Company Registration Number: 05083946

PHOENIX GLOBAL RESOURCES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2022

CONTENTS

COMPANY INFORMATION

DIRECTORS
Sir Michael Derek Vaughan Rake (Non-executive Chairman)
Martin Bachmann
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STRATEGIC REPORT

The directors present their strategic report of the Company and the Group for the year ended 31 December 2022.

Business Review

Overview

The economic situation in Argentina has deteriorated significantly with the key economic indicators reflecting a delicate situation. In 2022 inflation was over 95% and the currency devalued by more than 72% with a record trade deficit recently recorded, generating recession fears for the coming years.

In the recent presidential elections Javier Milei, a liberal economist, defeated in the second round Sergio Massa, the government's Economy Minister. Milei will have to initially focus his administration in solving economic imbalances.

Notwithstanding, Argentine administrations have always provided support to the oil and gas sector, especially Vaca Muerta projects, which are considered as key to the country's development. We expect this to continue.

Operations

Unconventional

During 2021, the Neuquén Province issued a decree granting the Group a 35 year unconventional exploitation concession over approximately 43,372 acres in the northern part of Mata Mora and extending the exploration rights over approximately 11,918 acres in the southern part of Mata Mora for 5 years to April 2026. The activities of the Group in 2022 have been focused on the development of the northern part of Mata Mora with three pads, Pad-2, Pad-3 and Pad-1N, completed and producing in line with expectations and Pad-10 drilled and completed after the year end.

Conventional

During the year discussions were held with a view to selling the Group's non-core assets in Malargue that include the licences, Puesto Rojas, Cerro Mollar (Oeste and Norte), La Brea, La Paloma, Cerro Alquitran and Rio Atuel. A binding offer was received in the last quarter of 2022 and the sale of the licences Puesto Rojas, Cerro Mollar (Oeste and Norte), La Brea, La Paloma and Cerro Alquitran completed in February 2023. Discussions relating to Rio Atuel are ongoing.

Reserves and contingent resources

A reserves and resources report was prepared by senior management at 31 December 2022, which showed an increase in 2P net reserves to 120.2 million boe from 71.1 million boe at the end of 2021. This increase was primarily driven by an increase of 51.6 million boe 2P reserves at Mata Mora.

2C net contingent resources were 50.0 million boe at the end of 2022 compared to 54.8 million boe at the end of 2021.

Financial

Overview

Revenue for the year was US$137.4 million (2021: US$78.4 million), comprising revenue from oil sales of US$134.2 million (2021: US$76.0 million) and revenue from gas sales of US$3.0 million (2021: US$2.4 million).

Financial (continued)

Overview (continued)

The increase in oil revenue year-on-year resulted primarily from an increase in the average realised oil price per barrel and higher sale volumes. The average realised oil sales price in 2022 was US$67.06/bbl, a 31% increase on the average price of US$51.26/bbl in 2021. Local Argentine oil prices do not fully track international prices as local price controls limit the benefit of rising international prices. However, the Company in the future expects the gap between local and international prices to gradually reduce Average daily oil sales in the year were 5,492 bopd compared with 4,062 bopd in 2021.

Gas revenues increased by US$0.6 million in the year compared with 2021, mainly due to an increase of 34% in the realised price from an average of US$2.99/Mcf in 2021 to an average of US$4.02/Mcf in 2022. This increase was partially offset by a 7% reduction in sales volumes from 794 MMcf in 2021 to 743 MMcf in 2022.

Average operating costs (excluding depreciation) were 10% higher than 2021 at US$19.6/boe. Depreciation increased by US$1.4 million in the year from US$39.6 million in 2021 to US$41.0 million in 2022, primarily due to the 2022 capex program.

At the year end, management's impairment assessment review considers potential triggers for impairment including, inter-alia, adverse results from drilling programs, changes in oil and gas prices and other market conditions, cost of future development and licence periods. Potential triggers were identified, leading to an impairment assessment, resulting in an impairment charge of US$28.8 million primarily relating to Corralera and Chachahuen.

In the current year the Group recognised net finance income of US$40.1 million compared to net finance costs of US$29.4 million in 2021. In 2022 this was primarily driven by the benefit on transfers of US Dollars into Argentina under the "contado con liquidacion" mechanism

A US$44.8 million tax credit was recognised in 2022, compared with a US$4.3 million tax credit in 2021. This resulted primarily from deferred tax adjustments relating to the deferred tax benefit of the increase in net operating losses, which the respective companies expect to recover in future periods.

Borrowings and going concern

To date, the funding required to support these activities has been provided by Mercuria. Mercuria, continues to be supportive of the Group's plans and continues to extend short-term debt facilities to fund operations to the Group. At the year end, the Group had drawn down US$444.5 million under facilities provided to the Group and US$50.0 million of interest had been accrued. At the year end both facilities had a maturity date of 31 January 2023. After the year end these facilities were restructured (see note 35 on page 69).

Mercuria has written to the Group stating its intention to continue to provide financial support to the Group in order that it may continue to operate and service its liabilities as they fall due in the period to 31 December 2024. Mercuria has also specifically agreed not to demand repayment of the existing loans (principal and interest) during this period. This letter, which by its nature is not legally binding, represents a letter of comfort stating Mercuria's intention to continue to provide financial support. The application of the going concern basis of preparation of the financial statements is based on this letter. Accordingly, the directors continue to adopt the going concern basis for accounting in preparing the 2022 financial statements.

Key Performance Indicators
KPIs are used to measure the performance of the Group. The performance measures used to assess performance may change over time as the Group's activities develop.

The KPIs used to measure performance are summarised below:

HSE Metrics	**2022**	**2021**
LTIR	0.0	0.0
Spill Index	11.0	17.2
Resources and Reserves Progression		
2P reserves	120.2	71.1
2C resources	50.0	54.8
Production Volumes		
Boepd	5,896	4,553
Operating Costs		
US$ per boe	19.6	17.9
Adjusted EBITDA		
EBITDA adjusted for non-recurring items (US$ million)	37.8	13.1
Personal Objectives		
Qualitative measure	N/A	N/A

Principal Risks and Uncertainties
Understanding our principal risks and ensuring that we have the appropriate controls in place to manage those risks are critical to our growth and success. The principal risks facing the Group together with a description of the potential impacts are presented below.

Health, safety and environment ("HSE")
HSE risks cover many areas including major accidents, personal health and safety, compliance with regulations and potential environmental harm. The Group strives to ensure the safety of its employees, contractors and visitors. We are very conscious of the natural environment that we operate in and seek to minimise our environmental impact and footprint. We actively promote strict adherence to regulations that govern our operations and the robust application of our own HSE policies and procedures.

Exploration, development and production
The ultimate success of the Group is based on its ability to develop its assets, create value and produce oil and gas profitably from its unconventional asset base. The ability to develop a consistent, repeatable and cost-efficient method for drilling and completing horizontal wells is core to the successful development of unconventional oil and gas assets. We consult and share information with other operators in the industry in order that, as a Group, we benefit from experience of others to broaden our collective operational knowledge.

Reserve and resource estimation and migration of volumes
The estimation of oil and gas reserves and resources involves a high level of subjective judgement based on available geological, technical and economic information. Reserve and resource volumes are assessed on an annual basis and prepared in accordance with the Petroleum Resources Management System. The reserves estimates at the end of 2022 showed a significant increase in 2P reserves.

Principal Risks and Uncertainties (continued)

Portfolio concentration

The Group's main exploration and development is focused on its unconventional assets. This places emphasis on the Group's ability to successfully develop these resources that represent the main long-term growth opportunities for the Group with our main focus on the northern part of Mata Mora, where we have been awarded a 35 year exploitation concession.

Financing

The inability to fund financial commitments, including licence obligations, could significantly delay the development of the Group's assets and consequent value creation. Financial or operational commitments are often a pre-condition to the grant of a licence. The Group may not in the future be able to secure suitable funding either through existing arrangements, additional debt instruments, the farm-out of assets or through the issuance of equity. The Group's inability to satisfy these could result in financial penalty and/or termination of licences.

Bribery and corruption

The oil and gas industry, in common with other extractive industries, has a higher than average perception of risk related to bribery and corruption. Argentina has historically been perceived as having a medium to high risk of bribery and corruption with high-profile cases or allegations regularly appearing in the media. We have zero tolerance of bribery and corruption and the Group has an stablished anti-bribery and corruption policy and ensures that our employees, third-party contractors and advisers follow this policy.

Realised commodity prices

A material decline in oil and gas prices adversely affects the Group's profitability, cash flow, financial position and ability to invest. Local Argentine oil prices do not fully track international prices as local price controls limit the benefit of rising international prices. This imperfect relationship between local Argentine prices and Brent makes designing effective hedging strategies difficult.

Fluctuating demand and limited sales routes for some production

Demand can be negatively affected by economic conditions in Argentina and globally. Some assets have a single sales route and effectively a single customer. The Group, subject to permit approval, is now able to export some of its production through alternative sales routes, which also enables the Group to take advantage of more favourable prices. The Group continues to look at alternative delivery routes and access to more refineries.

Global, economic, political and other risks

The conflict in Ukraine has negatively changed the global economy, harming growth and putting upward pressure on inflation when inflation is already high and the strong international economic sanctions on trade with Russia have resulted in an escalation in energy prices.

Fiscal and political

Argentina has a history of political instability and economic uncertainty that has been characterised by high inflation and significant currency devaluation. Given the nature and location of its operations, this country specific risk is intrinsic to the Group.

Section 172 (1) Statement
Section 172 of the UK Companies Act 2006 requires the directors of the Company to act in the way they consider, in good faith, is most likely to promote the success of the Company for the benefit of its members as a whole.

When doing so, they have regard (amongst other matters) to:
(a) Likely consequences of any decision in the long term
Directors consider the future success of the Company and any decisions with long term ramifications are considered in such context. Detailed financial forecasts are consistently updated and discussed. Longer term financial forecasts, which by definition carry more uncertainty, are also considered.

(b) The interests of the Company's employees
Directors believe a major factor in the success of the Company is the high quality of employed staff and considers their wellbeing and interests in the context of all business activities.

(c) The need to foster the Company's business relationships with suppliers, customers, and others
The board's approach to these relationships is to maintain the highest standards of behaviours and highest quality of delivery that are critical to the completion of our complex projects.

(d) The impact of the Company's operations on the community and the environment
The board looks to maintain a policy of continuous improvement and in particular on matters of environmental impact and in its interactions with the community.

(e) The desirability of the Company maintaining a reputation for high standards of business conduct
The board continues to strive to ensure its business conduct is of a high standard.

(f) The need to act fairly as between members of the Group and Company
There is regular dialogue with all members of the Group and Company to ensure full alignment to the Group's purpose.

Stakeholder Engagement
Engaging effectively with and understanding the objectives of our diverse stakeholder groups is key to the long-term success of the Company in Argentina. The board ensures that the interests and views of stakeholders are considered as part of its decision making process.

As referenced above, a director of a company must act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of the members as a whole, taking into account the factors listed in section 172 of the Companies Act 2006. The board has not allocated this responsibility to a specific board member but uses its board meetings as a mechanism for discharging its duties under section 172.

Engagement with our shareholders and wider stakeholder groups plays a vital role throughout the business. Our directors are conscious of their responsibilities to act in the way that they consider, in good faith, would most likely promote the near and longer-term success of the Company for the benefit of its members as a whole, taking into account the factors as listed in section 172 of the Companies Act 2006.

Stakeholder Engagement (continued)
The key stakeholder groups identified by the board are set out here together with a summary of why and how we seek to engage with our wider stakeholder group to obtain feedback that is used to inform our strategic decision making.

Workforce
A motivated and professional workforce is vital to deliver complex operational projects and to meet our strategic goal and engage with our workforce:

- regular group updates by senior management
- individual performance feedback and corporate scorecard
- board interaction with teams
- clearly defined Company objectives
- implementation of an Operational Excellence Policy
- implementation of a Stop Work Policy

Our partners
We partner with other industry players on certain projects to share knowledge, opportunity and risk and maintain an open dialogue through:

- regular joint operating and technical committee meetings
- senior management pre-project and post project reviews
- participation in industry bodies and initiatives
- discussions with oil and gas companies with activities in areas with similar geological characteristics

Our investors
We provide transparent information to aid understanding of our strategy, business model and performance and maintain regular dialogue with our shareholders through:

- the annual report and the communication of any matters the board consider significant
- dedicated investor relations email address and reactive engagement

Communities and Provinces
We operate in many locations providing employment and paying royalties that support the social infrastructure in the communities in which we work and work with provincial governments and departments through:

- regular meetings with Provincial governments, particularly when planning new projects
- working with Provincial departments including water, HSE, fire and emergency
- participation in multi-discipline safety drills with municipal authorities
- look back review with Provincial governments and departments following completion of a project

Our suppliers
We work closely with and seek to build effective relationships with suppliers of specialised drilling, completion and other services that are critical to the delivery of our complex projects and maintain a proactive and responsive dialogue through:

- implementation of rules and procedures for purchases and contracts
- joint working teams on complex projects

Stakeholder Engagement (continued)

Our suppliers (continued)

- project debrief sessions
- external benchmarking
- implementation of a Stop Work Policy

Sustainability Review

The Group has developed a clear policy and road map to ensure the Group has in place procedures and policies to manage its environmental, social and corporate governance responsibilities and established clear goals that minimise the impact of our operations on all stakeholders and the environment.

The Group has three main sustainability goals, focused on environmental, social and governance ("ESG") risks/opportunities and their potential impact on and contribution to society:

- Decarbonisation: Integrate into our business and operational strategies the challenges associated with climate change and climate resilience by running safe and responsible operations that seek to minimise our greenhouse gas emissions to the extent commercially practical
- Responsible operations: Conduct our business with integrity and high ethical standards and foster a working environment of respect for all employees. The Group manages its activities with the highest regard for the safety and wellbeing of the people, the environment and our assets
- Creating shared social values: The Group is more than a business; we are part of society. We recognise and respect the dignity of all human beings and seek to improve the life of the communities in which we function

The Group is currently defining objectives and targets for future years and is developing a scorecard to measure performance.

Outlook

Javier Milei was sworn in as president of Argentina on 10 December 2023 and has stated his commitment to a program of deep spending cuts. Argentina continues to experience high inflation, which is expected to exceed 200% per annum by the end of 2023 and a further significant devaluation of the Peso is expected in the short term. The negotiations between the Argentine government and the IMF to restructure the country's debt are going to be subject to modifications under a new administration, that will seek to reduce the existing fiscal deficit. This relevant aspect appears aligned with IMF expectations.

The Company is fundamentally focused on unconventional development and whilst it has good assets in this space it recognises that additional investment will be required in the coming years to increase the current development pace. Access to funding will be needed to support additional activities to those already planned with existing available resources.

