# GROUP CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

## Statement of financial position

Assets

| *(in US$ thousands)* | Notes | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| Intangible assets (net) | 3.3 | 200,215 | 116,972 |
| Property, plant and equipment (net) | 3.3 | 815,116 | 842,819 |
| Deferred tax assets | 6.1 | — | 6,065 |
| Equity associates | 2.4 | 275,864 | 268,422 |
| Non-current financial assets (net) | 3.7 | 4,425 | 8,825 |
| Other non-current assets (net) | 3.7 | — | 84,022 |
| **NON-CURRENT ASSETS** | | **1,295,620** | **1,327,126** |
| Inventories (net) | 3.4 | 12,515 | 16,476 |
| Underlift position receivables | 3.5 | 42,736 | 18,576 |
| Trade receivables and related accounts (net) | 3.6 | 29,455 | 41,656 |
| Current tax receivables | 6.1 | 130 | 614 |
| Other current assets | 3.7 | 97,339 | 43,768 |
| Other current financial assets | 4.2 | 13,148 | 54,339 |
| Cash and cash equivalents | 4.3 | 195,675 | 168,213 |
| **CURRENT ASSETS** | | **390,997** | **343,642** |
| **TOTAL ASSETS** | | **1,686,618** | **1,670,768** |

## Liabilities

| *(in US$ thousands)* | Notes | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| Share capital | | 193,831 | 193,831 |
| Additional paid-in capital | | 29,567 | 42,112 |
| Consolidated reserves | | 332,029 | 892,693 |
| Net income, Group share | | 119,733 | (588,977) |
| **EQUITY, GROUP SHARE** | | **675,160** | **539,660** |
| Non-controlling interests | | 13,866 | 13,056 |
| **TOTAL EQUITY** | | **689,026** | **552,716** |
| Deferred tax liabilities | 6.1 | 136,185 | 195,076 |
| Non-current provisions | 3.1 | 95,477 | 87,828 |
| Other non-current borrowings and financial debt | 4.4 | 271,887 | 447,690 |
| Non-current Shareholder loans | 4.4 | 73,000 | 85,500 |
| **NON-CURRENT LIABILITIES** | | **576,548** | **816,094** |
| Current provisions | 3.1 | 37,239 | 27,740 |
| Other non-current borrowings and financial debt | 4.4 | 175,753 | 76,784 |
| Current Shareholder loans | 4.4 | 16,017 | 12,500 |
| Overlift position liability | 3.5 | — | 1,035 |
| Trade payables and related accounts | 3.8 | 51,350 | 43,819 |
| Current tax liabilities | 6.1 | 6,908 | 9,580 |
| Other current liabilities | 3.9 | 132,979 | 127,339 |
| Current derivative financial liabilities | 4.4 | 797 | 3,161 |
| **CURRENT LIABILITIES** | | **421,043** | **301,958** |
| **TOTAL LIABILITIES** | | **1,686,618** | **1,670,768** |

# Consolidated statement of profit & loss and other comprehensive income

## Net income for the period

| *(in US$ thousands)* | Notes | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| Sales | | 499,666 | 329,749 |
| Other income from operations | | 1 | 6,448 |
| Change in overlift/underlift position | | 25,196 | (26,534) |
| Other operating expenses | | (244,762) | (214,648) |
| **EBITDA** | **3.1** | **280,100** | **95,016** |
| Depreciation and amortisation & provisions related to production activities net of reversals | | (96,418) | (109,358) |
| Depreciation and amortisation & provisions related to drilling activities net of reversals | | (10,447) | (5,119) |
| **Current operating income** | | **173,234** | **(19,461)** |
| Provisions and impairment of production and drilling assets | | | (477,361) |
| Expenses and impairment of exploration assets net of reversals | | (85) | (30,652) |
| Other non-current income and expenses | | (679) | (2,984) |
| Gain (loss) on asset disposals | | (14,490) | (3,046) |
| **Operating income** | **3.1** | **157,980** | **(533,505)** |
| *Cost of gross debt* | | *(14,244)* | *(15,808)* |
| *Income from cash* | | *1* | *1,808* |
| Income and expenses related to interest-rate derivative financial instruments | | (2,505) | (2,385) |
| Cost of net financial debt | | (16,748) | (16,384) |
| Net foreign exchange adjustment | | 3,806 | 5,928 |
| Other financial income and expenses | | (3,344) | (850) |
| **Financial income** | **4.1** | **(16,286)** | **(11,306)** |
| Income tax | 6.1 | (43,675) | (29,490) |
| **Net income from consolidated companies** | | **98,020** | **(574,300)** |
| Share of income/loss from associates | 2.4 | 22,936 | (17,570) |
| **Net consolidated income** | | **120,956** | **(591,870)** |
| *o/w: – Net income, Group share* | | *119,732* | *(588,977)* |
| *– Non-controlling interests* | | *1,223* | *(2,894)* |

## Other comprehensive income for the period

| *(in US$ thousands)* | 31/12/2021 | 31/12/2020 |
|---|---|---|
| **Net income for the period** | **120,956** | **(591,870)** |
| Foreign exchange adjustment for the financial statements of foreign entities | (200) | 1,127 |
| Change in fair value of hedging Investments instruments | 2,364 | 146 |
| **Total comprehensive income for the period** | **123,119** | **(590,597)** |
| *– Group share* | *122,309* | *(586,536)* |
| *– Non-controlling interests* | *811* | *(4,061)* |

## Changes in shareholders' equity

| *(in US$ thousands)* | Share capital | Premiums | Other reserves & treasury shares | Currency translation adjustments | Income for the period | Equity, Group share | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **1 January 2020** | **193,345** | **42,753** | **863,554** | **(12,337)** | **37,383** | **1,124,699** | **17,117** | **1,141,816** |
| Net income | | | | | (588,977) | (588,977) | (2,894) | (591,870) |
| Fair value of hedging instruments | | | 146 | | | 146 | | 146 |
| Other comprehensive income | | | 1,716 | 578 | | 2,295 | (1,168) | 1,127 |
| **Total comprehensive income** | **—** | **—** | **1,862** | **578** | **(588,977)** | **(586,536)** | **(4,061)** | **(590,597)** |
| Appropriation of income – dividends | | | 37,383 | | (37,383) | — | | — |
| Bonus shares | 486 | | 1,445 | | | 1,931 | | 1,931 |
| Changes in treasury shares | | (641) | 207 | | | (434) | | (434) |
| **Total transactions with shareholders** | **486** | **(641)** | **39,035** | **—** | **(37,383)** | **1,497** | **—** | **1,497** |
| **1 January 2021** | **193,831** | **42,112** | **904,452** | **(11,759)** | **(588,977)** | **539,660** | **13,056** | **552,716** |
| Net income | | | | | 119,733 | 119,733 | 1,223 | 120,956 |
| Fair value of hedging instruments | | | 2,364 | | | **2,364** | | 2,364 |
| Other comprehensive income | | | (213) | 426 | | 213 | (413) | (200) |
| **Total comprehensive income** | **—** | **—** | **2,150** | **233** | **119,733** | **122,309** | **811** | **123,120** |
| Appropriation of income – dividends | | | (588,977) | | 588,977 | — | — | — |
| Tax effect from unwinding of 2017 accounting method changes (a) | | | 17,142 | | | 17,142 | | 17,142 |
| Impact of change in consildation method (b) | | | (3,707) | | | (3,707) | — | (3,707) |
| Bonus shares | | | 839 | | | 839 | | 839 |
| Changes in treasury shares | | (12,545) | 11,461 | | | (1,085) | | (1,085) |
| **Total transactions with shareholders** | **—** | **(12,545)** | **(563,241)** | **—** | **588,977** | **13,190** | **—** | **13,190** |
| **31 December 2021** | **193,831** | **29,567** | **343,362** | **(11,525)** | **119,733** | **675,159** | **13,867** | **689,026** |

(a) See Notes 6.1.1
(b) See Notes 1.1

# Consolidated statement of cash flow

| *(in US$ thousands)* | Notes | 31/12/2021 | 31/12/2020 |
|---|---|---|---|
| Net income | | 120,956 | (591,870) |
| Tax expense for continuing operations | | 43,675 | 29,490 |
| **Consolidated income before tax** | | **164,630** | **(562,380)** |
| Net increase (reversals) of amortisation, depreciation and provisions | 3.3 & 3.4 & 3.6 & 3.10 | 106,444 | 593,356 |
| Exploration expenses | 3.3 | 85 | 30,652 |
| Share of income from equity associates | 2.4 | (22,936) | 17,570 |
| Other income and expenses calculated on bonus shares | | 839 | 1,204 |
| Gains (losses) on asset disposals | | 14,490 | 3,046 |
| Dilution gains and losses | | — | — |
| Other financial items | | 16,286 | 7,638 |
| **CASH FLOW BEFORE TAX** | | **279,838** | **91,085** |
| Income tax paid | | (81,537) | (35,337) |
| Inventories | *3.4* | 2,054 | (3,549) |
| *Trade receivables* | *3.6* | 8,545 | 98,646 |
| *Trade payables* | *3.8* | 7,360 | (32,001) |
| *Overlift/underlift position* | *3.5* | (25,196) | 20,918 |
| *Other receivables* | *3.7 & 4.2* | 80,094 | (25,473) |
| *Other payables* | *3.9* | 9,022 | (5,612) |
| *Change in working capital requirements for operations* | | 81,878 | 52,930 |
| **NET CASH FLOW FROM OPERATING ACTIVITIES** | | **280,180** | **108,678** |
| Proceeds from disposals of property, plant and equipment and intangible assets | | — | |
| Disbursements for acquisitions of property, plant and equipment and intangible assets | 3.3 | (164,355) | (93,158) |
| Acquisitions of property, plant & equipment paid in equity instruments | | — | — |
| Dividends received from equity associates | 2.4 | 15,050 | 12,040 |
| Change in deposits | | — | 2,362 |
| Acquisition of equity associates | | (7,921) | |
| **NET CASH FLOW FROM INVESTMENT ACTIVITIES** | | **(157,226)** | **(78,756)** |
| Treasury share acquisitions/sales | | 1,202 | 1,497 |
| Dividends paid out | | — | — |
| Loan repayments | 4.4 | (86,021) | (77,135) |
| Payment in respect of loan issue costs | | — | (3,752) |
| Interest paid on financing | 4.4 | (10,287) | (16,248) |
| Interest received on investment | 4.1 | — | 1,808 |
| **NET CASH FLOW FROM FINANCING ACTIVITIES** | | **(95,105)** | **(93,829)** |
| Impact of exchange rate fluctuations | | (382) | 1,202 |
| **CHANGE IN CASH POSITION (*)** | | **27,466** | **(62,705)** |
| **CASH* AT BEGINNING OF PERIOD** | | **168,209** | **230,914** |
| **CASH* AT END OF PERIOD** | | **195,675** | **168,209** |

* Bank overdrafts are included in cash.

# Notes to the consolidated financial statements

## Note 1 GENERAL INFORMATION

Établissements Maurel & Prom S.A. (the “Company” or “M&P”) is domiciled in France. The Company’s registered office is located at 51 rue d’Anjou, 75008 Paris, France. The Company’s consolidated financial statements include the Company and its subsidiaries (the entity designated as the “Group” and each one individually as the “entities of the Group”) and the Group’s share in its joint ventures. The Group, which is listed for trading on Euronext Paris, acts primarily as an operator specialising in the exploration and production of hydrocarbons (oil and gas).

The consolidated financial statements for the year ended 31 December 2021 were approved by the Board of Direction on 17 March 2022. They will be subject to approval by the General Shareholders’ Meeting of 17 May 2022.

The financial statements are presented in US dollars ($).

Amounts are rounded off to the nearest thousand dollars, except where otherwise indicated.

