is no material impact expected on the Group's figures or accounting policies from the adoption of these amendments with effect from 1st January 2024.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023) – effective date 1 January 2024.

On 25 May 2023, the IASB issued '*Supplier Finance Arrangements'* Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments*, to add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

The amendments in Supplier Finance Arrangements:

Do not define supplier finance arrangements. Instead, the amendments describe the characteristics of an arrangement for which an entity is required to provide the information. The amendments note that arrangements that are solely credit enhancements for the entity or instruments used by the entity to settle directly with a supplier the amounts owed are not supplier finance arrangements.

Add two disclosure objectives. Entities will have to disclose in the notes information that enables users of financial statements:

-to assess how supplier finance arrangements affect an entity's liabilities and cash flows, and

-to understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

Complement current requirements in IFRSs by adding to IAS 7 additional disclosure requirements about:

-the terms and conditions of the supplier finance arrangements;

-for the arrangements, as at the beginning and end of the reporting period:

a) the carrying amounts of financial liabilities that are part of the arrangement and the associated line item presented;

b) the carrying amount of financial liabilities disclosed under a) for which suppliers have already received payment from the finance providers;

c) the range of payment due dates (for example, 30 to 40 days after the invoice date) of financial liabilities disclosed under a) and comparable trade payables that are not part of a supplier finance arrangement; and

-the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of the arrangement.

The IASB decided that, in most cases, aggregated information about an entity's supplier finance arrangements will satisfy the information needs of users of financial statements.

Add supplier finance arrangements as an example within the liquidity risk disclosure requirements in IFRS 7.

An entity applies the amendments to IAS 7 for annual reporting periods beginning on or after 1 January 2024 (with earlier application permitted) and the amendments to IFRS 7 when it applies the amendments to IAS 7.

Supplier financial arrangements, also known as reverse factoring arrangements, allow an entity to manage working capital more efficiently, often in conjunction with a program with a bank (or other financial institution). The program serves two purposes:

-to act as the company's paying agent and pay the company's suppliers on its behalf on the date the payables are due; and

-to provide liquidity to the company's suppliers seeking payment before the due date (i.e., factoring or discounting programs).

Supplier financing arrangements contain provisions that may require a company to present these liabilities separately from its trade payable. This could have an impact on an entity's debt covenants and leverage ratios. Additionally, the statement of cash flows may also be impacted.

There is no material impact expected on the Group's figures or accounting policies from the adoption of these amendments with effect from 1st January 2024.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020 and 15 July 2020 respectively) and Non-current Liabilities with Covenants (issued on 31 October 2022) – effective date 1 January 2024.

On 23 January 2020, the IASB issued *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)* providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.

The amendments affect only the presentation of liabilities in the statement of financial position; not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items.

They clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability. They further clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and are to be applied retrospectively. Earlier application is permitted.

More in detail, the amendments clarify:

What is meant by a right to defer settlement

The Board addressed the original request for clarification by removing 'unconditional' in the Standard which states that a liability is current if an entity 'does not have an unconditional right to defer settlement of the liability for at least twelve months'. The Board explained that a right to defer settlement is rarely unconditional, as such rights often are conditional on compliance with covenants. Therefore, the Board decided that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. As such, a right conditional on compliance with covenants in future periods is considered 'unconditional' if the entity is in compliance with those conditions at the end of the reporting period.

That a right to defer must exist at the end of the reporting period

The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date.

That classification is unaffected by the likelihood that an entity will exercise its deferral right.

The Board also considered whether events after the reporting period, such as breaches of covenant or early repayments by the entity, would affect the classification of the liability. IAS 1.75A has been added to clarify that the 'Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period'. Therefore, any expectations about events after the reporting period (and prior to the authorisation of financial statements) do not impact the assessment made at the end of the reporting period as to the classification of the liability. Thus, although management may intend to settle a financial liability shortly after the end of the reporting period, as long it has a right to defer settlement for at least twelve months, the liability is classified as non-current. This applies even if settlement has occurred when the financial statements are authorised for issuance. It should be noted, however, that there may be disclosure requirements in accordance with IAS 10 *Events after the reporting period* relating to the change in circumstances of the liability, such as a settlement of the liability.

That, only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification.

In cases where a conversion option is classified as a liability or part of a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current. Only if the conversion option itself is classified as an equity instrument would settlement by way of own equity instruments be disregarded when determining whether the liability is current or non-current. Unchanged from the current standard, a rollover of a borrowing is considered the extension of an existing liability and is therefore not considered to represent 'settlement'.

On 31 October 2022, the IASB published *Non-current Liabilities with Covenants (Amendments to IAS 1)* to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

IAS 1 requires an entity to classify debt as non-current only if the entity can avoid settling the debt in the 12 months after the reporting date. However, an entity's ability to do so is often subject to complying with covenants. For example, an entity might have long-term debt that could become repayable within 12 months if the entity fails to comply with covenants in that 12-month period.

The amendments to IAS 1 specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require an entity to disclose information about these covenants in the notes to the financial statements.

The IASB expects the amendments to improve the information an entity provides about long-term debt with covenants by enabling investors to understand the risk that such debt could become repayable early. The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with early adoption permitted.

There is no material impact expected on the Group's figures or accounting policies from the adoption of these Amendments with effect from 1st January 2024.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023) – effective date 1 January 2025.

Amendments to *IAS 21 The Effects of Changes in Foreign Exchange Rates* require entities to provide more useful information in their financial statements when a currency cannot be exchanged into another currency.

The amendments respond to stakeholder feedback and concerns about diversity in practice in accounting for a lack of exchangeability between currencies. The amendments will help entities and investors by addressing a matter not previously covered in the accounting requirements for the effects of changes in foreign exchange rates.

The amendments specify: (a) when a currency is exchangeable into another currency and, consequently, when it is not; (b) how an entity determines the exchange rate to apply when a currency is not exchangeable; and (c) the information an entity provides when a currency is not exchangeable.

IAS 21 generally requires the use of a spot exchange rate when an entity reports foreign currency transactions or a foreign operation's results and financial position in its financial statements. A spot exchange rate is the exchange rate for immediate delivery. IAS 21 specifies the exchange rate to use in reporting foreign currency transactions when exchangeability between two currencies is temporarily lacking.

These amendments will require companies to apply a consistent approach in assessing whether a currency can be exchanged into another currency and, when it cannot, in determining the exchange rate to use and the disclosures to provide.

The amendments will become effective for annual reporting periods beginning on or after 1 January 2025. Early application is permitted.

There is no material impact expected on the Group's figures or accounting policies from the adoption of these amendments with effect from 1st January 2025.

4 Significant accounting policies

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

These policies have been consistently applied to all the years presented, unless stated otherwise.

The Group has consistently applied the following accounting policies to all years presented in these special purpose consolidated financial statements.

Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Where the Group has less than a majority of the voting, or similar, rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit and loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

(ii) Business combinations and goodwill

Business combinations are accounted for using the acquisition method as at acquisition date, which is the date on which control is transferred to the Group.

The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest (NCI) in the acquiree.

Acquisition related costs are expensed as incurred and included in administrative expenses as part of 'Other operating expenses', except if related to the issue of debt or equity securities.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Those petroleum reserves and resources that are able to be reliably measured are recognised in the assessment of fair values on acquisition. Other potential reserves, resources and rights, for which fair values cannot be reliably measured, are not recognised.

If the business combination is achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9, '*Financial Instruments*', is measured at fair value with changes in fair value recognised either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit and loss immediately. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for NCI over the fair value of the identifiable net assets acquired and liabilities assumed. If the fair value of the identifiable net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit and loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill forms part of a CGU and part of the operation in that unit or location is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

(iii) Non-controlling interests ('NCI')

NCI are measured at their proportionate share of the investment's identifiable net assets at the acquisition date. Adjustments to NCI arising from transactions that do not involve loss of control are based on a proportionate amount of the net assets of the investment.

(iv) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit and loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset, depending on the level of influence retained. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(v) Interests in joint arrangements

IFRS defines a joint arrangement as an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

A *joint operation* is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.

These special purpose consolidated financial statements include transactions of non-operated Production Sharing Agreements ('PSAs') that classify as joint operations.

Where the Group's activities are conducted through joint operations, the Group recognises its share of the jointly held assets and liabilities it has incurred, its share of any liabilities jointly incurred with other venturers, income from the sale or use of its share of the joint operation's output, together with its share of the expenses incurred by the joint operation, and any expenses it incurred in relation to its interest in the joint operation and a share of production.

The Group combines its share of the jointly held assets and liabilities, income and expenses of the joint operation with similar items, line by line, in its special purpose consolidated financial statements.

A *joint venture* is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. The Group's investment in its joint ventures is accounted for using the equity method.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Related parties

The Group considers all legal entities that can be controlled, jointly controlled or significantly influenced to be related parties.

Also, entities which can control the Company are considered a related party, as well as all legal entities that can be controlled, jointly controlled or significantly influenced by the Company's members.

In addition, the Group considers the members of the Board of Directors and Supervisory Board as key management personnel and as related parties as defined by IAS 24.

Revenue recognition

Revenue from contracts with customers is recognised when or as the Group satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. As such, revenue is recognised when control of the goods or service transfers to the customer, it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

The measurement of revenue, when a performance obligation is satisfied, is based on the amount of the transaction price (excluding estimates of variable consideration that are constrained) that is allocated to that performance obligation, excluding discounts, sales taxes, excise duties and similar levies.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. If the Group acts in the capacity of an agent rather than as the principal in a transaction, then the revenue recognised is the net amount of commission made by the Group. The Group has concluded that it is acting as a principal in all of its revenue arrangements, as described below:

(i) *Sales of crude oil and natural gas*

Revenue from the sale of crude oil and natural gas is recognised when control of the goods transfers to the customer. The transfer of control of the crude oil and natural gas sold by the Group usually coincides with title passing to the customer and the customer taking physical possession. This generally occurs when the product is physically transferred into a vessel, pipe or other delivery mechanism.

Crude oil transaction prices under forward contracts are generally based on the agreed contract price plus or minus a premium based on an arithmetical average of the mean in quoted market prices for the previous month of the bill of lading. In most of the Group's forward contracts, the Dated Brent component of the forward price at the time of entering the contract is not fixed, but determined using a trigger pricing mechanism. When the forward price curve falls below a certain trigger price, this mechanism provides an irrevocable instruction to an off-taker to fix the Dated Brent price component of a cargo. The trigger price is based on a percentage of the Brent forward curve at the time the instruction was given for the month of the expected lifting. If the forward price curve does not fall below that threshold, the respective cargo is sold at spot.

The performance obligation is satisfied and payment is due upon delivery, FOB, to the buyer. At this point in time, at the bill of lading date, a trade receivable is recognised and there are generally 30 days between revenue recognition and payment. There are no obligations for returns, refunds, warranties nor other obligations when control has been transferred.

The Group principally satisfies its performance obligations at a point in time and the amounts of revenue recognised relating to performance obligations satisfied over time are not significant.

Revenue from crude oil transactions not covered under forward contracts, arises from the production and lifting of crude oil on an 'entitlements' basis. Under the entitlements method, revenue reflects the Group's share of production under the terms of the relevant production sharing contracts, regardless of which participant has actually made the sale and invoiced the production. This is achieved by applying the following approach in dealing with imbalances between actual sales and entitlements:

- Crude oil entitlement *underlifts* are recognised at the market price of oil at balance sheet date. The excess of product sold during the period over the participant's ownership share of production is recognised by the Group (acting as underlifter) as an asset in Trade and other receivables with a corresponding credit to Cost of Sales. The Group's underlift receivable is the right to receive additional oil from future production without the obligation to fund the production of that additional oil.

- Crude oil entitlement *overlifts* are treated as a purchase of crude oil by the overlifter from the underlifter and are also recognised at the market price of oil at balance sheet date. The excess of product purchased during the period over the participant's ownership share of production is recognised by the Group (acting as overlifter) as a liability in Trade and other payables with a corresponding charge to Cost of Sales. An overlift liability is the obligation to deliver oil out of the Group's equity share of future production.

Revenues resulting from the production of oil under Production Sharing Agreements ('PSAs') is recognised for those amounts relating to the Group's cost recoveries and the Group's share of the remaining production. Sales between group companies are based on prices generally equivalent to commercially available prices.

(ii) Tax oil revenue

According to the production-sharing agreements ('PSAs'), the share of the profit oil ('PPT') to which the government is entitled in any calendar year, in accordance with the PSA, is deemed to include a portion representing the corporate income tax imposed upon and due by the Group.

As the tax oil lifted by the operator on behalf of the Group is sold to 3rd party customers and proceeds are used to settle the Group's tax liabilities, this share of PPT is considered to be within the scope of IFRS 15, '*Revenue from contracts with customers*'. Consequently, this portion of income tax and revenue is presented gross in profit and loss. ITC utilised is recognised as 'Other operating income'.

In Nigeria, in the financial year, the Group started operating under the terms of the Petroleum Industry Act 2021 and, as a result, is now subject to 30% corporate income tax on income derived from its oil and gas operations. The Group is therefore no longer subject to PPT and no longer entitled to ITC. Before conversion, the Group exhausted its unused investment tax credits. Under the terms of the Tertiary Education Trust Fund Act 2011, the Group is also subject to education tax at 3% of assessable profits in Nigeria.