By order of the board and signed on its behalf by

Nigel Duxbury
Company Secretary
Date: 11 December 2023

DIRECTORS' REPORT

The directors of Phoenix Global Resources Limited present their annual report and audited financial statements of the Company and the Group for the year ended 31 December 2022.

General Information
The Company is a public limited company incorporated in England and Wales under the Companies Act 2006 (Registered no. 05083946). The Company has offices in Buenos Aires, Mendoza and Neuquén in Argentina.

The Company is controlled by Mercuria Energy Group Limited, incorporated in Cyprus, which owns 92% of the Company's shares. The Company's ultimate controlling party is MDJ Partnership.

Principal Activities
The Company is an oil and gas company focused on onshore blocks in Argentina. The Company holds interests in conventional and unconventional licences and is focused on the development of its unconventional acreage.

Changes in the Group
During the year, the cancellation of admission of the ordinary shares of the Company on AIM of the London Stock Exchange resulted in the termination of a relationship agreement between the Company and certain Mercuria entities. The relationship agreement contained provisions that limited the control Mercuria could exercise over the Company, which following its termination no longer apply, as a result of which Mercuria, with effect from the termination of the relationship agreement, has been determined to control the Company.

Following the cancellation of Admission on AIM, the Company was re-registered as a private limited company and its name changed accordingly.

Future Developments
There are no significant or material changes expected in the Group's business in the foreseeable future.

Results and Dividends
The consolidated loss for the year after taxation was US$22.2 million (2021: US$ 25.02 million loss).

The directors do not recommend the payment of a dividend for the year ended 31 December 2022 (2021: nil)

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

Sir Michael Rake (Non-executive Chairman)
John Bentley (resigned 15 September 2022)
Martin Bachmann
Tim Harrington (resigned 15 September 2022)
Nicolas Mallo Huergo
Magid Shenouda

Directors' Indemnities
As permitted by the articles of association of the Company, the directors have been given the benefit of an indemnity, which is a qualifying third-party indemnity provision as defined in section 234 of the Companies Act 2006. The indemnity was in place throughout the year and also at the date of the approval of the financial statements and continues to be so.

The Company has directors' and officers' liability insurance in place that provides insurance cover to the directors in the event of a claim or legal action. This insurance was also in place throughout the year and remains in place.

Political and Charitable Donations
No political or charitable donations were made, nor was any political expenditure incurred by any Group company in the year ended 31 December 2022 (year ended 31 December 2021: nil).

Auditors and disclosure of relevant audit information
As far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware. In addition, each director has taken all the steps that ought to have been taken in order to make themselves aware of any relevant audit information and to establish that HGA Chartered Accountants, the Company's auditors in the period, are aware of that information.

Following a review of both the independence and the effectiveness of the auditors and the indication from HGA Chartered Accountants of its willingness to continue in office, HGA Chartered Accountants will be deemed to be reappointed as auditors in the absence of an Annual General Meeting.

By order of the board and signed on its behalf by

Nigel Duxbury
Company Secretary

Date: 11 December 2023

CORPORATE GOVERNANCE STATEMENT

Following the cancellation of the Company's listing on AIM and the re-registration of the Company as a private limited company, the Company is no longer required to comply with the corporate governance practices applicable to AIM companies.

Whilst the Company has not applied any recognised codes as its own existing code, the directors believe it is fundamentally important that the values and principles which guide the Company are clearly defined, both internally and externally, in order to ensure that all Company activities are implemented in compliance with the relevant laws and in a context of fair competition, honesty, integrity, fairness and good faith as well as in accordance with the legitimate interests of all the stakeholders with which the Company comes into contact on a daily basis: shareholders, employees, suppliers, customers, commercial and financial partners, as well as local communities and institutions.

These values are embedded in the Company's policies and procedures. The directors set expectations for the business and also work towards ensuring that strong values are set and carried out by the senior management across the Group. Senior management strives to ensure that the objectives of the business, the principles and risks are underpinned by values of good governance that are fed down throughout the organisation. Effective engagement with and understanding the objectives of our shareholder groups is key to the long-term success of the Group and directors and senior management ensure that the interests and views of all shareholders and other stakeholders are considered as part of the decision-making process. This includes regular engagement with minority shareholders as well as the major shareholder.

Sir Michael Rake
Non-executive chairman

Date: 11 December 2023

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and the Company financial statements in accordance with UK adopted international accounting standards.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHOENIX GLOBAL RESOURCES LIMITED

Opinion

We have audited the Group and Company financial statements (the "financial statements") of Phoenix Global Resources Limited (the "Company") for the year ended 31 December 2022, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Cash Flows, the Consolidated and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance or conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHOENIX GLOBAL RESOURCES LIMITED

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the Directors' Responsibilities Statement set out on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHOENIX GLOBAL RESOURCES LIMITED

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

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

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

We communicate with those charged with governance regarding, among the 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHOENIX GLOBAL RESOURCES LIMITED

Use of our report

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

MR NAVEED AHMAD (Senior Statutory Auditor)
For and on behalf of
HGA Accountants & Financial Consultants Limited, Statutory Auditor

1 Mountview Court
310 Friern Barnet Lane
London
N20 0LD

Date: 11 December 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	2022 US$'000	2021 US$'000
Revenue	6	**137,429**	78,370
Cost of sales	7	**(102,014)**	(81,472)
Gross profit/(loss)		**35,415**	(3,102)
Selling and distribution expenses		**(7,499)**	(3,840)
Exploration expenses		**(75,229)**	(704)
Impairment charges		**(28,748)**	(28,882)
Gain on sale of non-current assets		**51**	350
Administrative expenses	8	**(22,979)**	(16,967)
Loss on the reclassification of assets held for sale		**-**	(3,653)
Other operating expenses	9	**(8,158)**	(1,917)
Operating loss		**(107,147)**	(58,715)
Finance income	12	**105,432**	54,816
Finance costs	12	**(65,340)**	(25,378)
Loss before taxation		**(67,055)**	(29,277)
Taxation	13	**44,849**	4,256
Loss for the year		**(22,206)**	(25,021)
Translation differences		**-**	-
Total comprehensive loss for the year		**(22,206)**	(25,021)

There are no impairment losses on revalued assets recognised directly in equity.

The above consolidated income statement and other comprehensive income should be read in conjunction with the accompanying notes on pages 26 to 69.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2022

	Note	**2022 US$'000**	2021 US$'000
Non-current assets			
Property, plant and equipment	14	**279,642**	154,227
Intangible assets and goodwill	16	**114,104**	208,438
Trade and other receivables	20	**16,278**	6,698
Deferred tax assets	24	**56,143**	25,777
Total non-current assets		**466,167**	395,140
Current assets			
Assets held for sale		**12,013**	-
Inventories	18	**23,607**	20,112
Trade and other receivables	20	**84,165**	35,245
Cash and cash equivalents	21	**8,599**	66,265
Total current assets		**128,384**	121,622
Total assets		**594,551**	516,762
Non-current liabilities			
Trade and other payables	22	**1,544**	381
Deferred tax liabilities	24	**38,634**	54,117
Provisions	25	**15,020**	19,286
Total non-current liabilities		**55,198**	73,784
Current liabilities			
Liabilities held for sale		**4,848**	-
Trade and other payables	22	**58,997**	38,817
Income tax liability		**968**	2,217
Borrowings	23	**494,936**	399,759
Provisions	25	**608**	1,138
Total current liabilities		**560,357**	441,931
Total liabilities		**615,555**	515,715
Net (liabilities)/assets		**(21,004)**	1,047
Equity			
Share capital and share premium		**457,194**	457,194
Other reserves		**(112,150)**	(112,150)
Retained deficit		**(366,048)**	(343,997)
Total equity		**(21,004)**	1,047

The above consolidated statement of financial position should be read in conjunction with the accompanying notes. The financial statements on pages 19 to 69 were approved by the board of directors and authorised for issue on 11 December 2023 and were signed on its behalf by:

Sir Michael Rake
Director
Company registration number 05083946

COMPANY STATEMENT OF FINANCIAL POSITION
At 31 December 2022

	Note	2022 US$'000	2021 US$'000
Non-current assets			
Property, plant and equipment	15	**10,039**	10,265
Intangible assets	17	**3,763**	11,139
Investments in subsidiaries	19	**382,078**	480,990
Trade and other receivables	20	**655**	958
Total non-current assets		**396,535**	503,352
Current assets			
Cash and cash equivalents	21	**1,183**	70
Equity investments		**129**	374
Trade and other receivables	20	**171,305**	188,083
Total current assets		**172,617**	188,527
Total assets		**569,152**	691,879
Non-current liabilities			
Trade and other payables	22	**8**	17,929
Provisions	25	**-**	1,060
Total non-current liabilities		**8**	18,989
Current liabilities			
Trade and other payables	22	**23,909**	5,208
Income tax liability		**202**	386
Borrowings	23	**494,541**	393,452
Provisions	25	**1,240**	180
Total current liabilities		**519,892**	399,226
Total liabilities		**519,900**	418,215
Net assets		**49,252**	273,664
Equity			
Share capital and share premium		**457,194**	457,194
Other reserves		**329,155**	329,155
Retained deficit		**(737,097)**	(512,685)
Total equity		**49,252**	273,664

The Company made a loss for the year of US$224.6 million (2021: US$6.2 million loss).

The above Company statement of financial position should be read in conjunction with the accompanying notes. The financial statements on pages 19 to 69 were approved by the board of directors and authorised for issue on 11 December 2023 and were signed on its behalf by:

Sir Michael Rake
Director
Company registration number 05083946

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

Capital and reserves	Called up share capital US$'000	Share premium US$'000	Treasury shares US$'000	Retained (deficit)/ earnings US$'000	Other reserves US$'000	Total equity US$'000
At 1 January 2021	**364,175**	**93,023**	**(15)**	**(318,939)**	**(112,150)**	**26,094**
Loss for the year	-	-	-	(25,021)	-	(25,021)
Total comprehensive loss for the year	-	-	-	(25,021)	-	(25,021)
Cash settlement of vested share awards	-	-	-	(165)	-	(165)
Fair value adjustment	-	-	11	-		11
Fair value of share-based payments	-	-	-	128	-	128
At 31 December 2021	**364,175**	**93,023**	**(4)**	**(343,997)**	**(112,150)**	**1,047**
Loss for the year	-	-	-	(22,206)	-	(22,206)
Total comprehensive loss for the year	-	-	-	(22,206)	-	(22,206)
Fair value of share-based payments	-	-	-	155	-	155
At 31 December 2022	**364,175**	**93,023**	**(4)**	**(366,048)**	**(112,150)**	**(21,004)**

Other reserves	Merger reserve US$'000	Warrant reserve US$'000	Translation reserve US$'000	Total other reserves US$'000
At 1 January 2021	**(112,000)**	**2,105**	**(2,255)**	**(112,150)**
At 31 December 2021	**(112,000)**	**2,105**	**(2,255)**	**(112,150)**
At 31 December 2022	**(112,000)**	**2,105**	**(2,255)**	**(112,150)**

The above statement of consolidated changes in equity should be read in conjunction with the accompanying notes on pages 26 to 69.

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

Capital and reserves	Called up share capital US$'000	Share premium US$'000	Treasury shares US$'000	Retained earnings US$'000	Other reserves US$'000	Total equity US$'000
At 1 January 2021	**364,175**	**93,023**	**(15)**	**(506,448)**	**329,155**	**279,890**
Loss for the year	–	–	–	(6,200)	–	(6,200)
Total comprehensive loss for the year	–	–	–	(6,200)	–	(6,200)
Cash settlement of vested share awards	–	–	-	(165)	–	(165)
Fair value adjustment	-	-	11	-	-	11
Fair value of share-based payments	–	–	–	128	–	128
At 31 December 2021	**364,175**	**93,023**	**(4)**	**(512,685)**	**329,155**	**273,664**
Loss for the year	-	-	-	(224,567)	-	(224,567)
Total comprehensive loss for the year	-	-	-	(224,567)	-	(224,567)
Fair value of share-based payments	-	-	-	155	-	155
At 31 December 2022	**364,175**	**93,023**	**(4)**	**(737,097)**	**329,155**	**49,252**

Other reserves	Merger reserve US$'000	Warrant reserve US$'000	Translation reserve US$'000	Deferred consideration US$'000	Total other reserves US$'000
At 1 January 2021	**327,042**	**2,105**	**8**	–	**329,155**
At 31 December 2021	**327,042**	**2,105**	**8**	–	**329,155**
At 31 December 2022	**327,042**	**2,105**	**8**	–	**329,155**

The above statement of changes in the Company's equity should be read in conjunction with the accompanying notes on pages 26 to 69.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Note	2022 US$'000	2021 US$'000
Cash flows from operating activities			
Cash generated from operations	32	**83,580**	49,637
Income taxes paid		**(1,080)**	(84)
Net cash inflow from operating activities		**82,500**	49,553
Cash flows from investing activities			
Payments for property, plant and equipment		**(167,979)**	(15,297)
Payments for intangibles		**(9,180)**	(21,827)
Payments for held for sale assets		**-**	(887)
Proceeds from sale of non-current assets		**-**	401
Net cash outflow from investing activities		**(177,159)**	(37,610)
Cash flows from financing activities			
Proceeds from borrowings		**96,500**	55,740
Repayment of borrowings		**(5,506)**	(2,433)
Interest paid		**(21,671)**	(1,595)
Principal lease payments		**(1,156)**	(198)
Net cash inflow from financing activities		**68,167**	51,514
Net (decrease)/increase in cash and cash equivalents		**(26,492)**	63,457
Cash and cash equivalents at the beginning of the year		**66,265**	5,386
Effects of exchange rates on cash and cash equivalents		**(31,174)**	(2,578)
Cash and cash equivalents at end of year		**8,599**	66,265
Non-cash financing activities		**25,854**	15,814

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes on pages 26 to 69.

COMPANY STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Note	2022 US$'000	2021 US$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	32	**23,568**	(2,575)
Net cash generated from/(used in) operating activities		**23,568**	(2,575)
Cash flows from investing activities			
Investment in subsidiaries		**(97,865)**	(53,010)
Net cash outflow from investing activities		**(97,865)**	(53,010)
Cash flows from financing activities			
Proceeds from borrowings		**96,500**	55,740
Interest paid		**(21,000)**	(77)
Principal lease payments		**(54)**	(13)
Net cash inflow from financing activities		**75,446**	55,650
Net increase in cash and cash equivalents		**1,149**	65
Cash and cash equivalents at the beginning of the financial year		**70**	21
Effects of exchange rates on cash and cash equivalents		**(36)**	(16)
Cash and cash equivalents at end of year		**1,183**	70

The above statement of cash flows for the Company should be read in conjunction with the accompanying notes on pages 26 to 69.