### Note 1.1 Significant events

**Activity**

In Gabon, M&P’s working interest oil production (80%) on the Ezanga permit totalled 15,540 bopd (total production: 19,425 bopd) for fiscal 2021. While the beginning of 2021 was affected by the suspension of drilling and production reductions imposed by OPEC quotas, the resumption of development operations in July (development drilling and stimulation operations on existing wells) delivered good results, with production potential increasing significantly, despite a temporary reduction in production in August 2021 following operations on the export pipe.

In Tanzania, M&P’s working interest gas production (48.06%) on the Mnazi Bay permit stood at 39.2 MMcfd (total production: 81.6 MMcfd) for fiscal 2021, a significant increase compared to 2020.

In Angola, M&P’s working interest production (20%) in Block 3/05 was relatively unchanged at 3,416 bopd (total production: 17,079 bopd).

The price of Brent crude rose sharply in 2021 in line with the economic recovery in many parts of the world. It averaged $72, versus $40 in 2020.

The Group’s valued production (income from production activities, excluding lifting imbalances and inventory revaluation) was $489 million in 2021, up 51% from 2020. The restatement of lifting imbalances net of inventory revaluation had a positive impact of $10 million. As a result, consolidated sales for 2021 came in at $500 million, including $2 million in drilling activities.

The Group continued to pursue its cost control policy, which began in 2020.

Those effects, combined with a lower depletion charge following an asset impairment at the end of the 2020 half year, improved the Group’s profitability over the period.

The cash position at 31 December 2021 was $196 million. M&P has also repaid $84 million in debt since the beginning of the 2021 fiscal year, reducing its gross debt to $537 million. This brought net debt down to $341 million, versus $455 million one year earlier.

**Changes in assets**

Maurel & Prom (the “Group”, “M&P”) and the Gabonese Republic signed a comprehensive, multi-part agreement that was published in Gabon’s Official Journal on 4 November.

Under this agreement, the parties approved the immediate release to the Gabonese Republic of the $43 million that had been placed in an escrow account for pre-2018 carrying costs on the Ezanga permit, as well as the payment of an additional sum of $57 million to the Gabonese Republic.

In return, the agreement provides for:

• the signature of new Production Sharing Agreements ("PSAs") for the Kari and Nyanga-Mayombé regions (M&P being the operator with a 100% working interest) and for which the exploration periods will now run until 2029;

• the signature of an amendment to the PSA on the Ezanga permit (M&P being the operator with an 80% working interest), including:

– the extension of the exploration period to 2026,

– the revision of the proportional mining royalty rate,

– the improvement of the cost stop,

– the recovery of the deductible VAT receivable through the production sharing mechanism, the effects of which are presented in current tax,

– Maurel & Prom's ability to reclaim in recoverable costs incurred on the Kari and Nyanga-Mayombé permits on the Ezanga permit.

Consequently, a $97-million intangible asset was recognised in acquisition costs corresponding to the $100-million payment described above, less the repayment of the partner Tullow's share of the exploration period extension bonus.

Moreover, M&P finalised the terms of the exit of PRE-PSIE Coöperatief ("PRE"), a wholly owned subsidiary of Frontera Energy Corporation, from M&P's subsidiary, Maurel & Prom Colombia B.V. ("M&P Colombia"). As a result of the transfer to M&P of PRE's 49.999% interest in M&P Colombia, and with mutual obligations between partners settled, M&P now owns 100% of M&P Colombia, which holds the COR-15 and Muisca exploration permits. The consequence is a change in equity and a use of full consolidation treatment instead of the equity method.

## Note 1.2 Preparation basis

### Normative framework

Pursuant to Regulation (EC) No 1606/2002 of 19 July 2002 on international standards, the consolidated financial statements of the Maurel & Prom Group for the year ended 31 December 2021 have been prepared in accordance with IAS/IFRS International Accounting Standards applicable at 31 December 2020, as approved by the European Union and published by the IASB, and available at: https://ec.europa.eu/info/banking-and-finance-website-notice-users-en.

The accounting principles and methods applied in the preparation of the consolidated financial statements as at 31 December 2021 are identical to those used for the consolidated financial statements as at 31 December 2020, with the exception of IFRS standards, amendments and interpretations as adopted by the European Union and the IASB, which are mandatory for fiscal years beginning on or after 1 January 2021 (and which had not been applied early by the Group), specially:

***Amendments to IFRS 4, IFRS 7, IAS 39 and IFRS 9 "Interest rate benchmark reform – Phase 2";***

The application of these amendments and other interpretations did not have a material impact on the financial statements as at December 31, 2021.

The details of the IFRS Interpretation Committee (IFRS-IC) related to the application of "IAS 19 - Employee Benefits" have no impact on the Group.

In March 2021, IFRS IC published an interpretation of "IAS 38 – Configuration or Customisation Costs in a Cloud Computing Arranagement (Intangible Assets)". This interpretation clarifies the steps that an entity must follow to recognize the costs of configuring or customising software in a SaaS (Software As A Service) arrangement. An analysis of potential impacts of this decision is currently being assessed, with no major impacts expected.

The Group has not applied in advance any of the new standards and amendments mentioned below, the application of which is mandatory for periods ending on or after January 1, 2022:

Amendments to IAS 1 - Definition of accounting methods;

Amendments to "IAS 16 Tangible fixed assets" – Income generated before use

foreseen;

Amendments to IAS 37 - Onerous Contracts - Contract Fulfillment Costs;

Improvements to IFRS 2018-2020.

The group does not expect any significant effect from the application of these new standards and amendments.

### Going Concern

When preparing financial statements, the Group has assessed its ability to continue as going concern, which is not questioned as at December 31, 2021 with regard to the following information:

– increased cash-flow generating capacity of its assets in a higher price environment,

– compliance with the covenants,

– a cash position as at December 31, 2021, which amounted $196 million (compared to $168 million as at December 31, 2020),

– a reduction of its net debt to $343 million at the closing date compared to $455 million as at December 31, 2020,

– Finally, M&P is in capacity to withdraw additional liquidity on simple request thanks to the unused tranche of $100 million of the Shareholder Loan.

**Use of judgement and accounting estimates**

While preparing consolidated financial statements, the Group analyzed potential risks related to climate change. This analysis did not lead the Group to reevaluate the value of its production assets.

The preparation of consolidated financial statements under IFRS requires the Group to make accounting choices, produce a number of estimates and use certain assumptions that may affect the reported amounts of assets and liabilities, the notes concerning potential assets and liabilities as at the reporting date, and the income and expenses for the period. Changes in facts and circumstances may lead the Group to review such estimates.

The results obtained may differ materially from such estimates when different circumstances or assumptions are applied.

In addition, when a specific transaction is not treated by any standard or interpretation, the Group's Management uses its own discretion to define and apply the accounting methods that will provide relevant, reliable information. The financial statements give a true and fair view of the Group's financial position, performance and cash flows. They reflect the substance of transactions, are prepared with prudence, and are complete in all material respects.

Management estimates used in preparing financial statements relate primarily to:

- impairment tests on oil assets;
- recognition of oil carry transactions;
- provisions for site remediation;
- valuation of equity associates and underlying assets;
- accounting treatment of derivative instruments subscribed by the Group;
- underlift/overlift positions;
- recognition of deferred tax assets;
- estimated proven and probable hydrocarbon reserves.

# Note 2 BASIS FOR CONSOLIDATION

## Note 2.1 Consolidation methods

**Consolidation**

The non-operating entities controlled by Établissements Maurel & Prom S.A. are fully consolidated.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements as from the date control is gained until the date control ceases.

Intra-Group balances, transactions, income and expenses are eliminated on consolidation.

**Equity associates**

Joint ventures and associates are consolidated using the equity method.

Joint ventures are arrangements giving the Group joint control, according to which it has rights to the net assets of the arrangement and not rights to the assets and obligations for the liabilities of the arrangement.

Affiliated entities are entities over whose financial and operating policies the Group has significant influence without controlling or jointly controlling them. Significant influence is assumed when the percentage of voting rights is greater than or equal to 20%, unless a lack of participation in the Company's management reveals a lack of significant influence. When the percentage is less, the entity is consolidated using the equity method if significant influence can be demonstrated.

The gains resulting from transactions with the equity associates are eliminated through a reduction of the equity associate to the extent of the Group's stake in the associate. Losses are eliminated in the same way as gains, but only insofar as they do not represent an impairment.

When the impairment criteria as defined in IAS 39 "financial instruments: Recognition and Measurement" indicate that equity associates may have declined in value, the amount of the impairment loss is measured using the rules specified in IAS 36 "Impairment of Assets".

**Business combinations**

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 "Business Combinations". Thus, when control of a company is acquired, this method requires the recognition of the identifiable assets and assumed liabilities by the Group at their fair value (with exceptions) in accordance with IFRS guidelines.

The Group values the goodwill on the acquisition date as:

– the fair value of the transferred consideration; plus

– the amount recognised for non-controlling interests in the acquired company; plus

– if the business combination is carried out in stages, the fair value of any interest previously held in the acquired company; minus

– the net amount recognised (generally at fair value) for the identifiable assets acquired and the liabilities taken over.

When the difference is negative, a profit for acquisition under advantageous conditions must be recognised directly in Operating Income.

Costs related to the acquisition, other than those related to the issuance of a debt or equity securities, which the Group bears as a result of a business combination, are expensed as they are incurred.

Determination of goodwill is finalised within a period of one year from the acquisition date.

Such goodwill is not amortised but tested for impairment at the end of each accounting period and whenever there is an impairment indicator; any impairment charge recognised on goodwill is irreversible.

Changes in the percentage of the Group's stake in a subsidiary which do not result in a loss of control are recognised as equity transactions.

Goodwill relating to equity associates is recognised under equity associates.

**Currency translation**

The consolidated financial statements are presented in US dollars, which is the Group's reporting currency.

The functional currency of the operating subsidiaries is the US dollar.

The financial statements of foreign subsidiaries for which the functional currency is not the US dollar are converted using the closing rate method. Assets and liabilities, including goodwill on foreign subsidiaries, are translated at the exchange rate in effect on the closing date of the fiscal year. Income and expenses are converted at the average rate for the period. Currency translation adjustments are recognised under the "Currency translation adjustments" item of other comprehensive income within shareholders' equity, while those related to minority interests are recognised under “non-controlling interests”. Currency translation adjustments related to a net investment in a foreign activity are recorded directly under other comprehensive income.

Expenses and income in foreign currencies are recognised at their equivalent in the functional currency of the entity concerned at the transaction date. Assets and liabilities in foreign currencies are reported in the balance sheet at their equivalent value in the functional currency of the entity concerned based on the closing rate. Differences resulting from conversion into foreign currencies at this closing rate are carried on the income statement as other financial income or other financial expenses.

When the payment of a monetary item that is a receivable or a payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, the resulting foreign exchange gains and losses are considered to be part of the net investment in a foreign operation and are accounted for in other comprehensive income and presented as a translation reserve.

In case of difference in the functional currency, the Group applies hedge accounting to foreign currency adjustments between the functional currency of the foreign activity and the functional currency of the holding.

Foreign exchange adjustments resulting from the translation of financial liabilities designated as a net investment hedge of a foreign activity are recognised as other comprehensive income for the effective portion of the hedge and accumulated in the translation reserve. Any adjustment relating to the ineffective portion of the hedging is recognised in net income. When the net investment hedged is sold, the amount of the adjustments recognised as the translation reserve related to it is reclassified in the income statement as income from the disposal.

## Note 2.2 Information about reporting entities and non-consolidated equity interests

Pursuant to ANC recommendation 2017-01 of 2 December 2017, the full list of Group entities is presented in the period’s Annual Report, chapter 7.

## Note 2.3 List of consolidated entities

Reporting entities in fiscal year 2021 were primarily the companies listed below.

