,

The Petroleum
Oil and Gas Corporation
Of South Africa SOC Ltd
Reg. No. 1970/008130/30
151 Frans Conradie Road,
Parow, 7500
Private Bag X 5 Parow, 7499
Republic of South Africa
Tel +27 21 929 3000
Fax +27 21 929 3266

TENDER BULLETIN 1
QUESTIONS & ANSWERS

ENQUIRY NO: 5000005800

DESCRIPTION: TENDER FOR THE APPOINTMENT OF AN INSTITUTION(S) TO ACT AS MANDATED LEAD ARRANGER (MLA) FOR PRE-EXPORT FINANCE PetroSA GHANA FUNDING STRATEGY

QUESTIONS & ANSWERS

Question 1

Can you please forward us the last 3 years financials and latest management accounts for PetroSA Ghana in support of this request?

Answer 1

Kindly find attached the last 3 years financials and latest management accounts as requested.

PETROSA GHANA

MANAGEMENT ACCOUNTS

31-Dec-23

Statement of Financial Position

(All amounts in US dollars)

	31-Dec 2023 $	31-Dec 2022 $
Non-current assets		
Property, plant and equipment	176,293,294	181,040,151
Intangible exploration and evaluation assets	9,820,966	9,820,966
Other financial assets	6,136,849	4,992,943
Total non-current assets	192,251,110	195,854,060
Current assets		
Inventories	969,933	1,576,293
Trade and other receivables	20,351,513	18,724,530
Cash and cash equivalents	24,391,751	8,655,868
Total current assets	45,713,197	28,956,690
TOTAL ASSETS	**237,964,307**	**224,810,751**
Non-current liabilities		
Deferred taxation	25,325,640	36,096,415
Asset retirement obligations	13,892,837	12,929,771
Financial lease liability	44,869,656	49,884,129
Total non-current liabilities	84,088,133	98,910,315
Current liabilities		
Tax payable	5,559,577	4,507,355
Trade and other payables	7,908,396	5,404,063
Total current liabilities	13,467,974	9,911,419
TOTAL LIABILITIES	97,556,106	108,821,733
Equity attributable to shareholders		
Share capital	121,861,586	121,861,586
Accumulated profit	18,546,614	(5,872,569)
TOTAL EQUITY	140,408,200	115,989,017
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**237,964,307**	**224,810,751**

Statement of Comprehensive Income
(All amounts in US dollars)

	Month Ended 31-Dec-23	Year Ended 31-Dec-23	Year Ended 31-Dec-22
Continuing operations	**$**	**$**	**$**
Revenue	2,176,123	91,602,858	113,966,477
Cost of sales	(5,157,769)	(42,510,547)	(41,084,734)
Changes in stock	2,671,266	(798,082)	(754,913)
Production expenditure	(747,703)	(12,989,391)	(13,155,171)
Depletion	(7,081,333)	(28,723,074)	(27,174,650)
Gross profit/ (loss)	(2,981,646)	49,092,311	72,881,743
Other income	-	-	-
Directors' fees	(5)	(6,232)	(12,243)
Administrative expenses	(319,321)	(4,315,382)	(4,582,129)
Adjustments to ARO liabilities	234,738	234,738	2,903,255
Write-off of intangible assets	-	-	(7,743)
Foreign exchange gain/ (loss)	(555)	(9,499)	(6,526)
Brent crude option gain/ (loss)	-	-	-
Finance cost	(237,917)	(3,350,059)	(4,360,908)
Impairment	-	-	-
Net profit / (loss) before taxation	(3,304,707)	41,645,876	66,815,449
Taxation - deferred tax	11,855,881	10,770,775	1,336,897
- income tax	(7,018,267)	(17,997,468)	(24,494,321)
Net profit / (loss) and comprehensive profit / (loss) for the period attributable to shareholders	**1,532,907**	**34,419,183**	**43,658,025**
Gross profit%	**-137%**	**54%**	**64%**

Statement of Cash Flows
(All amounts in US dollars)

	Month Ended 31-Dec-23	Year Ended 31-Dec-23	Year Ended 31-Dec-22
	$	$	$
Cash flows from operating activities			
Gain / (Loss) before taxation	(3,304,707)	41,645,876	66,815,449
Adjustments for			
Net finance cost	237,917	3,350,059	4,360,908
Depletion	7,081,333	28,723,074	27,174,650
Adjustments to ARO liabilities	(234,738)	(234,738)	(2,903,255)
Impairment	-	-	-
Write-off of intangible assets	-	-	7,743
Net change in non-cash working capital	9,807,950	1,483,711	(10,387,020)
Tax paid	-	(16,945,246)	(21,128,080)
Net cash generated from operating activities	**13,587,756**	**58,022,737**	**63,940,396**
Cash flows from investing activities			
Expenditure on exploration and evaluation assets	-	-	(46,460)
Expenditures on property, plant and equipment	(2,681,229)	(23,304,357)	(18,806,393)
Other financial assets	(104,433)	(1,143,906)	900,051
Dividends paid	-	(10,000,000)	(52,000,000)
Net cash used in investing activities	**(2,785,662)**	**(34,448,264)**	**(69,952,801)**
Cash flows from financing activities			
Net proceeds from non-current borrowings	(645,041)	(8,275,289)	(8,684,318)
GNPC interest received	36,041	372,443	185,028
Bank interest received	13,799	64,257	11,039
Net cash generated from financing activities	**(595,200)**	**(7,838,589)**	**(8,488,250)**
Net increase / (decrease) in cash and cash equivalents	10,206,894	15,735,884	(14,500,655)
Cash and cash equivalents at beginning of the period	14,184,858	8,655,867	23,156,523
Cash and cash equivalents at end of the period	**24,391,752**	**24,391,752**	**8,655,867**

Statement of Changes in Equity
(All amounts in US dollars)

	Note	Attributable to shareholders		
		Issued Share Capital	**Accumulated Profit**	**Total Equity**
	Note	**$**	**$**	**$**
At 31 December 2022		121,861,586	(5,872,569)	115,989,017
Issue of ordinary shares		-		-
Comprehensive income for the period			34,419,183	34,419,183
Dividends paid			(10,000,000)	(10,000,000)
At 31 December 2023		**121,861,586**	**18,546,614**	**140,408,200**

PETROSA GHANA

MANAGEMENT ACCOUNTS

31-Jan-24

Statement of Financial Position

(All amounts in US dollars)