As the Group's income taxes meet the criteria to be treated as an income tax under IAS 12 '*Income Taxes*', these are recorded as a single line item in profit and loss.

(iii) Royalties

Obligations arising from royalty arrangements and other types of taxes that do not satisfy the criteria of IAS 12 '*Income Taxes*' are accrued or paid and included in 'Cost of sales'. This is considered to be the case when the royalties are imposed under government authority and the amount payable is based on physical quantities produced or as a percentage of revenue, rather than taxable income. In some cases, the equivalent amount of royalties is also presented in revenues to differentiate between the portion of revenue lifted by the operator on behalf of the Group to settle the Group's royalty liabilities and the associated royalties as part of 'Cost of sales'. In cases where the Group itself pays for the royalties in cash, these are included in 'Cost of sales' as a single line item.

(iv) Sale of goods

Revenue on the sale of equipment is recognised when the performance obligation is satisfied and payment is due, which is generally upon receipt of the equipment by the buyer. At this point, control of the equipment transfers to the buyer, recovery of the consideration is probable, the associated costs and possible return of the equipment can be estimated reliably, there is no continuing management involvement with the equipment, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

The timing of the transfer of control can however vary depending on the individual terms of the sales agreement. For sales of equipment, usually transfer occurs when the good is delivered to the buyer's warehouse; however, for some international shipments the transfer occurs on loading the goods onto the relevant carrier at the port. Generally, for such goods the buyer has no right of return.

There are generally 30 days between recognition of revenue and payment. Also, given each sale of equipment represents an enforceable contract and all performance obligations are satisfied at that time, there are no remaining performance obligations (unsatisfied or partially unsatisfied) requiring disclosure.

(v) Government grants

The Group recognises an unconditional government grant, such as investment tax credits, in profit and loss as 'Other operating income' when the grant becomes receivable.

Other government grants are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant and are then recognised in profit and loss as 'Other operating income' on a systematic basis, necessary to match them with the costs they are intended to compensate.

In Nigeria, in the financial year, the Group converted to the new fiscal regime under the terms of the Petroleum Industry Act 2021 and, as a result, is therefore no longer subject to PPT and no longer entitled to ITC. Before conversion, the Group exhausted its unused investment tax credits.

Production costs

The costs of producing oil from a developed well are charged to the income statement in the period in which they are incurred. Production costs mainly relate to lifting costs from personnel, material and services from 3rd parties.

Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities; and
- the net gain or loss on hedging instruments that are recognised in profit or loss.

Interest income or expense is recognised using the effective interest method. Interest income mainly relates to earnings on the Group bank accounts and deposits.

When financial assets are impaired, the Group reduces the carrying amounts to their recoverable amounts, being the estimated future cash flow discounted at the original effective interest rate of the instruments and continues unwinding the discount as interest income. Interest income on impaired financial assets is recognised using the original effective interest rate.

Employee benefits

Only for its employees in Nigeria, the Group operates various post-employment schemes, including a defined contribution pension plan and other post-employment plans.

(i) Pension obligations

Under the Group's defined contribution pension plan, the Group pays fixed contributions to a fund held by a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to the employees' service in the current and prior periods.

For its defined contribution plan, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group operates a contributory retirement benefit plan for its employees in accordance with the Pension Reforms Act of 2014. Contributions to the plan are made at 8% of basic, housing and transport allowances for the employees and 11% for the Group. The contribution is paid to a third-party fund manager as agreed with members of the staff. The fund manager renders monthly accounts to members of staff.

(ii) Gratuity scheme

Lump-sum benefits payable on retirement, termination or resignation of employment are accrued over the service life of the employee concerned. This is a defined benefit plan that defines the amount of gratuity benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of the defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related gratuity obligation. In Nigeria, where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income. The Group's scheme is not funded.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates:

(a) when the Group can no longer withdraw the offer of those benefits; and

(b) when the Group recognises costs for a restructuring that is within the scope of IAS 37, '*Provisions, Contingent Liabilities and Contingent Assets',* and involves the payment of termination benefits.

In case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Remeasurements are recognised in profit and loss in the period in which they arise.

Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(iv) Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

The Group did not grant any share-based payment awards to its Board members and employees.

Income taxes

Income tax expense comprises current and deferred tax. It is recognised in profit and loss, except to the extent that it relates to items recognised directly in equity or in other comprehensive income. In these cases, tax is also recognised directly in equity or in other comprehensive income, respectively.

(i) Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

In the Netherlands, the Group is subject to Dutch corporate income tax at a rate of 25.8% (2022: 25.8%) on taxable profits.

In Nigeria, the Group operates under the terms of Companies Income Tax Act ('CITA') as amended by the Finance Acts 2019, 2020, 2021 and 2023 and the Petroleum Industry Act 2021 and is subject to 30% corporate income tax on income derived from its oil and gas operations. Under the terms of the Tertiary Education Trust Fund Act 2011, the Group is also subject to education tax at 3% (2022: 2.5%) of assessable profits in Nigeria.

Income taxes also include taxes, such as withholding taxes, payable by a subsidiary on distributions to the reporting entity.

As the Group's income taxes meet the criteria to be treated as an income tax under IAS 12, these are recorded as a single line item in profit and loss.

In addition to corporate income taxes, typical exploration and production taxes on the Group's crude oil operations in Nigeria, such as Petroleum Profits Tax ('PPT') at a rate of 50% and related investment tax credits, are disclosed as income taxes. These Nigerian petroleum taxes are provided in accordance with the Petroleum Profits Tax Act ('PPTA') CAP. P13 Vol. 13 LFN 2004. Upon conversion to the terms of the Petroleum Industry Act 2021 in the financial year, the Group is no longer subject to PPT and no longer entitled to ITC. Before conversion, the Group exhausted its unused investment tax credits.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates (and laws) that are expected to be applied to temporary differences when the related deferred income tax asset is realised or the deferred income tax liability is settled, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(iii) Production-sharing arrangements

Before conversion to PIA in the financial year, the rate of petroleum profits tax ('PPT') in Nigeria was 50% for the contract area for companies operating under Production Sharing Contracts ('PSCs') with the Nigerian National Petroleum Corporation ('NNPC'). For some of its qualifying capital expenditure ('QCE'), the Group was entitled to claim an investment tax credit ('ITC') at the rate of 50% of the QCE incurred, either wholly or exclusively or necessarily for the purposes of its petroleum operations.

According to the production-sharing agreements ('PSAs'), the share of the profit oil ('PPT') to which the government was entitled in any calendar year, in accordance with the PSA, was deemed to include a portion representing the corporate income tax imposed upon and due by the Group. As, in some cases, the tax oil lifted by the operator on behalf of the Group was sold to 3rd party customers and proceeds were used to settle the Group's tax liabilities, this share of PPT was considered to be within the scope of IFRS 15, '*Revenue from contracts with customers*'. Consequently, this portion of income tax and revenue has been presented gross in profit and loss. ITC utilised has been recognised as 'Other operating income'.

(iv) Royalties

Obligations arising from royalty arrangements and other types of taxes that do not satisfy the criteria of IAS 12 '*Income Taxes*' are accrued or paid and included in 'Cost of sales'. For further details on royalties refer to item (iii) in section 'Revenue recognition' of these significant accounting policies.

Oil exploration, evaluation and development expenditure

Oil exploration, evaluation and development expenditure is accounted for using the successful efforts method of accounting. Costs are accumulated on a field-by-field basis. For purpose of impairment testing, management has assessed its cash-generating units ('CGUs') as being an individual field, which is the lowest level for which cash inflows are largely independent of those of other assets.

Capitalised expenditure relating to the Group's carried interest is recorded in line with the Group's accounting policy. Cost recoveries made out of production from the carried interest are credited to the appropriate asset.

(i) Pre-licence costs

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

(ii) Licence and property acquisition costs

Exploration licence and leasehold property acquisition costs are capitalised in intangible assets as part of 'Exploration and evaluation assets'. Licence and property acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing.

If no future activity is planned or the licence has been relinquished or has expired, the carrying value of the licence and property acquisition costs is written off through profit and loss.

Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to 'Oil and gas properties' and classified as development and production assets. Other than licence costs, no amortisation is charged during the exploration and evaluation phase.

(iii) Exploration and evaluation costs

Exploration and evaluation activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Once the legal right to explore has been acquired, costs directly associated with an exploration well are capitalised as exploration and evaluation intangible assets until the drilling of the well is complete and the results have been evaluated. These costs include directly attributable employee remuneration, materials and fuel used, rig costs and payments made to contractors.

Geological and geophysical costs are recognised in profit and loss as incurred.

If no potentially commercial hydrocarbons are discovered, the exploration asset is written off through profit and loss as a dry hole. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), are likely to be capable of being commercially developed, the costs continue to be carried as an intangible asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalised as an intangible asset.

All such capitalised costs are subject to technical, commercial and management review, as well as review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery. Exploration costs capitalised in respect of exploration wells that are more than 12 months old are written-off, unless (a) proved reserves are booked, or (b.1.) commercially producible quantities of reserves have been found and (b.2.) the wells are subject to further exploration or appraisal activity in that either drilling or additional exploratory wells is underway or firmly planned for the near future or other activities are being undertaken to sufficiently progress the assessing of reserves and the economic and operating viability of the project. When this is no longer the case, the costs are written off through profit and loss.

When proved reserves of oil and natural gas are identified and development is sanctioned by management, the relevant capitalised expenditure is first assessed for impairment and (when required) any impairment loss is recognised, then the remaining balance is transferred to 'Oil and gas properties' and classified as development and production assets. Other than licence costs, no amortisation is charged during the exploration and evaluation phase.

For exchanges or parts of exchanges that involve only exploration and evaluation assets, the exchange is accounted for at the carrying value of the asset given up and no gain or loss is recognised.

(iv) Farm in / outs in the exploration and evaluation phase

A farm in / farm out is when the owner of a working interest (the farmor) transfers all or a portion of its working interest to another party (the farmee) in return for the farmee's performance of some agreed upon action. If the farmee agrees to undertake exploration, drill well(s), or develop the property, the farmor transfers all or a portion of the working interest in the property to the farmee.

The Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained.

Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal in 'Other operating income'.

Oil and gas properties

Oil and gas properties are aggregated exploration and evaluation tangible assets, and development expenditures associated with the production of proved and probable reserves. Development expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within 'Oil and gas properties'. These assets are depreciated/amortised on a unit-of-production ('UoP') basis over the total proved and probable reserves ('2P') of the field concerned from the commencement of production, taking into account future development expenditures necessary to bring those reserves into production.

(i) Initial recognition

Oil and gas properties are stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and, for qualifying assets, borrowing costs.

Qualifying assets are those that necessarily take a substantial period of time to build and from which future benefits accrue to the Group. Capitalisation continues up to the date that all the substantial activities necessary to get the asset ready for its intended use are complete.

Capitalised expenditure relating to the Group's carried interest is recorded in line with the Group's accounting policy. Cost recoveries made out of production from the carried interest are credited to the appropriate asset category.

The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. The carrying amount of the replaced part is derecognised.

When a development project moves into the production stage, the capitalisation of certain construction/development costs ceases and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to oil and gas property asset additions, improvements or new developments.

(ii) Depreciation/amortisation

Oil and gas properties are depreciated/amortised 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 the total proved and probable reserves ('2P') at the end of the period plus the production in the period, on a field-by-field basis.

Costs used in the unit of production calculation comprise the net carrying amount of capitalised costs plus the estimated future field development costs. Changes in the estimates of reserves or future field development costs are dealt with prospectively.

Oil and gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the field storage tank.

Rights and concessions are depleted on the unit-of-production basis over the total proved and probable reserves of the relevant area.

(iii) Major maintenance, inspection and repairs

Expenditure on major maintenance refits, inspections or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset, that was separately depreciated and is now written off, is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalised. Where part of the asset replaced was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset(s) which is immediately written off. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. All other day-to-day repairs and maintenance costs are expensed as incurred.

(iv) Development and production asset swaps

Exchanges of development and production assets are measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. The cost of the acquired asset is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. Where fair value is not used, the cost of the acquired asset is measured at the carrying amount of the amount given up. A gain or loss is recognised on the difference between the carrying amount of the asset given up and the fair value of the asset received in profit and loss.

(v) Farm in / outs outside the exploration and evaluation phase

In accounting for a farm-out arrangement outside the exploration and evaluation phase, the Group:

- Derecognises the proportion of the asset that it has sold to the farmee.
- Recognises the consideration received or receivable from the farmee, which represents the cash received and/or the farmee's obligation to fund the capital expenditure in relation to the interest retained by the farmor.
- Recognises a gain or loss on the transaction for the difference between the net disposal proceeds and the carrying amount of the asset disposed of. A gain is only recognised when the value of the consideration can be determined reliably. If not, then the Group accounts for the consideration received as a reduction in the carrying amount of the underlying assets.
- Tests the retained interests for impairment if the terms of the arrangement indicate that the retained interest may be impaired.

The consideration receivable on disposal of an item of property, plant and equipment or an intangible asset is recognised initially at its fair value by the Group. However, if payment for the item is deferred, the consideration received is recognised initially at the cash price equivalent.

The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue.

Any part of the consideration that is receivable in the form of cash is treated as a definition of a financial asset and is accounted for at amortised cost.

Other property, plant and equipment

(i) Initial recognition

Other property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses. This category includes cost of movable assets, which are also allocated over the other asset categories, depending on the phase of the Group's operations.