The consolidated companies are as follows:

| Company | Registered office | Consolidation method (a) | % control 31/12/2021 | % control 31/12/2020 |
|---|---|---|---|---|
| Établissements Maurel & Prom S.A. | Paris | Parent | Consolidating company | |
| Maurel & Prom Technique International S.A. | Geneva, Switzerland | FC | 100.00% | 100.00% |
| Caroil S.A.S | Paris, France | FC | 100.00% | 100.00% |
| Maurel & Prom Exploration et Production BRM S.A.S. | Paris, France | FC | Universal transfer of assets and liabilities (TUP) | 100.00% |
| Maurel & Prom Exploration Production Tanzania Ltd | Dar Es Salaam, Tanzania | FC | 100.00% | 100.00% |
| Maurel & Prom Gabon S.A. | Port-Gentil, Gabon | FC | 100.00% | 100.00% |
| Maurel & Prom Mnazi Bay Holdings | Paris, France | FC | 100.00% | 100.00% |
| Maurel & Prom Namibia S.A.S. | Paris, France | FC | 100.00% | 100.00% |
| Maurel & Prom Amérique Latine | Paris, France | FC | 100.00% | 100.00% |
| Maurel & Prom West Africa S.A. | Brussels | FC | 100.00% | 100.00% |
| Maurel & Prom Italia Srl | Ragusa, Sicily | FC | 100.00% | 100.00% |
| Cyprus Mnazi Bay Limited | Nicosia, Cyprus | FC | 60.08% | 60.08% |
| Maurel & Prom Colombia BV | Rotterdam, | FC | 100.00% | 50.00% |
| Seplat | Lagos, Nigeria | EM | 20.46% | 20.46% |
| Deep Well Oil & Gas, Inc | Edmonton, Alberta, Canada | EM | 19.57% | 19.57% |
| MP Energy West Canada Corp. | Calgary, Canada | FC | 100.00% | 100.00% |
| MP West Canada S.A.S. | Paris, France | FC | 100.00% | 100.00% |
| Saint-Aubin Energie Québec Inc | Montréal, Canada | FC | 100.00% | 100.00% |
| Maurel & Prom Angola S.A.S. | Paris, France | FC | 100.00% | 100.00% |
| Maurel & Prom Exploration Production | Paris, France | FC | 100.00% | 100.00% |
| Maurel & Prom Iberoamerica S.L. | Madrid, Spain | FC | 80.00% | 80.00% |
| M&P Servicios Intregrados UW S.A. | Caracas, Venezuela | FC | 80.00% | 80.00% |
| Petroregional Del Lago (PRDL) | Caracas | EM | 40.00% | 40.00% |
| Caroil Assistance Technique International S.A. | Geneva, Switzerland | FC | 100.00% | 100.00% |
| Maurel & Prom Trading S.A. | Paris, France | FC | 100.00% | 100.00% |
| Maurel & Prom Services S.A.S. | Paris, France | FC | 100.00% | 100.00% |
| Caroil Drilling Solution S.A. | Port-Gentil, Gabon | FC | 100.00% | |

(a) FC: Full consolidation EM: Equity method.

## Note 2.4 Equity associates

Companies accounted for by the equity method contributed $23 million to the Group's results.

| *(in US$ thousands)* | **Maurel & Prom Colombia BV** | **Seplat** | **Deep Well Oil** | **Petroregional del Lago** | **Total** |
|---|---|---|---|---|---|
| **Equity associates as at 31/12/2020** | **—** | **186,271** | **44** | **82,108** | **268,422** |
| Income | (692) | 23,628 | — | — | 22,936 |
| Change in OCI | | 347 | | (1,483) | (1,483) |
| Reclassification [(d)] | 692 | | | | 692 |
| Dividends | | (15,050) | | | (15,050) |
| **EQUITY ASSOCIATES AS AT 31/12/2021** | **—** | **195,196** | **44** | **80,625** | **275,864** |

The data below is presented as reported in the financial statements of the joint ventures and associates (those wholly owned and not proportionately owned) as at 31 December 2021, after translation into US dollars, adjustments to fair value and for accounting method consistency where applicable.

| *(in US$ thousands)* | **SEPLAT** |
|---|---|
| **Location** | **Nigeria** |
| | **Associate** |
| **Activity** | **Production** |
| *% Interest* | *20.46%* |
| Total non-current assets | 3,215,899 |
| Total non-current assets | 336,316 |
| Cash and cash equivalents | 340,519 |
| **Total assets** | **3,892,734** |
| Other non-current liabilities | 1,704,343 |
| Other current liabilities | 480,905 |
| **Total liabilities (excl. equity)** | **2,185,248** |
| **Reconciliation with balance sheet values** | 0 |
| **Total shareholders' equity or net assets** | **1,707,486** |
| **Share held** | **349,364** |
| IFRS 3 fair value adjustment (a) | (163,304) |
| Value of diluted shares (b) | 9,136 |
| **BALANCE SHEET VALUE AT 31/12/2021** | **195,196** |
| Sales | 733,188 |
| Operating income | 207,037 |
| Impairment | 59,138 |
| Financial income | (91,370) |
| Income from JV and deconsolidation | 2,540 |
| Corporate income tax | (60,169) |
| **Net income from equity associates** | **117,176** |
| **Share held** | **23,975** |
| Restatements for standardisation (c) | (347) |
| **P&L VALUE AT 31/12/2021** | **23,628** |

(a) Fair value adjustment for Seplat under IFRS 3 (consolidated at the stock market value) recorded in 2015 in connection with the merger with MPI.

(b) Seplat issued 25 million bonus shares which resulted in a 0.9% dilution of M&P's equity stake less the IFRS 3 fair value adjustment from 2016. Equity was thus reduced by $6.5 million. At the same time, the diluted shares were valued at the market price of $9.1 million. On a net basis, the dilution gain on the equity share, recorded in "Other income from operations", was $2 million.

(c) For Seplat, this is recognition through profit or loss of share-based payments.

(d) Share of net negative assets is reclassified to other provisions.

The 2020 comparative information is provided below:

| *(in US$ thousands)* | **Seplat** |
|---|---|
| **Location** | **Nigeria** |
| **Activity** | **Associate Production** |
| *% Interest* | *20.46%* |
| Total non-current assets | 2,851,803 |
| Other current assets | 339,052 |
| Cash and cash equivalents | 258,719 |
| **TOTAL ASSETS** | **3,449,574** |
| Total non-current liabilities | 1,304,267 |
| Total current liabilities | 481,261 |
| **TOTAL LIABILITIES (EXCL. EQUITY)** | **1,785,528** |
| **Reconciliation with balance sheet values** | |
| **TOTAL SHAREHOLDERS' EQUITY OR NET ASSETS** | **1,664,046** |
| **Share held** | **340,475** |
| IFRS 3 fair value adjustment [(a)] | (162,954) |
| Value of diluted shares [(b)] | 8,749 |
| **BALANCE SHEET VALUE AT 31/12/2020** | **186,270** |
| Sales | 566,220 |
| Operating income | 104,335 |
| Impairment | (114,402) |
| Financial income | (71,812) |
| Income from JV and deconsolidation | 1,670 |
| Corporate income tax | (5,113) |
| **NET INCOME FROM EQUITY ASSOCIATES** | **(85,322)** |
| **Share held** | **(17,457)** |
| Restatements for standardisation [(c)] | 1,055 |
| **P&L VALUE AT 31/12/2020** | **(16,402)** |

(a) Fair value adjustment for Seplat under IFRS 3 (consolidated at the stock market value) recorded in 2015 in connection with the merger with MPI.

(b) Seplat issued 25 million bonus shares which resulted in a 0.9% dilution of M&P's equity stake less the IFRS 3 fair value adjustment from 2016. Equity was thus reduced by $6.5 million. At the same time, the diluted shares were valued at the market price of $8.7 million. On a net basis, the dilution gain on the equity share, recorded in "Other income from operations", was $2 million.

(c) For Seplat, this is recognition through profit or loss of share-based payments.

# Note 3 OPERATIONS

## Note 3.1 Segment reporting

In accordance with IFRS 8, the segment information reported must be based on the very same principles as those used in the internal reporting. It must reproduce the internal segment information defined to manage and measure the Group's performance.

Maurel & Prom's activities are split into three segments: exploration, production and drilling. Information by region is only relevant at the asset level and is presented in the notes on fixed assets. The other activities mainly concern the holding companies' support and financial services, and trading. Operating Income and assets are broken down for each segment based on the entities' contributing accounts, which include consolidation adjustments.

| *(in US$ thousands)* | **Production** | **Exploration** | **Drilling** | **Other** | **31/12/2021** | **Recurring** | **Exploration and other non-recurring items** |
|---|---|---|---|---|---|---|---|
| Sales | 496,888 | 828 | 1,949 | | 499,666 | 499,666 | |
| Operating income and expenses | (200,519) | (8,735) | (13) | (4,299) | (219,565) | (219,565) | |
| **EBITDA** | **290,369** | **(7,906)** | **1,937** | **(4,299)** | **280,100** | **280,100** | |
| Depreciation and amortisation, impairment loss & provisions for assets in production and drilling | (94,506) | 384 | (9,691) | (3,052) | (106,866) | (106,866) | |
| **CURRENT OPERATING INCOME** | **195,862** | **(7,522)** | **(7,755)** | **(7,351)** | **173,234** | **173,234** | |
| Provisions and impairment of assets net of reversals | 1,147 | (85) | (187) | (538) | 337 | — | 337 |
| Other non-recurring expenses | 64 | — | (781) | (385) | (1,101) | | (1,101) |
| Gain (loss) on asset disposals | (14,201) | | (288) | | (14,490) | | (14,490) |
| **OPERATING INCOME** | **182,872** | **(7,607)** | **(9,011)** | **(8,274)** | **157,980** | **173,234** | **(15,254)** |
| Share of current income from equity associates | 23,628 | (692) | | | 22,936 | 22,936 | |
| **SHARE OF INCOME FROM EQUITY** | **23,628** | **(692)** | | | **22,936** | **22,936** | |
| Financial income | (3,025) | (1,227) | (271) | (11,763) | (16,286) | (16,286) | |
| Income tax | (42,006) | | (65) | (1,603) | (43,675) | (43,675) | |
| **Net income** | **161,470** | **(9,527)** | **(9,347)** | **(21,641)** | **120,956** | **136,210** | **(15,254)** |
| **Intangible investments** | **96,671** | **4,251** | **—** | **909** | **101,831** | | |
| **INTANGIBLE ASSETS (NET)** | **190,985** | **7,531** | **13** | **1,686** | **200,215** | | |
| **Investments in property, plant and** | **58,618** | **94** | **142** | **87** | **58,940** | | |
| **PROPERTY, PLANT AND EQUIPMENT (NET)** | **805,389** | **6** | **9,421** | **300** | **815,116** | | |

Due to international sanctions against state oil company PDVSA, operations conducted locally by the Group's Venezuelan subsidiary, M&P Servicios Integrados U.W., are strictly limited to maintenance related to the safety of staff, assets, and environmental protection. Against this backdrop, and despite an asset that remains in production and has kept its potential, PRDL's results are not recognised as a share of income from equity associates.