	31-Jan 2024 $	31-Dec 2023 $
Non-current assets		
Property, plant and equipment	175,469,764	176,293,294
Intangible exploration and evaluation assets	9,820,966	9,820,966
Other financial assets	6,173,529	6,136,849
Total non-current assets	191,464,260	192,251,110
Current assets		
Inventories	3,656,644	969,933
Trade and other receivables	22,788,320	20,351,513
Cash and cash equivalents	17,675,034	24,391,751
Total current assets	44,119,998	45,713,197
TOTAL ASSETS	**235,584,258**	**237,964,307**
Non-current liabilities		
Deferred taxation	25,325,640	25,325,640
Asset retirement obligations	13,938,390	13,892,837
Financial lease liability	44,417,937	44,869,656
Total non-current liabilities	83,681,967	84,088,133
Current liabilities		
Tax payable	92,434	5,559,577
Trade and other payables	7,977,235	7,908,396
Total current liabilities	8,069,669	13,467,974
TOTAL LIABILITIES	91,751,636	97,556,106
Equity attributable to shareholders		
Share capital	121,861,586	121,861,586
Accumulated profit	21,971,035	18,546,614
TOTAL EQUITY	143,832,621	140,408,200
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**235,584,258**	**237,964,307**

Statement of Comprehensive Income
(All amounts in US dollars)

	Month Ended	Year to Date	Year Ended
	31-Jan-24	**31-Jan-24**	**31-Dec-23**
Continuing operations	**$**	**$**	**$**
Revenue	4,662,019	4,662,019	91,602,858
Cost of sales	(752,942)	(752,942)	(42,510,547)
Changes in stock	2,369,392	2,369,392	(798,082)
Production expenditure	(687,416)	(687,416)	(12,989,391)
Depletion	(2,434,918)	(2,434,918)	(28,723,074)
Gross profit/ (loss)	3,909,077	3,909,077	49,092,311
Other income	-	-	-
Directors' fees	(408)	(408)	(6,232)
Administrative expenses	(271,782)	(271,782)	(4,315,382)
Adjustments to ARO liabilities	-	-	234,738
Write-off of intangible assets	-	-	-
Foreign exchange gain/ (loss)	(879)	(879)	(9,499)
Brent crude option gain/ (loss)	-	-	-
Finance cost	(211,586)	(211,586)	(3,350,059)
Impairment	0	-	-
Net profit / (loss) before taxation	3,424,421	3,424,421	41,645,876
Taxation - deferred tax	-	-	10,770,775
- income tax	-	-	(17,997,468)
Net profit / (loss) and comprehensive profit / (loss) for the period attributable to shareholders	**3,424,421**	**3,424,421**	**34,419,183**
Gross profit%	**84%**	**84%**	**54%**

Statement of Cash Flows
(All amounts in US dollars)

	Month Ended	Year to Date	Year Ended
	31-Jan-24	**31-Jan-24**	**31-Dec-23**
	$	**$**	**$**
Cash flows from operating activities			
Gain / (Loss) before taxation	3,424,421	3,424,421	41,645,876
Adjustments for			
Net finance cost	211,586	211,586	3,350,059
Depletion	2,434,918	2,434,918	28,723,074
Adjustments to ARO liabilities	-	-	(234,738)
Impairment	-	-	-
Write-off of intangible assets	-	-	-
Net change in non-cash working capital	(5,054,679)	(5,054,679)	1,483,711
Tax paid	(5,467,143)	(5,467,143)	(16,945,246)
Net cash generated from operating activities	**(4,450,897)**	**(4,450,897)**	**58,022,737**
Cash flows from investing activities			
Expenditure on exploration and evaluation assets	-	-	-
Expenditures on property, plant and equipment	(1,611,389)	(1,611,389)	(23,304,357)
Other financial assets	(36,680)	(36,680)	(1,143,906)
Dividends paid	-	-	(10,000,000)
Net cash used in investing activities	**(1,648,068)**	**(1,648,068)**	**(34,448,264)**
Cash flows from financing activities			
Net proceeds from non-current borrowings	(654,431)	(654,431)	(8,275,289)
GNPC interest received	36,680	36,680	372,443
Bank interest received	-	-	64,257
Net cash generated from financing activities	**(617,751)**	**(617,751)**	**(7,838,589)**
Net increase / (decrease) in cash and cash equivalents	(6,716,717)	(6,716,717)	15,735,884
Cash and cash equivalents at beginning of the period	24,391,752	24,391,752	8,655,867
Cash and cash equivalents at end of the period	**17,675,035**	**17,675,035**	**24,391,752**

Statement of Changes in Equity
(All amounts in US dollars)

	Note	Draft Issued Share Capital $	Draft Accumulated Profit $	Draft Total Equity $
		Attributable to shareholders		
At 31 December 2023		121,861,586	18,546,614	140,408,200
Issue of ordinary shares		-		-
Comprehensive income for the period			3,424,421	3,424,421
Dividends paid			-	-
At 31 January 2024		**121,861,586**	**21,971,035**	**143,832,621**

PetroSA Ghana Limited
(Registration number 1403421)
Annual Financial Statements
for the year ended 31 December 2020
These annual financial statements were internally prepared and supervised by:
Mr R Erasmus FCCA (Acting Group Financial Manager) and Ms GN Tyandela CA(SA) (Acting Group Chief Financial Officer) respectively.
Issued 06 December 2021

AUDITOR-GENERAL
SOUTH AFRICA
08 December 2021

General Information

Country of incorporation and domicile	British Virgin Islands
Nature of business and principal activities	The acquisition and development of crude oil and natural gas fields within the Republic of Ghana.
Directors	Mr LC Nene Mr O Chibambo Mr M Xiphu Mr L Haywood
Registered office	Woodbourne Hall, Skelton Bldg P.O. Box 3162 Road Town Tortola VG1110 British Virgin Islands
Postal address	Private Bag X5 Parow 7499
Holding company	The Petroleum Oil and Gas Corporation of South Africa SOC Ltd (PetroSA) incorporated in South Africa
Ultimate shareholder	South African Government
Auditors	Auditor-General of South Africa Registered Auditors
Secretary	Ms M Khumalo
Company registration number	1403421

Index

Report of the auditor-general to Parliament on PetroSA Ghana Limited

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of PetroSA Ghana set out on pages 13 to 44, which comprise the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of PetroSA Ghana Limited as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.