An item of 'Other property, plant and equipment' is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit and loss when the asset is derecognised.

(ii) Depreciation/amortisation

Depreciation and amortisation are provided at different rates, calculated to write-off the cost less estimated residual value of each asset on a straight-line basis over its productive life:

Plant and equipment	20 - $33^1/_3$%
Buildings and improvement	20%

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

Impairment of non-financial assets

Impairment – exploration and evaluation assets

Exploration and evaluation assets are tested for impairment when reclassified to development assets, or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use. For further detail refer to the note 'Significant accounting judgements, estimates and assumptions'.

Impairment – oil and gas production properties

Oil and gas properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use, and is calculated with reference to total proved and risk-adjusted probable reserves ('2P'). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. For further detail refer to the note 'Significant accounting judgements, estimates and assumptions'.

Impairment losses of continuing operations, including impairment of inventories, are recognised in profit and loss in those expense categories consistent with the function of the impaired asset.

For assets, excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed either its recoverable amount, or the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in profit and loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the respective assets. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred.

Where surplus funds are available for a short-term from funds borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalised and deducted from the total capitalised borrowing cost.

Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

Management considers exploration and evaluation assets non-qualifying assets, unless they meet the 'probable economic benefits' test. Any related borrowing costs incurred during this phase are recognised in profit and loss in the period in which they are incurred.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The classification of a financial assets depends on the business model of an entity and on the cash flows associated with each financial asset.

The classification of a financial liability depends on the purpose for which the financial liability was acquired.

Management determines the classification of the Group's financial assets and liabilities at initial recognition.

Financial assets

(i) Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through OCI, or fair value through profit or loss, as appropriate.

The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient for contracts that have a maturity of one year or less, are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI-test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

(ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

(a) Financial assets *at amortised cost* (debt instruments)

(b) Financial assets *at fair value through OCI with recycling* of cumulative gains and losses (debt instruments)

(c) Financial assets designated *at fair value through OCI with no recycling* of cumulative gains and losses upon derecognition (equity instruments)

(d) Financial assets *at fair value through profit or loss*

The Group currently holds an Asian put option for one million barrels of oil that is designated as a financial asset at fair value through profit or loss.

(a) Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Interest received is recognised as part of finance income in the statement of profit or loss and other comprehensive income. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at amortised cost are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

The Group's financial assets at amortised cost include 'trade and other receivables'.

(b) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI.

Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

(c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

(d) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, e.g., derivative instruments, financial assets designated upon initial recognition at fair value through profit or loss, e.g., debt or equity instruments, or financial assets mandatorily required to be measured at fair value, i.e., where they fail the SPPI-test. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that do not pass the SPPI test are required to be classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

A derivative embedded in a hybrid contract with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if:

- the economic characteristics and risks are not closely related to the host;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and
- the hybrid contract is not measured at fair value through profit or loss.

Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

(iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(iv) Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a *12-month ECL*). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a *lifetime ECL*).

For trade receivables and other receivables due in less than 12 months, the Group applies the simplified approach in calculating ECLs, as permitted by IFRS 9. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For any other financial assets carried at amortised cost (which are due in more than 12 months), the ECL is based on the 12-month ECL.

The 12-month ECL is the proportion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

The Group considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and trade and other payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings, including bank overdrafts.

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.

The Group currently does not have any financial liabilities at fair value through profit or loss.

(b) Loans and borrowings and trade and other payables

After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised, as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

This category generally applies to interest-bearing 'loans and borrowings' and 'trade and other payables'. These are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

(c) Derivatives designated as hedging instruments in an effective hedge

For recognition and measurement of the Group's derivatives designated as hedging instruments in an effective hedge, if any, refer to the section *Derivative financial instruments and hedge accounting*.

(iii) Derecognition

A financial liability is derecognised when the associated obligation is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss and other comprehensive income.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivative financial instruments and hedge accounting

The Group is exposed to certain risks relating to its ongoing business operations. The primary risk managed using derivative instruments is commodity price risk.

The Group uses forward commodity contracts at variable pricing to hedge its commodity price risk. On the forward commodity contracts hedge accounting is not considered applicable as the own-use exception applies: the Group does not enter into physical oil contracts other than to meet the Group's expected sales requirements. These arrangements therefore fall outside the scope of IFRS 9 and are classified as normal sales contracts that are accounted for on an accrual basis.

The Group's derivative financial instruments, such as the Asian put option, are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value, with subsequent changes in fair value recognised in profit and loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is either:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within 12 months after the reporting period;
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when either:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period;
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as non-current.

Inventories

Inventories mainly comprise materials. These are stated at the lower of cost and net realisable value. Purchase cost includes costs of bringing material inventory to their present location and condition, including freight and handling charges. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

If carrying value exceeds the net realisable amount, a write down is recognised. The write-down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Trade receivables

Trade receivables are amounts due from customers for crude oil and gas sold or services performed in the ordinary course of business and represent the Group’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

Cash and cash equivalents

Cash and cash equivalents are stated at nominal value. Cash and cash equivalents include cash at hand and bank account balances.

All highly liquid investments with an original maturity of three months or less at date of purchase are considered to be cash equivalents.

In the statement of cash flows, cash and cash equivalents include cash at hand, cash balances with banks, other short-term highly liquid investments with original maturity of three months or less and bank overdrafts.

Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers.

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

(i) General

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

(ii) Decommissioning liability

The Group recognises a decommissioning liability where it has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the field location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related oil and gas properties to the extent that it was incurred by the development/construction of the field.

Changes in the estimated timing of decommissioning or changes to the decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to ‘Oil and gas properties’.

Any reduction in the decommissioning liability and, therefore, any deduction from the ‘Oil and gas properties’ to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is immediately taken to profit and loss.

If the change in estimate results in an increase in the decommissioning liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment in accordance with IAS 36. If, for mature fields, the estimate for the revised value of oil and gas properties net of decommissioning provisions exceeds the recoverable value, that portion of the increase is charged directly to expense.

Over time, the discounted liability is increased for the change in present value based on the discount rate that reflects current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in profit and loss as a finance/accretion cost. The corresponding charge on the asset is amortised using the UoP-method.

The Group recognises a deferred tax asset in respect of the temporary difference on the decommissioning liability and a corresponding deferred tax liability in respect of the temporary difference on the decommissioning asset.

(iii) Environmental expenditures and liabilities

Environmental expenditures that relate to current or future revenues are expensed or capitalised as appropriate. Expenditures that relate to an existing condition caused by past operations and do not contribute to current or future earnings are expensed.

Liabilities for environmental costs are recognised when a clean-up is probable and the associated costs can be reliably estimated. Generally, the timing of recognition of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites.

The amount recognised is the best estimate of the expenditure required. Where the liability will not be settled for a number of years, the amount recognised is the present value of the estimated future expenditure.

(iv) Restructuring provisions

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Historically, restructuring provisions mainly comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Distributions to members

Distributions to the Group's members are recognised as a liability in the special purpose consolidated financial statements in the year in which the distributions are approved by the members.

Consolidated statement of cash flows

The special purpose consolidated statement of cash flows is prepared using the indirect method. Cash flows in foreign currencies are translated at average exchange rates.

Exchange rate differences affecting cash items are shown separately in the statement of cash flows.

Receipts and payments with respect to taxation on profits are included in the cash flow from operating activities.

Interest payments are included in cash flows from financing activities while interest receipts are included in cash flows from investing activities.

Cash flows from derivatives, if any, are recognised in the statement of cash flows in the same category as those of the hedged item.

Operating segment information

The Group is exempted from presenting financial information on its reportable segments under the requirements of IFRS 8 '*Operating segments*'.

5 Revenue

Revenue represents the value of the Group's share of crude oil and natural gas produced in Nigeria, with any excess or deficit of crude oil sold over its entitlement share of production recognised in 'Cost of sales'.

The composition of the Group's revenue from contracts with customers is as follows:

	2023	2022
	USD 1,000	USD 1,000
Crude oil revenue	1,090,676	1,255,349
Gas revenue	16,202	40,680
Crude oil PPT	39,517	109,563
Royalties	15,839	40,745
Total revenue from contracts with customers	**1,162,234**	**1,446,337**

The Group's crude oil production entitlements in barrels is adjusted for non-cash royalties charged on its share of production from OML 127 in the equivalent of USD 16 million (2022: USD 40.7 million). Also refer to note 6 to these special purpose consolidated financial statements.

In 2023, out of total revenue from contracts with customers amounting to USD 1,162 million (2022: USD 1,446 million), an amount of USD 1,091 million (2022: USD 1,255 million) relates to the Group's sales of crude oil to customers pursuant to forward sales contracts at variable pricing. Under the conditions of the RBL agreement, in total 90% of the Group's cargos is to be delivered to one of the lenders.

With effect from July 2018, sellers Sapetro, Tupni and Prime 130 sell their 50% interest of gas available in commercial quantity from OML 130 to the joint-venture of NNPC (60%) and TEPNG (40%) pursuant to the OML 130 PSA Gas Sale and Purchase Agreement ('GSPA'). Total OML 130 PSA gas exported over the year amounts to 71.0 mmbtu (2022: 73.5 mmbtu), on which Prime 130's entitlement share is 32%, or 22.7 mmbtu (2022: 23.5 mmbtu) representing a sales value of USD 16 million (2022: USD 41 million).

In Nigeria, in the financial year, the Group started operating under the terms of the Petroleum Industry Act 2021 ('PIA') and, as a result, became subject to 30% corporate income tax on income derived from its oil and gas operations. As of the respective conversion dates, the Group is therefore no longer subject to PPT and no longer entitled to ITC. Before conversion, the Group exhausted its unused investment tax credits (also refer to note 7 to these special purpose consolidated financial statements). The share of the profit oil ('PPT') to which the Nigerian government is entitled in any calendar year in accordance with the production-sharing agreements ('PSA'), is deemed to include a portion representing the corporate income tax imposed upon and due by the Group.

As the tax oil lifted by the operator on behalf of the Group is sold to 3rd party customers and proceeds are used to settle the Group's tax liabilities, this share of PPT is considered to be within the scope of IFRS 15. Consequently, this portion of income tax and revenue, which relates to Prime 127, is presented gross in the income statement.

Remaining PPT due by Prime 130 in the financial year, as well as corporate income tax due by both Prime 127 and Prime 130, have been paid in cash and are therefore recorded as single line items in profit and loss. Also refer to note 12 to these special purpose consolidated financial statements.

Obligations arising from royalty arrangements and other types of taxes that do not satisfy the criteria of IAS 12 '*Income Taxes*' are accrued or paid and included in 'Cost of sales'. This is considered to be the case when the royalties are imposed under government authority and the amount payable is based on physical quantities produced or as a percentage of revenue, rather than taxable income.

Before conversion to PIA, the equivalent amount of royalties incurred by Prime 127 was also presented in revenues to differentiate between the portion of revenue lifted by the operator on behalf of the Group to settle the Group's royalty liabilities and the associated royalties as part of 'Cost of sales'.

In cases where the Group itself pays for the royalties in cash, these are included in 'Cost of sales' as a single line item. Also refer to note 6 to these special purpose consolidated financial statements.

6 Cost of sales

	2023	2022
	USD 1,000	USD 1,000
Production costs	150,960	154,127
Royalties	61,715	92,683
Cost from overlift	30,462	8,056
(Income)/cost from underlift	(6,884)	38,757
Depreciation	361,722	262,745
Total cost of sales	**597,975**	**556,368**

Production costs mainly relate to lifting costs from personnel, material and services from 3rd parties.

Obligations arising from royalty arrangements are considered not to satisfy the criteria of IAS 12 *'Income Taxes'* as the royalties charged are imposed under government authority and the amount payable is based on physical quantities produced rather than taxable income. Royalties have been charged on the Agbami field in the amount of USD 22 million (2022: USD 41 million) and on the Akpo field in the amount of USD 40 million (2022: USD 52 million), out of which USD 1 million (2022: USD 1 million) relates to royalties charged on natural gas. The Egina field benefits from a royalty holiday covering a 5-year period since first-oil. Therefore, as of January 2024, PIA royalties will also be charged on the oil and gas production from this field.

The excess of crude oil purchased during the year over its entitlement share of production is recognised by the Group (acting as overlifter) as a liability in Trade and other payables with a corresponding charge to 'Cost of sales'. An overlift liability is the obligation to deliver oil out of the Group's equity share of future production. The cost from overlift in the amount of USD 30 million concerns the negative net impact on income from the recognition of overlift payables of USD 47 million per balance sheet date, partially offset by the reversal of prior year overlift balances amounting to USD 17 million. Also refer to note 25 to these special purpose consolidated financial statements.

The Group's result from underlift is the revenue recognised on the right to receive additional oil from future production without the obligation to fund the production of that additional oil. The Group considers underlift transactions outside the scope of IFRS 15 as the counterparty to the transactions does not meet the definition of a customer and the Group has not received output from the joint operation beyond sales made by it to its customers. Consequently, underlift balances are recorded as a receivable from partners, within 'Trade and other receivables', with a corresponding credit to 'Cost of sales'. The income from underlift in the amount of USD 7 million concerns the recognition of underlift receivables of USD 41 million and receivables with partners, net of USD 11 million per balance sheet date, partially offset by the negative net impact on income from the reversal of prior year underlift balances amounting to USD 45 million. Also refer to note 17 to these special purpose consolidated financial statements.