The 2020 comparative information is provided below:

| *(in US$ thousands)* | **Product-ion** | **Exploration** | **Drilling** | **Other** | **31/12/2020** | **Recurring** | **Exploration and other non-recurring items** |
|---|---|---|---|---|---|---|---|
| Sales | 484,903 | — | 11,584 | 7,141 | 503,628 | 329,749 | |
| Operating income and expenses | (161,933) | (3,761) | (27,526) | (24,271) | (217,491) | (234,733) | |
| **EBITDA** | **322,970** | **(3,761)** | **(15,942)** | **(17,130)** | **286,136** | **95,016** | |
| Depreciation and amortisation, impairment loss & provisions for assets in production and drilling assets | (158,826) | (1,830) | (2,744) | (81) | (163,482) | (114,477) | |
| **CURRENT OPERATING** | **164,143** | **(5,591)** | **(18,687)** | **(17,211)** | **122,655** | **(19,461)** | |
| Provisions and impairment of production and drilling assets | | | | | | — | (477,361) |
| Expenses and impairment of exploration assets net of reversals | (9,036) | (39,314) | — | — | (48,349) | | (30,652) |
| Other non-recurring expenses | 15 | (45) | 162 | — | 132 | | (2,984) |
| Gain (loss) on asset disposals | (4,574) | — | — | — | (4,574) | (19,461) | (3,046) |
| **OPERATING INCOME** | **150,548** | **(44,950)** | **(18,525)** | **(17,211)** | **69,863** | **5,838** | **(514,043)** |
| **SHARE OF INCOME FROM** | **(16,402)** | **(1,167)** | **—** | **—** | **(17,570)** | **22,936** | **(23,407)** |
| **Net income** | **(547,801)** | **(78,870)** | **(19,817)** | **54,617** | **(591,870)** | **(54,419)** | **(537,451)** |
| **Intangible investments** | **6,948** | **40,321** | **—** | **(4)** | **47,265** | | |
| **INTANGIBLE ASSETS (NET)** | **112,142** | **4,741** | **13** | **76** | **116,972** | | |
| **Investments in property, plant and equipment** | **38,972** | **4,152** | **863** | **1,905** | **45,893** | | |
| **PROPERTY, PLANT AND EQUIPMENT (NET)** | **826,904** | **—** | **13,188** | **2,728** | **842,819** | | |

# Note 3.2 Operating income

## Note 3.2.1 Sales

Oil-related sales, corresponding to the sale of production on deposits operated by the Company were determined based on oil sold, i.e. oil lifted. The Group now recognises time variances between liftings and the theoretical entitlement in the cost of sales by posting over- or underlift positions, valued at the year-end market price, to current assets (underlift position receivable) or current liabilities (overlift position liability). Market price is determined according to the PCO Rabi light index for Gabon and the Palanca Blend index for Angola, which act as benchmarks when these lifting positions are being physically settled.

Gas sales are recognised at the point of connection to customers' facilities.

Drilling services sales are recognised using the percentage of completion principle based on the drilling, the progress being measured in terms of depth reached and time spent on the task.

| | 12 months 2021 | 12 months 2020 | Change 20/21 |
|---|---|---|---|
| **M&P working interest production** | | | |
| Gabon (oil) *(bopd)* | 15,540 | 16,896 | **(8%)** |
| Angola (oil) *(bopd)* | 3,416 [(a)] | 3,933 | **(13%)** |
| Tanzania (gas) *(MMcfd)* | 39.2 | 31.5 | **25%** |
| **TOTAL** ***(boepd)*** | **25,490** | **26,076** | **(2%)** |
| **Average sale price** | | | |
| Oil *($/bbl)* | 72.5 | 40.1 | **81%** |
| Gas *($/BTU)* | 3.35 | 3.32 | **1%** |
| **Sales** | | | |
| Gabon *($m)* | 369 | 242 | **53%** |
| Angola *($m)* | 67 | 40 | **70%** |
| Tanzania *($m)* | 52 | 43 | **21%** |
| **VALUED PRODUCTION** ***($M)*** | **489** | **324** | **51%** |
| Drilling activities *($m)* | 2 | 6 | |
| Trading of third-party oil [(a)] *($m)* | — | — | |
| Restatement for lifting imbalances *($m)* | 10 | (1) | |
| **Consolidated sales** ***($M)*** | **500** | **330** | **52%** |

(a) M&P Trading buys and trades the Group's production in Angola and Gabon. Third-party production can also be traded by M&P Trading. In such instances, it is presented in the Group's consolidated sales.

The Group's valued production (income from production activities, restated for lifting imbalances) was $489 million for fiscal 2021, up 51% from 2020. The restatement of lifting imbalances net of inventory revaluation had a positive impact of $10 million for the fiscal year, largely as a result of two liftings in the last quarter of 2021. For their part, sales in Tanzania were up 25% with production of 44.0 MMcfd in the fourth quarter.

The average sale price of oil in fiscal 2020 rose 81% to $72.5/bbl versus $40.1/bbl in 2020.

Maurel & Prom trades oil volumes produced by M&P Gabon and M&P Angola through its subsidiary M&P Trading. 5.2 million barrels were traded during the year.

After taking into account drilling activities and lifting imbalances, the Group's consolidated sales for fiscal 2021 stood at $500 million, up 52% from 2020.

## Note 3.2.2 Operating income

The Group uses a number of indicators to assess the performance of its activities:

Earnings before interest, taxes, depreciation and amortisation (EBITDA) represents sales net of the following items:

- other Operating Income;
- purchases of consumables and services;
- taxes (including mining royalties and other taxes associated with operations);
- personnel expenses.

The last three items were grouped together by function in other operating expenses.

Current operating income corresponds to EBITDA after amortisation and depreciation of tangible and intangible assets, including depletion.

Items between Current operating income and EBIT correspond to income and expenses considered unusual, non-recurring and material, including:

- material capital gains and losses resulting from asset sales;
- impairment of operating assets;
- depreciations related to discontinued exploration assets;
- expenses incurred in the exploration phase (up to the identification of a prospect), given that the volatility of such expenditures is unpredictable, depending on the results of exploration activities;
- costs relating to business combinations and restructuring.

Others operating expenses break down as follows:

| *(in US$ thousands)* | **31/12/2021** | **31/12/2020** |
|---|---|---|
| Purchases and external services | (99,285) | (104,753) |
| Taxes, contributions & royalties | (77,226) | (41,305) |
| Personnel expenses | (62,179) | (68,589) |
| **Others operating expenses** | **(238,689)** | **(214,648)** |

Current operating income stood at $173 million and continued to benefit from the solid performance of crude oil prices.

Non-current income mostly comprised $14 million of restoration and decommossionning work in Angola.

## Note 3.3 Fixed assets

Impairment tests are carried out at the permit level, in accordance with the common practice within the industry.

**Oil production assets**

Oil production fixed assets include assets recognised during the exploration phase and transferred to property, plant and equipment following discoveries, and assets relating to field development (production drilling, surface facilities, oil routing systems etc.).

**Depletion**

Fixed assets are depreciated according to the unit-of-production method.

For general facilities, i.e. those which concern the entire field (pipelines, surface units, etc.), the depreciation rate equals the ratio of the field's hydrocarbon production during the fiscal year to the proven reserves at the beginning of the same fiscal year. If applicable, they are weighted by the ratio (proven)/(proven + probable) reserves for that field, in order to take into account their relative role in the production of all proven and probable reserves of the field in question.

For specific facilities, i.e. those dedicated to specific areas of a field, the depreciation rate used equals the ratio of the field's hydrocarbon production during the fiscal year to the proven developed reserves at the beginning of the same fiscal year. When the permit expires, accelerated depreciation can be applied.

The reserves taken into account are the reserves determined on the basis of analyses conducted by independent organisations, to the extent that the said analyses are available on the reporting date.

**Site remediation costs**

Provisions for site remediation are recognised when the Group has an obligation to dismantle and remediate a site.

The discounted site remediation cost is capitalised and added to the value of the underlying asset and amortised at the same rate.

**Financing of oil-related costs for third parties (carry)**

The financing of third-party oil costs is an activity that consists of the substituting, as part of an oil joint operation, for another member of the joint operation to finance its share of the cost of works.

When the contract terms give it similar characteristics to those of other oil assets, the financing of oil costs on behalf of third parties is treated as an oil asset.

Consequently, and in accordance with paragraph 47 (d) of ASC 932 usually applied in the oil sector, the accounting rules are those applicable to expenses of the same nature as the Group's own share (fixed assets, depreciation, impairment, operating costs as expenses):

– accounting for exploration costs financed as intangible assets (carried partners' share entered as the Maurel & Prom share);
– if prospecting does not result in a producing asset: recognition of all costs as expenses;
– in the case of producing assets: the transfer of costs booked as intangible assets to property, plant and equipment (technical facilities);
– the share of hydrocarbons accruing to the carried partners and used to repay that cost of carry is treated as sales for the partner that carries it;
– reserves corresponding to the carried costs are added to the reserves of the partner that carries the costs;
– depreciation of technical facilities (including the share of carried partners) according to the unit-of-production method by including in the numerator the production for the period allocated to recovery of the carried costs and in the denominator the share of reserves used to recover all of the carried costs.

**Other intangible assets**

Other intangible assets are recognised at their acquisition cost and posted on the balance sheet at that value, after deducting accrued amortisation, depreciation and any impairment.

Amortisation is calculated on a straight-line basis and the amortisation period is based on the estimated useful life of the different categories of intangible assets depreciated over a period ranging from one to three years

**Asset impairment**

When events indicate a risk of impairment on the intangible and tangible assets, and with regard to goodwill and intangible assets not amortised at least once a year, an impairment test is carried out in order to determine whether their net book value is lower than their recoverable amount, with the recoverable amount defined as the higher between the fair value (less exit costs) and the value in use. The value in use is determined by discounting future cash flows expected from the use and disposal of the assets.

For oil assets in production, cash flows are determined based on the hydrocarbon reserves identified, the related production profile and the discounted sale prices after taking into account the applicable tax terms as defined in the Production Sharing Agreements.

A permit or set of permits for the same geographic region is generally referred to as a cash-generating unit (CGU). A CGU is a set of assets whose ongoing utilisation generates cash flows that are largely independent of the cash flows from the other asset groups. In certain cases, a permit may contain exploration and production assets.

With regard to the Group's other activities, impairment tests are performed on the basis of the Company's business plans, including a terminal value.

The discount rate used takes into account the risk associated with the activity and its geographical location.

If the recoverable amount is lower than the net book value, an impairment is recognised for the difference between these two amounts.

This impairment may be reversed according to the net book value that the asset would have held on the same date, had it not been impaired. However, impairment losses recorded on goodwill are irreversible.

## Note 3.3.1 Intangible assets

Intangible investments for the period mostly comprised M&P's $97-million share of the bonus relating to the agreement signed with the Gabonese government.

The recoverable amount of all assets in the Group's exploration portfolio were analysed in accordance with IFRS 6 and IAS 36.

| *(in US$ thousands)* | 31/12/2020 | Currency translation adjustments | Investment | Transfer | Operating expenses | Amortisation | 31/12/2021 |
|---|---|---|---|---|---|---|---|
| Assets attached to permits in production | 112,142 | — | 96,671 | (8,994) | | (8,833) | 190,985 |
| Assets attached to permits in exploration | 4,741 | — | 4,251 | 89 | (483) | (1,067) | 7,531 |
| Drilling | 13 | | — | — | — | — | 13 |
| Others | 76 | | 909 | 812 | | (111) | 1,686 |
| **Total intangible assets – net** | **116,972** | **—** | **101,831** | **(8,093)** | **(483)** | **(10,011)** | **200,215** |

The changes in intangible assets for the previous year are stated below:

| *(in US$ thousands)* | 31/12/2019 | Currency translation adjustments | Investment | Transfer | Operating expenses | Amortisation | 31/12/2020 |
|---|---|---|---|---|---|---|---|
| Assets attached to permits in production | 214,922 | — | 6,948 | 22 | (99,223) | (10,527) | 112,142 |
| Assets attached to permits in exploration | 8,146 | — | 40,321 | — | (43,570) | (157) | 4,740 |
| Drilling | 16 | — | — | | — | (3) | 13 |
| Others | 144 | 1 | (4) | 30 | — | (95) | 76 |
| **INTANGIBLE ASSETS (NET)** | **223,228** | **1** | **47,265** | **52** | **(142,793)** | **(10,782)** | **116,971** |

## Note 3.3.2 Property, plant and equipment

| *(in US$ thousands)* | 31/12/2020 | Currency translation adjustments | Investment | Transfer | Exit | Amortisation | 31/12/2021 |
|---|---|---|---|---|---|---|---|
| Assets attached to permits in production | 826,904 | (27) | 62,202 | 9,383 | (14,200) | (78,873) | 805,389 |
| Assets attached to permits in exploration | — | — | 94 | 11 | — | (99) | 6 |
| Drilling | 13,188 | | 142 | (127) | (288) | (3,493) | 9,421 |
| Others | 2,728 | | 87 | (1,201) | — | (1,313) | 300 |
| **Total property, plant and equipment – net** | **842,819** | **(27)** | **62,525** | **8,065** | **(14,488)** | **(84,101)** | **815,116** |

Investments in property, plant and equipment during the period were primarily development capex on the Ezanga permit.