Notes to the consolidated financial statements

1. General information

The Company is a private limited company incorporated in England and Wales and is domiciled in the United Kingdom. The registered office address is 1st Floor, 62 Buckingham Gate, London SW1E 6AJ.

The principal activities of the Company and its subsidiaries (together "the Group") are the exploration for and the development and production of oil and gas in Argentina.

2. Basis of preparation

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Company transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework. These financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The significant accounting policies applied in preparing these financial statements are set out below. These policies have been consistently applied throughout the year and to each subsidiary of the Group.

The financial statements have been prepared under the historical cost convention except as where stated.

The Company has used the exemption granted under section 408 of the Companies Act 2006 and accordingly has not presented its income statement. The loss attributable to the Company for the year ended 31 December 2022 was US$224.6 million (2021: US$6.2 million loss).

Going concern

The Group holds interests in oil and gas assets in Argentina with activities primarily focused on the exploration, evaluation and development of its unconventional oil and gas licences, which require significant investment. To date, the funding required to support these activities has been provided by Mercuria.

Mercuria, continues to be supportive of the Group's plans and continues to extend short-term debt facilities to fund operations to the Group. At the year end, the Group had drawn down US$444.5 million under facilities provided to the Group and US$50.0 million of interest had been accrued. At the year end both facilities had a maturity date of 31 January 2023. After the year end these facilities were restructured (see note 35).

Mercuria has written to the Group stating its intention to continue to provide financial support to the Group in order that it may continue to operate and service its liabilities as they fall due in the period to 31 December 2024. Mercuria has also specifically agreed not to demand repayment of the existing loans (principal and interest) during this period. This letter, which by its nature is not legally binding, represents a letter of comfort stating Mercuria's intention to continue to provide financial support. The application of the going concern basis of preparation of the financial statements is based on this letter. Accordingly, the directors continue to adopt the going concern basis for accounting in preparing the 2022 financial statements.

2. Basis of preparation (continued)

Foreign currency

Presentation currency – the financial statements are presented in US Dollars rounded to the nearest thousand (US$'000), except where otherwise indicated.

Functional currency – items included in the financial information of the individual companies that comprise the Group are measured using the currency of the primary economic environment in which the entity operates (its functional currency). The primary economic environment is often related to the country of operation or, in some circumstances, it can be determined by other key factors, such as when significant contracts (sales, services, funding, etc.) are denominated in or by reference to a currency. For instance, in the oil and gas industry many sales and service contracts are denominated in or priced by reference to the US Dollar given that the benchmark prices for crude oil (Brent, WTI, etc.) are quoted in US Dollars. There is no concept of a group functional currency and therefore individual entities within a group may have functional currencies that are different to each other.

Foreign currency transactions – Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transaction. At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses are presented in the Statement of Comprehensive Income within finance income or costs.

Consolidation

The consolidated financial statements include the financial information of Phoenix Global Resources Limited as well as its subsidiary undertakings and joint arrangements made up to 31 December each year.

A list of the Group's subsidiaries is included in note 19.

Subsidiaries

Subsidiaries are all entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights over, variable returns from its involvement with the entity and has the ability to affect those returns through its ability to exercise control over the entity. Subsidiaries are consolidated in the Group financial statements from the date at which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Joint arrangements

Oil and gas operations are often conducted by the Group as co-licencee in unincorporated joint operations with other companies. The Group's financial statements reflect the relevant proportion of production, assets, liabilities, income and expenses of the joint operation applicable to the Group's interests. The Group's interests typically represent a percentage based working interest in the joint operation.

3. Significant accounting policies

3.1 New standards, amendments and interpretations effective and adopted by the Group in 2022

There are no new standards, amendments or interpretations effective and adopted by the Group in 2022.

3.2 New accounting standards issued but not yet effective or adopted by the Group in 2022

There are no new and amended accounting standards and interpretations published that are not mandatory for the year ended 31 December 2022.

4. Critical accounting estimates and judgements

The preparation of the financial statements in conformity with generally accepted accounting practice requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical judgements

Determination of functional currency

The determination of a company's functional currency can require significant judgement. There is no concept of a group-wide functional currency but rather functional currency is assessed on an entity-by-entity basis by examining the specific circumstances of each entity. A company's functional currency is defined as the currency of the primary economic environment in which the entity operates. In this regard the default assumption is that a company's functional currency will be that in which it is registered or that where the majority of its operations are located.

This assumption can be challenged or rebutted where it can be demonstrated that a currency other than that of the country of registration or operations can be shown to have a greater influence over the revenue, costs, assets and liabilities of a company. For instance, in the oil and gas industry contracts for the sale of production and for the provision of operational services are often priced in or by reference to the US Dollar. This is because the main international benchmark prices used for pricing crude cargoes, such as Brent and WTI, are quoted in US Dollars. With industry-wide revenues being heavily influenced by the US Dollar, service contracts, particularly those for services provided by international service companies, are often also priced by reference to the US Dollar. Furthermore, the Company receives the majority of its funding from Mercuria Energy Netherlands B.V., a subsidiary of the Mercuria group through a US Dollar denominated RCF and BF. These facilities predominately provide capex funding for the Group's exploitation and development activities in Argentina. The Company transfers cash for operations to its subsidiaries in US Dollars.

Care must be taken when examining holding companies and intermediate holding companies to determine if their activity is an extension of that of their holding company or subsidiary or if the company operates independently in its own right.

The assessment of functional currency can be complex and requires the application of a number of criteria and indicators proscribed by IAS 21 "The Effects of Changes in Foreign Exchange Rates". In

4. Critical accounting estimates and judgements (continued)

4.1 Critical judgements (continued)

Determination of functional currency (continued)

certain circumstances the evaluation of the criteria in IAS 21 does not result in a clear answer one way or another and hence judgement is applied in determining the functional currency of an entity. The assessment of functional currency can have a significant effect on both the income statement and the statement of financial position of a company and of the group of which it is a member.

The impact of foreign exchange gains and losses on net income, as calculated by reference to the functional currency of each company within the Group, is presented in the statement of comprehensive income as part of finance income and finance costs.

The functional currency of the Company and its subsidiaries in Argentina was determined to be the US Dollar. The functional currency of the Company's subsidiaries domiciled outside of Argentina is the US Dollar, Euro or Swiss Franc and is assessed based on the main operating cash flows to which the subsidiary is exposed. The Group presents its financial statements in US Dollars.

Determination of joint control

Judgement is required to determine when joint control exists over an arrangement or business activity. Such judgement requires the assessment of the relevant activities of the arrangement or of the business activity and when decisions in relation to those activities require unanimous consent. The requirement for unanimous consent means that each participant has an equal say in relation to the activities of the arrangement and, hence, joint control exists.

The Group has determined that the relevant activities for its joint arrangements are those related to the operating and capital decisions of the arrangement. These will include the approval of the annual capital and operating expenditure work program and budget for the joint arrangement. This will also relate to matters such as the approval of chosen service providers for major capital activity as required by the joint operating agreements that govern the joint arrangement. These considerations are similar to those necessary to determine control over subsidiaries.

Classifying an arrangement or business activity requires assessment of the rights and obligations arising from the arrangement and may include:

- the structure of the joint arrangement, including whether or not a legal entity exists and the terms of a contractual arrangement;
- the rights and obligations arising from ownership;
- contractual rights and obligations; and
- other facts and circumstances on a case-by-case basis.

This assessment often requires significant judgement. A different conclusion about both joint control and whether an arrangement represents a joint venture or a joint operation may materially affect the accounting for a joint arrangement. For instance, the determination of an arrangement as a joint operation results in a line-by-line inclusion of the Group's proportionate interest in the assets, liabilities, revenues and costs of the arrangement. Conversely, where joint control is determined not to exist, the Group's interest in the net income and net assets of the arrangement are presented in a single line in each of the consolidated income statement and statement of financial position.

4. Critical accounting estimates and judgements (continued)

4.1 Critical judgements (continued)

Carrying value of investments in subsidiaries

The Company assesses its investments in subsidiaries for impairment where an indicator that the investment may be impaired exists. Indicators may include poorer operating performance than budgeted, a decrease in the volume of oil and gas reserves booked by operating subsidiaries or a decrease in the Company's market capitalisation at period end.

Impairment evaluation is performed by comparing the carrying value of each investment to its recoverable amount, where the recoverable amount of an investment is determined as the higher of its fair value less costs to sell and its value in use. Assessment of the fair value of a subsidiary investment is often based on the expected future net cash flows of the development and production assets and the exploration and appraisal assets and licences which that subsidiary holds (its CGUs), or on the expected future net cash flows of the CGUs of the entities in which that subsidiary holds an investment.

The method used in this assessment review is based on management estimates and is consistent with that used to assess the potential impairment of the Group's property, plant and equipment and intangible assets as detailed in notes 14,15,16 and 17.

At 31 December 2022, the Company performed an assessment of its investments to identify if any impairment indicators existed at the balance sheet date. Refer to note 19 for details.

Amounts due from subsidiary undertakings

IFRS 9 "Financial Instruments" ("IFRS 9") requires the Company to assess the carrying value of each of the amounts due from subsidiary undertakings in accordance with the expected credit losses impairment model.

Under the IFRS 9 model, the Company is required to assess both the repayment profile of the subsidiary loan and the credit risk of the associated subsidiary for each subsidiary loan held at the balance sheet date. Where the loan is determined to be repayable on demand, or the associated subsidiary is determined to have a high level of credit risk, then the expected credit losses of the subsidiary loan should be determined. In completing this assessment, if the subsidiary has sufficiently liquid assets to repay the loan, if demanded at the reporting date, the expected credit loss is determined to be immaterial. However, if the subsidiary cannot demonstrate the ability to repay the loan, if demanded at the reporting date, the Company has calculated an expected credit loss.

This credit loss calculation considers the loss given default of the amount due from subsidiary undertakings, which involves judgement around how loan amounts would likely be recovered, and over what timeframe they would be recovered. Despite this requirement, the Company does not intend to demand repayment of any amounts due from subsidiary undertakings in the near future.

4.2 Critical estimates

Future oil and gas prices

The estimation of future oil and gas prices has a significant impact throughout the financial statements. Future prices for oil and gas have a direct impact on the estimation of the recoverable value of property, plant and equipment and intangible assets associated with oil and gas assets.

4. Critical accounting estimates and judgements (continued)

4.2 Critical estimates (continued)

Estimation of oil and gas reserve volumes

Oil and gas reserves are the quantities of oil and gas that management considers are commercially recoverable in the future from known accumulations within the Group's licence areas and under defined economic and operating conditions.

Commercial viability is assessed by reference to the point at which the cash cost to produce a barrel of oil (or equivalent) is greater than the sales price that can be achieved for that barrel. This point is generally referred to as the "economic limit". No reserves are recorded in respect of the period after which the economic limit is estimated to occur.

The estimation of reserve volumes is inherently imprecise, requires the application of judgement and is subject to future revision. Variations in future sales prices, cost estimates or actual production volumes can cause actual results to differ from the estimates and affect the absolute quantity of estimated commercial reserve volumes from one period to the next. Variations can be positive or negative. Sub-surface conditions and other engineering factors can also affect estimated reserve volumes.

Oil and gas reserve volumes are estimated by management together with the in-house reservoir engineer and are subject to periodic independent estimation by external reservoir engineering experts as events or circumstances dictate.

The prospective value of oil and gas reserves is not recorded in the statement of financial position. Intangible oil and gas assets and associated property, plant and equipment included in the statement of financial position relate to the cost of acquisition of those properties together with cumulative exploration or development expenditure.

The estimation of reserve volumes primarily influences the depreciation, depletion and amortisation charge for the year. This is included in the analysis of property, plant and equipment in note 14. Reserve volumes are also used to assess fair value in business combinations and in calculating whether an impairment charge should be recorded where an impairment indicator exists.

Provision for asset retirement and decommissioning obligations

The Group has an obligation to plug and abandon wells at the end of their productive life. In addition, the Group is required to remove any surface field infrastructure and equipment, and to remediate or re-cultivate land that has been affected by the Group's activities and return it to its natural state.

A provision is made for such obligations at the time at which the obligation is incurred. This is normally as wells are drilled or infrastructure is put in place. Provisions are based on cost estimates of the remediation activity that will be needed. These estimates require judgement. Inflation is applied to cost estimates and these estimates are then discounted at a rate that reflects the time value of money. The application of both inflation and discount rates represent significant estimates.

Where licence terms do not require the Group to remediate wells on rescission of a licence then no provision is made. This can occur when the relevant Province that issued the licence considers that wells could be remediated or that they may be of geological interest to future licence holders.
Details of provisions held for asset retirement obligations together with movements recognised in the year are included in the analysis of provisions in note 25.

4. Critical accounting estimates and judgements (continued)

4.2 Critical estimates (continued)

Recognition of deferred tax assets

Assumptions about the generation of future taxable profits depend on management's estimates of cash flows and taxable income. These estimates are primarily based on forecast cash flows from operations (which are impacted by production and sales volumes, oil and gas prices, oil and gas reserves and operating costs), as well as decommissioning estimates, forecast future capital expenditure and the expected capital structure of the Group. The critical estimates applied to management's cash flow and taxable income estimates are discussed in the section below.

Should future cash flows and/or taxable income differ significantly from these estimates, the ability of the Group to realise the deferred tax assets recorded at the reporting date could be impacted. Management is therefore required to apply significant judgement in assessing the extent to which future taxable profits are included in the assessment of recoverability.

Details of the deferred tax asset together with movements recognised in the year are included in the analysis of deferred tax in note 24.

Impairment

The Group assesses capitalised exploration, appraisal, development and production assets and goodwill for impairment where there is an indication that an impairment may exist. This process includes management's estimates of the key assumptions used in the assessment review as detailed in notes 14, 15, 16 and 17.

Merger

The Group completed the merger of its local operating entities on 1 January 2023 and the impact of this merger has been considered when assessing the recoverability of VAT and brought forward tax losses and the assessment of the potential impairment of the Company's investments in subsidiaries.

5. Accounting policies

5.1 Revenue

Revenue is recognised (net of returns) to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue from the sale of oil and gas is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

5. Accounting policies (continued)
5.1 Revenue (continued)
Revenue from contracts with customers is recognised when or as the Group satisfies its performance obligation by transferring control of a promised good or service to a customer. The transfer of control of oil and gas usually coincides with title passing to the customer and the customer taking physical possession. Sales contracts usually define a specific delivery point where physical custody is transferred and title passes. This is typically at the point at which the product passes into the customer's pipeline, truck or refinery. There is therefore a single performance obligation, being physical delivery at a specified point.