Depreciation relates to the Group's producing oil and gas properties in Nigeria.

Total depreciation in 2023 amounted to USD 361,843 thousand (2022: USD 262,865 thousand), of which USD 361,722 thousand (2022: USD 262,745 thousand) related to the Group's oil production assets in Nigeria and USD 121 thousand (2022: USD 120 thousand) to other asset categories. These latter expenses are included in 'Other operating expenses' (also refer to note 10 to these special purpose consolidated financial statements).

7 Other operating income

	2023 USD 1,000	2022 USD 1,000
Investment tax credits utilised	24,709	112,280
Other operating income	-	530
Total other operating income	**24,709**	**112,810**

For some of its qualifying capital expenditure ('QCE'), the Group is entitled to claim an investment tax credit ('ITC') at the rate of 50% of the QCE incurred, either wholly or exclusively or necessarily for the purposes of its petroleum operations. This is a government tax credit which can be offset with Petroleum Profit Tax ('PPT') and serves as an incentive for investments in the exploration of oil and gas in the deep offshore waters of Nigeria.

As of the respective conversion dates, the Group is therefore no longer subject to PPT and no longer entitled to ITC. Before conversion, the Group exhausted its unused investment tax credits. The Group recognised investment tax credits of USD 25 million (2022: USD 112 million) as 'Other operating income'.

The movement in the Group's available investment tax credits is as follows:

	2023 USD 1,000	2022 USD 1,000
At 1 January	-	104,382
Investment tax credits generated	24,709	7,898
Investment tax credits utilised	(24,709)	(112,280)
At 31 December	-	-

As at 31 December 2023, the Group does not have available any unclaimed investment tax credits carry forward (2022: nil).

There were no unfulfilled conditions or contingencies during the year.

8 Exploration expenses

	2023 USD 1,000	2022 USD 1,000
Other exploration expenses	2,324	2,687
Total exploration expenses	**2,324**	**2,687**

Other exploration expenses in 2023, amounting to USD 2 million (2022: USD 3 million), relate to the Group's exploration activities in Nigeria and do not include costs for dry wells.

Exploration expenses were mainly paid to operators, through cash calls, for seismic and other exploratory expenses.

9 Impairment charges oil and gas properties

	2023	2022
	USD 1,000	USD 1,000
Impairment charges - Oil and gas properties	263,282	82,325
Total impairment charges	**263,282**	**82,325**

Impairments related to the Prime 130 oil and gas properties in Nigeria amounted to USD 263,282 thousand (2022: USD 83,325 thousand) and were mainly caused by an increase in the discount rate, a decrease in the price curve and from changes in the technical assumptions in OML 130.

In prior year, the impairment resulted from the impact on investment plans and asset valuations from a delay in the infill drilling program due to late arrival of a drilling rig and a reduction in the expected recovery of the Egina field. Also refer to note 13 to these special purpose consolidated financial statements.

10 Other operating expenses

	2023	2022
	USD 1,000	USD 1,000
Staff cost	8,188	7,392
NDDC Levy	9,572	5,885
Sales expenses	4,676	2,959
Other operating expenses	10,840	14,589
Total other operating expenses	**33,276**	**30,825**

NDDC Levy concerns Niger Delta Development Commission imposed by a regulatory body in Nigeria to fund the sustainable development of the Niger Delta region.

Staff cost

	2023	2022
	USD 1,000	USD 1,000
Wages and salaries	7,017	5,217
Pension costs - defined benefit plan	25	929
Other employee benefits	1,146	1,246
Total staff costs	**8,188**	**7,392**

Staff costs include an amount of USD 2,563 thousand for remuneration of the Board of Directors (2022: USD 3,348 thousand). An amount of USD 2,328 thousand (2022: USD 3,198 thousand) relates to short-term benefits and USD 235 thousand (2022: USD 150 thousand) to other long-term benefits.

The Supervisory Board members of the Group did not receive any remuneration during the year (2022: USD nil).

	2023	2022
	Number	Number
Administration, HR and IT	5	4
Finance & Commercial	6	7
Legal	3	3
Management	3	2
Technical & Assets	10	11
Average number of employees	**27**	**27**

During the year 2023, the Group's average number of employees calculated on a full-time-equivalent basis amounted to 27 (2022: 27).

In 2023, 15 employees were employed in The Netherlands (2022: 16).

11 Finance income and finance costs

The composition of the Group's finance result is as follows:

	2023	2022
	USD 1,000	USD 1,000
Interest income	5,825	6,264
Other financial income	1,008	227
Total finance income	**6,833**	**6,491**
Interest expense	(68,960)	(56,313)
Accretion expense	(12,957)	(14,210)
Other finance costs	(7,606)	(4,121)
Total finance costs	**(89,523)**	**(74,644)**
Net finance costs	**(82,690)**	**(68,153)**

Interest income relates to income recognised on the Group's bank balances and deposits of USD 5.8 million (2022: USD 6.3 million).

Other financial income of USD 1 million mainly relates to the gain recognised on the Asian put-option. Also refer to note 27 of these special purpose consolidated financial statements.

Interest expense over 2023 amounting to USD 69 million (2022: USD 56 million) relates to interest incurred on the RBL facility in the amount of USD 57 million (2022: USD 40 million) and interest incurred on the PXF facility in the amount of USD 12 million (2022: USD 16 million). Resulting from the refinancing of the RBL facility in the financial year, the aggregated principal balances of these facilities per year-end amount to respectively USD 750 million (2022: USD 501 million) and USD nil million (2022: USD 281 million). Also refer to note 21 of these special purpose consolidated financial statements.

Accretion expense of USD 13 million (2022: USD 14 million) represents the periodic increase of the discounted present value of the decommissioning provision in Nigeria, based on a discount rate that reflects current market assessments and the risks specific to the liability.

Other finance costs of USD 8 million (2022: USD 4 million) mainly relate to amortisation expense on capitalised transaction fees of the RBL facility amounting to USD 4 million (2022: USD 3 million), which includes USD 0.9 million charged to profit and loss upon extinguishment and consequent derecognition of the amended RBL facility and PXF facility. Other finance costs further include commitment fees of USD 3 million (2022: USD 0.6 million).

12 Income tax credit/(expense)

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

Income tax credit/(expense)

In the Netherlands, the Group is subject to Dutch corporate income tax at a rate of 25.8% (2022: 25.8%) on taxable profits.

In Nigeria, the Group operates under the terms of Companies Income Tax Act ('CITA') as amended by the Finance Acts 2019, 2020, 2021 and 2023 and the Petroleum Industry Act 2021 and is subject to 30% corporate income tax on income derived from its oil and gas operations. Under the terms of the Tertiary Education Trust Fund Act 2011, the Group is also subject to education tax at 3% (2022: 2.5%) of assessable profits in Nigeria.

Income taxes also include taxes, such as withholding taxes, payable by a subsidiary on distributions to the reporting entity. At the level of the Company, there are no income tax consequences attached to the payment of distributions to its members.

In addition to corporate income taxes, typical exploration and production taxes on the Group's crude oil operations in Nigeria, such as Petroleum Profits Tax ('PPT') and education tax, are disclosed as income taxes.

Upon conversion to the terms of the Petroleum Industry Act 2021 in the financial year, the Group is therefore no longer subject to PPT and no longer entitled to ITC. Before conversion, the Group exhausted its unused investment tax credits.

The major components of income tax credit/(expense) for the years ended 31 December 2023 and 2022 are:

	2023 USD 1,000	2022 USD 1,000
Corporate income tax		
Income tax Nigeria	133,103	11,336
Income tax Netherlands	1,194	-
	134,297	**11,336**
Other current tax		
Petroleum Profits Tax (PPT)	138,142	590,006
Education tax	21,831	41,684
Withholding tax on dividends	28,000	33,750
	187,973	**665,440**
Total current tax	**322,270**	**676,776**
Deferred tax (see below)	(570,905)	(157,399)
Total tax (credit)/expense in statement of profit or loss and OCI	**(248,635)**	**519,377**

The effective income tax rate was -120% (2022: 63%). In 2023, the statutory income tax rate in The Netherlands was 25.8% (2022: 25.8%).

Income taxes differ from the amount calculated by multiplying the Dutch statutory corporate income tax rate by the profit before income taxes. In the financial year, this is mainly due to the release of deferred tax liabilities, amounting to USD 427 million, upon conversion to PIA in Nigeria, at which moment a reduced corporate income tax rate of 30% became applicable to the Group's oil operations.

In prior year, the effective tax rate mainly deviated from the Dutch statutory corporate income tax rate due to the previously higher applicable rate of Petroleum Profits Tax in Nigeria at 50% for companies operating under Production Sharing Contracts with the Nigerian National Petroleum Corporation.

Current tax assets and liabilities

The current tax liability as at 31 December 2023 in the amount of USD 68 million (year-end 2022: USD 172 million), relates to Petroleum Profits Tax payable of USD 3 million (year-end 2022: USD 119 million), Education tax payable of USD 22 million (year-end 2022: USD 42 million) and USD 43 million (year-end 2022: USD 11 million) Corporate income tax payable, out of which USD 42 million (2022: USD 11 million) relates to Nigeria and USD 1 million (2022: USD nil) to The Netherlands. Also refer to note 26 to these special purpose consolidated financial statements.

Deferred tax assets

The Group has USD 1,233 million (2022: USD 1,259 million) of tax losses carried forward that are indefinitely available for offsetting against future taxable profits. These losses have been incurred mainly from the impairment on license acquisition costs and dry wells in Angola, Benin, Gabon and Namibia, and have been claimed for the years in which the branches ceased operations.

At year-end 2023, resulting from the absence of projected taxable profits in the near foreseeable future, the Company did not recognise a deferred tax asset (2022: USD nil).

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

In its assessment of the Company's future taxable profits over the period of loss carry-forward, management considered both favourable and unfavourable evidence. The focal point in the assessment has been the projected results on concluded forward contracts and final repayments on the long-term intercompany financing contracts between the Company and its Nigerian subsidiaries, thereby reducing interest income. These are considered the most objective evidence in assuming future profitability when assessing the extent to which a deferred tax asset on the Company's cessation losses can be recognised.

On this basis, the Group determined that it currently cannot recognise deferred tax assets on the tax losses carried forward.

Deferred tax liabilities

Deferred tax liabilities are recognised for the timing difference of depreciation on the Group's Nigerian assets for tax purposes (accelerated) compared to accounting purposes.

Of the deferred tax liabilities as at 31 December 2023 of USD 484 million (2022: USD 1,055 million), USD 81 million (2022: USD 78 million) is expected to be recovered within 12 months.

	31 December 2023 USD 1,000	31 December 2022 USD 1,000
Deferred tax liabilities		
- Deferred tax liabilities to be recovered within 12 months	81,302	78,272
- Deferred tax liabilities to be recovered after more than 12 months	403,070	977,005
Total deferred tax liabilities	**484,372**	**1,055,277**

The pre-netting movement on the deferred income tax account is as follows:

	2023 USD 1,000	2022 USD 1,000
Deferred tax assets at 1 January	-	-
Income statement charge	-	-
Deferred tax assets at 31 December	**-**	**-**
Deferred tax liabilities at 1 January	**1,055,277**	**1,212,676**
Income statement credit	(570,905)	(157,399)
Deferred tax liabilities at 31 December	**484,372**	**1,055,277**
Net credit over the year	**(570,905)**	**(157,399)**

In the financial year, the Group renewed the OML 130 license, resulting in OML 130 operating under the terms of the new Petroleum Industry Act 2021 ('PIA') as of June 2023. The Group also voluntary converted the OML 127 license to operate under the PIA as of March 2023. Under these terms, OML 127 and OML 130 are subject to a 30% corporate income tax regime compared to the previous 50% PPT regime, which resulted in the one-time release of USD 427 million of deferred tax liabilities during the year.

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Pillar Two income taxes

The Group did not recognise current tax expense related to Pillar Two income taxes for the financial year.

Pillar Two tax legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates. The legislation will be effective for the Group's financial year beginning 1 January 2024.

The Group is considered to be in scope of the enacted or substantively enacted legislation in 2024 and has performed an assessment of the Group's potential exposure to Pillar Two income taxes in that year.

The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and other information available regarding the projected financial performance of the constituent entities in the Group.

Based on the assessment performed, the Pillar Two effective tax rates in all jurisdictions in which the Group operates are either above 15% or other transitional safe harbour relief applies.

Management is currently not aware of any circumstances under which this might change. Therefore, the Group does not expect a potential exposure to Pillar Two top-up taxes.