Pursuant to IAS 36, impairment tests were performed in order to determine the recoverable value of the assets. The Group did not record any impairment charges or reversals of its assets.

With regard to production activities, the value in use was determined on the basis of future cash flows.

Calculation assumptions are primarily based on:

(i) a Brent price of $65/bbl for oil sales deflated at the same rate as opex for Gabon by 2050;

(ii) a production profile determined according to reports on reserves by independent appraisers;

(iii) a discount rate individualised by country.

iv) the cost assumptions were determined on the basis of management projections of the Group’s assets, in line with the Group's commitments in terms of development, control of operating costs and environmental policy.

The sensitivity of the impairment test on the Group's main operated license (Ezanga) is presented below:

| *In Millions $* | | *Brent/bbl* | |
|---|---|---|---|
| *Production* | *-10$/bbl* | *Base* | *+10$/bbl* |
| Production -5% | (90) | (60) | (14) |
| Forecast Production | (32) | 0 | 47 |
| Production +5% | 26 | 58 | 106 |

| *WACC* | *-10$/bbl* | *Base* | *+10$/bbl* |
|---|---|---|---|
| Discount rate -1pt | (81) | (49) | (2) |
| Discount rate 11,5% | (32) | 0 | 47 |
| Discount rate +1pt | 23 | 55 | 101 |

The changes in property, plant and equipment for the previous year are stated below:

| *(in US$ thousands)* | 31/12/2019 | Currency translation adjustments | Investment | Transfer | Impairment | Amortisation | 31/12/2020 |
|---|---|---|---|---|---|---|---|
| Assets attached to permits in production | 1,404,132 | — | 38,972 | 5,980 | (530,886) | (91,295) | 826,904 |
| Assets attached to permits in exploration | 11,421 | 148 | 4,152 | — | (15,722) | — | — |
| Drilling | 25,152 | — | 863 | | (8,333) | (4,494) | 13,188 |
| Others | 5,376 | 34 | 1,905 | (30) | (3,211) | (1,348) | 2,728 |
| **PROPERTY, PLANT AND EQUIPMENT (NET)** | **1,446,081** | **182** | **45,892** | **5,950** | **(558,152)** | **(97,137)** | **842,819** |

## Note 3.4 Inventories

Inventories are valued using the weighted average cost method at acquisition or production cost. Production cost includes consumables and direct and indirect production costs. Hydrocarbon inventories are valued at production cost, including field and transportation costs and the depreciation of assets used in production. A provision is created when the net realisable value is lower than the cost of inventories.

| *(in US$ thousands)* | 31/12/2020 | Currency translation | Change | Transfer | Impairment/ Reversals | 31/12/2021 |
|---|---|---|---|---|---|---|
| Ezanga oil inventory (Gabon) | 5,771 | | 188 | — | | 5,959 |
| Ezanga chemical products (Gabon) | 2,352 | | (1,049) | — | | 1,303 |
| Oil stocks Trading | 4,876 | | (4,876) | — | | — |
| BRM (Tanzania) | 3,476 | (195) | — | — | (1,712) | 1,568 |
| Colombia | | | 112 | — | | |
| Drilling | — | | 3,572 | — | | 3,572 |
| **Inventories and work in** | **16,476** | **(195)** | **(2,054)** | **—** | **(1,712)** | **12,515** |

Trading oil inventories were valued at the year-end market price less the cost of sales.

Oil inventories on Ezanga correspond to oil quantities in the pipeline and are valued at production cost.

Drilling inventories correspond to maintenance parts and are valued at supply cost.

## Note 3.5 Overlift/underlift position

The Group recognises time variances between liftings and the theoretical entitlement in the cost of sales by posting over-or underlift positions, valued at the year-end market price, to current assets (underlift position receivable) or current liabilities (overlift position liability).

| *(in US$ thousands)* | 31/12/2020 | Currency translation | Change | Transfer | Impairment/ Reversals | 31/12/2021 |
|---|---|---|---|---|---|---|
| Underlift position receivables | 18,576 | (2) | 24,161 | — | | 42,736 |
| Overlift position liability | (1,035) | | 1,035 | — | | |
| **Net overlift/underlift position** | **17,541** | **(2)** | **25,196** | | | **42,736** |

## Note 3.6 Trade receivables

Trade receivables are initially recognised at fair value and then at amortised cost.

At year end, impairment losses on trade receivables are losses expected over the life of the receivables, in accordance with IFRS 9. The Group's exposure to credit risk is influenced by customers' individual characteristics.

| *(in US$ thousands)* | 31/12/2020 | Currency translation | Change | Transfer | Impairment/ Reversals | 31/12/2021 |
|---|---|---|---|---|---|---|
| Ezanga (Gabon) | 6,901 | | (4,305) | — | | 2,597 |
| Trading | 11,154 | | 2,422 | — | | 13,576 |
| Mnazi Bay (Tanzania) | 23,407 | | (11,087) | — | 452 | 12,772 |
| Drilling | 178 | | 45 | — | 80 | 302 |
| Others | 16 | (9) | 4,364 | | (4,163) | 208 |
| **TRADE RECEIVABLES AND RELATED ACCOUNTS (NET)** | **41,656** | **(9)** | **(8,561)** | **—** | **(3,631)** | **29,455** |

Trade receivables on Ezanga for hydrocarbon sales essentially reflect the receivables from Sogara, which purchases a percentage of the production from the Ezanga permit fields.

Trade receivables on Trading corresponds to the price differential between the provisional price and final price.

Trade receivables on Mnazi Bay for natural gas sales are mostly from the national company TPDC and Tanesco.

The recoverability of all of these receivables is not called into question. There is no significant impaired receivable.

## Note 3.7 Other assets

Other current assets include assets related to the regular operating cycle, some of which can be produced more than 12 months after the reporting date. At year end, impairment losses on trade receivables are losses expected over the life of the receivables, in accordance with IFRS 9.

| *(in US$ thousands)* | 31/12/2020 | Currency translation | Change | Transfer | Impairment/ Reversals | 31/12/2021 |
|---|---|---|---|---|---|---|
| Supplier advances | 1,502 | (1) | (471) | — | 300 | 1,330 |
| Operating receivables | 10,355 | 4 | (9,677) | 1,646 | (656) | 1,673 |
| Prepaid and deferred expenses | 5,457 | (3) | (268) | (3,750) | | 1,436 |
| Tax and social security receivables | 110,475 | 6,767 | (28,745) | (3,876) | 8,279 | 92,900 |
| **Other assets (net)** | **127,790** | **6,767** | **(39,161)** | **(5,980)** | **7,924** | **97,339** |
| Gross | 142,250 | 6,767 | (31,838) | 215 | 301 | 117,694 |
| Impairment | (14,460) | | (7,323) | (6,195) | 7,623 | (20,355) |
| **Non-current** | **84,022** | | **(1,287)** | **(82,735)** | | |
| **Current** | **43,768** | **6,767** | **(37,875)** | **76,755** | **7,924** | **97,339** |

"Tax and social security receivables" primarily comprise VAT receivables from the Gabonese State. Following the agreement signed with the Gabonese government allowing for the recovery of this receivable, it has been reclassified as current and will be recovered at the rate of future liftings.

Operating receivables correspond to the Group's financing of the share of costs accruing to its partners under partnership agreements. These are recovered by reallocating a portion of the hydrocarbon sales accruing to carried partners to the Group. The pace of recovery of these carry receivables is based on the activity's regular operating cycle and may consequently exceed 12 months.

## Note 3.8 Trade payables

| *(in US$ thousands)* | 31/12/2020 | Currency translation adjustments | Change | Transfer | Impairment/ Reversals | 31/12/2021 |
|---|---|---|---|---|---|---|
| Ezanga (Gabon) | 32,688 | | 9,993 | | | 42,681 |
| Mnazi Bay (Tanzania) | 596 | — | (507) | 6 | | 94 |
| Drilling | 2,286 | (10) | (1,476) | | | 799 |
| Others | 8,249 | (130) | (338) | (6) | | 7,775 |
| **TRADE PAYABLES AND RELATED ACCOUNTS** | **43,819** | **(141)** | **7,672** | | | **51,350** |

## Note 3.9 Other current liabilities

These other current liabilities are included in financial liabilities recognised initially at fair value and then at amortised cost.

| *(in US$ thousands)* | 31/12/2020 | Currency translation | Change | Transfer & Scope | Impairment/ Reversals | 31/12/2021 |
|---|---|---|---|---|---|---|
| Social security | 16,314 | (69) | 2,901 | (3,208) | | 15,937 |
| Tax liabilities | 30,987 | (2) | 974 | | | 31,959 |
| Advances | 24,517 | | (2,021) | | | 22,497 |
| TPDC advances | 27,180 | | — | | | 27,180 |
| Operator liability | 10,431 | | 10,862 | (2) | | 21,290 |
| Miscellaneous liabilities | 17,910 | (8,330) | 13,466 | (8,929) | | 14,117 |
| **Other current liabilities** | **127,339** | **(8,401)** | **26,181** | **(12,140)** | | **132,979** |

Operator liabilities correspond to cash calls to be issued by the operator in Angola, Sonangol, and WCR financing advances in Gabon.

The TPDC advance corresponds to a deposit received in 2015 as a sales guarantee. It will be reimbursed once TPDC sets up another type of financial guarantee.

## Note 3.10 Provisions

In accordance with IAS 37 “Provisions, contingent liabilities and contingent assets”, provisions are recognised when the Group has an obligation at fiscal year-end to a third party deriving from a past event, the settlement of which should result in an outflow of resources that constitute economic benefits.

The site remediation obligation is recognised at the discounted value of the estimated cost for the contractual obligation for dismantling; the impact of the passage of time is measured by applying a risk-free interest rate to the amount of the provision. The effect of the accretion is posted under “Other financial income and expenses”.

Severance payments on retirement correspond to defined benefit plans. They are provisioned as follows:

- the actuarial method used is known as the projected unit credit method, which states that for each year of service, an additional unit of benefit must be allocated. These calculations incorporate assumptions about mortality, staff turnover and projections of future salaries; and
- the differences between actual and forecast commitments (based on projections or new assumptions) and between the projected and actual return on funds invested are called actuarial gains and losses. They are recognised under other comprehensive income, without the possibility of being subsequently recycled through net income. The cost of past services is recognised under net income, whether they are acquired or not.

| *(in US$ thousands)* | 31/12/2020 | Currency translation | Increase | Reversal | Transfer | 31/12/2021 |
|---|---|---|---|---|---|---|
| Site remediation | 87,199 | (336) | 3,914 | (130) | — | 90,678 |
| Pension commitments | 1,150 | — | 440 | — | 3,208 | 4,799 |
| Other | 27,219 | (185) | 18,947 | (5,891) | — | 37,239 |
| **Provisions** | **115,568** | **(521)** | **23,301** | **(6,021)** | **3,208** | **132,716** |
| **Non-current** | **87,828** | **(336)** | **4,354** | **(130)** | **3,729** | **95,477** |
| **Current** | **27,740** | **(185)** | **18,947** | **(5,891)** | **(521)** | **37,239** |

Site remediation provisions for production sites are established based on an appraisal report and updated using US Bloomberg Corporate AA rates to remain aligned with the term of the commitment.

The other provisions cover various risks including tax (excluding corporation tax) and employee-related risks in the Group’s various host countries.