Revenue is recognised to the extent that it is probable that sales proceeds will be received and the revenue can be reliably measured. Contracts for the sale of oil and gas are typically priced by reference to quoted benchmark prices.

5.2 Finance costs and income
Finance income comprises interest income on cash invested, foreign currency gains and the unwind of discount on any assets held at amortised cost. Interest income is recognised as it accrues using the effective interest rate method.

Finance cost comprises interest expense on borrowings, foreign currency losses and the unwind of discount on any liabilities held at amortised cost, which is principally the unwind of the discount related to the asset retirement obligation.

Borrowing costs
Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised as a part of that asset. This reduces the finance charge in the income statement and results in a corresponding increase to the asset cost. Capitalisation of borrowing costs stops when the asset is substantially ready for its intended use. The time at which an asset is substantially ready for its intended use may be earlier than the time at which it is actually put into use.

5.3 Employee benefits
Short-term benefits
The principal short-term benefits are salaries, associated holiday pay and other periodic benefits such as healthcare and pension contributions made by the Company for the benefit of the employee. Employee entitlements to annual leave are recognised when they accrue to employees. A provision has been recognised for short-term employee benefits at the undiscounted additional amount that the Company expects to pay as a result of unused holiday entitlement that has accumulated at the end of the reporting date. A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the financial year end date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement accrued at the financial year-end date.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefit.

Share-based payments
The Group operates two equity based compensation plans, under which the entity receives services from employees as consideration for equity instruments, deferred share awards or options to subscribe for ordinary shares of the Company. The fair value of the employee services received in

5. Accounting policies (continued)
5.3 Employee benefits (continued)
Share-based payments (continued)
exchange for the grant of the equity instruments, shares or options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement and the grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The grant by the Company of equity instruments to the employees of subsidiary undertakings in the Group is treated as an intercompany transaction. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an intercompany loan, with a corresponding credit to equity in the parent entity financial statements.

Any social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

5.4 Taxes
The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:
- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

5. *Accounting policies* (*continued*)

5.4 Taxes (continued)

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

5.5 Intangible assets – goodwill

The Group allocates the fair value of the purchase consideration on the acquisition of a subsidiary to the assets acquired and liabilities assumed based on an assessment of fair value at the acquisition date. Any excess of the purchase consideration (the cost of the acquisition) over the fair value of those assets and liabilities is recognised as goodwill. Where goodwill is recognised, it is allocated to cash generating units ("CGU") in a systematic manner reflective of how the Group expects to recover the value of the goodwill and how it will be monitored. The Group's policy is to monitor goodwill at an *operating segment level before combining segments for reporting.*

Any goodwill arising is recognised as an asset and is subject to annual review for impairment or earlier if there are indicators. Goodwill is written off or impaired where circumstances indicate that the recoverable amount of the underlying CGU including the asset may no longer support the carrying value of the goodwill. Any such impairment is recognised in the income statement for the period. Impairment losses related to goodwill are permanent and cannot be reversed in future periods.

5.6 Exploration and appraisal assets

Capitalisation

The Group follows an accounting policy for exploration and appraisal assets that is based on the successful-efforts accounting method.

Costs incurred prior to obtaining the legal right to explore an area are expensed as incurred in the income statement. This includes all costs that pre-date the award of a licence.

Expenditure incurred on the acquisition of a licence interest is initially capitalised on a licence-by-licence basis. Costs are held within intangible assets and are not depreciated until the exploration phase on the licence area is complete or commercial reserves have been discovered. Exploration and evaluation costs may include the costs of initial licence acquisition; geological and geophysical studies (such as seismic studies); and direct labour, equipment and service costs associated with drilling exploratory wells. Costs incurred are capitalised by well, field or exploration area based on the nature of the cost. Where the results of exploration drilling do not indicate that hydrocarbon reserves exist or indicate the presence of hydrocarbons which are ultimately not considered commercially viable, all related costs are written off to the income statement as exploration cost.

On conclusion of a successful evaluation phase where commercial reserves have been established, the associated exploration and evaluation costs are tested for impairment and their carrying value adjusted if necessary. The exploration and evaluation costs are then transferred to the property, plant and equipment category "development and production assets" and are held within a single field cost centre.

5. Accounting policies (continued)

5.6 Exploration and appraisal assets (continued)

Impairment

Capitalised exploration and evaluation costs are reviewed regularly for indicators of impairment and are tested for impairment where these indicators exist. Indicators of impairment for exploration and appraisal assets may include:

- exploration drilling has not resulted in the discovery of commercial volumes of hydrocarbons;
- changes in oil and gas prices or other market conditions that indicate the discoveries may not be commercial;
- the anticipated cost of development indicates that it is unlikely the carrying value of the exploration and evaluation asset will be recovered in full;
- there are no plans to conduct further exploration activities in the area; or
- the exploration licence period has expired or is due to expire.

Where an indicator of impairment has been identified, the intangible exploration and evaluation asset is allocated to its CGU and the recoverable amount of the CGU is determined. The recoverable amount of the CGU is based on the higher of its fair value less costs of disposal or value in use. Value in use is calculated by reference to the expected future cash flows from the CGU after discounting to take account of the time value of money. Fair value less costs to sell can be based on a similar cash flow measure adjusted for disposal costs or can be estimated by reference to similar comparable reference transactions.

The key assumptions in assessing cash flows are the sensitivity to market fluctuations, such as commodity prices, and the success of future exploration drilling programs. The most likely factor that will result in a material change to the recoverable amount of the CGU is the result of future exploration drilling, which will ultimately determine the licence area's future economic potential.

5.7 Property, plant and equipment – development and production assets

Capitalisation

The costs associated with determining the existence of commercial reserves are capitalised in accordance with the preceding policy and transferred to property, plant and equipment as development assets following impairment testing.

All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons have been demonstrated are capitalised within development assets on a field-by-field basis. Subsequent expenditure is only capitalised where it either enhances the economic benefits of the development asset or replaces part of the existing development asset (where the remaining cost of the original part is expensed through the income statement).

Costs of borrowing related to the ongoing construction of development and production assets and facilities are capitalised during the construction phase. Capitalisation of interest ceases once an asset is ready for production.

Depreciation

Capitalised oil and gas assets are not subject to depreciation until commercial production starts. Depreciation is calculated on a unit-of-production basis in order to write off the cost of an asset as the reserves that it represents are produced and sold. Any periodic reassessment of reserves will affect the depreciation rate on a prospective basis.

Notes to the consolidated financial statements (continued)

5. Accounting policies (continued)

5.7 Property, plant and equipment – development and production assets (continued)

Depreciation (continued)

The unit-of-production depreciation rate is calculated on a field-by-field basis using proved, developed reserves as the denominator and capitalised costs as the numerator. The numerator includes an estimate of the costs expected to be incurred to bring proved, developed, not-producing reserves into production.

Infrastructure that is common to a number of fields, such as gathering systems, treatment plants and pipelines, is depreciated on a unit-of-production basis using an aggregate measure of reserves or on a straight-line basis depending on the expected pattern of use of the underlying asset.

Impairment

The Group assesses development and production assets for impairment where there is an indication that an impairment may exist. Indicators of impairment for development and production assets may include:

- a significant fall in realised prices for oil and gas;
- a significant downward movement in the forward curve for quoted oil price benchmarks such as Brent or WTI;
- an increase in cash operating costs;
- a significant downward revision to the estimated reserve volumes or values;
- an increase in rates calculated for depreciation, depletion and amortisation ("DD&A"); or
- unforeseen engineering sub-surface problems that cannot be overcome satisfactorily.

An impairment review of development and production assets is undertaken on a CGU basis and involves comparing the carrying value of an asset with its recoverable amount. The CGU is typically applied at the field or licence level, unless a number of field interests are determined to be interdependent. The recoverable amount of an asset is determined as the higher of its fair value less costs to sell and its value in use. Value in use is determined by reference to expected future net cash flows. Any impairment loss identified is recorded in the income statement.

5.8 Decommissioning

The discounted cost of expected decommissioning activity is recorded when an obligation to rectify the environmental impact of the Group's oil and gas activity exists. The obligation can arise from contractual licence arrangements, the laws and regulations of the country or Province of operation or be constructive based on established practice.

The amount that is recognised as a provision for decommissioning activities is the present value of the estimated future remediation expenditure that is determined by reference to the nature of the asset, the Group's operational policy with regard to decommissioning, local conditions and associated regulatory requirements. A corresponding decommissioning asset is recorded within property, plant and equipment at the same discounted value as the provision.

The costs recognised in the income statement in each period comprise two elements:

- depreciation of the decommissioning asset calculated on a unit-of-production basis consistent with the underlying asset to which it relates, recorded in operating expenses; and
- the unwind of the discount on the decommissioning provision that is recorded as a finance cost as time passes.

Any change in the present value of the estimated future decommissioning expenditure is reflected as an adjustment to the decommissioning provision and related decommissioning asset.

5. Accounting policies (continued)

5.9 Other assets

Other assets are capitalised on the basis of purchase price or construction cost. Depreciation on other elements of property, plant and equipment is charged on a straight-line basis at the following annual rates that reflect the expected useful life of each asset category:

• Property	10% to 20%
• Fixtures and fittings	20% to 33%
• Vehicles	20%
• Other equipment	20% to 33%

5.10 Non-current assets held for sale

Non-current assets or disposal groups classified as held for sale are measured at the lower of their net book value and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management views the trigger for recognition either as signature of a sales and purchase agreement or board approval. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Assets classified as held for sale and the corresponding liabilities are classified in current assets and liabilities on a separate line in the balance sheet.

5.11 Business combinations and goodwill

Acquired businesses are included in the financial statements from the transaction date which is defined as the date at which the Company achieves control over the assets being acquired and liabilities assumed.

The cost of an acquisition is calculated as the fair value of the consideration given including equity instruments given, contingent or deferred elements of consideration and any liabilities assumed in connection with the transfer of control.

The cost of an acquisition is allocated to the identifiable assets acquired and liabilities assumed on the basis of their relative fair values at the acquisition date. The fair value assessment will include certain assumptions, such as assessment of discount rates, taxation rules, and both the amount and the timing of expected future cash flows from assets and liabilities. In addition, the selection of specific valuation methods for individual assets and liabilities requires judgement. The specific valuation methods applied will be driven by the nature of the asset or liability being assessed.

If the acquisition cost at the time of the acquisition exceeds the fair value of the net assets acquired, goodwill is recognised. Conversely, if the fair value of the net assets acquired exceeds the consideration given, the difference is recognised as a gain in the income statement on the acquisition date.

5. Accounting policies (continued)

5.11 Business combinations and goodwill (continued)

Goodwill may also be recognised as a result of the application of deferred tax accounting to the fair values of assets acquired. The fair value allocation process often results in an increase to the carrying value of depreciable assets. Given that the tax deductible value of such assets does not change, the difference between the book value and the tax value of the asset increases, which results in an additional deferred tax liability. The increased deferred tax liability is recorded in purchase accounting with a corresponding entry to goodwill.

Goodwill is allocated to the CGUs or groups of CGUs that are expected to benefit from the business combination and is subject to annual impairment testing.

5.12 Inventories

The Group's stocks of crude oil on hand that result from its production operations are carried at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those costs that have been incurred in bringing the inventories to their present location. Hence, the cost is calculated as the per unit production cost for each barrel of oil held in inventory. Net realisable value is measured by reference to the market price for crude oil prevailing in Argentina plus or minus applicable quality and location premium or discount.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in selling and distribution. Operational inventory and spare parts are carried at the lower of cost or net realisable value after making due allowance for obsolete items where cost represents the weighted average unit cost for inventory items on a line-by-line basis.

Inventory write-down is made based on the current market conditions, historical experience and selling goods of similar nature. It could change significantly as a result of changes in market conditions. A review is made periodically on inventories for obsolescence and declines in net realisable value and an allowance is recorded against the inventory balances for any such declines. The realisable value represents the best estimate of the recoverable amount and is based on the most reliable evidence available and inherently involves estimates regarding the future expected realisable value.

5.13 Investments in subsidiaries

Investments in unquoted subsidiaries are carried at cost unless an indicator of impairment exists, in which case the recoverable value of the investment is assessed by reference to the cash flows it is expected to generate or the fair value of the assets it holds and an impairment loss is recorded as appropriate. Impairment losses are reversed to the extent that the condition giving rise to the impairment reverses in a subsequent period.

The Company has no investments in subsidiaries that are quoted on an active market.

5.14 Other investments and other financial assets

Classification

Financial assets are initially recognised at fair value, usually being the transaction price. In the case of financial assets not at fair value through profit or loss, directly attributable transaction costs are also included.

5. Accounting policies (continued)

5.14 Other investments and other financial assets (continued)

Classification (continued)

The subsequent measurement of financial assets depends on their classification. The Group classifies its financial assets in the following categories:

- financial assets measured at amortised cost;
- financial assets measured at fair value through other comprehensive income ("OCI"); and
- financial assets measured at fair value through profit or loss ("FV-P&L").

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held to maturity, re-evaluates this designation at the end of each reporting period.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

Financial assets measured at amortised cost

Financial assets are classified and measured at amortised cost when the objective of the asset is to collect contractual cash flows and the contractual cash flows represent solely payments of principal and interest. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired and when interest is recognised using the effective interest method. This category of financial assets includes trade and other receivables.

Financial assets measured at fair value through other comprehensive income

Financial assets are classified and measured at fair value through OCI when the objective of holding the asset is both to collect contractual cash flows and sell the financial assets, and the contractual cash flows represent solely payments of principal and interest. The Group does not have any financial assets classified in this category.

Financial assets measured at fair value through profit or loss

Financial assets are classified and measured at fair value FV-P&L when the asset does not meet the criteria to be measured at amortised cost or fair value through OCI. Such assets are carried on the balance sheet at fair value with gains or losses recognised in the income statement. Derivatives, other than those designated as effective hedging instruments, and equity instruments are included in this category.

Interest income from financial assets held at FV-P&L is included in finance income. Interest on assets held at amortised cost is calculated using the effective interest method and is recognised in the statement of profit or loss in finance costs.

Impairment – general

Credit risk arises from the Group's financial assets which are carried at amortised cost, at fair value through OCI and at FV-P&L, including cash and cash equivalents and outstanding receivables with oil and gas customers. The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired based on the credit loss model set out in IFRS 9 "Financial Instruments" ("IFRS 9").

5. Accounting policies (continued)

5.14 Other investments and other financial assets (continued)

Impairment – assets carried at amortised cost

For loans and receivables, the Group applies the IFRS 9 simplified approach to measuring expected credit losses that uses a lifetime expected loss allowance. The expected loss rates are based on the payment profiles of sales over a period of 36 months prior to the reporting date. These historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of customers to settle the receivables as they fall due.