4. I am independent of the public entity in accordance with sections 290 and 291 the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Subsequent events

7. I draw attention to note 30 to the financial statements which deals with subsequent events. The current Reserve-Based Lending facility (RBL) was due to expire in February 2022. The directors resolved on 8 June 2021 to settle the outstanding balance of the facility of US$23.3 million early in order to realise a saving of approximately US$750,000 in interest, commitment fees and withholding tax. The facility was repaid on 18 June 2021.

AUDITOR-GENERAL
SOUTH AFRICA

08 December 2021

8. With reference to note 25 and note 30 to the financial statements, the Ghana Revenue Authority (GRA) conducted an audit of the PetroSA Ghana branch in respect of the 2014-2018 years of assessment. On 31 March 2021, the GRA issued the final audit assessment of US$47.9 million in respect to corporate tax, withholding tax and branch profits tax. On 26 October 2021, notice was sent by the GRA of their withdrawal of their audit assessment of US$47.9 million.

Material impairments – Property, plant and equipment

9. As disclosed in note 2 and note 18 to the financial statements, the significant reduction in the oil and gas reserves and prices, as well as the global outbreak of Covid-19, triggered an impairment assessment which resulted in the recognition of an impairment loss of US$17.9 million (2019: US$ 20.8 million) against property, plant and equipment.

Responsibilities of the accounting authority for the financial statements

10. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

11. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

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

13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Performance information reporting

14. I was unable to audit and report on the usefulness and reliability of the performance information, as the public entity's annual performance report was not prepared, as required by section 55(2)(a) of the PFMA.

Report on the audit of compliance with legislation

Introduction and scope

15. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

16. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements, performance and annual report

17. The financial statements were not submitted for auditing within the prescribed period after the end of financial year, as required by section 55(1)(c)(i) of the PFMA.

Strategic planning and performance planning

18. An annual shareholder's compact was not concluded in consultation with the executive authority, as required by treasury regulation 29.2.1, and the key performance measures and indicators included in the shareholder's compact were not agreed between the accounting authority and the executive authority, as required by treasury regulation 29.2.2. Consequently, the corporate plan did not include the objectives and outcomes as agreed with the executive authority in the shareholder's compact and key performance measures and indicators, as required by treasury regulation 29.1.1(a). The accounting authority of the Petroleum Oil and Gas Corporation of South Africa SOC Ltd (PetroSA) prepared a shareholder's compact for the PetroSA group and submitted it to the Central Energy Fund SOC Ltd (CEF), its holding company, for inclusion in the CEF shareholder's compact. The CEF shareholder's compact, which included the key performance measures and indicators and incorporated the subsidiaries under the ownership and control of CEF, was not concluded with the executive authority.

Other information

19. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report. The other information does not include the financial statements and the auditor's report.

20. My opinion on the financial statements and compliance with legislation does not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

21. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

22. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.

23. I am unable to conclude whether the director's report is materially misstated because I was unable to audit the performance information as no annual performance report was prepared.

Internal control deficiencies

24. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

25. The PetroSA group board did not exercise oversight of compliance with treasury regulations 29.1.1(a), 29.2.1 and 29.2.2 by ensuring that the shareholder's compact, which included the key performance measures and indicators, was appropriately concluded and agreed with the executive authority.

26. Management did not submit the annual financial statements for auditing within the timeline prescribed by legislation due to delayed reserve audits and limited resources to meet year-end deliverables.

27. A separate annual performance report was not submitted for audit for PetroSA Ghana, and the PetroSA Group's corporate plan, corporate scorecard and annual performance report did not include the key performance measures and key indicators of PetroSA Ghana.

Auditor-General

Cape Town

8 December 2021

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the public entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

   - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
   - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of PetroSA Ghana Limited to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

AUDITOR-GENERAL
SOUTH AFRICA

08 December 2021

Directors' Responsibilities and Approval

The directors are required to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 31 December 2021 and, in light of this review and the current financial position, they are satisfied that the company has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 3 to 8.

The annual financial statements set out on pages 13 to 44, which have been prepared on the going concern basis, were approved by the board of directors on 06 December 2021 and were signed on their behalf by:

Approval of financial statements

Director	Director

Monday, 06 December 2021

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of PetroSA Ghana Limited for the year ended 31 December 2020.

1. Directorate

The directors in office at the date of this report are as follows:

Directors	Designation	Changes
Mr TM Manne	Non-executive	Resigned 3 November 2020
Ms W Gqeke	Non-executive	Appointed 6 November 2020, resigned 25 June 2021
Ms S Masinga	Non-executive (Chairperson)	Appointed 6 November 2020, resigned 26 May 2021
Mr LC Nene	Non-executive	
Mr O Chibambo	Non-executive	Appointed 21 September 2021
Mr M Xiphu	Non-executive	Appointed 21 September 2021
Mr L Haywood	Non-executive	Resigned 1 July 2021, re-appointed 21 September 2021

Board Audit Committee

PetroSA Ghana does not have a Board Audit Committee. The PetroSA Board Audit Committee fulfills this role.

2. Secretary

The company secretary is Ms M Khumalo.

Postal address:	Private Bag X5 Parow 7499
Business address:	151 Frans Conradie Drive Parow 7500

3. Nature of business

PetroSA Ghana Limited was incorporated in British Virgin Islands. The company undertakes exploration for, and production of, oil and gas within the Republic of Ghana.

There have been no material changes to the nature of the company's business from the prior year.

4. Review of financial results and activities

Field production results

For 2020, the actual crude oil production entitlement (post royalties) was 787,742bbls (2019: 826,343bbls) from the Jubilee Fields and 646,899bbls (2019: 811,021bbls) from the TEN Field. In Jubilee, production performance was higher than expectation, averaging 83,200bopd (net: 2,267 bopd). This production performance was supported by increased and sustained gas offtake nominations from the Government of Ghana, approval from the Ministry of Energy to increase flaring, higher than forecast facility uptime of over 95% at both FPSOs and improved well optimisation and water injection facility performance on the Jubilee FPSO. The TEN field performance was below expectation, averaging 48,700bopd (net: 1,863bopd) due to the delay in commissioning of the drilled well in 2020.