13 Oil and gas properties

The composition of and movement in each of the Group's oil and gas asset classes is as follows:

	Asset Retirement Obligation (ARO)	Producing assets under development	Oil and gas producing assets	Oil and gas properties - total
	USD 1,000	USD 1,000	USD 1,000	USD 1,000
Net book values				
At 31 December 2022				
Cost	384,065	13,389	6,448,771	6,846,225
Accumulated depreciation and impairment	(162,536)	-	(4,138,675)	(4,301,211)
Net book value at 31 December 2022	**221,529**	**13,389**	**2,310,096**	**2,545,014**
At 31 December 2023				
Cost	383,547	16,486	6,623,205	7,023,238
Accumulated depreciation and impairment	(195,514)	-	(4,730,701)	(4,926,215)
Net book value at 31 December 2023	**188,033**	**16,486**	**1,892,504**	**2,097,023**
Reconciliation of net book values				
For the year ended 31 December 2022				
At 1 January 2022	33,047	12,231	2,712,268	2,757,546
Additions	-	1,158	46,609	47,767
Revision of decommissioning provision	191,089	-	(106,318)	84,771
Depreciation for the year	(2,607)	-	(260,138)	(262,745)
Impairment charges	-	-	(82,325)	(82,325)
Net book value at 31 December 2022	**221,529**	**13,389**	**2,310,096**	**2,545,014**
For the year ended 31 December 2023				
At 1 January 2023	221,529	13,389	2,310,096	2,545,014
Additions	-	3,097	174,434	177,531
Revision of decommissioning provision	(518)	-	-	(518)
Depreciation for the year	(32,978)	-	(328,744)	(361,722)
Impairment charges	-	-	(263,282)	(263,282)
Net book value at 31 December 2023	**188,033**	**16,486**	**1,892,504**	**2,097,023**

The Group's additions to development and production assets, before adjustments from movements in the decommissioning provisions, of USD 178 million (2022: USD 48 million) relate for USD 9 million (2022: USD 11 million) to the Agbami field (oil producing), for USD 87 million (2022: USD 16 million) to the Akpo field (oil producing), for USD 79 million (2022: USD 20 million) to the Egina field (oil producing) and for USD 3 million (2022: USD 1 million) to the Preowei development field. Expenditures on oil and gas properties on the Akpo and Egina fields include the OML 130 license renewal fee.

Total adjustments from revisions of decommissioning provisions on oil and gas properties, resulting from periodic re-assessment of variables such as projected decommissioning cost per well, discount rates and economic lives of the fields, amounted to net USD 1 million (2022: USD 85 million). Also refer to note 22 to these special purpose consolidated financial statements.

The total number of wells in each of the Agbami, Akpo, Egina and Preowei fields amounts to respectively 45, 55, 38 and 2.

Depreciation expense of USD 362 million (2022: USD 263 million) has been charged to 'Cost of sales'. Any impairment losses and subsequent reversals are presented in a single line item in profit and loss.

Oil and gas production assets are depreciated on a units-of-production basis at a rate calculated by reference to total proved and probable oil and gas reserves ('2P') as determined by reputable independent petroleum engineers in accordance with the principles contained in the SPE Petroleum Resources Management Reporting System (PRMS) framework.

In the financial year, impairment losses in the amount of USD 263 million have been recognised (2022: USD 82 million) on the Group's value in use of the Prime 130 oil production assets in Nigeria. These losses mainly resulted from an increase in the discount rate, a decrease in the price curve and from changes in the technical assumptions in OML 130. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate of 12.5% (2022: 10.74%) for the OML 127 field and the OML 130 fields. In prior year, the impairment resulted from the impact on investment plans and asset valuations from a delay in the infill drilling program due to late arrival of a drilling rig and a reduction in the expected recovery of the Egina field.

The discount rate has been determined based on the appropriate weighted average cost of capital, which considers the cost of equity and the cost of debt of entities with a portfolio of assets, of similar tenure, and comparable debt to equity ratios. Market risk, country risk and segment-specific risk is incorporated by applying individual percentages and beta factors, which are evaluated annually based on publicly available market data. The increase in the post-tax discount rate compared to prior year is mainly attributable to a general increase in interest rates on the capital markets and a decrease of the tax rate from PPT at 50% to corporate income tax at 30%.

Future oil price levels is a key assumption and has significant impact on the net present value. Forecasted oil and gas prices are based on management's estimates and available market data. Information about market prices in the near future can be derived from the futures contract market. The information about future prices is less reliable on a long-term basis, as there are fewer observable market transactions going forward. In the impairment test, oil prices for the period up to 2034 are based on Brent prices as forecasted by Independent Qualified Reserve Engineers (IQRE) Analysis, ranging from USD 78/bbl to USD 96/bbl, and on management's long-term price assumptions thereafter (USD 60/bbl).

Future capex, opex and abandonment cost are calculated based on various technical assumptions, such as expected production profiles and the best estimate of the related cost. The long-term inflation rate is assumed to be 2.5 percent.

Another key assumption with significant impact on net present values are the fields' license expiry dates. Following the 20-year renewal of the OML 130 license in May 2023, the new expiry date of the concession is May 2043. The expiry date of the OML 127 concession is December 2024. However, the Group considered in its impairment test also cashflows beyond this date as management applied for renewal and is confident that the OML will be renewed in accordance with industry practice.

The Group considers the Agbami field (OML 127) as a CGU and the Akpo and Egina field combined (OML 130) as a CGU. The Akpo and Egina field combined are considered as one CGU resulting from the cost recovery mechanism between these fields. As the Group has government approval for cost recovery in the block where both fields are located, this implies that costs incurred on the development of Egina are being recovered from the production of Akpo. The Group therefore considers these fields combined for impairment testing and tax purposes.

A change in the long-term oil price by USD 5/bbl would impact the impairment recognised by approximately USD 110 million.

A change in the post-tax discount rate by 1% would impact the impairment recognised by approximately USD 50 million.

As these illustrative impairment sensitivities assume no changes to other input factors, a further price reduction and/or increase of post-tax discount rate is likely to result in changes in business plans as well as other factors used when estimating an asset's recoverable amount. Changes in such input factors would likely significantly change the actual impairment amount compared to the illustrative sensitivities above.

In the net book value of oil and gas properties, no amount of capitalised borrowing costs is included.

Under the conditions of the refinanced RBL facility, the production assets of the Nigerian entities Prime 127 and Prime 130 are secured. Also refer to note 30 to these special purpose consolidated financial statements.

14 Other property, plant and equipment

The movement in the Group's other property, plant and equipment is as follows:

	Plant and equipment	Buildings and improvement	Total
	USD 1,000	USD 1,000	USD 1,000
At 31 December 2022			
Cost	113	487	600
Accumulated depreciation	(110)	(299)	(409)
Net book value at 31 December 2022	**3**	**188**	**191**
At 31 December 2023			
Cost	113	487	600
Accumulated depreciation	(112)	(418)	(530)
Net book value at 31 December 2023	**1**	**69**	**70**
Reconciliation of net book values			
For the year ended 31 December 2022			
At 1 January 2022	59	252	311
Depreciation for the year	(56)	(64)	(120)
Net book value at 31 December 2022	**3**	**188**	**191**
For the year ended 31 December 2023			
At 1 January 2023	3	188	191
Depreciation for the year	(2)	(119)	(121)
Net book value at 31 December 2023	**1**	**69**	**70**

Plant and equipment amounting to USD 1 thousand (2022: USD 3 thousand) mainly relates to IT and other equipment in the Company's office in The Netherlands.

In 2023 and 2022, no impairments have been recognised.

Buildings and improvement amounting to USD 69 thousand (2022: USD 188 thousand) relate to the capitalised refurbishment expenditure of the leased office in The Netherlands.

At 31 December 2023 and 2022, none of the Group's other property, plant and equipment were subject to a registered debenture or other form of security.

15 Other receivables

The composition of the Group's non-current other receivables is as follows:

	31 December 2023 USD 1,000	31 December 2022 USD 1,000
Loans to employees	445	426
Total other receivables	**445**	**426**

Loans to employees presented are due within one to five years and do not bear interest. The part of the loans that fall due within one year after balance sheet, in the amount of USD 74 thousand (2022: USD 179 thousand), are presented as 'Other receivables' in note 17 to these consolidated financial statements.

16 Inventories

The composition of the Group's inventories is as follows:

	31 December 2023 USD 1,000	31 December 2022 USD 1,000
Materials and supplies	99,566	95,102
Total inventories	**99,566**	**95,102**

Materials and supplies mainly concern goods to be used in the oil production process in Nigeria. Write-downs and reversals, if any, are included in note 10 'Other operating expenses'.

During 2023, there were no inventories written down to net realisable value (2022: USD nil).

17 Trade and other receivables

The composition of the Group's trade and other receivables is as follows:

	31 December 2023 USD 1,000	31 December 2022 USD 1,000
Trade receivables	155,405	86,878
Crude oil underlift	41,413	45,181
Short-term receivables with partners, net	48,217	74,114
Other receivables	248	291
Total trade and other receivables	**245,283**	**206,464**

Trade receivables amounting to USD 155 million (2022: USD 87 million) mainly concern the USD 151 million receivable (2022: USD 81 million) from the sale of one Agbami and one Egina cargo by the Company in December 2023 for which cash was received in January 2024. The balance further includes USD 4 million (2022: USD 6 million) receivable from the joint-venture of NNPC (60%) and TEPNG (40%) pursuant to the OML 130 PSA Gas Sale and Purchase Agreement ('GSPA'). The Group's proceeds from the oil cargos sold are secured under the conditions of the refinanced RBL facility. Also refer to note 30 to these special purpose consolidated financial statements.

The excess of crude oil sold during the year over the Group's ownership share of production is recognised as crude oil underlift within 'Trade and other receivables', with a corresponding credit to 'Cost of sales' (also refer to note 6 to these special purpose consolidated financial statements).

The short-term receivables with partners as at 31 December 2023 and 2022 mainly relate to the Group's share in the receivables of its joint operations in Nigeria.

All receivables are due within one year and no provision for expected credit losses has been recognised (2022: nil).

Information about the Group's exposure to credit and currency risks is included in note 27 to these special purpose consolidated financial statements.

18 Prepayments and recoverable taxes

The composition of the Group's prepayments and recoverable taxes is as follows:

	31 December 2023 USD 1,000	**31 December 2022** USD 1,000
Prepaid expenses	120	81
Recoverable taxes	214	199
Total prepayments and recoverable taxes	**334**	**280**

Prepaid expenses relate to advance payments in The Netherlands and Nigeria (2022: Nigeria).

Recoverable taxes relate to recoverable VAT amounting to USD 0.2 million (2022: USD 0.2 million) from The Netherlands' tax authorities.

19 Cash and cash equivalents

The composition of the Group's cash and cash equivalents is as follows:

	31 December 2023 USD 1,000	**31 December 2022** USD 1,000
Cash at bank and in hand	7,150	63,480
Deposits with banks	145,065	268,215
Total cash and cash equivalents	**152,215**	**331,695**

Cash and cash equivalents include cash at hand, bank account balances and deposits. The majority of the Group's cash and cash equivalents is denominated in US Dollar. Minor balances are held in Euro and Nigerian Naira (NGN).

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and short-term deposits is equal to the nominal value.

The Group only deposits cash surpluses with major banks of high-quality credit standing. Also refer to note 27 to these special purpose consolidated financial statements.

Under the conditions of the RBL (also refer to note 21 to these special purpose consolidated financial statements), the Group provided security over the cash and cash equivalents amounting to USD 152 million that are held within the so-called project accounts in Nigeria and the Netherlands.

20 Equity

Consolidated members' equity consists of equity attributable to the members of Prime Oil & Gas Coöperatief U.A. of USD 490,368 thousand (2022: USD 384,337 thousand).

Equity attributable to the members consists of the following items:

Membership equity interest

As at 31 December 2023, the membership equity interest of sole members BTG (50%) and Petrovida (50%) amounts in total to USD 526,210 thousand (2022: USD 526,210 thousand).

On 17 December 2020, the Company's legal form as Dutch private company with limited liability was converted to a Dutch cooperative with excluded liability, where its shareholders became the members of the Company. The Company's legal entity, including its trade registration number, as well as the economic interests and voting rights in the capital of the cooperative did not change resulting from the conversion.

In accordance with the Articles of Association, each member has the right to withdraw amounts from its membership account, subject to the prior approval of the General Meeting. Such withdrawal or other distribution out of the membership account to a member, can never lead to a negative balance of the respective membership account and can only be done to the extent that the amount of the net assets exceeds the statutory reserves. In the event that a membership of a member terminates, the Company will transfer the positive balance on the respective membership account to the former member.

In accordance with the Member Agreement, the members shall be under no obligation to provide funds to the Company or its subsidiaries by way of debt or equity.

(Accumulated losses)/Retained earnings

As at 31 December 2023, accumulated losses amount to USD 141,873 thousand (2022: accumulated losses of USD 141,873 thousand).

In prior year, retained earnings of USD 17,130 thousand decreased by USD 159,003 thousand to accumulated losses of USD 141,873 thousand. This decrease resulted from the distributions to members of USD 200,588 thousand from retained earnings, partially offset by the appropriation of the 2021 unappropriated result of USD 41,585 thousand to retained earnings.

In June 2023, the Company made distributions to its members of USD 125 million, followed by distributions of USD 125 million in September and USD 100 million in December. These distributions of USD 350 million in total have been allocated in accordance with the respective members' economic interests held (50/50). No further subsequent distributions have been made as to date.

In prior year March, the Company made distributions to its members of USD 200 million, followed by distributions of USD 50 million in May, USD 75 million in June, USD 100 million in September and USD 75 million in October. These distributions of USD 500 million in total have been allocated in accordance with the respective members' economic interests held (50/50).

Unappropriated result

Over 2023, unappropriated result increased by USD 106,031 thousand. This increase resulted from the 2023 unappropriated result of USD 456,031 thousand, partially offset by the distribution of USD 350 million from unappropriated result to members.

In prior year, unappropriated result of USD 41,585 thousand decreased to USD nil from the appropriation of the 2021 result of USD 41,585 thousand to retained earnings. The 2022 profit for the year of USD 299,412 thousand was fully offset by the distribution to members of USD 299,412 thousands.