Loans and receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses are presented as net impairment losses within operating profit/(loss). Subsequent recoveries of amounts previously written off are credited against the same line item.

Impairment – other short-term investments

All of the Group's other short-term investments are considered to have low credit risk, and the loss allowance recognised during the period is therefore limited to 12 months' expected losses. Any loss allowance determined for the period is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI.

5.15 Trade and other receivables

Trade receivables and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method less provision for impairment. The Group applies the IFRS 9 simplified approach to measuring expected credit losses to calculate impairment, which uses a lifetime expected loss allowance based on a 36 month assessment period. Any resulting impairment loss is recognised immediately in the income statement.

Trade and other receivables are classified as current assets if receipt is due within one year or less. If not, they are presented as non-current assets.

5.16 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with financial institutions that can be called on demand together with other short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash. Cash equivalents also include restricted amounts pledged as securities for work commitments. Cash equivalents are classified as financial assets measured at amortised cost or FV-P&L.

5.17 Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method. Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Accruals are recognised in respect of goods or services delivered but not yet invoiced.

5. Accounting policies (continued)

5.18 Provisions

Provision is made for asset retirement obligations and legal claims when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be incurred in settling the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision as the discount unwinds due to the passage of time is recognised in the income statement as interest expense.

5.19 Leases

On inception of a contract the Group assesses whether it contains a lease. The contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right to control the use of an identified asset is determined based on whether the Group has the right to obtain all of the economic benefits from the use of the asset throughout the period of use, and if the Group has the right to direct the use of the asset.

Lease obligations are recognised as a liability with a corresponding right-of-use asset at the commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the lease commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The corresponding right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of costs required to remove or restore the underlying asset, less any lease incentives received. 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.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, those leases with a remaining lease term of less than 12 months as at 1 January 2022 and leases of low value assets with an annual cost of US$5,000 or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the consolidated financial statements (continued)

6. Revenue

	2022 US$'000	2021 US$'000
Crude oil revenue	**134,234**	75,996
Gas revenue	**2,983**	2,374
Other revenue	**212**	-
Total revenue	**137,429**	78,370

7. Cost of sales

	2022 US$'000	2021 US$'000
Production costs	**62,172**	42,180
Depreciation of oil and gas assets	**41,035**	39,628
Movements in crude inventory	**(1,193)**	(336)
Total cost of sales	**102,014**	81,472

8. Administrative expenses

	2022 US$'000	2021 US$'000
Staff costs	**14,295**	10,620
Professional fees	**4,468**	2,232
Other general and administrative expenses	**4,216**	4,115
Total administrative expenses	**22,979**	16,967

9. Other operating income and expenses

	2022 US$'000	2021 US$'000
Income		
Staff seconded to joint operations	**117**	163
Reversed provisions	-	200
Other income	**220**	1,071
Expense		
Fair value of investments	**(235)**	(110)
Provisions	-	(1,651)
Income tax withholdings	**(3,128)**	-
Argentine bank transaction taxes	**(4,910)**	(1,470)
Other expenses	**(222)**	(120)
Total other operating income or expense	**(8,158)**	(1,917)

10. Auditors' remuneration

	2022 US$'000	2021 US$'000
Fees payable to the Company's auditors and its associates for the audit of the parent company and consolidated financial statements	**100**	226
Fees payable to the Company's auditors and its associates for other services:		
The audit of the Company's subsidiaries	**240**	240
Total auditors' remuneration	**340**	466

No non-audit services were provided in 2022 (2021: nil).

11. Staff costs and headcount

Staff costs	2022 US$'000	2021 US$'000
Wages and salaries	**14,040**	10,434
Social security costs	**2,310**	1,521
Other benefits	**975**	888
Share-based payments	**214**	128
Total staff costs	**17,539**	12,971

Average headcount	2022 No.	2021 No.
Argentina	**69**	65
United Kingdom	**2**	2
USA	-	-
	71	67

Directors' remuneration	2022 US$'000	2021 US$'000
Emoluments	**293**	483
Consultancy fees	**126**	149
Total directors' remuneration	**419**	632

Key management compensation	2022 US$'000	2021 US$'000
Short-term employee benefits	**2,257**	1,292
Post-employment benefits	-	-
Termination benefits	-	-
Total key management compensation	**2,257**	1,292

Share-based payment disclosures are included in note 34.2.

12. Finance income and costs

	2022 US$'000	2021 US$'000
Finance income		
Interest income	**97**	172
Income from short-term investments	**10,807**	10,093
Net exchange gains on foreign currency borrowings	**381**	482
Other finance gains	**94,147**	44,069
Total finance income	**105,432**	54,816
Finance costs		
Interest on borrowings	**(26,302)**	(16,318)
Accretion of discount on asset retirement obligation	**(860)**	(16)
Loan arrangement fees	**(67)**	(77)
Other finance costs	**(8,135)**	(2,406)
Exchange differences	**(29,976)**	(6,561)
Total finance cost	**(65,340)**	(25,378)
Net finance income	**40,092**	29,438

12. Finance income and costs (continued)

The net finance income in 2022 of US$40.1 million (2021: US$29.4 million), was primarily driven by the benefit on transfers of US Dollars into Argentina under the "contado con liquidacion" mechanism (recognised in other finance gains above), offset by an increase in the foreign exchange losses on Peso denominated balances held by the Group and an increase in other finance costs.

13. Taxation

	2022 US$'000	2021 US$'000
Current tax		
Current tax expense on loss for the year	**(1,000)**	(970)
Total current tax expense	**(1,000)**	(970)
Deferred income tax		
Movement in deferred tax	**45,849**	5,226
Total deferred tax credit	**45,849**	5,226
Income tax benefit	**44,849**	4,256

Reconciliation of income tax benefit to notional tax credit:

	2022 US$'000	2021 US$'000
Loss from continuing operations before income tax expense	**(67,055)**	(29,277)
Tax at the Argentina tax rate of 35% (2021: 35%)	**23,469**	10,247
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Effect of currency translation on tax values	**7,831**	4,734
Effect of change in tax rate	**-**	(13,438)
Disposal of assets	**13,835**	-
Expenses not deductible for taxation	**(5,659)**	(954)
Deferred tax assets not recognised	**-**	(1,022)
Inflation adjustment	**4,789**	1,056
Other	**584**	3,633
Total income tax benefit	**44,849**	4,256

The corporate income tax rate in Argentina in 2022 was 35% (2021: 35%) and applies to profits earned and losses suffered in the year to 31 December 2022.

In June 2021, Law 27.630 made some amendments to income tax rates applicable to fiscal year 2021 and subsequent years. The main change was the introduction of progressive tax rates based on the accumulated net profits, as follows: i) on accumulated net profits up to AR$5 million, a rate of 25%; (ii) on accumulated net profits between AR$5 million and AR$50 million, a fixed amount of AR$1.2 million plus a rate of 30% on the excess over AR$5 million; and (iii) on net profits in excess of AR$50 million, a fixed amount of AR$14 million plus a rate of 35% on the excess over AR$50 million. These amounts will be adjusted annually, with effect from 1 January 2022, by reference to the annual movement in the Consumer Price Index. Dividends will be taxed in all cases at 7%.

Deferred tax balance estimations have been calculated based on these amended tax rates.

14. Property, plant and equipment - Group

Property, plant and equipment	Other assets US$'000	Development and production assets US$'000	Assets under construction US$'000	Total US$'000
At 1 January 2022				
Cost	19,877	624,354	11,255	655,486
Accumulated depreciation and impairment	(9,140)	(492,119)	-	(501,259)
Net book amount	10,737	132,235	11,255	154,227
Year ended 31 December 2022				
Opening net book amount	10,737	132,235	11,255	154,227
Additions	5,619	162,374	11,048	179,041
Transfers from intangible assets	-	212	-	212
Transfer to held for sale - cost	-	(111,883)	-	(111,883)
Disposal of assets – cost	(233)	-	-	(233)
Impairment charge	-	(11,968)	-	(11,968)
Exploration costs written off	-	(720)	-	(720)
Depreciation charge	(1,294)	(39,741)	-	(41,035)
Transfer to held for sale – accumulated DD&A	-	111,883	-	111,883
Disposal of assets – accumulated DD&A	118	-	-	118
Closing net book amount	**14,947**	**242,392**	**22,303**	**279,642**
At 31 December 2022				
Cost	25,263	674,337	22,303	721,903
Accumulated depreciation and impairment	(10,316)	(431,945)	-	(442,261)
Net book amount	**14,947**	**242,392**	**22,303**	**279,642**

Additions

Additions to property, plant and equipment in the year ended 31 December 2022 did not include any interest capitalised in respect of qualifying assets (2021:US$nil). The total amount of interest capitalised within property, plant and equipment at 31 December 2022 is US$3.1 million (2021: US$3.1 million).

14. Property, plant and equipment – Group (continued)

Property, plant and equipment	Other assets US$'000	Development and production assets US$'000	Assets under construction US$'000	Total US$'000
At 1 January 2021				
Cost	13,091	541,489	8,966	563,546
Accumulated depreciation and impairment	(8,796)	(396,393)	-	(405,189)
Net book amount	4,295	145,096	8,966	158,357
Year ended 31 December 2021				
Opening net book amount	4,295	145,096	8,966	158,357
Additions	1,185	11,686	7,705	20,576
Transfers from intangible assets	6,456	32,682	(5,416)	33,722
Transfer from held for sale - cost	-	31,073	-	31,073
Disposal of assets – cost	(878)	-	-	(878)
Impairment reversal	-	4,629	-	4,629
Impairment charge	-	(31,928)	-	(31,928)
Exploration costs written off	-	(30)	-	(30)
Depreciation charge	(1,148)	(38,480)	-	(39,628)
Transfer for held for sale – accumulated DD&A	-	(22,493)	-	(22,493)
Disposal of assets – accumulated DD&A	827	-	-	827
Closing net book amount	**10,737**	**132,235**	**11,255**	**154,227**
At 31 December 2021				
Cost	19,877	624,354	11,255	655,486
Accumulated depreciation and impairment	(9,140)	(492,119)	-	(501,259)
Net book amount	**10,737**	**132,235**	**11,255**	**154,227**

Impairment

The Group's accounting policy gives examples of potential triggers for impairment that management will consider when assessing if a particular asset may be impaired. When a specific impairment trigger is identified during a period, the Company will complete an impairment review of the associated CGU. There has been no change in the CGU asset classification year-on-year. Climate change is another factor to be considered and this is reflected in the assumptions used to calculate the discount factor, in particular the beta factor and the country risk.

In addition, where management believes a reversal of the conditions that gave rise to the impairment has arisen, a review will be carried to assess whether a potential reversal of the impairment charge recognised in prior periods should be recorded.

This assessment review identified impairment triggers primarily due to the revised year end reserves estimates resulting in an impairment charge of US$11.9 million in respect of property, plant and equipment (2021: US$31.9 million impairment charge and US$4.6 million impairment reversal).

15. Property, plant and equipment - Company

The property, plant and equipment balance of US$10.0 million (2021: US$10.3 million) includes: i) US$0.1 million (2021: US$0.1 million) of property leases, leasehold improvements, fixtures and fittings and office equipment with depreciation charged on a straight-line basis at rates that reflect the expected useful life of each asset category; and ii) US$9.9 million (2021: US$10.2 million of development and production assets with depreciation calculated on a unit-of-production basis as detailed in note 5.7.

16. Intangible assets and goodwill - Group

Exploration and evaluation assets

Exploration and evaluation assets are primarily the Group's licence interests in exploration and evaluation assets located in Argentina. The exploration and evaluation assets consist of both *conventional and unconventional oil and gas properties.*

Intangible assets	**Goodwill US$'000**	**Exploration and evaluation assets US$'000**	**Total US$'000**
At 1 January 2022			
Cost	260,007	215,125	475,132
Accumulated amortisation and impairment charges	(239,392)	(27,302)	(266,694)
Net book amount	20,615	187,823	208,438
Year ended 31 December 2022			
Opening net book amount	20,615	187,823	208,438
Additions	-	9,180	9,180
Transfer to property, plant and equipment	-	(212)	(212)
Transfer to held for sale assets	-	(12,013)	(12,013)
Exploration cost written off	-	(74,509)	(74,509)
Impairment charge	(16,780)	-	(16,780)
Closing net book amount	**3,835**	**110,269**	**114,104**
At 31 December 2022			
Cost	260,007	137,571	397,578
Accumulated amortisation and impairment charges	(256,172)	(27,302)	(283,474)
Net book amount	**3,835**	**110,269**	**114,104**

16. Intangible assets and goodwill – Group (continued)
Exploration and evaluation assets (continued)

Intangible assets	Goodwill US$'000	Exploration and evaluation assets US$'000	Total US$'000
At 1 January 2021			
Cost	260,007	217,078	477,085
Accumulated amortisation and impairment charges	(239,392)	(25,719)	(265,111)
Net book amount	20,615	191,359	211,974
Year ended 31 December 2021			
Opening net book amount	20,615	191,359	211,974
Additions	-	31,824	31,824
Transfer to property, plant and equipment	-	(33,722)	(33,722)
Exploration cost written off	-	(55)	(55)
Impairment charge	-	(1,583)	(1,583)
Closing net book amount	**20,615**	**187,823**	**208,438**
At 31 December 2021			
Cost	260,007	215,125	475,132
Accumulated amortisation and impairment charges	(239,392)	(27,302)	(266,694)
Net book amount	**20,615**	**187,823**	**208,438**

Impairment of exploration and evaluation assets

The Group's accounting policy gives examples of potential triggers for impairment that management will consider when assessing if a particular asset may be impaired. When a specific impairment trigger is identified during a period, the Company will complete an impairment review.

This assessment review did not identify any identify any impairment triggers in respect of exploration and evaluation assets (2021: US$1.6 million charge).

Goodwill and impairment of goodwill

No goodwill was recognised prior to 2017. All goodwill presented relates to the allocation of technical goodwill arising as a result of accounting for deferred tax on the business combination on 10 August 2017. Goodwill of US$224.2 million that was related to the excess of the purchase consideration given over the fair value of assets acquired and liabilities assumed at the acquisition date was impaired in full on completion of the business combination in 2017, which was subsequently increased by US$15.2 million in 2020.

The Group's accounting policy gives examples of potential triggers for impairment that management will consider when assessing if a particular asset may be impaired. When a specific impairment trigger is identified during a period, the Company will complete an impairment review. This assessment review in 2022 resulted in an impairment charge of US$16.8 million (2021: US$nil million) in respect of goodwill.