Directors' Report

Sustainability of field production

The execution of the Greater Jubilee Full Field Development and the TEN Full Field Development, is to extend/maintain field production and increase reserves. Overall capital required was revised considering the current oil price environment. The Covid-19 pandemic impacted the drilling of a production well in the TEN Field and the operational cost in 2020. Due to the negative impact of the Covid-19 pandemic, PetroSA Ghana strategy was also impacted as the cash flow was different to what was projected when the strategy was crafted. Endeavours continue to explore ways to execute the PetroSA Ghana Board approved strategy towards increasing its asset portfolio by working towards creating and increasing value to its shareholder. The current drilling activities are geared towards sustaining forecasted production. The plan of development (infill drilling) and operations execution (facility maintenance to increase reliability) has contributed towards positive production.

The key areas of focus executed by the operator have been asset integrity process safety, maintenance and reliability. The strategy to focus on the gas offtake and water injection, played an important role in addressing production decline to support producing wells in the field. Gas processing capacity contributed to the improved production in both fields.

Financial Performance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of The Companies Act 71 of 2008. In preparing the financial statements, the directors confirm that suitable accounting policies have been used and reasonable and prudent judgment and estimates have been made in the preparation of the financial statements for the year ended 31 December 2020. The significant reduction in the oil and gas reserves and prices, as well as the global outbreak of Covid-19 triggered an impairment assessment which resulted in the recognition of an impairment loss of US$18.3 million against property, plant and equipment and intangible assets. Full details of the financial position, results of operations and cash flows of the company are set out in these audited annual financial statements.

Disputed tax assessment

The Ghana Revenue Authority (GRA) conducted an audit of the PetroSA Ghana branch in respect of 2014-2018 years of assessment and on 31 March 2021, issued the final audit assessment of US$47.9 million in respect to corporate tax, withholding tax and branch profits tax. PGL has disputed the assessment. For further details, refer to note 25.

Additional oil entitlement (AOE)

The GRA has issued a provisional tax assessment for the amount of US$5.8 million for the period 2006-2016. The company together with its joint venture partners in the producing asset have disputed the revenue authority's provisional assessment. The Minister of Finance of Ghana has suspended all action of enforcement of the provisional tax assessment. Furthermore the Department of Finance in Ghana is now mediating between the Ghana Revenue Authority, the Ghana National Petroleum Company and the joint venture partners to resolve the impasse.

Full details of the financial position, results of operations and cash flows of the company are set out in these annual financial statements.

5. Share capital

There have been no changes to the authorised or issued share capital during the year under review. Details of the share capital of the company are set out in note 9 to the annual financial statements.

6. Dividends

The Board recommended the approval of a final dividend of US$20 million (2019:US$27 million).

7. Shareholder

The company is a wholly-owned subsidiary of PetroSA.

8. Events after the reporting period

The current Reserve-Based Lending facility (RBL) is due to expire in February 2022. The early settlement of the RBL will result in savings of approximately US$750,000 in interest, commitment fees and withholding tax. On 8 June 2021, the directors resolved to settle the outstanding balance of US$23.3 million. The facility was repaid on 18 June 2021.

On 11 March 2021, the board of directors recommended a dividend of US$10 million to its shareholder. On 8 June 2021, the board recommended another US$10 million for payment. On 26 November 2021, the board approved a final dividend of US$20 million.

On 21 September 2021, three new directors were appointed. For information on these appointments, refer to point 1 of this report.

On 26 October 2021, the GRA sent a notice withdrawing their audit assessment of US$47.9 million.

On 13 October 2021, PGL received notice of the disposal of Occidental Petroleum's ghanaian assets to Kosmos and Ghana National Petroleum Corporation. PGL as a contractor to the Deep Water Tano (DWT) petroleum agreement and a partner to the DWT joint venture under the Joint Operating Agreement (JOA), has a right of pre-emption in respect of the disposal as it relates to DWT in the Jubilee Oil Field and TEN Oil Field. On 9 November 2021, PGL communicated its notice of pre-emption to stakeholders.

The directors are not aware of any material events which occurred after the reporting date and up to the date of this report, which significantly affect the financial position of the company.

9. Going concern

The board has made an assessment of the company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the board is not aware of any material uncertainties that cast significant doubt about the company's ability to continue as a going concern, therefore the financial statements continue to be prepared on the going concern basis.

The annual financial statements set out on pages 13 to 44, which have been prepared on the going concern basis, were approved by the board of directors on 06 December 2021, and were signed on its behalf by:

Approval of annual financial statements

Director	Director
Monday, 06 December 2021	**Monday, 06 December 2021**

Statement of Financial Position as at 31 December 2020

	Note(s)	2020 $	2019 $
Assets			
Non-Current Assets			
Property, plant and equipment	2	212,401,306	257,350,611
Intangible assets	3	10,960,259	13,107,952
Financial assets	4	6,254,532	6,779,007
		229,616,097	**277,237,570**
Current Assets			
Inventories	5	2,110,048	6,697,682
Trade and other receivables	6	1,585,997	17,325,506
Current tax receivable	7	517,821	-
Cash and cash equivalents	8	56,724,791	100,785,816
		60,938,657	**124,809,004**
Total Assets		**290,554,754**	**402,046,574**
Equity and Liabilities			
Equity			
Share capital	9	121,861,586	121,861,586
Retained income		19,006,012	56,639,408
		140,867,598	**178,500,994**
Liabilities			
Non-Current Liabilities			
Financial liability	10	12,284,896	54,684,832
Lease liability	11	54,588,573	58,454,342
Deferred tax	12	32,073,859	44,097,527
Provisions	13	26,579,044	25,931,519
		125,526,372	**183,168,220**
Current Liabilities			
Trade and other payables	14	9,910,265	12,673,418
Financial liability	10	10,000,000	16,000,000
Lease liability	11	4,250,519	3,885,230
Current tax payable	7	-	7,818,712
		24,160,784	**40,377,360**
Total Liabilities		**149,687,156**	**223,545,580**
Total Equity and Liabilities		**290,554,754**	**402,046,574**

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2020 $	2019 $
Revenue	15	62,388,290	99,102,735
Cost of sales	16	(60,103,048)	(66,153,078)
Gross profit		**2,285,242**	**32,949,657**
Other operating income	17	68,828	6,727,085
Impairment losses	18	(18,342,149)	(22,618,450)
Other operating expenses		(4,662,585)	(5,562,503)
Operating (loss)/profit	19	**(20,650,664)**	**11,495,789**
Investment income	20	834,370	1,914,310
Finance costs	21	(7,872,510)	(10,904,558)
(Loss)/profit before taxation		**(27,688,804)**	**2,505,541**
Taxation	22	10,055,409	(868,900)
(Loss)/profit for the year		**(17,633,395)**	**1,636,641**
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		**(17,633,395)**	**1,636,641**