At the General Meeting, it will be proposed to appropriate the 2023 unappropriated result of USD 106,031 thousand to accumulated losses.

21 Loans and borrowings

The movement and composition of the Group's loans and borrowings is as follows:

	2023	**2022**
	USD 1,000	USD 1,000
Reserve Based Lending principal - 1st January	501,064	866,789
Repayments during the year	(501,064)	(365,725)
Drawdown refinanced Reserved Based Lending	750,000	-
RBL principal - 31st December	**750,000**	**501,064**
(-) Capitalised transaction costs	(11,600)	(1,653)
RBL amortised cost value - 31st December	**738,400**	**499,411**
(-) Reserve Based Lending principal - current	91,486	380,658
(+) Capitalised transaction costs - current	(5,001)	(1,469)
RBL book value 31st December - current	**86,485**	**379,189**
RBL book value 31st December - non-current	**651,915**	**120,222**
Pre-export Financing principal - 1st January	281,250	150,000
Drawdowns during the year	-	150,000
Repayments during the year	(281,250)	(18,750)
PXF principal - 31st December	-	**281,250**
PXF amortised cost value - 31st December	-	**281,250**
PXF book value 31st December - current	-	**41,250**
PXF book value 31st December - non-current	-	**240,000**
Total loans and borrowings - current	**86,485**	**420,439**
Total loans and borrowings - non-current	**651,915**	**360,222**

In December 2022, the Company negotiated the terms of a refinancing related to the amended RBL and PXF facility, which consisted of a new RBL facility agreement on which the Company obtained underwriting commitments from lending institutions in the amount of USD 1,050 million. One of the main conditions precedent prior to closing of this refinancing agreement was the renewal of the OML 130 license, which occurred in June 2023.

The principal bears interest at Term SOFR + 4.00% for the first two years as of closing date, Term SOFR + 4.25% for the years 2025 – 2026 and Term SOFR + 4.50% for the years 2027-2028.

In August 2023, the Company amended the terms of the refinanced RBL facility agreement, adding an accordion feature that enables the facility to be increased to up to USD 1,500 million, subject to certain conditions. Repayment of the facility is to occur in semi-annual instalments over a period of 6 years, starting 20 June 2025, insofar that the outstanding balance of the facility will not exceed the borrowing base amount. The Standard Bank of South Africa Limited is the acting facility agent.

As the Group recognises its loans and borrowings from third parties net of transaction costs incurred, the carrying value of the capitalised transaction cost has been netted on the principal amount of loans and borrowings.

Capitalised transaction costs relate to transaction fees incurred in connection with the signing of the RBL facility and have been capitalised to the extent that it is probable that some or all of the facility will be drawn down. These transaction fees are amortised over the period of the facility to which it relates and are charged to the income statement as 'Other finance cost' (also refer to note 11 to these special purpose consolidated financial statements).

Resulting from the refinancing of the existing RBL and PXF facility, in the financial year USD 782 million has been repaid on remaining principals, whilst USD 750 million has been drawn under the new refinanced RBL facility. Upon repayment of principals and related interest, the amended RBL facility and PXF facility were extinguished and consequently derecognised; the related capitalised agency fees of USD 0.9 million were expensed.

Total 'loans and borrowings, non-current' amounting to USD 652 million (2022: USD 360 million) have a maturity over 1 year, out of which USD nil (2022: USD 25 million) has a maturity over 5 years. Total 'loans and borrowings, current' in the amount of USD 86 million (2022: 420 million) fall due in less than one year.

Over 2023, the Group incurred an amount of USD 64 million as finance costs under the RBL facility (2022: USD 43 million), of which USD 57 million relates to interest expenses over the remaining principal (2022: USD 40 million), USD 4 million as amortisation expense on the capitalised transaction costs (2022: USD 3 million) and USD 3 million (2022: USD nil) as commitment fees for the unused portion of the facility.

Under the term of the PXF facility, the Group incurred an amount of USD 12 million as finance costs (2022: USD 17 million), which relates to interest expenses over the principal (2022: USD 16 million). In prior year, finance costs also included USD 0.6 million for commitment fees. Also refer to note 11 to these special purpose consolidated financial statements.

Under the conditions of the RBL facility, the main security package is comprised of security over the shares, production assets, contracts and rights of the Nigerian entities Prime 127 and Prime 130, cash and cash equivalents in the amount of USD 152 million as per 31 December 2023 that are held within the projects accounts in Nigeria and The Netherlands, proceeds from the oil cargos sold and proceeds from the intercompany receivables between the Company and the Nigerian entities. Further, any and all claims relating to, and all returns of premium in respect of, all relevant insurance policies have been secured. Under the conditions of the agreement, in total 90% of the Group's cargos is to be delivered to one of the lenders.

Also refer to notes 13, 17 and 19 to these special purpose consolidated financial statements.

The conditions of this non-recourse facility are based on the expected present value of future production from the respective Nigerian oil fields, taking account of factors such as the level of reserves, discount rate, the lenders' assumptions for operational and capital expenditure and expected oil price, including any future price hedging employed by the Company.

The Group's capital management is subject to the following main constraints imposed by the financial covenants of the consortium of banks providing the RBL facility:

- quarterly, total net debt to Ebitdax is not above 3.0, and
- quarterly, the 12 month historical Debt Service Coverage Ratio is not below 1.20, and
- quarterly, the Group Liquidity Test demonstrates that there are, or will be, sufficient funds available to the Group to meet all of its expenditure for the successive 12 months, and
- quarterly, the Development Asset Liquidity Test demonstrates that at any time during the development period of an asset, all available cash and projected cash flows for the period exceed the projected development cost and debt commitments in respect of this development period.

As a result of an event of default, debt would become due and payable prior to its specified maturity. However, a breach of the covenants is considered remedied, when it is remedied to the satisfaction of the consortium of banks within 90 days after the quarter in which the breach occurred.

No events of default or breaches of financial covenants occurred at the end of or during the year.

22 Decommissioning liabilities

The movement of the Group's decommissioning liabilities is as follows:

	2023	**2022**
	USD 1,000	USD 1,000
At 1 January	328,100	229,119
Revision recorded as 'Oil and gas properties'	(518)	84,771
Accretion expense	12,957	14,210
At 31 December	**340,539**	**328,100**

The Group makes full provision for the future cost of decommissioning oil production facilities and pipelines, on a discounted basis, on the installation of those facilities.

The decommissioning provision represents the present value of decommissioning costs relating to the Group's oil and gas properties, which are expected to be incurred up to the economic cut-off dates of the Agbami, Akpo and Egina fields, ranging from 2033 to 2044, which is when the producing oil and gas properties are expected to cease operations. These provisions have been calculated based on the cash flow estimates as provided by the operators of the fields.

Although the current expiry date of the OML 127 concession is December 2024, the Group considered in its measurement also cashflows beyond this date as management applied for renewal and is confident that the OML will be renewed in accordance with industry practice.

The decommissioning liabilities per field are as follows:

	2023	2022
	USD 1,000	USD 1,000
Agbami	70,810	69,532
Akpo	168,829	162,048
Egina	100,900	96,520
	340,539	**328,100**

Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend upon future oil and gas prices, which are inherently uncertain.

In the financial year, the Group revised its provision for decommissioning liabilities downwards by USD 0.5 million (2021: upwards by USD 85 million), resulting from periodic re-assessment of variables such as projected decommissioning cost per well, discount rates and economic lives of the fields. This revision has also been adjusted on 'Oil and gas properties'. Refer to note 13 to these special purpose consolidated financial statements.

Accretion expense relates to the periodic increase of the discounted present value of the decommissioning provision is included in finance cost. The discount rate used in the calculation of the provision as at 31 December 2023 ranges from 3.88% to 4.20% (2022: 3.88% to 4.14%), depending on the economic cut-off date of the respective field.

23 Other provisions

Through its ownership in OML 127 in Nigeria, Prime 127 has been a party to a tract participation redetermination process for the Agbami field. The final technical procedure to adjust the tract participation that the OPL 216 and OPL 217 licenses have in the Agbami field was completed in October 2015 with the issuance of the expert decision.

In June 2021, Prime 127 signed a Securitization Agreement with Equinor and Chevron, whereby Equinor agreed to pay a security deposit to the two other partners to secure future payments due under that Securitization Agreement, pending a comprehensive resolution being reached among all unit parties in respect of the tract participation in the Agbami field. In accordance with this agreement, in the same month, Prime 127 received from Equinor its portion of the security deposit in the form of a cash payment of USD 305 million.

A provision for the full cash payment has been recorded by the Group to reflect the mechanism pursuant to which any such imbalance payments due from Equinor to Prime 127 under the terms of any future agreement among the Agbami parties will be set-off against this security deposit. The parties will continue ongoing discussions in an attempt to seek final resolution of the formal redetermination of the Agbami tract participation.

24 Employee benefits

The composition of the Group's non-current employee benefits is as follows:

	31 December 2023 USD 1,000	31 December 2022 USD 1,000
Balance sheet obligations for:		
- Retirement benefits	2,135	3,630
- Other employee benefits	850	425
Liability in the balance sheet	**2,985**	**4,055**

The Group only provides pension plans to its local Nigerian employees. The Group did not grant any share-based payment awards to its Board members and employees. No contributions have been made to defined contributions pension plans for key management personnel.

The charges for retirement benefits included in 'Other operating expenses' are as follows:

	2023 USD 1,000	2022 USD 1,000
Retirement benefits:		
- Current service cost	157	273
- Interest cost	273	473
- F/X (loss)/gain on revaluation	(405)	183
Total pension charges	**25**	**929**

The movement in the retirement benefit obligation is as follows:

	2023 USD 1,000	2022 USD 1,000
At 1 January	3,630	4,069
Benefit paid	(1,520)	(1,368)
Charge for the year, net	25	929
At 31 December	**2,135**	**3,630**

For its staff in Nigeria, the Group operates a defined benefit gratuity and ex-gratia plan. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. This plan is unfunded. The Group meets its benefit payment obligation as it falls due. The defined benefit plans are administered by a single pension fund that is legally separated from the Group. The pension fund manager is required by law to act in the best interests of the plan participants and is responsible for setting certain policies (e.g. investment, contribution and indexation policies) of the fund. At each reporting date, an Asset-Liability Matching (ALM) study is performed by the pension fund's manager in which the consequences of the investment policies are analysed.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk. However, considering the limited number of staff involved, actuarial risks are considered limited.

The amounts recognised in the balance sheet are determined as follows:

	31 December 2023 USD 1,000	31 December 2022 USD 1,000
Present value of unfunded obligation	**2,135**	**3,630**

The significant actuarial assumptions used by external actuary, Alexander Forbes Consulting Actuaries Nigeria Limited, are as follows:

	31 December 2023	31 December 2022
Discount rate (p.a)	15%	14%
Rate of salary increase (p.a)	13%	12%

Assumptions regarding the rate of mortality assumed for employees were published in the A1967/70 Ultimate tables, published jointly by the Institute and Faculty of Actuaries in the UK.

The mortality rates by the Institute of Actuaries has been reduced down by one year to accurately reflect mortality in Nigeria. These assumptions translate into an average life expectancy for a pensioner retiring at 55.

The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows:

Age	**31 December 2023**	**31 December 2022**
Withdrawal from Service		
less than or equal to 30	2.5%	2.5%
31-39	2.0%	2.0%
40-44	1.5%	1.5%
45-55	0.0%	0.0%
Early Retirement		
less than or equal to 30	0.0%	0.0%
31-39	0.0%	0.0%
40-44	0.0%	0.0%
45-55	0.5%	0.5%

25 Trade and other payables

The composition of the Group's trade and other payables is as follows:

	31 December 2023 USD 1,000	31 December 2022 USD 1,000
Trade and other payables	113,139	120,308
Crude oil overlift payable	47,220	16,758
PXF accrued interest payable	-	6,052
RBL accrued interest payable	2,096	117
Total trade and other payables	**162,455**	**143,235**

Trade and other payables mainly relate to the Group's share in the liabilities of its joint operations in Africa, out of which USD 108 million (2022: USD 117 million) relates to the Nigerian joint operations of subsidiaries Prime 127 (USD 22 million; 2022: USD 17 million) and Prime 130 (USD 86 million; 2022: USD 100 million). These balances are connected to the further development of and production from the Agbami field (Prime 127) and Akpo and Egina fields (Prime 130).

The Group's excess of crude oil purchased during the year over its entitlement share of production, is recognised as a crude oil overlift payable balance with a corresponding charge to 'Cost of sales'. An overlift liability is the obligation to deliver oil out of the Group's equity share of future production. At balance sheet date, an overlift payable balance has been recorded in the amount of USD 47 million (2022: USD 17 million). Also refer to note 6 to these special purpose consolidated financial statements.

The total balance of 'Trade and other payables' includes an amount of USD 2 million (2022: USD 0.1 million) for RBL facility interest payable. PXF accrued interest payable has been settled as part of the refinancing of the RBL and PXF facility in the financial year.

All trade and other payables are due within one year. Information about the Group's exposure to currency and liquidity risk is included in note 27 to these special purpose consolidated financial statements.