# Note 4 FINANCING

## Note 4.1 Financial income

| *(in US$ thousands)* | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Interest on overdrafts | (916) | (76) |
| IFRS 16 financial expense | (21) | (298) |
| Interest on shareholder loans | (1,682) | (2,645) |
| Interest on other borrowings | (11,624) | (12,789) |
| **GROSS FINANCE COSTS** | **(14,243)** | **(15,808)** |
| Income from cash | 499 | 1,808 |
| Net income from derivative instruments | (2,505) | (2,385) |
| **NET FINANCE COSTS** | **(16,249)** | **(16,384)** |
| Net foreign exchange adjustment | 3,806 | 5,928 |
| Others | (3,843) | (850) |
| **OTHER NET FINANCIAL INCOME AND EXPENSES** | **(37)** | **5,078** |
| **FINANCIAL INCOME** | **(16,286)** | **(11,306)** |

Gross borrowing costs are calculated based on the effective interest rate of the loan (i.e. the actuarial rate which takes into account issuance fees).

Net foreign exchange variances are mainly due to the revaluation at the closing rate of the Group's foreign currency positions that are not in the Group's functional currency (USD):

- the EUR/USD conversion at 31/12/2020 was 1.227 versus 1.133 at the balance sheet date;
- positions in transactional currencies that are not in the USD functional currency used by all consolidated entities are largely Gabonese receivables (denominated in XAF).

Other financial income and expenses mainly comprise the accretion of the provision for site remediation.

## Note 4.2 Other financial assets

Other financial assets are initially recognised at fair value and then at amortised cost.

At year end, impairment losses on trade receivables are losses expected over the life of the receivables, in accordance with IFRS 9.

| *(in US$ thousands)* | 31/12/2020 | Currency translation adjustments | Change | Transfer | Impairment/ Reversals | 31/12/2021 |
|---|---|---|---|---|---|---|
| Equity associates | 6,899 | | 1,022 | (7,785) | 13 | 149 |
| RES escrow funds | 1,926 | (39) | 3,565 | 814 | (1,840) | 4,425 |
| GOC escrow fund | 43,339 | | (43,339) | | | |
| Carry receivables Sucre | 11,000 | | | | | 11,000 |
| Gabon receivables (Ezanga) | | | 1,999 | — | — | 1,999 |
| **OTHER FINANCIAL ASSETS (NET)** | **63,164** | **(39)** | **(36,753)** | **(6,971)** | **(1,828)** | **17,573** |
| **NON-CURRENT** | **8,825** | **(39)** | **3,564** | **(6,084)** | **(1,840)** | **4,425** |
| **CURRENT** | **54,339** | | **(40,318)** | **(886)** | **13** | **13,148** |

Under this agreement with the Gabonese government, the parties approved the immediate release to the Gabonese Republic of the $43 million that had been placed in an escrow account for pre-2018 carrying costs on the Ezanga permit, thus ending the expert proceedings before the ICC.

## Note 4.3 Cash and cash equivalents

Bank deposits correspond to current accounts and short-term investments of excess cash.

| *(in US$ thousands)* | 31/12/2021 | 31/12/2020 |
|---|---|---|
| **CASH AND CASH EQUIVALENTS** | **195,675** | **168,213** |
| Bank loans [(a)] | — | (4) |
| **NET CASH AND CASH EQUIVALENTS** | **195,675** | **168,209** |

(a) Bank loans are reported under debt as shown below.

## Note 4.4 Borrowings and financial debt

| *(in US$ thousands)* | 31/12/2020 | Repayment | Transfer | Interest expense | Interest withdrawal | 31/12/2021 |
|---|---|---|---|---|---|---|
| Term loan ($600m) | 446,168 | (75,000) | (103,685) | 3,571 | — | 271,054 |
| Shareholder loan | 85,500 | (9,375) | (3,125) | | — | 73,000 |
| Lease financing debt | 1,522 | (1,626) | 937 | | — | 833 |
| **Non-current** | **533,190** | **(86,001)** | **(105,873)** | **3,571** | **—** | **344,887** |
| Term loan ($600m) | 75,066 | — | 99,934 | | — | 175,000 |
| Shareholder loan | 12,500 | — | 3,125 | | — | 15,625 |
| Lease financing debt | 1,473 | — | (937) | 453 | (453) | 537 |
| Current bank loans | 4 | (20) | — | 466 | (466) | — |
| Accrued interests | 241 | — | — | 9,735 | (9,367) | 608 |
| */ Shareholder loan ($100m)* | — | — | — | *1,682* | *(1,290)* | *392* |
| */ Term loan ($600m)* | *241* | — | — | *8,053* | *(8,077)* | *216* |
| **Current** | **89,284** | **(20)** | **102,123** | **10,654** | **(10,287)** | **191,770** |
| **Borrowings** | **622,474** | **(86,021)** | **(3,750)** | **14,225** | **(10,287)** | **536,657** |

### Note 4.4.1 Borrowings

Borrowings are initially recognised at their fair value and then at amortised cost. Issuance costs are recognised as a deduction against the initial fair value of the loan. Financial expenses are then calculated on the basis of the loan's effective interest rate (i.e. the actuarial rate taking issuance costs into account).

**$600-million term loan**

The Group took out a $600-million term loan with a group of nine international banks on 21 December 2017.

The terms of this loan are as follows:

| | |
|---|---|
| Initial amount | $600m |
| Maturity | December 2023 |
| First repayment | March 2020 |
| Repayment | 16 quarterly instalments |
| Interest rate | LIBOR +1.50% |

### Shareholder loan

In December 2017, as part of its refinancing, the Group set up a shareholder loan with PIEP for an amount of $200 million, initially drawn down in the amount of $100 million.

The terms of this new facility are as follows:

| | |
|---|---|
| Initial amount $200 million of which drawn: | $100m |
| Additional amount | $100 million that can be drawn |
| Maturity | December 2024 |
| First repayment | December 2020 |
| Repayment | 17 quarterly instalments |
| Interest rate | LIBOR +1.60% |

Under the terms of the amendments to the bank and shareholder loan agreements dated 16 March 2020, the Group was able to reschedule its debt, with repayment amounts halved in 2020 and 2021:

- the $600-million term loan with a syndicate of lenders (the “term loan”);
- and the $200-million loan ($100 million of it drawn and $100 million undrawn) from M&P’s controlling shareholder PT Pertamina International Eksplorasi Dan Produksi (“PIEP”) (the “shareholder loan”).

In accordance with IFRS 9, as the amendments to the agreements did not result in significant changes to the terms of the loan, the Group recognised the costs relating to the implementation of these amendments in the overall cost by adjusting the effective interest rate.

At the end of June 2018, the Group took out interest-rate derivatives to limit the cost of debt in the event of a rise in interest rates.

The nominal amount hedged was $150 million, maturing between January 2022 and July 2022 at the three-month LIBOR.

The hedge was qualified as a “cash flow hedge” under IFRS 9. Only the intrinsic value was designated as a hedging instrument. The time value was treated as a hedging cost and recognised as OCI then amortised in the income statement in accordance with the straight-line method. The fair value of these derivatives is recognised on the balance sheet under “current derivative financial instruments”.

Under Phase 2 amendments to IFRS 7 and IFRS 9 related to interest rate benchmark reform, the effects of the reform can be disregarded as long as the Group deems that a contract’s transition to a new benchmark rate is still pending.

The Group continues to qualify interest rate derivatives for hedge accounting.

| *(in US$ thousands)* | 31/12/2020 | Income | OCI | 31/12/2021 |
|---|---|---|---|---|
| Current derivative financial assets | — | | | — |
| Current derivative financial liabilities | (3,161) | — | 2,364 | (797) |
| **DERIVATIVE FINANCIAL INSTRUMENTS, NET** | **(3,161)** | **—** | **2,364** | **(797)** |

# Note 5. FINANCIAL RISK & FAIR VALUE

## Note 5.1 Risk of fluctuations in hydrocarbon prices

Historically, oil and gas prices have always been highly volatile and can be impacted by a wide variety of factors, such as the demand for hydrocarbons directly related to the general economy, production capacities and levels, government energy policies and speculative practices. The oil and gas industry's economy, and especially its profitability, are very sensitive to fluctuations in the price of hydrocarbons expressed in US dollars.

The Group's cash flows and future results are therefore strongly influenced by changes in the price of hydrocarbons expressed in US dollars.

For the full year, the average price of Brent rose by 81% to $72.5/bbl versus $40.1/bbl in 2020.

A decrease of 10% in the price of oil from the average price in 2021 would have impacted sales and EBITDA by -$46 million.

The Group set up hedging, in particular for sales at the end of the year 2021, in order to guarantee and control the final sale price.

## Note 5.2 Foreign exchange risk

Given that its activity is to a large extent international, the Group is theoretically exposed to various types of foreign exchange risk:

– changes in foreign exchange rates affect the transactions recognised as operating income (sales flow, cost of sales, etc.);

– the revaluation at the closing rate of debts and receivables in foreign currencies generates a financial exchange risk;

– there is also a foreign exchange risk linked to the conversion into US dollars of the accounts of Group entities whose functional currency is the euro. The resulting exchange gain/loss is recorded in other comprehensive income.

In practice, this exposure is currently low, since sales, most operating expenses, most investments and the Group's borrowings are denominated in US dollars.

The Group's reporting and operating currencies are both US dollars.

The impact on consolidated income and on shareholders' equity as at 31 December 2021 of a 10% rise or fall in the EUR/USD exchange rate is shown below:

| *(in US$ thousands)* | **Impact on pre-tax income** | | **Impact on exchange gain/loss (equity)** | |
|---|---|---|---|---|
| | **10% rise in €/US$ exchange rate** | **10% decline in €/US$ exchange rate** | **10% rise in €/US$ exchange rate** | **10% decline in €/US$ exchange** |
| EUR equivalent | (1,617) | 1,617 | (7,983) | 7,983 |
| Other currencies | | | | |
| **TOTAL** | **(1,617)** | **1,617** | **(7,983)** | **7,983** |

The average annual EUR/USD exchange rate was up sharply to $1.18 for €1 in 2021 versus $1.14 for €1 in 2020. The EUR/USD exchange rate as at 31 December 2021 was 1.13 versus 1.23 at 31 December 2020.

The Group holds liquid assets primarily in US dollars to finance its projected investment expenses in that currency. There were no ongoing foreign exchange transactions as at 31 December 2021.

The Group's net consolidated foreign exchange position as at 31 December 2021 (i.e. positions on the currencies in which transactions were conducted) was $(16) million and can be analysed as follows:

| (in US$ thousands) | Assets and liabilities | Commitments (in stated currency) | Net position before hedging | Financial hedging instruments | Net position after hedging |
|---|---|---|---|---|---|
| Trade receivables and payables | 3,653 | | 3,653 | | 3,653 |
| Other creditors and sundry liabilities | (20,140) | | (20,140) | | (20,140) |
| **EQUIVALENT EUR EXPOSURE** | **(16,487)** | **—** | **(16,487)** | **—** | **(16,487)** |

## Note 5.3 Liquidity risk

Due to the nature of its industrial and commercial activity, the Group is exposed to liquidity shortage risks or risks that its financing strategy proves to be inadequate. These risks are exacerbated by oil price levels, which could affect the Group's ability to obtain refinancing if they were to remain low over the long term. A report on the sources of financing available as at 31 December 2021 appears in Note 4.4 "Borrowings and financial debt".

The Group's liquidity is detailed in the consolidated statements of cash flow drawn up weekly and sent to executive management.

Monthly, quarterly and year-end cash flow forecasts are prepared at the same time.

Earnings are compared to forecasts using those statements, which, in addition to liquidity, make it possible to assess the foreign exchange position.

As at 31 December 2021, the Group had cash and cash equivalents amounting to $196 million. To the Company's knowledge, there are no major limitations or restrictions on the raising of cash from the Group's subsidiaries, except for the countries referred to in Note 5.6 "Country risk".