AUDITOR-GENERAL
SOUTH AFRICA

08 December 2021

Statement of Changes in Equity

	Share capital $	Retained income $	Total equity $
Balance at 01 January 2019	**121,861,586**	**82,002,767**	**203,864,353**
Total comprehensive loss for the year	-	1,636,641	1,636,641
Total comprehensive income for the year	**-**	**1,636,641**	**1,636,641**
Dividends	-	(27,000,000)	(27,000,000)
Balance at 01 January 2020	**121,861,586**	**56,639,407**	**178,500,993**
Total comprehensive profit for the year	-	(17,633,395)	(17,633,395)
Total comprehensive Loss for the year	**-**	**(17,633,395)**	**(17,633,395)**
Dividends	-	(20,000,000)	(20,000,000)
Balance at 31 December 2020	**121,861,586**	**19,006,012**	**140,867,598**
Note(s)	9		

Statement of Cash Flows

	Note(s)	2020 $	2019 $
Cash flows from operating activities			
Cash generated from operations	23	52,541,285	89,159,277
Interest income		834,370	1,914,310
Finance costs		(7,549,700)	(9,902,937)
Tax paid	24	(10,304,792)	(8,634,722)
Net cash from operating activities		**35,521,163**	**72,535,928**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(7,857,731)	(14,539,522)
Purchase of other intangible assets	3	(348,517)	(336,517)
Sale of other intangible assets	3	1	-
Additional financial assets		524,475	757,653
Net cash from investing activities		**(7,681,772)**	**(14,118,386)**
Cash flows from financing activities			
(Repayment)/drawdown of financial liability		(48,399,936)	599,839
Payment on lease liabilities		(3,500,480)	(3,655,496)
Dividends paid		(20,000,000)	(27,000,000)
Net cash from financing activities		**(71,900,416)**	**(30,055,657)**
Total cash movement for the year		**(44,061,025)**	**28,361,885**
Cash at the beginning of the year		100,785,816	72,423,931
Total cash at end of the year	8	**56,724,791**	**100,785,816**

Accounting Policies

1. Presentation of annual financial statements

The following are the principal accounting policies used by the company which are, in all material respects, consistent with those applied in the previous year, except as otherwise indicated.

1.1 Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), Public Finance Management Act (PFMA) as well as the Companies Act 71 of 2008.

These annual financial statements are presented in United States Dollars which is also the company's functional currency and all values are rounded to the nearest dollar, except when otherwise indicated.

1.2 Joint arrangements

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

Joint operations

When the company undertakes its activities under a joint operation, the company as joint operator recognises in relation to its interest in the joint operation its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output of the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly.

The company accounts for assets, liabilities, revenues and expenses relating to its interest in joint operations in accordance with applicable IFRS.

1.3 Property, plant and equipment

Oil and gas production assets are the aggregated exploration and evaluation tangible assets, and development expenditure associated with the production of proved reserves. Subsequent expenditure which enhances or extends the performance of oil and gas production assets beyond their original specifications is recognised as capital expenditure and added to the original cost of the asset.

Production assets are depreciated from the date production commences, on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of proved and probable reserves at the end of the period plus the production in the period, on a field-by-field basis. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs required to recover the commercial reserves remaining. Units of production rates are based on the proved and probable developed reserves, which are oil, gas and other mineral reserves estimated to be recoverable from existing facilities using current operating methods. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Where there has been a change in economic conditions that indicates a possible impairment in a discovery field, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted future cash flows based on management's expectations of future oil and gas prices and future costs. Where there is evidence of economic interdependency between fields, such as common infrastructure, the fields are grouped as a single cash generating unit for impairment purposes.

Any impairment identified is charged to the statement of profit or loss and other comprehensive income. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the statement of profit or loss and statement of other comprehensive income, net of any amortisation that would have been charged since the impairment.

Restoration costs

Cost of property, plant and equipment also includes the estimated costs of dismantling and removing the assets and site rehabilitation costs.

Accounting Policies

1.3 Property, plant and equipment (continued)

Estimated decommissioning and restoration costs are based on current requirements, technology and price levels. Provision is made for all net estimated abandonment costs as soon as an obligation to rehabilitate the area exists, based on the present value of the future estimated costs. These costs are deferred and are depreciated over the useful life of the assets to which they relate using the unit of production method based on the same reserve quantities as are used for the calculation of depletion of oil and gas production assets.

The amount recognised is the estimated cost of restoration, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the restoration provision is included as a finance cost.

1.4 Intangible assets

Exploration, evaluation and development of oil and gas wells

The company adopts the successful efforts method of accounting for exploration and evaluation costs. Under the successful efforts method, only those costs that lead directly to the discovery, acquisition, or development of specific discrete mineral reserves are capitalised and become part of the capitalised costs of the cost centre. Costs that are known to fail to meet this criterion (at the time of incurrence) are generally charged to the statement of profit or loss as an expense in the period they are incurred.

Pre-licencing

These are costs incurred prior to the acquisition of a legal right to explore for oil and gas. They may include speculative seismic data and subsequent geological and geophysical analysis of this data, but may not be exclusive to such costs. These costs are expensed in the year they are incurred.

Exploration and evaluation costs

All costs relating to the acquisition of licences, exploration and evaluation of a well, field or exploration area are initially capitalised. Directly attributable administration costs and interest payable are capitalised insofar as they relate to specific development activities.

These costs are not depreciated but written off as exploration costs in profit or loss unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment.

Commercial reserves

Commercial reserves are proven and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50 per cent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves and a 50 per cent statistical probability that it will be less.

Development costs

Costs of development wells, platforms, well equipment and attendant production facilities are capitalised. The cost of production facilities capitalised includes finance costs incurred until the production facility is completed and ready for the start of the production phase. All development wells are not depreciated until production starts and then they are depreciated on the unit of production method calculated using the estimated proved and probable reserves.