26 Taxes and royalties payable

The composition of the Group's taxes and royalties payable is as follows:

	31 December 2023 USD 1,000	**31 December 2022** USD 1,000
PPT payable	3,117	119,152
Education tax payable	22,264	41,765
Royalties payable	7,339	4,235
Corporate income tax payable	42,670	11,336
Payroll taxes payable	1,347	1,563
Other taxes payable	195	193
Taxes and royalties payable	**76,932**	**178,244**

Taxes and royalties payable include the Group's liabilities for corporate income tax due on oil and gas in the amount of respectively USD 37 million (2022: USD nil) and USD 5 million (2022: USD 11 million), corporate income tax due in The Netherlands of USD 1 million (2022: USD nil), education tax payable on oil and gas in the amount of respectively USD 22 million (2022: USD 42 million) and USD 0.4 million (2022: USD nil), royalties payable on oil and gas in the amount of respectively USD 6 million (2022: USD 2 million) and USD 1 million (2022: USD 2 million), payroll tax, withholding tax and VAT payable.

The PPT payable balance represents the Group's share of tax oil due in OML 130 per balance sheet date. In past years, PPT oil lifted by the operator in OML 130 on behalf of the Group was sold to 3rd party customers and proceeds were used to settle the Group's tax liabilities. In prior year, Prime 130 however started paying tax oil in cash itself, while being compensated by an equivalent value in oil allocation by the operator. Before the conversion of OML 130 to operate under the PIA, the Group paid in the financial year the larger part of PPT due.

All taxes and royalties payable are due within one year.

27 Risk & capital management and financial instruments

The Group's aim is to create membership value through the exploration and appraisal phase of the exploration and production cycle in Africa and then, at the appropriate time, monetise that value and reinvest proceeds into further exploration activities and maximise returns for the Group's members.

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables and cash and short-term deposits that derive directly from its operations. Depending on developments in market conditions, the Group also enters into derivative transactions.

The Group's activities expose it to a variety of risks and uncertainties: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk, liquidity risk and environmental and legal risk.

27.1 Risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Group's overall risk management programme, which seeks to minimise potential adverse effects on the Group's financial performance.

The corporate risk management policy is carried out by a committee set up by the Supervisory Board of both members to evaluate and establish guidelines for measuring, monitoring, and managing the risks periodically and to support the Board decisions. Representatives of different business areas are convened to discuss specific matters.

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, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in risk profiles and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Risk management is carried out by the finance department under policies approved by the Board of Directors. The department identifies, evaluates, and manages financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken.

The Internal Audit function 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. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the committee that is composed of members of the Board of Directors and Supervisory Board.

The Board of Directors is continuously monitoring the risks of the Group through the risk register. If these risks are expected to be not in line with corporate risk management policy, the Board will discuss these risks with its members. The Board of Directors agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and commodity prices – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Financial instruments affected by market risk include loans and borrowings, deposits and derivative financial instruments.

(i) Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of Group entities. The Group considers it is not exposed to significant risks resulting from fluctuations in foreign currency exchange rates, because its crude oil is sold in US Dollars which is the Group's functional currency and the RBL facility is denominated in US Dollars as well. Foreign exchange variation usually arises as a result of the Group's overhead expenses which constitute a less significant portion of the transactions of the Group. Further, cash balances are primarily held in US Dollars to provide a natural hedge to reflect that the majority of the Group's business is managed and conducted using US Dollars. Small balances are retained in other currencies for local operating and administrative needs to ensure that its net exposure is kept to an acceptable level.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates under the RBL facility.

Management considers the Group's exposure to interest rate risk moderate as, on balance sheet date, the remaining RBL principal amounts to USD 750 million. As such, the Group has substantial floating-rate borrowings which are partially offset by cash held at variable rates. Therefore, a change in interest rates at the reporting date is likely to affect profit and loss of the Group.

As the Group's financing agreements make reference to Secured Overnight Financing Rate (SOFR), management believes that the Group has limited exposure to changes in benchmark interest rates – such as the London Inter-Bank Offering Rate (USD LIBOR), which rate setting references ceased to exist after 30 June 2023. Also refer to note 21 to these special purpose consolidated financial statements. Therefore, management believes that the Group has limited exposure to changes in benchmark interest rates.

The following table demonstrates the sensitivity of the Group's profit before tax from a reasonably possible change in interest rates of the floating rate borrowings (with all other variables held constant). The impact on equity is the same as the impact on profit before tax.

Increase/(Decrease) in interest rate	**Effect on profit before tax 2023** USD 1,000 (Decrease)/Increase	**Effect on profit before tax 2022** USD 1,000 (Decrease)/Increase
+1.5%	(6,063)	(15,092)
-1.5%	6,063	15,092

(iii) Price risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Short-term volatility in oil crude prices is considered to have a limited impact on the Group's result. Longer-term price movements are however impacted by economic events that dictate the levels of supply and demand.

The movement in average realised oil prices would normally impacts the Group's revenues. However, with average realised prices per barrel of USD 84.60 in 2023 compared to USD 84.48 in the same period of the prior year, the impact of price movements on Group's revenues is considered limited.

Sales of crude oil in 2023 have been made to 3rd party customers, with the majority pursuant to forward contracts at variable pricing to ensure stability in cash flows and manage volatility in oil prices. At balance sheet date, six cargos of the Group's expected 2024 cargo entitlement are covered by forward contracts and one cargo by an Asian put option with a strike price of USD 80 per barrel, covering the period between 1 March and 31 May 2024. The average cargo lifted is for 1 million barrels of oil. If the average spot price in that period would fall below the strike price, the Company will be compensated in cash for the difference between the lower average spot price and the strike price. If the average spot price in the period would reach above the strike price, the put option expires and the Company would benefit from the actual higher spot price. Based on the foregoing, the Group considers its exposure to commodity price risk moderate.

Crude oil price sensitivity

The table below summarises the impact on profit before tax for changes in crude oil prices, excluding any hedge accounting impact. The impact on equity is the same as the impact on profit before tax. The analysis is based on the assumption that the average crude oil price moves 10% resulting in a change of USD 8.46/bbl (2022: USD 8.45/bbl), with all other variables held constant. Reasonably possible movements in crude oil prices were determined based on a review of the last years' historical prices and economic forecasters' expectations.

Increase/(Decrease) in crude oil prices	**Effect on profit before tax 2023** USD 1,000 Increase/(Decrease)	**Effect on profit before tax 2022** USD 1,000 Increase/(Decrease)
Increase USD 8.46/bbl (2022: USD 8.45/bbl)	56,426	88,997
Decrease USD 8.46/bbl (2022: USD 8.45/bbl)	(56,426)	(88,997)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers and outstanding receivables and committed transactions to joint venture partners.

The carrying amount of financial assets represents the maximum credit exposure.

(i) Cash and cash equivalents

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Board of Directors on an annual basis. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Group holds cash and cash equivalents of USD 152 million at 31 December 2023 (2022: USD 332 million). The Group's more significant cash and cash equivalents are held with bank and financial institution counterparties, which are rated 'A-1', based on rating agency Standard & Poor's ratings.

(ii) Trade and other receivables

In the financial year, the Group sells its crude oil and natural gas to reputable 3rd party customers with long track records in the industry; it therefore considers credit risk on accounts receivable in general limited. No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance by these reputable counterparties.

An impairment analysis is performed at each reporting date to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of its joint-venture partners. Management therefore carefully considers the factors that may influence the credit risk of these receivables such as the general default risk in the industry and country in which it operates with the joint-venture partners. The Group further mitigates this risk by entering into transactions with long-standing, reputable counterparties and partners.

Under the conditions of the RBL facility, in total 90% of the Group's cargos is to be delivered to one of the lenders. The Group evaluates the concentration of risk with respect to trade and other receivables assets as moderate, as although its limited number of customers are located in several jurisdictions, they operate within the same industries in the same markets.

The table below states the Group's financial assets in relevant maturity groupings at the respective balance sheet dates:

	Neither past due nor impaired	**Within 1 year**	**Total**
	USD 1,000	USD 1,000	USD 1,000
31 December 2023			
Cash and cash equivalent	152,215	-	152,215
Trade and other receivables	245,283	-	245,283
	397,498	-	**397,498**
31 December 2022			
Cash and cash equivalent	331,695	-	331,695
Trade and other receivables	206,464	-	206,464
	538,159	-	**538,159**

Liquidity risk

Liquidity risk of the Group mainly relates to the inability to fund exploration work programmes and excess cost and capital spending. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Weekly review of cash flows, periodical review of working capital and funding options and a prudent approach to budgeting and planning ensure sufficient capital to meet commitments. Further, a formalised annual budget process and ongoing monthly reviews of actuals to budget analysis mitigate the risks of excess cost and capital spending. This is further evidenced by Board approval of the annual work programmes.

As the Group's cash flow generating activities are located in Nigeria, the Group bears a certain level of concentration risk in this geographical area. The Group ensures however that this country risk is effectively identified, measured and managed by using an internal model to determine the risk rating of the country. The model inputs are continually updated to reflect economic and political changes in the country. In determining the rating, the Group's network of operations, country visits and external sources of information are used extensively.

To maintain adequate financial liquidity to meet the Group's business plans, the Group mainly uses forward sales transactions against the downward risk associated with oil price volatility.

Currently, apart from the RBL facility of which all conditions precedent have been met as at 31 December 2023, the Group does not maintain any lines of credit.

The following are the remaining contractual maturities of the Group's financial liabilities at the respective balance sheet dates. The amounts disclosed are the gross and undiscounted contractual cash flows.

	Within 1 year	Between 1 and 5 years	Over 5 years	Total
	USD 1,000	USD 1,000	USD 1,000	USD 1,000
At 31 December 2023				
Trade and other payables	120,308	-	-	120,308
Loans and borrowings	91,486	658,514	-	750,000
	211,794	**658,514**	**-**	**870,308**
At 31 December 2022				
Trade and other payables	120,308	-	-	120,308
Loans and borrowings	421,908	322,876	37,530	782,314
	542,216	**322,876**	**37,530**	**902,622**

27.2 Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise the membership's value.

The Group manages its capital structure, and makes adjustments to it, in light of changes in economic conditions. The Group seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

To maintain or adjust the capital structure, the Group may obtain external funding and/or adjust the distributions to its members in close cooperation with these members.

The Group monitors capital using the following gearing ratios:

(i) Net Debt / EBITDAX not above 3.0, and

(ii) Historic Debt Service Cover Ratio ('DSCR') not below 1.2

The Group's capital management is subject to the constraints imposed by its members and externally imposed capital requirements (refer to note 21 to these special purpose consolidated financial statements) by the consortium of banks providing the RBL facility. No events of default or breaches of financial covenants occurred at the end of or during the year.

In 2023 and 2022, the Group's debt-to-equity ratio has fluctuated in the following manner (USD thousand or single unit):

	2023	**2022**
Total debt (current and non-current) (A)	752,096	788,483
Cash and cash equivalents (B)	152,210	331,678
Net debt (C=A-B)	599,886	456,805
Members' equity (D)	490,368	384,337
Net debt / (Net debt + Members' equity) (C/(C+D))	0.55	0.54
EBITDAX (E)	917,535	1,232,132
Interest expense (F)	76,430	60,434
Net debt / EBITDAX (C/E)	**0.65**	**0.37**
EBITDAX / Interest expense (E/F)	12	20

-Total debt is calculated by adding the remaining principals under the RBL (and PXF) facilities to accrued interest payable thereon and related commitment fees payable.

-Cash and cash equivalents exclude cash at hand and the Group's share in cash balances of its joint operations.

-EBITDAX is calculated as profit before tax, adjusted by adding back: net finance result, depreciation and amortisation expense on 'Oil and gas properties' and 'Other property, plant and equipment', asset impairment charges and exploration expense.

-Interest expense of USD 76 million (2022: USD 60 million) is calculated by adding interest charges under the RBL (and PXF) facility of USD 69 million (2022: USD 56 million) to commitment fees of USD 3 million (2022: USD 0.6 million) and amortisation expense on capitalised upfront RBL fees of USD 4 million (2022: USD 3 million).

27.3 Financial assets and liabilities

Financial assets

The Group has entered into the following derivative commodity contract that has not been designated as a hedge:

Asian put option	Financial instrument classification	Term	Notional amount (bbl)	Strike price (USD)	Cost price option (USD)	Fair value at 31 December 2023 (USD)	Fair value change recognised in profit and loss (USD)
Dated Brent	Fair value through profit and loss	1 March to 1 June 2024	1,000,000	80	5,370,000	**6,377,670**	**1,007,670**

When using put options, the Group classifies these derivatives as financial assets measured at fair value through profit or loss. The resulting USD 6.4 million (2022: USD nil) fair value of this contract has been recognised as an asset in the statement of financial position under 'derivative financial instruments'. The maximum credit exposure of this derivative asset is the carrying value. The Group mitigates this risk by entering into transactions with long-standing, reputable financing institutions with investment grade credit ratings.

The change in the fair value of this commodity price derivative of USD 1 million gain (2022: USD: nil) has been recognised in profit and loss as 'Other financial income'. Also refer to note 11 to these special purpose consolidated financial statements.

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

The Groups' financial assets at amortised cost comprise 'other receivables', 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

	31 December 2023 USD 1,000	31 December 2022 USD 1,000
Financial assets		
Derivatives measured at fair value through profit or loss		
Current		
Asian put-option	6,378	-
	6,378	**-**
Debt instruments at amortised cost		
Non-current		
Other receivables	445	426
Current		
Trade and other receivables	245,283	206,464
Cash and cash equivalents	152,215	331,695
Total financial assets at amortised cost	**397,943**	**538,585**
Total current	**397,498**	**538,159**
Total non-current	**445**	**426**

Financial liabilities

The Group classifies its financial liabilities as financial liabilities at amortised cost (including separately 'loans and borrowings').