17. Intangible assets - Company

The intangible assets balance of US$3.8 million (2021: US$11.1 million) relates to licence payments for the Mata Mora exploration concession.

Impairment of exploration and evaluation assets

The Group's accounting policy gives examples of potential triggers for impairment that management will consider when assessing if a particular asset may be impaired. When a specific impairment trigger is identified during a period, the Company will complete an impairment review.

This assessment review resulted in an impairment charge of US$7.4 million (2021: US$nil million) in respect of the Corralera exploration and evaluation asset.

18. Inventories

	2022	2021
	US$'000	US$'000
Crude oil	**2,676**	1,483
Spare parts and equipment	**20,931**	18,629
Total	**23,607**	20,112

The costs of individual items of inventory are determined using weighted average costs. Crude oil inventory is recorded using the per barrel weighted average cost of production for the year. Weighted average cost is determined by dividing the total production costs for the year by the volume of barrels produced in the year.

Inventories recognised as an expense in the year relate to the change in crude inventory year-on-year reflecting the timing of the actual sale of the crude as opposed to being expensed based on production volumes in the year. For certain fields, inventory is accumulated in storage pending tanker collection. Depending on the timing of collection, crude produced in one year can be sold in the following year, resulting in inventory at the year end.

19. Investments in subsidiaries - Company

	2022	2021
Investments	**US$'000**	US$'000
At 1 January	**480,990**	427,980
Investment in subsidiaries	**97,865**	53,010
Impairment of investment	**(196,777)**	-
At 31 December	**382,078**	480,990

During the year the Company made capital contributions to certain of its subsidiaries. The total investment made was US$97.9 million (2021: US$53.0 million).

Notes to the consolidated financial statements (continued)

19. Investments in subsidiaries – Company (continued)

Impairment assessment

The Group's accounting policy gives examples of potential triggers for impairment that management will consider when assessing if a particular asset may be impaired. When a specific impairment trigger is identified during a period, the Company will complete an impairment review.

This assessment review identified impairment triggers primarily due to the poor results from the drilling of exploratory wells and revised year end reserves estimates resulting in an impairment charge of US$196.8 million in the year (2021: US$nil).

At 31 December 2022, the Company had investments in the following subsidiaries, which have not changed since 31 December 2021. The principal activity of all companies relates to oil and gas exploration, development and production.

	Principal activity	**Country of incorporation**	**Proportion of issued shares controlled by the Group**
PGR Operating LLC	Service company	USA	100%
AEN Energy Holdings S.P.C.	Dormant	Cayman Islands	100%
AEN Energy Cayman Islands Ltd	Dormant	Cayman Islands	100%
AEN Netherlands Cooperatief U.A.	Intermediate holding company	Netherlands	100%
Trefoil Holdings B.V.	Intermediate holding company	Netherlands	100%
San Enrique Petrolera B.V.	Intermediate holding company	Netherlands	100%
AEN Energy Latina, S.L.	Service company	Spain	100%
Upstream Latino America S.A.	Intermediate holding company	Spain	99.96%
Trefoil (Switzerland) S.A.	Intermediate holding company	Switzerland	100%
Trefoil Limited	Intermediate holding company	Bermuda	100%
Trefoil GmbH	Intermediate holding company	Austria	100%
Petrolera El Trebol S.A.	Oil and gas operations	Argentina	100%
MSO Andes Energia S.A.U.	Service company	Argentina	100%
Andes Oil S.A.U.	Intermediate holding company	Argentina	100%
Andes Oil and Gas S.A.U.	Intermediate holding company	Argentina	100%
Grecoil y Cia. S.A.U.	Oil and gas operations	Argentina	100%
AEN Energy Mendoza S.A.	Intermediate holding company	Argentina	100%
AEN Energy Argentina S.A.	Intermediate holding company	Argentina	100%
Patagonia Oil & Gas S.A.	Intermediate holding company	Argentina	100%
Andes Hidrocarburos S.A.	Intermediate holding company	Argentina	100%
Kilwer S.A.	Oil and gas operations	Argentina	100%
Ketsal S.A.	Oil and gas operations	Argentina	100%
CHPPC Andes S.R.L	Oil and gas operations	Argentina	100%
Integra Investment S.A.	Intermediate holding company	Argentina	100%
Andes Interoil Limited	Dormany	UK	100%
Andes Energia Limited	Dormant	UK	100%
Patagonia Oil & Gas Limited	Dormant	UK	100%
Patagonia Energy Limited	Dormant	UK	100%

20. Trade and other receivables

	Group		Company	
	2022	2021	**2022**	2021
Current	**US$'000**	US$'000	**US$'000**	US$'000
Equity investments	**129**	374	**-**	-
Contingent consideration	**1,345**	1,345	**1,345**	1,345
Financial assets at FV-P&L	**1,474**	1,719	**1,345**	1,345
Trade receivables	**45,927**	10,404	**34**	21
Less: provision for impairment	**(64)**	(82)	**-**	-
Trade receivables after impairment	**45,863**	10,322	**34**	21
Other receivables	**3,311**	7,630	**578**	3,844
Amounts owed by subsidiaries	**-**	-	**169,220**	182,809
Financial assets at amortised cost	**49,174**	17,952	**169,832**	186,674
Prepayments and other receivables	**20,399**	9,361	**128**	64
Tax credits	**13,118**	6,213	**-**	-
Total	**84,165**	35,245	**171,305**	188,083

	Group		Company	
	2022	2021	**2022**	2021
Non-current	**US$'000**	US$'000	**US$'000**	US$'000
Other receivables	**656**	958	**655**	958
Financial assets at amortised cost	**656**	958	**655**	958
Tax credits	**15,622**	5,740	**-**	-
Total	**16,278**	6,698	**655**	958

Trade receivables are amounts due from customers for sales of crude oil and natural gas in the ordinary course of business. Trade receivables are non-interest bearing and generally have 30 day terms and are therefore all classified as current. Due to their short maturities, the book value of trade receivables approximates fair value. Taxation, prepayments and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of amounts is expected in one year or less they are classified as current assets.

The lifetime expected credit loss rate of the Group's trade receivables was assessed based on the payment profiles of sales over a period of 36 months before 31 December 2022 and 1 January 2022 respectively and the corresponding historical credit losses experienced within this period. No material adjusting macroeconomic factors were identified for either assessment period. The actual credit loss over 2022 was determined to be 0% of total sales (2021: 0% of total sales), which is immaterial to the Group financial statements. No loss allowance has therefore been recognised in either period presented.

Other receivables include primarily non-operated joint venture that are determined to be low credit risk and no loss allowance has been recorded against these balances in the year.

Contingent consideration was recognised on the sale of AEA S.A. in November 2018 and represents the fair value attributed to restricted cash held in escrow in respect of licence guarantees in Colombia and held in favour of the ANH, the Colombian regulator, in respect of which the Company has a right of recovery.

20. Trade and other receivables (continued)

The amounts due from subsidiary undertakings include US$136.9 million (2021: US$148.9 million) that incurs interest at a fixed rates of 12.5% and 7% per annum (2021: 7.0%) with a maturity date of 31 January 2023. An amount of US$28.6 million (2021: US$27.2 million) incurs interest at a fixed rate of 5% per annum (2021: 5.0%) with no fixed maturity date. The remaining amounts due from subsidiaries accrue no interest and are repayable on demand. At 31 December 2022, a provision of US$5.2 million (2021: US$2.3 million) was held in respect of the recoverability of amounts due from subsidiary undertakings assessed in accordance with IFRS 9.

21. Cash and cash equivalents

	Group		Company	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
Cash at bank and in hand	**1,593**	1,208	**1,183**	70
Short-term investments	**7,006**	65,057	**-**	-
Total cash and cash equivalents	**8,599**	66,265	**1,183**	70

Short-term investments

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest.

22. Trade and other payables

	Group		Company	
	2022	2021	**2022**	2021
Current	**US$'000**	US$'000	**US$'000**	US$'000
Trade payables	**22,257**	16,659	**1,176**	1,492
Accrued staff costs	**3,978**	2,090	**65**	246
Social security and other taxes	**8,418**	3,836	**-**	-
Royalties	**2,442**	1,065		-
Lease obligations	**2,422**	341	**-**	-
Accrued expenses	**14,370**	9,974		-
Amounts owed to subsidiaries	**-**	-	**19,094**	-
Other payables	**5,110**	4,852	**3,574**	3,470
Total	**58,997**	38,817	**23,909**	5,208

	Group		Company	
	2022	2021	**2022**	2021
Non-current	**US$'000**	US$'000	**US$'000**	US$'000
Social security and other taxes	**44**	107	**-**	-
Lease obligations	**1,500**	274	**-**	-
Amounts owed to subsidiaries	**-**	-	**-**	17,852
Other payables	**-**	-	**8**	77
Total	**1,544**	381	**8**	17,929

Trade payables are unsecured and are usually paid within 30 days of recognition.

22. Trade and other payables (continued)

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Social security and other taxes include amounts related to tax plans agreed with the AFIP, the Argentine federal tax authority.

Under tax plan arrangements, taxes due are paid in instalments with interest charged on the outstanding principal. The Group historically participated in tax plans on a selective basis and where the level of currency depreciation and the interest rate on outstanding amounts resulted in an acceptable finance cost. Obligations falling due from tax plans within the next 12 months have been presented within current liabilities at 31 December 2022, with the remaining obligations presented as non-current.

23. Borrowings

Current	**Group**		**Company**	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
Secured				
Bank loans	**383**	6,289	-	-
Total secured borrowings	**383**	6,289	-	-
Unsecured				
Loans from related parties	**494,541**	393,452	**494,541**	393,452
Other loans	**12**	18	-	-
Total unsecured borrowings	**494,553**	393,470	**494,541**	393,452
Total borrowings	**494,936**	399,759	**494,541**	393,452

Secured liabilities and assets pledged as security

Secured liabilities relate to US Dollar denominated loans at an interest rate of LIBOR + 700 points for Dollar loans, subject to a minimum rate of 8% per annum and BADLAR + 700 points for Peso loans (2021: interest rate of LIBOR + 700 points for Dollar loans, subject to a minimum rate of 8% per annum and BADLAR + 700 points for Peso loans). At 31 December 2022 the Group held US$0.1 million loans in Argentine Peso (2021: US$1.7 million).

Loans from related parties

The related party loan at 31 December 2022 relates to a convertible rolling credit facility ("RCF") and non-convertible bridging facility ("BF") provided to the Group by Mercuria Energy Netherlands B.V., a subsidiary of the Mercuria group.

At 31 December 2022, a total facility of US$291.0 million was available to the Company under the RCF, with a total of US$281.0 million drawn down under the facility, with the undrawn balance of US$10.0 million made available through the BF, which was subsequently increased to US$183.5 million, with US$163.5 million drawn down at the year end.

All funds drawn down under the RCF and BF bear interest at US$ LIBOR + 4%. The RCF provides for an interest payment grace period from 1 January 2019 to 31 December 2022 with a first repayment and maturity date of 31 January 2023. The BF provides for a repayment date (principal and interest) and maturity date of 31 January 2023. During the year US$21.0 million of interest was paid with US$50.0 million of interest accrued/capitalised at the year end.

23. Borrowings (continued)
Loans from related parties (continued)
The loans were restructured after the year end. See note 35.

Fair value
Differences identified between the fair values and carrying amounts of borrowings are as follows:

	2022		2021	
	Carrying amount US$'000	**Fair value US$'000**	Carrying amount US$'000	Fair value US$'000
Bank loans	**383**	**383**	6,289	6,199
Other loans	**12**	**12**	18	18
Loans from related parties	**494,541**	**492,531**	393,452	382,528
Total	**494,936**	**492,926**	399,759	388,745

The fair values of non-current borrowings are based on discounted cash flows using a current borrowing rate. They are classified as Level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

24. Deferred tax balances
Argentine tax law does not contain the concept of tax groups and therefore deferred tax assets and liabilities cannot be offset between and among companies registered in Argentina and falling under the control of the same shareholder. Outside of Argentina, the Group does not have sufficient concentration of subsidiaries in a single tax jurisdiction to warrant seeking tax group status to allow the offset of assets and liabilities.

In June 2021, Law 27.630 made some amendments to income tax rates applicable to fiscal year 2021 and subsequent years. The main change was the introduction of progressive tax rates based on accumulated net profits, as follows: i) on accumulated net profits up to AR$5 million, a rate of 25%; (ii) on accumulated net profits between AR$5 million and AR$50 million, a fixed amount of AR$1.2 million plus a rate of 30% on the excess over AR$5 million; and (iii) on net profits in excess of AR$50 million, a fixed amount of AR$14 million plus a rate of 35% on the excess over AR$50 million. These amounts are adjusted annually with effect from 1 January 2022, by reference to the annual movement in the Consumer Price Index ("CPI"). Dividends will be taxed in all cases at 7%.

Deferred tax assets and liabilities are calculated at the rate of 35% taking into consideration the expected time of recovery.

Deferred tax assets

	2022	2021
	US$'000	US$'000
Tax losses	**54,542**	25,451
Provisions	**3,981**	3,913
Others – Foreign exchange and interest	**8,379**	8,966
Total deferred tax assets	**66,902**	38,330

24. Deferred tax balances (continued)

Deferred tax assets (continued)

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. In 2022 no deferred tax assets were not recognised in respect of tax losses. In 2021 the Company did not recognise deferred income tax assets of US$1.0 million in respect of tax losses amounting to US$2.9 million as there was insufficient evidence that the potential assets would be recovered. The Company has written off a US$16.1 million (2021: US$9.2 million) deferred tax asset recognised at the time of the reverse takeover and not considered recoverable.

Assessed tax losses amounting to US$54.5 million (2021: US$25.4 million) will expire between 2024 to 2027 (2021: 2023 to 2026).

Movements	Tax losses US$'000	Provisions US$'000	Other US$'000	Total US$'000
At 1 January 2021	19,757	1,898	3,900	25,555
Credited to profit and loss	5,694	2,015	5,066	12,775
At 31 December 2021	25,451	3,913	8,966	38,330
Credited to profit and loss	29,091	68	(587)	28,572
At 31 December 2022	**54,542**	**3,981**	**8,379**	**66,902**

The timeframe for expected recovery or settlement of deferred tax assets is as follows:

	2022 US$'000	2021 US$'000
No more than 12 months after the reporting year	**12,360**	12,879
More than 12 months after the reporting year	**54,542**	25,451
	66,902	38,330

Deferred tax liabilities

The balance comprises temporary differences attributable to:

	2022 US$'000	2021 US$'000
Property, plant and equipment and intangible assets	**(41,837)**	(55,672)
Inventories	**(3,988)**	(2,607)
Inflation adjustments	**(3,568)**	(8,391)
Total deferred tax liabilities	**(49,393)**	(66,670)

Argentine tax law has introduced provisions for inflationary adjustments to be made for tax purposes in the event that the increases in the 36 month cumulative CPI for the preceding closing year exceed 100%. For fiscal year 2020, where an inflationary adjustment for tax is triggered, the law requires an adjustment to taxes in the period with one-sixth of the calculated value booked to current income taxes in the year and the remaining five-sixths included within deferred tax and recognised through current tax in equal parts in the following five years. For fiscal years 2022 and 2021, the inflationary adjustment is recognised in the current year.