1.5 Impairment of non-financial assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated as the higer of fair value less costs of disposal and value-in-use.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, its carrying amount is reduced to the higher of its recoverable amount and zero. Impairment losses are recognised in profit or loss. Subsequent to the recognition of the impairment loss, the depreciation or amortisation charge for the asset is adjusted to allocate its remaining carrying value, less any residual value, over its remaining useful life.

Accounting Policies

1.5 Impairment of non-financial assets (continued)

If an impairment loss is subsequently reversed, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had an impairment loss not been recognised in prior years. A reversal of an impairment loss is recognised in profit or loss.

1.6 Leases

For any new contracts entered into, the company considers whether a contract is, or contains a lease. To qualify as a lease, a contract must meet three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the company;
- the company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- the company has the right to direct the use of the identified asset throughout the period of use. The company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The company also assesses the right-of-use asset for impairment when such indicators exist.

The company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the company's incremental borrowing rate. The incremental borrowing rate is the estimated rate that the company would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value. This rate is adjusted should the lessee entity have a different risk profile to that of the company.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments, with the corresponding adjustment reflecting in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

1.7 Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction.

At the end of the reporting period:
- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise. Exchange differences that relate to borrowing and cash and cash equivalents are presented in the statement of profit or loss finance costs and investment income.

Accounting Policies

1.8 Financial instruments

Financial assets

1.8.1 Initial recognition and measurement

Financial assets are classified, at initial recognition, as measured at amortised cost. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

The classification is determined by both:

• the company's business model for managing the financial asset
• the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

1.8.2 Subsequent measurement

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

• they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
• the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method and are subject to impairment. Discounting is omitted where the effect of discounting is immaterial. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The company's financial assets at amortised cost includes trade and other receivables and financial assets.

1.8.3 Derecognition

A financial asset is primarily derecognised when:

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

Accounting Policies

1.8 Financial instruments (continued)

1.8.4 Impairment

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. The company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'12-month expected credit losses' (ECL) are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. For trade receivables and contract assets, the company applies a simplified approach in calculating ECLs. Therefore, the company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

1.8.5 Initial recognition and measurement

Financial liabitlities are classified, at initial recognition, as measured at amortised cost. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the company designated a financial liability at fair value through profit or loss.

1.8.6 Subsequent measurement

Financial liabilities at amortised cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

The company's financial libilities at amortised cost includes financial liabilities and trade and other payables.

1.8.7 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification, it is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

AUDITOR-GENERAL SOUTH AFRICA

08 December 2021

1.8 Financial instruments (continued)

1.8.8 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

1.9 Fair value considerations

For financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to their fair value measurement in its entirety, are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the group can access at measurement date;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable for the asset or liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The fair values at which financial instruments are carried at the reporting date have been determined using available market prices. Where market prices are not available, fair values have been calculated by discounting expected future cash flows at prevailing interest rates. The carrying amounts of financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair values due to the short term trading cycle of these items.

1.10 Inventories

Inventory is measured at the lower of cost and net realisable value according to the weighted average method.

1.11 Taxation

Current tax assets and liabilities

The tax expense for the period comprises current and deferred tax.

Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. The charge for current tax is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that have been enacted or substantially enacted at the reporting date.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date at the tax rates that have been enacted or substantively enacted at the reporting date.

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

Accounting Policies

1.11 Taxation (continued)

Deferred tax asset

A deferred tax asset is only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, unless specifically exempt.

Deferred tax liability

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

1.12 Provisions

Provisions represent liabilities of uncertain timing or amounts.

Provisions are recognised when a present legal or constructive obligation exists, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation.

Provisions are measured at the expenditure required to settle the present obligation. Where the effect of discounting is material, provisions are measured at their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks for which future cash flow estimates have not been adjusted. The increase in the provision due to passage of time is recognised as finance costs.

Provision for the cost of environmental and other remedial work such as reclamation costs, close down and restoration costs is made when such expenditure is probable and the cost can be estimated with a reasonable range of possible outcomes.

The amount recognised is the estimated cost of restoration, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of restoration or restoration cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. Any reduction in the restoration liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

1.13 Over/under lift

Lifting or off take arrangements for oil and gas produced in certain of the company's jointly owned operations are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative production less stock is 'underlift' or 'overlift'. Underlift and overlift are valued at production cost and included within receivables and payables respectively. Movements during an accounting period are adjusted through cost of sales such that gross profit is recognised on an actual liftings basis.

Accounting Policies

1.14 Revenue from contracts with customers

Revenue arises mainly from the sale of crude oil and gas products. Revenue from contracts with customers is recognised when control of the products is transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled to, net of discounts, returns and VAT, in exchange for those products.

To determine whether to recognise revenue, the company follows the 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Sale of products

The sale of products includes, but is not limited to crude oil and gas. Revenue from the sale of products is recognised when the company transfers control of the product to the customer. Control is transferred at the point of delivery.

1.15 Investment income

Investment income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life to the net carrying amount on initial recognition.

1.16 Borrowing and finance costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until the assets are substantially ready for their intended use or sale. Qualifying assets are assets that necessarily take a substantial period to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets.

Other borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Subsequent events

Recognised amounts in the annual financial statements are adjusted to reflect events arising after the reporting date that provide evidence of conditions that existed at the reporting date. Events after the reporting date that are indicative of conditions that arose after the reporting date are dealt with by way of a note.

1.18 Adoption of International Financial Reporting Standards

The following standards and amendments to existing standards have been published and are not yet effective and the company has not adopted them earlier.

1. **IFRS 9**, **'Financial instruments'**, (effective 1 January 2022). Annual Improvements to IFRS Standards 2018–2020: The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability.

Benchmark interest rate reform phase 2,(effective 1 January 2021). The amendments to IFRS 9 enable a company to apply a practical expedient to account for a change in the contractual cash flows that are required by IBOR reform by updating the effective interest rate to reflect any change arising from the reform.

2. **Amendments to IAS 1**, (effective 1 January 2023). Classification of Liabilities as current or non-current: Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.

Disclosure of Accounting Policies: The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.

3. **Amendments to IAS 8**, (effective 1 January 2023). Definition of Accounting Estimates: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The requirements for recognising the effect of change in accounting estimates prospectively remain unchanged.