The table below shows the breakdown of financial liabilities by contractual maturity:

| (in US$ thousands) | 2022 | 2023 | 2024 | 2025 | 2026 | > 5 years | Total contractual flow | Total balance sheet |
|---|---|---|---|---|---|---|---|---|
| Shareholder loan | 15,625 | 28,000 | 45,000 | | | | 88,625 | 88,625 |
| Accrued interests | 1,863 | 1,129 | 496 | | | | 3,488 | 392 |
| *Term loan* ($600m) | 175,000 | 275,000 | | — | | | 450,000 | 446,054 |
| Accrued interests | 9,664 | 4,777 | — | — | | | 14,441 | 216 |
| Current bank loans | | | | | | | | |
| Lease financing debt | 537 | 537 | 296 | | | | 1,369 | 1,369 |
| **TOTAL** | **202,689** | **309,443** | **45,792** | **—** | **—** | **—** | **557,924** | **536,657** |

In 2021 the Company was in compliance with all ratios set out in the term loan. The Group has conducted an in-depth review of its liquidity risk and future maturity dates and considers in consequence that it is able to meet its contractual maturities.

For information, as at 31 December 2020, the non-discounted contractual flows (principal and interest) on the outstanding financial liabilities, by maturity date, were as follows:

| *(in US$ thousands)* | **2021** | **2022** | **2023** | **2024** | **2025** | **> 5 years** | **Total contractual** | **Total balance** |
|---|---|---|---|---|---|---|---|---|
| Shareholder loan | 12,500 | 12,500 | 28,000 | 45,000 | | | 98,000 | 98,000 |
| Accrued interests | 1,731 | 1,498 | 1,147 | 504 | | | 4,881 | — |
| *Term loan* ($600m) | 75,000 | 175,000 | 275,000 | | — | | 525,000 | 521,233 |
| Accrued interests | 13,964 | 9,815 | 4,864 | — | — | | 28,643 | 241 |
| Bank loans | 4 | | | | | | 4 | 4 |
| Lease financing debt | 308 | 308 | 308 | 308 | 308 | 4,714 | 6,254 | 2,995 |
| **TOTAL** | **103,508** | **199,122** | **309,319** | **45,812** | **308** | **4,714** | **662,782** | **622,474** |

## Note 5.4 Interest rate risk

Like any company that uses external lines of credit and invests its excess cash, the Group is exposed to an interest rate risk.

The Group’s consolidated gross debt as at 31 December 2021 amounted to $537 million. It mainly consisted of two floating-rate loans.

In 2018 the Group took out financial instruments to limit its exposure to interest rate risk, as per Note 4.4.1.

As at 31 December 2021, the interest rate risk can be assessed as follows:

| *(in US$ thousands)* | **31/12/2021** | **31/12/2020** |
|---|---|---|
| Term loan ($600m) | 446,271 | 521,474 |
| Shareholder loan | 89,017 | 98,000 |
| Lease financing debt | 1,369 | 2,995 |
| Current bank loans and other | — | 4 |
| **FLOATING RATE** | **536,657** | **622,474** |
| **BORROWINGS** | **536,657** | **622,474** |

A 100-basis point rise in interest rates would result in an additional interest expense of $2 million per year on the income statement.

A significant portion of cash is held in floating rate demand deposits.

Under Phase 2 amendments to IFRS 7 and IFRS 9 related to interest rate benchmark reform, the effects of the reform can be disregarded as long as the Group deems that a contract’s transition to a new benchmark rate is still pending.

As at 31 December 2021, the Group’s gross debt stood at $537 million, pegged to the USD LIBOR. The Group does not believe that switching to the SOFR reference rate in 2022 will result in any material change once the amendment is applied.

## Note 5.5 Counterparty risk

The Group is exposed to a credit risk due to loans and receivables that it grants to third parties as part of its operating activities, short-term deposits that it holds at banks, and, if applicable, derivative instrument assets that it holds.

| *(in US$ thousands)* | 31/12/2021 | | 31/12/2020 | |
|---|---|---|---|---|
| | Balance sheet total | Maximum exposure | Balance sheet total | Maximum exposure |
| Non-current financial assets | 4,425 | 4,425 | 8,825 | 8,825 |
| Other non-current assets | — | — | 84,022 | 84,022 |
| Trade receivables and related accounts | 29,455 | 29,455 | 41,656 | 41,656 |
| Current financial assets | 13,148 | 13,148 | 54,339 | 54,339 |
| Other current assets | 97,339 | 97,339 | 43,768 | 43,768 |
| Cash and cash equivalents | 195,675 | 195,675 | 168,213 | 168,213 |
| **TOTAL** | **340,042** | **340,042** | **400,823** | **400,823** |

Maximum exposure corresponds to the balance sheet outstanding net of provisions. The Group believes that it does not incur any significant counterparty risk, as its production is mainly sold to leading trading companies. Guarantees are in place to cover outstanding amounts on gas sales in Tanzania. Other financial or non-financial current assets do not present any significant credit risk.

## Note 5.6 Country risk

A significant proportion of the Group's production and reserves is located in countries outside the OECD area, some of which may be affected by political, social and economic instability. In recent years, some of these countries have experienced one or more of the following situations: economic and political instability, conflicts, social unrest, terrorist group actions, and the imposition of international economic sanctions. The occurrence and extent of incidents related to economic, social and political instability are unpredictable, but it is possible that such incidents may have a material adverse impact on the Group's production, reserves and activities in the future.

In addition, the Group conducts Exploration and Production activities in countries whose government and regulatory framework may be unexpectedly modified and where the application of tax rules and contractual rights is unpredictable. In addition, the Group's Exploration and Production activities in these countries are often conducted in collaboration with national entities, where the state exercises significant control. Interventions by governments in these countries, which may be strengthened, may affect a variety of areas, such as:

- the granting of, or refusal to grant, exploration and production mining rights;
- the imposition of specific drilling requirements;
- control over prices and/or production quotas as well as export quotas;
- higher taxes and royalties, including those related to retroactive claims, regulatory changes and tax adjustments;
- renegotiation of contracts;
- late payments;
- currency restrictions or currency devaluation.

If a host State intervenes in any of the above areas, the Group could be exposed to significant costs or see its production or the value of its assets decline, which could have a material adverse effect on the Group's financial position.

At the reporting date, no material restrictions that would limit the Group's ability to access or use its assets and settle its liabilities were recorded with regard to its activities in geographic regions that have been experiencing political or regulatory instability, or with regard to financing agreements of Group entities/projects (subsidiaries, joint ventures or associates). Country risk was taken into consideration in the impairment tests of fixed assets by applying a risk factor per country to the discount rate.

With regard to activities in Venezuela, the Group is taking the necessary steps to avoid falling within the scope of the US sanctions against Venezuela and, by extension, PDVSA. Consequently, the Group is not raising cash from this asset.

## Note 5.7 Fair value

In accordance with IFRS 7, disclosures about financial instruments are detailed below.

Fair value positions according to the hierarchy set out in IFRS 13 are established based on the same assumptions as those presented for the consolidated financial statements as at 31 December 2020.

The application of IFRS 9 led to a review of the reporting of financial asset and liability categories, and these are now reported as follows (no major changes versus the reporting under IAS 39):

| *(in US$ thousands)* | | | | 31/12/2021 | | 31/12/2020 |
|---|---|---|---|---|---|---|
| | **Categories** | **Level** | **Balance sheet** | **Fair value** | **Balance sheet** | **Fair value** |
| Non-current financial assets | Amortised cost | Level 2 | 4,425 | 4,425 | 8,825 | 8,825 |
| Trade receivables and related accounts | Amortised cost | Level 2 | 29,455 | 29,455 | 41,656 | 41,656 |
| Other current financial assets | Amortised cost | Level 2 | 13,148 | 13,148 | 54,339 | 54,339 |
| Derivative financial instruments | Fair value | Level 1 | — | — | — | — |
| Cash and cash equivalents | | | 195,675 | 195,675 | 168,213 | 168,213 |
| **Total assets** | | | **242,703** | **242,703** | **273,033** | **273,033** |
| Borrowings and financial debt | Amortised cost | Level 2 | 536,657 | 536,657 | 622,474 | 622,474 |
| Trade payables | Amortised cost | Level 2 | 51,350 | 51,350 | 43,819 | 43,819 |
| Derivative financial instruments | Fair value | Level 1 | 797 | 797 | 3,161 | 3,161 |
| Other creditors and sundry liabilities | Amortised cost | Level 2 | 132,979 | 132,979 | 127,339 | 127,339 |
| **Total liabilities** | | | **721,783** | **721,783** | **796,792** | **796,792** |

The net book value of financial assets and liabilities at the amortised cost is considered to correspond to a reasonable approximation of their fair value given their nature.

The net book value of the Group's cash corresponds to its fair value given that it is considered to be liquid.

The fair value of derivative financial instruments is based on the instrument's market value at period-end, as explained in Note 4.4.1 "Borrowings".

# Note 6 OTHER INFORMATION

## Note 6.1 Income tax

The tax expense on the income statement includes the current tax expense or income and the deferred tax expense or income.

Deferred taxes are recorded based on the temporary differences between the book values of assets and liabilities and their tax bases. Deferred taxes are not discounted. Deferred tax assets and liabilities are measured based on the tax rates adopted or to be adopted on the closing date.

Deferred tax assets, resulting primarily from losses carried forward or temporary differences, are not taken into account unless their recovery is considered likely. To ascertain the Group's ability to recover these assets, factors taken into account include the following:

– the existence of sufficient temporary differences taxable by the same tax authority for the same taxable entity, which will create taxable amounts on which unused tax losses and tax credits may be charged before they expire; and

The corporate income tax expense payable mainly corresponds to the recognition of notional corporate income tax and the discharge of tax receivables through the production sharing mechanism on the Ezanga permit, and to the income tax expense in Tanzania.

Deferred tax income primarily results from the depreciation of the temporary difference between recoverable costs from a tax perspective and the recognition of fixed assets in the consolidated financial statements for the Ezanga and Mnazi Bay permits.

### Note 6.1.1 Reconciliation between the balance sheet total, tax liability and tax paid

| *(in US$ thousands)* | **Deferred taxes** | **Current taxes** | **Total** |
|---|---|---|---|
| **ASSETS AT 31/12/2020** | **6,065** | **614** | **6,679** |
| **LIABILITIES AT 31/12/2020** | **(195,076)** | **(9,580)** | **(204,656)** |
| **NET VALUE AT 31/12/2020** | **(189,011)** | **(8,967)** | **(197,977)** |
| Tax expense | 35,683 | (79,358) | (43,675) |
| Settlement of tax debts | | 25,902 | 25,902 |
| Tax effect from unwinding of 2017 accounting method changes | 17,142 | | 17,142 |
| Payments | | 55,636 | 55,636 |
| Currency translation adjustments | — | 10 | 10 |
| **ASSETS AT 31/12/2021** | **—** | **130** | **130** |
| **LIABILITIES AT 31/12/2021** | **(136,185)** | **(6,908)** | **(143,093)** |
| **NET VALUE AT 31/12/2021** | **(136,185)** | **(6,778)** | **(142,962)** |

### Note 6.1.2 Detail of tax expense for the year

| *(in US$ thousands)* | **31/12/2021** | **31/12/2020** |
|---|---|---|
| Tax expense payable for the fiscal year | 53,457 | 32,494 |
| Settlement of tax debts | 25,902 | 4,038 |
| Deferred tax income or expense | (35,683) | (7,043) |
| **TOTAL TAX EXPENSE** | **43,675** | **29,490** |

## Note 6.1.3 Breakdown of deferred taxes

| *(in US$ thousands)* | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Valuation difference of property, plant and equipment | — | 6,065 |
| **DEFERRED TAX ASSETS** | **—** | **6,065** |
| Valuation difference of property, plant and equipment | (136,185) | (195,076) |
| **DEFERRED TAX LIABILITIES** | **(136,185)** | **(195,076)** |
| **NET DEFERRED TAX** | **(136,185)** | **(201,141)** |