During the year an amount of US$4.7 million (2021: US$1.0 million) has been included in current taxes, with an additional US$4.1 million (2021: US$8.4 million) included within deferred tax liabilities in relation to this adjustment corresponding to fiscal periods 2019 and 2020.

24. Deferred tax balances (continued)
Deferred tax liabilities (continued)

Movements	Property, plant and equipment and intangible assets US$'000	Inventories US$'000	Inflation adjustments US$'000	Total US$'000
At 1 January 2021	(48,402)	(1,322)	(9,397)	(59,121)
(Charged)/credited to profit and loss	(7,270)	(1,285)	1,006	(7,549)
At 31 December 2021	(55,672)	(2,607)	(8,391)	(66,670)
Credited/(charged) to profit and loss	13,835	(1,381)	4,823	17,277
At 31 December 2022	**(41,837)**	**(3,988)**	**(3,568)**	**(49,393)**

The above presentation of deferred tax assets and liabilities is prepared showing the aggregate of the gross asset and liability position on a company-by-company basis.

	2022	2021
	US$'000	US$'000
Deferred tax assets	**66,902**	38,330
Deferred tax liabilities	**(49,393)**	(66,670)
Net deferred income tax asset/(liability)	**17,509**	(28,340)

Deferred tax assets and liabilities presented in the balance sheet reflect the offset of deferred tax assets and liabilities where permissible. The deferred tax assets and liabilities, after legal offset, are shown in the table below.

	2022	2021
	US$'000	US$'000
Deferred tax assets	**56,143**	25,777
Deferred tax liabilities	**(38,634)**	(54,117)
Net deferred income tax asset/(liability)	**17,509**	(28,340)

25. Provisions and contingent liabilities

	Group		**Company**	
	2022	2021	**2022**	2021
Current	**US$'000**	US$'000	**US$'000**	US$'000
Legal claims	**608**	1,138	-	-
Other	-	-	**1,240**	180
Total	**608**	1,138	**1,240**	180
Non-current				
Decommission and site restoration	**11,145**	14,322	-	-
Legal claims	**3,695**	4,784	-	1,060
Other	**180**	180	-	-
Total	**15,020**	19,286	-	1,060
Total non-current and current	**15,628**	20,424	**1,240**	1,240

25. Provisions and contingent liabilities (continued)

Decommissioning and site restoration

The Group has an obligation to remove its oil and gas production equipment from a field at the end of its useful life. The Group is required to securely plug wells that will no longer be used in order to make them environmentally and physically safe. In addition, all land must be returned to its natural state at the cessation of production operations. A provision is established representing the present value of the estimated future cost of this obligation with a corresponding depreciable "decommissioning" asset recorded in property, plant and equipment using a discount rate of 7% and inflation of 2%.

The key assumptions applied in calculating the decommissioning provision relate to the extent of the physical decommissioning activity required on a licence-by-licence area, the cost of performing that activity and the timing of when that activity is due to take place. The estimate of the quantum of the provision is most sensitive to the extent of the activity required, which may change over time due to legislation. In addition, the estimate of the provision is sensitive to the timing of the decommissioning activity which is determined by the economically productive life of the related asset.

Provinces may not require remediation of wells prior to the relinquishment of licences. This can occur where the Province considers wells may be of geological interest to future licence holders or could be remediated in the future. In these circumstances no provision is made.

Provision for legal claims

Legal claims mainly relate to disputes arising related to payments for services rendered and the nature of the service rendered. Provisions are recorded for such claims where the Company has determined it to be probable that an outflow of resources will be required to settle the claim, or where it is uncertain whether any action by a third-party would be successful. Provisions are assessed on a case-by-case basis.

Other provision

These are contractual obligations contingent on certain events occurring.

25. Provisions and contingent liabilities (continued)

Movements in provisions

Movements in each class of provisions during the financial year are set out below:

	Decommission and site restoration US$'000	Legal claims US$'000	Other US$'000	Total US$'000
At 1 January 2021	**11,555**	**4,151**	**380**	**16,086**
Additional provisions recognised	2,696	2,357	-	5,053
Revision of abandonment provision	(391)	-	-	(391)
Unwinding of discount	16	-		16
Amounts used during the year	-	(218)	-	(218)
Exchange differences	-	(368)	-	(368)
Classified from held for sale at year end	446	-		446
Reverse of provision	-	-	(200)	(200)
At 1 January 2022	**14,322**	**5,922**	**180**	**20,424**
Additional provisions recognised	810	286	-	1,096
Classified as held for sale	(4,848)	-	-	(4,848)
Unwinding of discount	861	-	-	861
Amounts used during the year	-	(536)	-	(536)
Exchange differences	-	(1,369)	-	(1,369)
At 31 December 2022	**11,145**	**4,303**	**180**	**15,628**

26. Financial assets and liabilities

Financial assets 2022	Assets at FV-P&L US$'000	Assets at Amortised cost US$'000	Total US$'000
Trade and other receivables	1,474	49,830	51,304
Cash and cash equivalents	7,006	1,593	8,599
Total financial assets	**8,480**	**51,423**	**59,903**

Financial assets 2021	Assets at FV-P&L US$'000	Assets at amortised cost US$'000	Total US$'000
Trade and other receivables	1,719	18,910	20,629
Cash and cash equivalents	65,057	1,208	66,265
Total financial assets	66,776	20,118	86,894

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

26. Financial assets and liabilities (continued)

Financial liabilities 2022	Liabilities at amortised cost US$'000	Total US$'000
Trade and other payables	49,637	49,637
Borrowings	494,936	494,936
Total financial liabilities	**544,573**	**544,573**

Financial liabilities 2021	Liabilities at amortised cost US$'000	Total US$'000
Trade and other payables	34,190	34,190
Borrowings	399,759	399,759
Total financial liabilities	433,949	433,949

Recognised fair value measurements

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This is the case for unlisted equity securities.

At 31 December 2022, the Group held US$7.0 million of financial assets related to short-term investments and US$0.1 million of financial assets related to equity instruments whose fair value is assessed by reference to Level 1 inputs in the fair value hierarchy. There are no transfers to Level 2 or Level 3. All other financial instruments held by the Group at 31 December 2022 were assessed by reference to Level 3 inputs. At 31 December 2021, the Group held US$65 million of financial assets related to short-term investments and US$0.4 million of financial assets related to equity instruments whose fair value is assessed by reference to Level 1 inputs in the fair value hierarchy. There are no transfers to Level 2 or Level 3. All other financial instruments held by the Group at 31 December 2021 were assessed by reference to Level 3 inputs.

The Group's maximum exposure to various risks associated with the financial instruments is discussed in note 28.

27. Changes in liabilities arising from financing activities

	1 January US$'000	Cash flows US$'000	Interest paid US$'000	Movements from non-current to current US$'000	Non-cash changes: Interest charge US$'000	Capitalised interest US$'000	Foreign exchange US$'000	31 December US$'000
Current liabilities								
Borrowings	399,759	90,994	(21,671)	-	26,302	-	(448)	494,936
Non-current liabilities								
Borrowings	-	-	-	-	-	-	-	-
Total borrowings 2022	**399,759**	**90,994**	**(21,671)**	-	**26,302**	-	**(448)**	**494,936**
Total borrowings 2021	332,233	53,307	(1,595)	-	16,318	-	(504)	399,759

28. Financial risk management

Market risk – foreign exchange risk and commodity price risk

The Group's operations are solely focused on Argentina and wholly relate to the exploration for and the development and production of oil and gas reserves. The foreign currency that has the most influence on the financial performance of the Group is the Argentine Peso (or "Peso"). The Group is exposed to quoted prices for oil and gas which are both traded commodities, the prices of which can also significantly influence financial performance.

Argentina has historically been subject to exchange and commodity controls that have prevented effective currency and commodity price management.

Historical exchange controls were lifted in December 2015; however, following significant devaluation of the Peso the Argentine government has re-introduced some exchange controls restricting the repayment of financial debt outside Argentina, the sale of securities with foreign currency settlements by non-residents and the settlement of securities transactions entered into or acquired outside Argentina.

Overall, although the Group is exposed to the Peso, the foreign exchange risk is determined to be low. Despite being priced by reference to the US Dollar, oil sales invoices are physically settled in Pesos. Therefore, the Company typically generates enough Pesos from oil sales contracts to enable it to settle all its operating costs in Argentina and to contribute toward the cost of capex activity.

The Group did not use derivative financial instruments to manage currency risk in the year ended 31 December 2022 or in the prior year.

Local Argentine oil prices do not fully track international prices as local price controls limit the benefit of rising international prices. However, the Company expects a gradual increase in local prices in the future, reducing the gap between local and international prices. The continued government intervention in crude pricing has meant that the relationship between realised prices and the Brent crude benchmark has remained imperfect, and as such the design of effective hedge protection against commodity risk is difficult. The Group therefore did not take out any derivative commodity contracts during the year.

28. Financial risk management (continued)

Market risk – foreign exchange risk and commodity price risk (continued)

The Group is primarily exposed to foreign exchange risk related to bank deposits, debtors or creditors that are denominated in Argentine Pesos or Pounds Sterling. The Group's exposure to foreign exchange risk at the end of the year, expressed in US Dollars, was as follows:

	Denominated in:	
US$'000	£GBP	AR$
Trade and other receivables	145	27,870
Cash and cash equivalents	13	7,304
Trade and other payables	(125)	(2,651)
Borrowings	-	(1,746)
	33	30,777

Sensitivity – exchange rates

As shown in the table above, the Group is primarily exposed to changes in the US$/AR$ exchange rate. The sensitivity of profit and loss to changes in the exchange rates arises mainly from AR$ denominated financial instruments. There is no impact on other components of equity as the Group is not party to any derivative financial instruments, such as hedging instruments, where currency gains and losses would be recognised in other comprehensive income (2021: none).

	Impact on post-tax profit and loss		**Impact on other components of equity**	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
US$/AR$ exchange rate increase by 10%[1]	**3,081**	5,525	-	–
US$/AR$ exchange rate decrease by 10%[1]	**(3,081)**	(5,525)	-	–

[1]Assumes all other variables held constant

Sensitivity – commodity prices

The impact of an increase or decrease in commodity prices on the Group's oil and gas revenues is as follows:

	Impact on revenue – crude oil prices		**Impact on revenue – natural gas prices**	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
Increase by 10%[1]	**13,423**	7,600	**298**	237
Decrease by 10%[1]	**(13,423)**	(7,600)	**(298)**	(237)

[1]Assumes all other variables held constant

Market risk – interest rate risk

The Group's main interest rate risk arises from long-term borrowings with fixed or semi-fixed interest rates that expose the Group to fair value risk on the underlying borrowing instrument. The material portion of the Group's borrowings are in US Dollars.

Argentina has historically been subject to high levels of currency devaluation as well as high inflation. The Group therefore maintains the majority of its borrowings in US Dollars and only translates borrowings into Argentine Pesos when the Group has an operating cash need for this currency. This allows the Group to manage its exposure to the combination of inflation, currency devaluation and interest rate risk.

The Group does not currently use swap instruments or other derivatives to manage its interest rate or fair value risk exposure.

28. Financial risk management (continued)

Market risk – interest rate risk (continued)

The exposure of the Group's borrowings to interest rate changes is as follows:

	2022 US$'000	**% of total loans**	2021 US$'000	% of total loans
Variable rate borrowings	**494,924**	**100%**	399,741	100%

Sensitivity – interest rate risk

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents or higher/lower interest expense on borrowings resulting from movements in the interest rate. The following table demonstrates the sensitivity of the Group's financial instruments to reasonably possible movements in interest rates:

	Impact on post-tax profit and loss		**Impact on other components of equity**	
	2022 US$'000	2021 US$'000	**2021 US$'000**	2021 US$'000
Interest rate increase by 10%[1]	**2,673**	1,638	-	–
Interest rate decrease by 10%[1]	**(2,673)**	(1,638)	-	–

[1]Assumes all other variables held constant

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions. The Group is also exposed to credit risk related to its customers and outstanding receivables with them.

Credit risk on cash and cash equivalents is managed by only maintaining bank accounts or placing funds on deposit with recognised, reputable financial institutions. The Group aims to only place funds on deposit with institutions with a minimum credit rating of B2 (Moody's or FIX SCR). At 31 December 2022, US$7.4 million was held on deposit with institutions in Argentina. During 2022 the Argentine economy experienced high volatility, with significant devaluation of the Peso and full year price inflation exceeding 95%.

There is a domestic rating for Argentina´s entities as they are not globally comparable with the full universe of rated entities. These ratings end with "ar" and the Group's deposits relate solely to amounts held on deposit with financial institutions in Argentina.

The Group continues to monitor this situation and aims to only hold cash deposits in Argentina which are needed to cover operating and capital costs in the short-term. Periodic cash calls are completed whereby the Argentine entities request US Dollars from the parent company based on an assessment of expected cash inflows and outflows for that period. This helps the Group to manage credit risk.

Domestically the Group sells the majority of its oil production to the Argentina state-owned oil company, YPF. At 31 December 2022 YPF had a credit rating of AA+.ar (Moody's Latin America, a domestic rating from the credit rating from Argentina´s entities). The credit rating of AA+.ar would indicate that the Company has a low credit risk in respect of sales made to YPF; also, there is no recent history of credit loss, non-payment or default by YPF in relation to oil and gas sales. The calculated amount of the potential 12 month credit risk loss is therefore not material and no credit losses were recorded at 31 December 2022.

28. Financial risk management (continued)

Credit risk (continued)

The Group undertakes credit and other checks before accepting new customers. Where there are concerns about creditworthiness of a counterparty, the Group requires that the full amount/substantially all of the amount of any sale be paid before delivery.

The credit quality of financial assets that are neither past due or impaired can be assessed by reference to external credit ratings (where available) or to historical information about default rates.

At 31 December 2022, trade receivables of US$0.7 million were past due but not impaired (2021: US$0.5 million). The ageing analysis of these trade receivables is as follows:

	2022	2021
	US$'000	US$'000
Up to 3 months	**226**	145
3 to 6 months	**18**	-
Over 6 months	**437**	398
	681	543

Liquidity risk

Liquidity risk relates to the Group's ability to meet its obligations as they fall due. The Group generates cash from its operations. Management monitors investment plans and in particular those in relation to exploration expenditure that may not be cash generative in the short-term, against available cash and cash equivalents, forecast cash from operations and maturity dates of financial liabilities before final sanction and deployment of cash to a project. Undrawn borrowing capacity, where available, is also taken into account.