4. **Amendments to IAS 16**, (effective 1 January 2022). Property, plant and equipment: Proceeds before intended use: The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

5. Amendments to IAS 37, (effective 1 January 2022). Onerous Contracts - Cost of fulfilling a contract: The amendments specify which costs should be included in an entity’s assessment whether a contract will be loss-making

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

1.19 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements in terms of IFRS, the company's management is required to make certain estimates and assumptions that may materially affect reported amounts of assets and liabilities at the date of the annual financial statements and the reported amounts of revenues and expenses during the reported period and the related disclosures. As these estimates and assumptions concern future events, due to the inherent uncertainty involved in this process, the actual results often vary from the estimates. These estimates and judgements are based on historical experience, current and expected future economic conditions and other factors, including expectations of the future events that are believed to be reasonable under the circumstances.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Environmental and decommissioning provisions

Provision is made for environmental and decommissioning costs where either a legal or constructive obligation is recognised as a result of past events. Estimates are made in determining the present obligation of environmental and decommissioning provisions, which include the actual estimate, the discount rate used and the expected date of closure of mining activities in determining the present value of environmental and decommissioning provisions. Estimates are based upon costs that are regularly reviewed, by internal and external experts, and adjusted as appropriate for new circumstances.

Contingent liabilities

Management considers the existence of possible obligations which may arise from legal action as well as the possible non-compliance of the requirements of completion guarantees and other guarantees provided. The estimation of the amount disclosed is based on the expected possible outflow of economic benefits should there be a present obligation.

Carrying value of intangible exploration and evaluation assets

The amount of intangible exploration and evaluation assets represent active exploration assets. These amounts will be written off to the statement of profit or loss and comprehensive income as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indicators of impairment.

The key areas in which management have applied judgement are as follows: company’s intention to proceed with a future work programme for a prospect or licence; the likelihood of licence renewal or extension; and the success of a well result or geological or geophysical survey.

Units of production (UOP) depreciation of oil and gas assets

Oil and gas properties are depreciated using the UOP method. The actual production for the period is divided by the total proved developed and undeveloped hydrocarbon reserves. This results in a depreciation/amortisation charge (UOP rate) proportional to the depletion of the anticipated remaining production from the field.

1.19 Significant judgements and sources of estimation uncertainty (continued)

The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation/amortisation will be impacted to the extent that actual production in the future is different from current forecast production based on total proved reserves whereas the life of each item and the total recoverable reserves is impacted by future capital expenditure (because the future estimated capex does not affect the UOP rate directly; it only affects the life and value of the assets to be depreciated).

Recoverability of oil and gas assets

The company assesses its cash generating unit (CGU) at each reporting period to determine whether any indication of impairment exists. Impairment tests are performed when there is an indication of impairment of assets or a reversal of previous impairments of assets. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal (FVLCD) and value in use (VIU).

Management therefore has implemented certain impairment indicators and these include movements in exchange rates, commodity prices and the economic environment its businesses operate in. Estimates are made in determining the recoverable amount of assets which include the estimation of cash flows and discount rates used.

In estimating the cash flows, management base cash flow projections on reasonable and supportable assumptions that represent managements' best estimate of the range of economic conditions that will exist over the remaining useful life of the assets, based on publicly available information.

The discount rates used are post-tax rates that reflect the current market assessment of the time value of money and the risks specific to the assets for which the future cash flow estimates have not been adjusted.

These estimates and assumptions are subject to risk and uncertainty. A pre-tax assessment would yield the same result. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of CGUs.

Hydrocarbon reserve and resource estimates

Management opted to use proven and probable for determining estimates in these financial statements. Proven reserves are oil and gas which has not been produced but has been located and is "recoverable reserves". Proven reserves refers to reserves that are assessed to be >90 % probable. If a reserve's resources can be recovered using current technology but is not economically profitable it is considered "technically recoverable" but cannot be considered a proven reserve. Reserves less than 90% recoverable but more than 50% are considered "probable reserves".

The company estimates its commercial reserves and resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices.

Future development costs are estimated using assumptions as to the number of wells required to produce the commercialreserves, the cost of such wells and associated production facilities, and other capital costs.The carrying amount of oil development and production assets at 31 December 2020 is shown in note 2.

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

1) The carrying value of exploration and evaluation assets and production assets may be affected due to changes in estimated future cash flows.
2) Depreciation and amortisation charges in the statement of profit or loss and other comprehensive income may change where such charges are determined using the units of production method.
3) Provisions for decommissioning may change, where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities.
4) The recognition and carrying value of deferred tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

Accounting Policies

1.19 Significant judgements and sources of estimation uncertainty (continued)

Valuation assumptions

The following valuation assumptions were used in assessing estimates and judgements and are regarding as the best estimates by the board.

2020 assumptions	Unit	2021	2022	2023	2024 - 2025
Brent crude	USD/barrel	47.90	51.50	56.90	57.50
US CPI	Year-on-year	1.90	1.80	1.80	2.00

2019 assumptions	Unit	2020	2021	2022	2023 - 2024
Brent crude	USD/barrel	62.60	61.50	60.40	60.10
USD CPI	Year-on-year	2.00	1.90	2.00	2.00

	2020 $	2019 $

2. Property, plant and equipment

	2020			2019		
	Cost	Accumulated depreciation & impairment	Carrying value	Cost	Accumulated depreciation & impairment	Carrying value
Production assets	519,056,609	(314,671,053)	204,385,556	509,001,267	(260,277,947)	248,723,320
Restoration costs	17,217,404	(9,201,654)	8,015,750	17,028,903	(8,401,612)	8,627,291
Total	**536,274,013**	**(323,872,707)**	**212,401,306**	**526,030,170**	**(268,679,559)**	**257,350,611**

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Transfers	Change in estimate	Depreciation	Impairment loss	Total
Production assets	248,723,320	7,857,731	2,197,610	-	(36,485,768)	(17,907,337)	204,385,556
Restoration costs	8,627,291	-	-	188,501	(800,042)	-	8,015,750
	257,350,611	**7,857,731**	**2,197,610**	**188,501**	**(37,285,810)**	**(17,907,337)**	**212,401,306**

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Transfers	Change in estimate	Depreciation	Impairment loss	Total
Production assets	312,520,950	14,539,522	(52,284)	-	(57,447,283)	(20,837,585)	248,723,320
Restoration costs	8,841,211	-	-	1,334,480	(1,548,400)	-	8,627,291
	321,362,161	**14,539,522**	**(52,284)**	**1,334,480**	**(58,995,683)**	**(20,837,585)**	**257,350,611**

Leased property, plant and equipment

Production assets include property, plant and equipment leased under a finance lease (refer to note 10). These assets were initially capitalised at US$71.9 million. This acquistion was treated as a non-cash addition to property, plant and equipment.