## Note 6.1.4 Reconciliation between the tax expense and income before tax

| *(in US$ thousands)* | 31/12/2021 | 31/12/2020 |
|---|---|---|
| Income before tax from continuing operations | 164,630 | (568,274) |
| *- Net income from equity associates* | *22,936* | *(19,425)* |
| **INCOME BEFORE TAX EXCLUDING EQUITY ASSOCIATES** | **141,694** | **(548,849)** |
| Distortion taxable base | (152,371) | 519,313 |
| **TAXABLE INCOME** | **(10,677)** | **(29,536)** |
| **(A) THEORETICAL TAX INCOME** | **3,559** | **9,844** |
| **(B) TAX RECOGNISED IN INCOME** | **(43,675)** | **(29,490)** |
| **DIFFERENCE (B-A)** | **(47,233)** | **(39,334)** |
| *– Baseline difference* | *5,296* | *(5,367)* |
| – Settlement of tax debts | *(25,902)* | |
| *– Period shift* | — | *(10,671)* |
| *– Non-activated deficits and other* | *(26,628)* | *(23,295)* |

## Note 6.2 Earnings per share

Two earnings per share are presented: the basic net earnings per share and the diluted earnings per share. In accordance with IAS 33, diluted earnings per share is equal to the net income attributable to holders of ordinary shares arising from the parent company divided by the weighted average number of ordinary shares outstanding during the period, after adjusting the numerator and denominator for the impact of any potentially dilutive ordinary shares. Potential ordinary shares are treated as dilutive if, and only if, their conversion to ordinary shares has the effect of reducing earnings per share from the ordinary activities undertaken. Treasury shares are not taken into account in the calculation.

| | 31/12/2021 | 31/12/2020 |
|---|---|---|
| **NET INCOME (GROUP SHARE) FOR THE PERIOD *(in US$ thousands)*** | **119,732** | **(588,977)** |
| Share capital | 201,262 | 201,262 |
| Treasury shares | 3,645 | 4,559 |
| **AVERAGE NUMBER OF SHARES OUTSTANDING** | **196,702** | **196,702** |
| **NUMBER OF DILUTED SHARES** | **197,646** | **197,242** |
| **EARNINGS PER SHARE ($)** | | |
| Basic | 0.61 | (2.99) |
| Diluted | 0.61 | (2.99) |

## Note 6.3 Shareholders' equity

Treasury shares are recognised as a reduction of shareholders' equity evaluated at acquisition cost.

Subsequent changes in fair value are not taken into account. Similarly, proceeds from the disposal of treasury shares do not affect net income for the fiscal year.

Bonus shares allocated by Maurel & Prom to its employees are recognised under personnel expenses once granted and are spread over the vesting period; the method by which they are spread depends on the respective vesting conditions of each plan. The fair value of bonus shares is determined in line with the share price on the allocation date (minus discounted future dividends).

As at 31 December 2021, there were 201,261,570 company shares, including 3,645,108 treasury shares (i.e. 1.81% of share capital for a gross value of €31 million at end-2021). Share capital stood at €154,971,408.90.

| | Number of shares | Treasury shares | Liquidity agreement | Treasury stock |
|---|---|---|---|---|
| **At 31/12/2019** | **200,713,522** | **4,601,090** | **208,809** | **4,392,284** |
| – Buybacks | | (92,766) | | (92,766) |
| – Share distribution | | 51,011 | 51,011 | |
| – Liquidity agreement movements | **548,048** | — | | |
| **At 31/12/2020** | **201,261,570** | **4,559,335** | **259,817** | **4,299,518** |
| – Share distribution | | -867,720 | (46,507) | (867,720) |
| – Liquidity agreement movements | | -46,507 | | |
| – Capital increase | | — | | |
| **AT 31/12/2021** | **201,261,570** | **3,645,108** | **213,310** | **3,431,798** |

The bonus share allocations are as follows:

| Date of allocation decision | Expected vesting date[(a)] | Number of shares |
|---|---|---|
| 01/08/2019 | 01/08/2022 | 270,550 |
| 06/08/2020 | 06/08/2022 | 512,000 |
| 06/08/2020 | 06/08/2023 | 512,000 |
| 03/08/2021 | 03/08/2022 | 458,533 |
| 03/08/2021 | 03/08/2023 | 458,533 |
| 03/08/2021 | 03/08/2024 | 458,533 |
| 06/08/2020 | 30/06/2023 | 244,698 |
| 03/08/2021 | 30/06/2024 | 227,387 |
| **Total** | | **3,142,234** |

(a) The minimum lock-in period for the shares held by beneficiaries is set at one year from the vesting date. All of these plans are subject to performance conditions.

## Note 6.4 Related parties

| *(in US$ thousands)* | Income | Expenses | Amounts due from related parties (net) | Amounts due to related parties |
|---|---|---|---|---|
| **1) Equity associates** | | | | |
| Maurel & Prom Colombia BV (a) | — | — | | |
| **2) Other related parties** | | | | |
| PIEP | | (1,682) | | 88,625 |

(a) The company changed from an equity associate to a fully consolidated company in Q4 2021.

## Note 6.5 Off-balance-sheet commitments – Contingent assets and liabilities

### Note 6.5.1 Work commitments

Oil-related work commitments are valued based on the budgets approved with partners. They are revised on numerous occasions during the fiscal year depending on aspects such as the results of oil work carried out.

Contractual commitments made to states under permits are limited to five mandatory wells: two in Gabon, two in Colombia and one in Namibia. No information has been provided relating to equity associates.

### Note 6.5.2 Lease commitments: IFRS 16 impact

The Group decided to apply IFRS 16 as from 1 January 2019, using the simplified retrospective method, and to apply the permitted exemptions as described in the consolidated financial statements as at 31 December 2019. On this basis, only the leasing agreement for the Paris head office falls within the scope of IFRS 16. No new contracts were subject to IFRS 16 in 2021.

| | |
|---|---|
| **FIXED ASSET NCA AT 01/01/2021** | **1,116** |
| **DEBT AT 01/01/2021** | **1,165** |
| **IMPACT ON SHAREHOLDERS' EQUITY AT 01/01/2021** | **(1)** |
| Amortisation | (1,116) |
| Capital repayment | (1,165) |
| Interest expense | (21) |
| Cancellation of lease expense | 1,187 |
| **FIXED ASSET NCA AT 31/12/2021** | **—** |
| **DEBT AT 31/12/2021** | **—** |
| **IMPACT ON SHAREHOLDERS' EQUITY AT 31/12/2021** | **—** |

| Impact of P&L presentation 31/12/2021 | IAS 17 Previous standard | IFRS 16 |
|---|---|---|
| Rents | (1,187) | |
| **EBIT** | **(1,187)** | **—** |
| Depreciation and amortisation | | (1,116) |
| **EBITDA** | **(1,187)** | **(1,116)** |
| Net finance costs | | (21) |
| **NET INCOME BEFORE TAX** | **(1,187)** | **(1,137)** |

## Note 6.5.3 Term loan ($600 million)

Maurel & Prom West Africa S.A., sole and whole owner of Maurel & Prom Gabon, took out a $600-million term loan on 10 December 2017. This loan is guaranteed by the parent company Établissements Maurel & Prom. The borrower also benefits from the financial support of the Group's main shareholder, PT Pertamina Internasional Eksplorasi dan Produksi (PIEP), should it fail to meet its payment obligations under this loan.

No Group assets have been pledged as collateral. However, restrictions on the use of certain bank accounts of Maurel & Prom Gabon and Maurel & Prom West Africa were specified in the event of default on this loan (except in certain cases).

Furthermore, under the terms of this loan, the Group has undertaken to meet certain financial ratios as at 30 June and 31 December of each year:

- ratio for the Group's consolidated net debt to EBITDAX (earnings before interest, taxes, depreciation, amortisation and impairment net of the impact of foreign exchange gains and losses and exploration costs) not to exceed 4.00:1.00, calculated over a 12-month period prior to the reference date;
- the Group's debt service cover ratio (DSCR) calculated over the six months preceding the reference date, to be higher than 3.50:1.00; and
- Group Tangible Net Worth, restated for the Group's oil and gas intangible assets, to exceed $500 million at each reference date.

These ratios were met in fiscal 2021.

The Group is also committed to maintaining a minimum consolidated amount of $100 million cash in their bank accounts, failing which it would be forced to draw on the unused portion of the PIEP shareholder loan described above.

Établissements Maurel & Prom has agreed that the total dividend paid out per calendar year until the end of the year 2022 after drawdown will not exceed $15 million while guaranteeing that minimum working capital requirements agreed by the parties will be respected.

## Note 6.5.4 Agreements with PIEP

Under the term loan of December 2017, the Group signed a subordination agreement pursuant to which some liabilities towards PIEP are subordinate to the repayment of the bank term loan.

As part of the term loan of December 2017, the Group signed a Sponsor Support Agreement with PIEP and the credit agent whereby PIEP promises to make the necessary funds available to the Group in the event of default on the new loan.

## Note 6.5.6 Contractual commitments in Gabon

Under the terms of the agreement to acquire the Gabonese asset and subsequent amendments thereto entered into with the Gabonese government, Rockover and Masasa Trust in February 2005, Maurel & Prom is obliged to pay:

- 1.4% of production valued at the official sale price, paid monthly;
- a royalty amounting to $0.65 for every barrel produced from the date that total production in all licensed zones has exceeded 80 MMbbl (during the month of September 2019); and
- 5% on production from the sole Banio field, valued at the official sale price, when total production from this field exceeds 3.865 million barrels;
- 2% of total available production, valued at the official sale price, up to 30 MMbbl and 1.5% above this limit, based on production from operating permits with the Nyanga-Mayombé exploration permit. This commitment is

recognised in expenses commensurate with production, knowing that production in the Banio field (the only Nyanga-Mayombé exploration permit to date) is currently suspended.

## Note 6.6 Group workforce

As at 31 December 2021, the Group had 595 employees.

## Note 6.7 Executive remuneration

Principal Officers include the management team composed of the Chairman, executive management and members of the Board of Directors.

Their remuneration is included in the expenses for the period, irrespective of the amounts paid.

| *(in US$ thousands)* | **31/12/2021** | **31/12/2020** |
|---|---|---|
| Short-term benefits | 1,925 | 1,325 |
| Share-based payment | 601 | |
| **TOTAL** | **2,525** | **1,325** |

## Note 7.7 Auditors' fees

Fees paid to Statutory Auditors (including members of their networks) are analysed below:

| *(in US$ thousands)* | | | | 2021 | | | | 2020 |
|---|---|---|---|---|---|---|---|---|
| | | KPMG | | IAC | | KPMG | | IAC |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| **Audit** | | | | | | | | |
| **Statutory audit, certification, review of individual and consolidated financial statements:** | | | | | | | | |
| – Issuer | 673 | 72% | 395 | 84% | 653 | 79% | 351 | 82% |
| Fully consolidated subsidiaries | 200 | 21% | 67 | 14% | 97 | 12% | 75 | 17% |
| **Other work and services directly related to the audit assignment:** | | | | | | | | |
| – Issuer | 66 | 7% | 11 | 2% | 79 | 10% | 3 | 1% |
| Fully consolidated subsidiaries | | 0% | | | 2 | 0% | | |
| **Other services provided by the networks to fully consolidated subsidiaries** | | | | | | | | |
| **TOTAL** | **939** | **100%** | **473** | **100%** | **831** | **100%** | **429** | **100%** |

## Note 6.9 Events occurring after the reporting period

The equity-accounted company Seplat Energy Plc, announced at the end of February 2022 the conclusion of an agreement to acquire the entire share capital of Mobil Producing Nigeria Unlimited ("MPNU") from Exxon Mobil Corporation subject to the consent of the ministries concerned and obtaining other required regulatory approvals.

The outbreak of Russia's attack on Ukraine on 24 February 2022 was subsequent to year end closure. There are no direct consequences of sanctions taken against Russia on M&P activities.