The following table shows the Group's financial liabilities by relevant maturity groupings based on contractual maturities. The amounts included in the analysis are the contractual undiscounted cash flows.

31 December 2022	**Less than 1 year US$'000**	**Between 1 and 2 years US$'000**	**Between 2 and 5 years US$'000**	**Over 5 years US$'000**	**Total contracted cash flows US$'000**	**Carrying amount US$'000**
Trade and other payables	**56,226**	**-**	**-**	**-**	**56,226**	**56,226**
Lease obligations	**2,795**	**1,577**	**-**	**-**	**4,372**	**3,922**
Borrowings	**498,057**	**-**	**-**	**-**	**498,057**	**494,936**
	557,078	**1,577**	**-**	**-**	**558,655**	**555,084**

31 December 2021	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000	Total contracted cash flows US$'000	Carrying amount US$'000
Trade and other payables	34,640	-	-	-	34,640	34,640
Lease obligations	373	250	21	-	644	615
Borrowings	416,221	-	-	-	416,221	399,759
	451,234	250	21	-	451,505	435,014

28. Financial risk management (continued)
Capital management
The Group manages its capital to ensure that it remains sufficiently funded to support its business strategy and maximise shareholder value. The Group's funding is primarily met through short-term credit facilities provided by its major shareholder, Mercuria. Mercuria has indicated its intention to continue to provide financial support and fund planned work programs, but your attention should be drawn to the going concern note in note 2.

29. Leases
The balance sheet includes the following amounts related to leases:

29.1 Right-of-use asset

	Other fixed assets US$'000	Development and production assets US$'000	Total US$'000
At 1 January 2021	**175**	-	**175**
Transfers to property, plant and equipment	572	-	572
Disposals	(21)	-	(21)
Depreciation	(173)	-	(173)
At 31 December 2021	**553**	-	**553**
Acquisitions	242	4,215	4,457
Disposals	(224)	-	(224)
Depreciation	(211)	(878)	(1,089)
At 31 December 2022	**360**	**3,337**	**3,697**

29.2 Lease liability

	Other fixed assets US$'000	Development and production assets US$'000	Total US$'000
At 1 January 2021	195	-	195
Acquisition of asset	572	-	572
Cash payments of principal and interest	(198)	-	(198)
Interest charged	42	-	42
Exchange rate	4	-	4
At 31 December 2021	**615**	-	**615**
Acquisition of asset	243	4,215	4,458
Cash payments of principal and interest	(503)	(653)	(1,156)
Interest charged	18	-	18
Exchange rate	(13)	-	(13)
At 31 December 2022	**360**	**3,562**	**3,922**
Of which:			
Current	264	2,158	2,422
Non-current	96	1,404	1,500
	360	**3,562**	**3,922**

30. Commitments

At 31 December, the Group had the following licence commitments:

	2022	2021
	US$'000	US$'000
Operated	43,441	84,935
Non-operated	340	3,100
Total	**43,781**	88,035

Most licence commitments relate to exploration commitments that are typically required to be satisfied within the exploration period, which is normally two to three years from the date of grant of the licence. The Group does not have any significant contingencies. In the case commitments are not met, authorities could execute the performance bonds provided as surety that do not, in total, exceed US$6 million.

	2022	2021
Classification	US$'000	US$'000
Not later than one year	43,441	48,455
Later than one year and not later than five years	340	39,580
Total	**43,781**	88,035

31. Related party transactions

Significant shareholder

The Company is controlled by Mercuria Energy Group Limited, incorporated in Cyprus, which owns 92% of the Company's shares. The Company's ultimate controlling party is MDJ Partnership.

Transactions with Mercuria

On 22 October 2020 the Company entered into an agreement with Mercuria Energy Limited, a subsidiary of the Mercuria group, pursuant to which the Company could surrender its tax losses to Mercuria Energy Limited by way of group relief and receive as consideration 50% of the product of losses surrendered and the effective rate of tax. During 2022, the Company received US$0.5 million as consideration for losses surrendered under this agreement (2021: US$0.6 million).

Group borrowings from related parties

The loan from Mercuria at 31 December 2022 relates to a RCF and BF provided to the Group by Mercuria Energy Netherlands B.V., a subsidiary of the Mercuria group. See note 23 for details.

Amounts due from/to subsidiaries

Amounts due from/to subsidiaries by the Company consist of funding for working capital purposes. See notes 20 and 22 for details.

Subsidiaries

Interests in subsidiaries are set out in note 19 to the financial statements.

Key management compensation

See note 11.

Notes to the consolidated financial statements (continued)

32. Cash generated from/(used in) operations

	Group		Company	
	2022	2021	**2022**	2021
	US$'000	US$'000	**US$'000**	US$'000
Loss for the year before taxation	**(67,055)**	(29,277)	**(225,017)**	(5,621)
Finance costs	**5,732**	16,295	**25,589**	14,909
Finance income	**(95,696)**	(46,321)	**(134)**	(187)
Accretion of discount on asset retirement obligation	**860**	16	-	-
Accretion of discount on lease obligation	**18**	42	**5**	4
Net unrealised exchange gains/(losses)	**40,867**	1,693	**(53)**	(257)
Interest paid on short-term investments	**1,490**	4,233	-	-
Exploration cost written off	**75,229**	704	-	-
Loss on termination of licences	**115**	-	-	
Impairment charge	**28,748**	28,882	**207,071**	-
Increase of provisions	**287**	2,157	-	-
Loss on the reclassification of assets held for sale	-	3,653	-	-
Increase in lease liability	**4,458**	-	-	
Share-based payments	**155**	128	**155**	128
Depreciation, depletion and amortisation	**41,035**	39,628	**218**	169
Change in operating assets and liabilities:				
Increase in inventories	**(3,495)**	(1,763)		-
Decrease/(increase) in trade and other receivables	**16,329**	29,259	**14,763**	(11,114)
Increase/(decrease) in trade and other payables	**35,040**	526	**971**	(606)
Decrease in provisions	**(537)**	(218)	-	-
Cash generated from/(used in) operations	**83,580**	49,637	**23,568**	(2,575)

33. Called up share capital

The Company's share capital consists of one class of ordinary share. Each ordinary share carries an equal voting right and right to a dividend.

	2022		2021	
Ordinary shares of 10 pence	**No. '000**	**US$'000**	No. '000	US$'000
Allotted, called up and fully paid	2,786,645	364,175	2,786,645	364,175
Held in treasury	(74)	(4)	(74)	(4)
Total ordinary shares of 10 pence excluding shares held in treasury	2,786,571	364,171	2,786,571	364,171

Movements in ordinary shares:

	2022		2021	
	No. '000	**US$'000**	No. '000	US$'000
At 1 January	2,786,645	364,175	2,786,645	364,175
At 31 December	2,786,645	364,175	2,786,645	364,175

Treasury shares

At 31 December 2022, the total number of ordinary shares held in treasury was 73,922 shares (2021: 73,922 shares).

34. Company profit and loss and shared based payments

34.1 Company profit and loss

As permitted by section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the Company. The loss attributable to the Company is disclosed in the footnote to the Company's balance sheet.

The auditors' remuneration for audit and other services is disclosed in note 10.

34.2 Share-based payments

The Group has a Long-Term Incentive Plan ("LTIP") for directors and a Deferred Bonus Plan ("DBP") for management.

For the year ended 31 December 2022, the total cost recognised by the Company for the fair value of share-based payments is US$0.2 (2021: US$0.1 million). A charge of US$0.2 million (2021: US$0.2 million) has been recorded in retained earnings for all equity-settled payments of the Company in the year.

Details of the various share incentive plans currently in operation are set out below:

Long-Term Incentive Plan

Under the LTIP, directors can be granted nil cost share awards that vest over three years following grant provided the individual remains in employment. Share awards must be held for two years after vesting. The size of awards under the plan depends on the calculation of total shareholder return ("TSR") over the three year period from the grant date, which is measured 50% on an absolute basis and 50% relative to a group of listed industry comparators. There are no other post-grant performance conditions. No dividends are paid over the vesting period.

The following table details the awards granted and the assumptions used in the fair value expense calculations. The weighted average remaining contractual life for LTIP awards outstanding at 31 December 2022 was 2.0 years (2021: 3 years).

	LTIP 2021
Share awards outstanding at 1 January 2022	13,688,113
Cash settlement of vested share awards	-
Shares that lapsed in the period	-
Share awards granted in the period	-
Share awards outstanding at 31 December 2022	13,688,113
Key assumptions:	
Grant date	2021
Vesting	3 years
Risk free rate of interest	0.48%
Company TSR volatility	(11.2%)
Comparator TSR volatility	103.6%
Weighted average share price at date of grant	4.50 pence
Weighted average fair value price at date of grant	3.24 pence

34. *Company profit and loss and share-based payments (continued)*

34.2 Share-based payments (continued)

Deferred Bonus Plan

The Company has a DBP through which management is eligible to be granted nil exercise price options as part of their annual bonus. These are exercisable three years following grant. An individual must normally remain in employment for three years from grant for the shares to vest. Awards are not subject to post-grant performance conditions and no dividends are paid over the vesting period.

No awards were granted under the DBP in 2022 (2021: nil shares) and no awards were outstanding at 31 December 2022.

	DBP 2018
Share awards outstanding at 1 January 2022	**590,786**
Cash settlement of vested share awards	**(590,786)**
Share awards outstanding at 31 December 2022	**-**
Price at grant date	**16.67**
Weighted average remaining contractual life	**0 year**

35. Post balance sheet events

On 31 January 2023 the Company entered into a US$20 million new bridge facility agreement between the Company and Mercuria Energy Trading SA (the "Bridge Facility Agreement") for the purpose of the repayment of US$17,250,393 of the financial indebtedness due under the RCF and BF that matured on 31 January 2023 (see note 23) and for funding the Company's ongoing capital expenditure programs. This was subsequently increased to US$95 million.

On 31 January 2023 created and issued US$500,000,000 zero coupon, unsecured notes to Mercuria Energy Group Limited with a redemption date of 30 June 2023. The proceeds of the issue were used to repay US$479,123,150 of the financial indebtedness incurred under the RCF and BF that matured on 31 January 2023.

On 30 June 2023 created and issued US$528,952,000 zero coupon, unsecured notes to Mercuria Energy Group Limited with a redemption date of 31 December 2023. The proceeds of the issue were used to repay the US$500,000,000 zero coupon loan notes with a redemption date of 30 June 2023.

Glossary

Mm³	Thousand cubic metres
MMbtu	Million British thermal units
Mcf	Thousand standard cubic feet
MMcf	Million standard cubic feet
Tcf	Trillion cubic feet
bbl	Barrel
boe	Barrel of oil equivalent
boepd	Barrel of oil equivalent per day
Bn	Billion
MM	Million
LNG	Liquefied natural gas
WTI	West Texas Intermediate crude
WI	Working interest
Opex	Operating expenses
Capex	Capital expenditure
1P	Proved reserves
2P	Proved plus probable reserves
3P	Proved plus probable plus possible reserves
HSE	Health, safety and environment
KPI	Key performance indicator
Adjusted EBITDA	Earnings before interest, taxation, depreciation, amortisation and non-recurring expenses
CGU	Cash generating unit
bopd	Barrels of oil per day
mscfpd	Thousand standard cubic feet per day

Registered offices

The registered offices of the Group's subsidiaries are as follows:

Company	Registered address
PGR Operating LLC	20 Greenway Plaza, Suite 1075, Houston, Texas 77046-2011, USA
AEN Energy Holdings S.P.C.	PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
AEN Energy Cayman Islands Ltd	PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
AEN Netherlands Cooperatief U.A.	Weena 333, 3013 AL Rotterdam, Netherlands
Trefoil Holdings B.V.	Weena 333, 3013 AL Rotterdam, Netherlands
San Enrique Petrolera B.V.	Weena 333, 3013 AL Rotterdam, Netherlands
AEN Energy Latina, S.L.	Calle Velazquez 64, Madrid 28001, Spain
Upstream Latino America S.L.	Calle Velazquez 64, Madrid 28001, Spain
Trefoil (Switzerland) S.A.	Rue Du Rhône 50, 1204 Geneva, Switzerland
Trefoil Limited	Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda
Trefoil GmbH	Schubertring 6, 1010 Vienna, Austria
Petrolera El Trebol S.A.	Suipacha 1111, 18th Floor, Ciudad Autonoma de Buenos Aires, Argentina
AEN Energy Argentina S.A.	Tiburcio Benegas 843, Mendoza, Argentina
MSO Andes Energia Argentina S.A.U.	Suipacha 1111, 18th Floor, Ciudad Autonoma de Buenos Aires, Argentina
Andes Oil S.A.U.	Suipacha 1111, 18th Floor, Ciudad Autonoma de Buenos Aires, Argentina
Andes Oil and Gas S.A.U.	Suipacha 1111, 18th Floor, Ciudad Autonoma de Buenos Aires, Argentina
Grecoil y Cia. S.A.U.	Ceibo Building , 8th Floor, Provincial Route N° 82, Km 54, Luján de Cuyo, Mendoza, Argentina
AEN Energy Mendoza S.A.	Tiburcio Benegas 843, Ciudad de Mendoza, Mendoza, Argentina
Patagonia Oil & Gas S.A.	Maipu 1252, Piso 6, Ciudad Autonoma de Buenos Aires, Argentina
Andes Hidrocarburos Investments S.A.	Suipacha 1111, 18th Floor, Ciudad Autonoma de Buenos Aires, Argentina
Kilwer S.A.	Suipacha 1111, 18th Floor, Ciudad Autonoma de Buenos Aires, Argentina
Ketsal S.A.	Ceibo Building , 8th Floor, Provincial Route N° 82, Km 54, Luján de Cuyo, Mendoza, Argentina
CHPPC Andes S.R.L	Suipacha 1111, 18th Floor, Ciudad Autonoma de Buenos Aires, Argentina
Integra Investment S.A.	Maipu 1252, Piso 6 Ciudad Autonoma de Buenos Aires, Argentina
Andes Interoil Limited	Cannon Place, 78 Cannon Street, London EC4N 6AF
Andes Energia Limited	Cannon Place, 78 Cannon Street, London EC4N 6AF
Patagonia Oil & Gas Limited	Cannon Place, 78 Cannon Street, London EC4N 6AF
Patagonia Energy Limited	Cannon Place, 78 Cannon Street, London EC4N 6AF