Loans and borrowings from 3rd parties are recognised initially at fair value, net of transaction costs incurred. They are subsequently carried at amortised cost.

Financial liabilities at amortised cost also include 'trade and other payables'. Trade and other payables are initially recognised at the amount required to be paid, less, when material, a discount to reduce the payables to fair value.

	31 December 2023 USD 1,000	31 December 2022 USD 1,000
Financial liabilities		
Financial liabilities at amortised cost		
Non-current		
Loans and borrowings	651,915	360,222
Current		
Loans and borrowings	86,485	420,439
Trade and other payables	113,139	120,308
Total financial liabilities at amortised cost	**851,539**	**900,969**
Total current	**199,624**	**540,747**
Total non-current	**651,915**	**360,222**

Hedging activities and derivatives

The Group is exposed to certain risks relating to its ongoing business operations. The primary risk managed using derivative instruments is commodity price risk.

The Group uses forward contracts and an Asian put option to hedge its commodity price risk in accordance with the risk management strategy outlined by the Board of Directors.

In most forward contracts the Company does not fix the Dated Brent component of the forward price at the time of entering the contract, but uses a trigger pricing mechanism. When the forward price curve falls below a certain trigger price, this mechanism provides an irrevocable instruction to an off-taker to fix the Dated Brent price component of a cargo. The trigger price is based on a percentage of the Brent forward curve at the time the instruction was given for the month of the expected lifting. If the forward price curve never falls below that threshold, the respective cargo is sold at spot. On the forward commodity contracts hedge accounting is not considered applicable as the own-use exception applies: the Group does not enter into physical oil contracts other than to meet the Group's expected sales requirements. These arrangements therefore fall outside the scope of IFRS 9 and are classified as normal sales contracts that are accounted for on an accrual basis.

In the financial year, the Company purchased an Asian put option for one million barrels of oil, which protects the Company against price movements below the strike price of USD 80 per barrel in the period between 1 March and 31 May 2024. If the average spot price in that period would fall below the strike price, the Company will be compensated in cash for the difference between the lower average spot price and the strike price. If the average spot price in the period would reach above the strike price, the put option will expire and the Company benefits from the actual higher spot price. Any gains or losses arising from changes in the fair value of this derivative are taken directly to profit or loss.

Over the financial year, the Company recognised a profit of USD 26 million (2022: loss of USD 263 million) on its forward contracts and a gain of USD 1 million on its put option, representing the derivative instrument's change in fair value. Also refer to note 11 to these special purpose consolidated financial statements.

Fair values of financial assets and financial liabilities

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques, as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used:

Type	**Valuation technique**	**Significant unobservable input**
Asian put-option	Forward pricing model	Discount rate
		Discount for counterparty credit risk
Other financial assets and liabilities	Discounted cash flows	Own non-performance risk
		Discount for non-performance risk counterparty

The table below presents a disclosure of fair value of the Group's financial assets and liabilities as at 31 December 2023 and 2022.

None of these financial assets and liabilities have been offset as the Group only presents the net amount in the statement of financial position when it has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

There were no transfers between levels of the fair value hierarchy during the year.

	31 December 2023	31 December 2022
Financial assets	USD 1,000	USD 1,000
Derivatives measured at fair value through profit or loss		
Level 2		
Asian put-option	6,378	-
	6,378	-
Debt instruments at amortised cost		
Level 1		
Cash and cash equivalents	152,215	331,695
Level 3		
Other receivables	445	426
Trade and other receivables	245,283	206,464
	397,943	**538,585**
Total financial assets	**404,321**	**538,585**
Financial liabilities		
Liabilities at amortised cost		
Level 3		
Trade and other payables	**113,139**	**120,308**
Loans and borrowings		
Level 2		
Loans and borrowings	**738,400**	**780,661**
Total financial liabilities at amortised cost	**851,539**	**900,969**
Total financial liabilities	**851,539**	**900,969**

The fair values of the larger part of the Group's financial assets and liabilities as at 31 December 2023 and 2022 approximate their carrying values due to the short-term maturities of these instruments. Derivative financial instruments are already carried at fair value.

The fair values of the Group's interest-bearing borrowings and loans are determined by using the discounted cash flow method using a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2023 and 2022 was assessed to be insignificant.

The notes to the specific items of the statement of financial position disclose the fair value of the related instrument if the fair value does not approximate carrying value. For the principles of the primary financial instruments, reference is made to the recognition principles per item of the statement of financial position.

28 Leases

The Group has entered into a limited number of leases for buildings and items of plant and machinery under medium-term lease agreements. Future minimum lease payments under non-cancellable lease agreements as at 31 December 2023 as well as lease amounts recognised in these special purpose consolidated financial statements are therefore considered insignificant.

As the Group has significant interests in non-operated Production Sharing Agreements ('PSAs') in Nigeria that are classified as Joint Operations under IFRS 11, *Joint Arrangements*, the Group presents its proportionate share of the assets, liabilities, revenues and expenses on a line-by-line basis in the special purpose consolidated financial statements in accordance with the IFRSs applicable to the respective assets, liabilities, revenues and expenses.

29 List of subsidiaries

Set out below is a list of material subsidiaries of the Group per 31 December 2023:

Name of subsidiary	% and number of shares owned by Company	Other shareholder	% and number of shares owned by other shareholder
Prime 127 Nigeria Limited ('Prime 127') 1, Adeola Odeku Street, 5th Floor, Sapetro Towers Victoria Island, Lagos, Nigeria	99.9942% 3,425,300,000	Prime 130	0.0058% 200,000
Prime 130 Nigeria Limited ('Prime 130') 1, Adeola Odeku Street, 5th Floor, Sapetro Towers Victoria Island, Lagos, Nigeria	99.9956% 4,525,850,000	Prime 127	0.0044% 200,000
Petrobras Tanzania Limited ('PETAN') Ground Floor Kilwa House, Plot 369 Toure Drive, Dar es Salaam, Tanzania	The Company dissolved its subsidiary in Tanzania at the end of 2022, after which it was formally closed in March 2023.		

30 Commitments

(i) Capital commitments working programmes

In accordance with the terms of the production sharing contracts entered into by the Group along with other consortium partners in respect of its oil fields and blocks, the Group has certain minimum exploration and development commitments with estimated capital expenditures in oil and gas properties of USD 0.9 billion as at 31 December 2023, USD 0.7 billion as at 31 December 2024, USD 0.5 billion as at 31 December 2025, USD 0.3 billion as at 31 December 2026 and USD 0.1 billion as at 31 December 2027.

(ii) Securities and guarantees

Under the conditions of the RBL facility, the main security package is comprised of security over the shares, production assets, contracts and rights of the Nigerian entities Prime 127 and Prime 130, cash and cash equivalents in the amount of USD 152 million as per 31 December 2023 that are held within the projects accounts in Nigeria and The Netherlands, proceeds from the oil cargos sold and proceeds from the intercompany receivables between the Company and the Nigerian entities. Further, any and all claims relating to, and all returns of premium in respect of, all relevant insurance policies have been secured. Also refer to notes 13, 17, 19 and 21 to these special purpose consolidated financial statements.

The Group's policy is to provide financial guarantees only to subsidiaries.

(iii) Commitments from forward sales

The Group uses physical forward sales contracts at variable pricing to manage its commodity price risk and ensure stability in cash flows. Its strategy is to cover approximately 50% of its next 12-months' scheduled cargos by forward contracts. At balance sheet date, six cargos of the Group's expected lifted entitlement production are covered by forward contracts. The average cargo lifted is for 1 million barrels of oil. On the forward commodity contracts hedge accounting is not considered applicable as the own-use exception applies: the Group does not enter into physical oil contracts other than to meet the Group's expected sales requirements. These arrangements therefore fall outside the scope of IFRS 9 and are classified as normal sales contracts that are accounted for on an accrual basis.

31 Contingencies

(i) Claims and litigation

From time to time the Group is involved in claims and legal proceedings arising in the normal course of business. While these claims may seek substantial damages against the Group and are subject to uncertainty inherent in any litigation, the Group does not believe that the ultimate resolution of such matters will have a material adverse impact on the Group's operating results or financial position.

(ii) Insurance

Management believes that the Group has in general adequate insurance coverage of the risks, including adequate property damage coverage for its main production assets, which could have a material effect on the Group's operations and financial position. Under the conditions of the RBL facility, any and all claims relating to, and all returns of premium in respect of, all relevant insurance policies have been secured.

32 Related parties

The Group considers all legal entities that can be controlled, jointly controlled or significantly influenced to be related parties. Also, entities which can control the Company are considered a related party as well as all legal entities that can be controlled, jointly controlled or significantly influenced by the Company's members. In addition, the Group considers the members of the Board of Directors and Supervisory Board as key management personnel as defined by IAS 24.

(i) Parent and ultimate controlling party

On 14 June 2013, Petrobras International Braspetro B.V. ('PIB'), Rotterdam, The Netherlands, and BTG Pactual E&P B.V. ('BTG E&P') entered into a binding agreement to establish a 50/50 joint venture for oil and gas exploration and production in Africa. As the joint venture was formed upon the acquisition by BTG E&P of 50% of the shares issued by Prime Oil & Gas B.V., at that time named Petrobras Oil & Gas B.V., the Company was owned for 50% by PIB and for 50% by BTG E&P.

Ultimate parent company of PIB is Petróleo Brasileiro S.A., Rio de Janeiro, Brazil, where BTG E&P B.V. was ultimately held by BTG Pactual Holding S.A., Sao Paulo, Brazil ('BTG'), with a 20% minority stake held by Helios Investment Partners, London, United Kingdom ('Helios').

On 14 January 2020, PIB completed the sale of its 50% interest in the Company to PetroVida Holding B.V., Rotterdam, The Netherlands ('Petrovida'). BTG continued to own the remaining 50% membership interest in the Company through direct parent company BTG Pactual Holding S.à r.l., a private limited liability company governed and existing under the laws of the Grand Duchy of Luxembourg that, in December 2020, legally merged with previous shareholder BTG Pactual E&P B.V., where the latter entity ceased to exist after the merger. The 20% minority stake in BTG Pactual Holding S.à r.l., previously held by Helios, is now held by Helios, Petralon Energy Limited, Lagos, Nigeria and various other shareholders.

The Petrovida financial statements are available for public use at the Chamber of Commerce in The Netherlands, the BTG financial statements at the Luxembourg Trade and Companies Register.

Petrovida, a company established to acquire PIB's stake in the Company, is wholly owned by Africa Oil Holdings B.V., The Netherlands. Ultimate parent company is Africa Oil Corporation, Vancouver, Canada ('Africa Oil'). Africa Oil is focused primarily on Africa with a portfolio of exploration and appraisal assets in West and South of Africa, as well as Guyana. Africa Oil is listed on the Toronto Stock Exchange and on Nasdaq Stockholm.

(ii) Key management personnel

No advances or loans have been provided to members of the Board of Directors or Supervisory Board in 2023 and 2022. Compensation of the Group's key management personnel only includes salaries and cash bonuses (refer to note 10 to these special purpose consolidated financial statements). Contributions to post-employment defined benefit plans are only provided for the Nigerian employees in accordance with local law (refer to note 24 to these special purpose consolidated financial statements).

(iii) Related party transactions

The Group enters into transactions in the ordinary course of business with various related parties during the year. These transactions may relate to technical services based on service agreements with its subsidiaries, sale of crude oil and funds provided by and to subsidiaries and associated companies to finance the operations of the Group, including interest thereon. All these transactions are in principle carried out on an at arm's length basis.

Significant transactions and balances with related parties are disclosed in the notes; refer to notes 6, 15, 17, 24 and 25 to these special purpose consolidated financial statements.

33 Subsequent events

Subsequent to 31 December 2023, no events occurred that would require adjustment to these special purpose consolidated financial statements.

Independent auditor's report

To: the board of directors of Prime Oil & Gas Coöperatief U.A.

Report on the audit of the special purpose consolidated financial statements

Our opinion

In our opinion, the special purpose consolidated financial statements give a true and fair view of the consolidated financial position of Prime Oil & Gas Coöperatief U.A. (the Company) and its subsidiaries (together 'the Group') as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IFRS Accounting Standards').

What we have audited

The Group's special purpose consolidated financial statements comprise:

- the special purpose consolidated statement of financial position as at 31 December 2023;
- the special purpose consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the special purpose consolidated statement of changes in equity for the year then ended;
- the special purpose consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, including material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs).
Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the special purpose consolidated 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 are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics) that are relevant to our audit of the special purpose consolidated financial statements in the Netherlands. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the VGBA, Dutch Code of Ethics.

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Responsibilities of the board of directors and the supervisory board for the special purpose consolidated financial statements

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

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

The supervisory board is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the special purpose consolidated financial statements

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

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

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

- Evaluate the overall presentation, structure and content of the special purpose consolidated financial statements, including the disclosures, and whether the special purpose consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the special purpose consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

Rotterdam, 8 September 2024
PricewaterhouseCoopers Accountants N.V.

Original has been signed by G.E. van den Broek RA