Impairment and reversal of impairment

Oil and gas reserves are used in assessing oil and gas producing properties for impairment. An impairment review was triggered due to a significant drop in oil and gas prices, paired with a reduction in gas reserves, increased forward-looking capital expenditure in relation to TEN as well as annual contributions towards a decommissioning trust fund. When such indicators are identified, management must exercise further judgement in making an estimate of the recoverable amount (value in use) of the asset against which to compare the carrying value. The outcome of the review resulted in an impairment of US$17.9 million (2019: US$20.8 million). This was determined by comparing the CGU's carrying value at year-end against the expected present value of the free cash flows (net present value) from this CGU, based on a fixed life of field per the reserves audit report. These cash flows are management’s best estimate taking into account past experience and future economic assumptions, such as forward curves for crude oil, product prices and discounted using the WACC of 11% (2019: 11%).

The company will continue to review the recoverable amounts of the cash-generating units in the event of future changes in reserves and relevant macroeconomic indicators.

	2020 $	2019 $

3. Intangible assets

	2020			2019		
	Cost	Accumulated amortisation & impairment	Carrying value	Cost	Accumulated amortisation & impairment	Carrying value
Exploration and appraisal	11,932,115	(2,215,677)	9,716,438	13,781,209	(1,780,865)	12,000,344
Restoration costs	1,243,821	-	1,243,821	1,107,608	-	1,107,608
Total	**13,175,936**	**(2,215,677)**	**10,960,259**	**14,888,817**	**(1,780,865)**	**13,107,952**

Reconciliation of intangible exploration and evaluation assets - At 31 December 2020

	Opening balance	Additions	Disposals	Transfers	Change in estimate	Impairment loss	Total
Exploration and appraisal	12,000,344	348,517	(1)	(2,197,610)	-	(434,812)	9,716,438
Restoration costs	1,107,608	-	-	-	136,213	-	1,243,821
	13,107,952	**348,517**	**(1)**	**(2,197,610)**	**136,213**	**(434,812)**	**10,960,259**

Reconciliation of intangible exploration and evaluation assets - At 31 December 2019

	Opening balance	Additions	Disposals	Transfers	Change in estimate	Impairment loss	Total
Exploration and appraisal	13,381,204	336,517	11,204	52,284	-	(1,780,865)	12,000,344
Restoration costs	1,127,510	-	-	-	(19,902)	-	1,107,608
	14,508,714	**336,517**	**11,204**	**52,284**	**(19,902)**	**(1,780,865)**	**13,107,952**

Borrowing costs capitalised

	2020	2019
Borrowing costs capitalised to qualifying assets	348,512	403,740
Capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation	5.36 %	6.21 %

Exploration write off

Well and other related costs from relinquished areas reversed during the year amounted to US$1 (2019: US$11,204 written off).

Impairment assessment

The impairment assessment performed for the company resulted in an impairment charge of US$434,812 (2019: US$1.78 million on Wawa and Akasa assets) on the Akasa intangible asset. For further details regarding the impairment, refer to the property, plant and equipment note.

	2020 $	2019 $

4. Financial assets

Loans and receivables		
Ghana National Petroleum Corporation (GNPC)	6,254,532	6,779,007

The loan in respect of TEN Development capital expenditure bears interest at LIBOR plus a margin percentage of 1.5% per annum and the loan in respect of the TEN Development gas export pipeline expenditure bears interest at 15 % per annum. The loan will be repaid with 40% of GNPC's receivables per each lifting of TEN production until the liability is fully discharged. TEN Development delivered first oil in August 2016. There is currently no signed agreement in place between the GNPC and the joint venture partners regarding the repayment terms however repayment proposals are currently being considered and evaluated in order to reach an agreement with the joint venture partners.

5. Inventories

The amounts attributable to the different categories are as follows:	-	-
Crude oil	2,110,048	6,697,682
	2,110,048	**6,697,682**

6. Trade and other receivables

Financial instruments:		
Trade receivables	-	6,643,288
Other receivables	1,110,450	9,559,244
Non-financial instruments:		
VAT	127,411	82,034
Underlift	325,582	1,040,939
Prepayments	22,554	1
Total trade and other receivables	**1,585,997**	**17,325,506**

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

At amortised cost	1,110,450	16,202,532
Non-financial instruments	475,547	1,122,974
	1,585,997	**17,325,506**

Exposure to credit risk

Trade receivables inherently expose the company to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due.

Trade receivables are generally settled on a short time frame and financial assets are due from counterparties without material credit risk concerns.

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts. Prepayments consisted of annual licences with the Petroleum Commission.

AUDITOR-GENERAL SOUTH AFRICA

08 December 2021

Notes to the Annual Financial Statements

	2020 $	2019 $

7. Current tax receivable/(payable)

Opening balance	(7,818,712)	(4,185,462)
Charge for the year	(1,968,259)	(12,267,972)
Payments	10,304,792	8,634,722
	517,821	**(7,818,712)**

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	51,400,000	80,000,000
Bank balances	5,324,791	20,785,816
	56,724,791	**100,785,816**

Credit quality of cash at bank and short term deposits

The credit quality of cash at bank and short term deposits can be assessed by reference to external credit ratings. Short term deposits mature in less than three months. Cash balances are US Dollar denominated and currently held with banks with the following credit rating.

Credit rating		
Aaa-mf	29,400,000	40,000,000
A1	-	60,785,428
A2	14,000,000	-
Baa2	13,312,711	-
B3	12,080	388
	56,724,791	**100,785,816**

9. Share capital

Authorised		
60,000 Ordinary shares of no par value	-	-
Issued		
50,018 Ordinary no par value shares	121,861,586	121,861,586

These shares serve as security for the Reserve Based Lending Facility. Refer to note 10.

10. Financial liability

At amortised cost		
Reserve Based Lending Facility (RBL) The loan accrues interest at LIBOR plus a margin percentage, varying between 3.25% and 4.50% over the period of the loan. The non-current loan is due to mature in February 2022. All interest payable accrues from day to day at the relevant rate of interest, is calculated on the basis of the actual number of days elapsed and a 360 day year.	23,000,000	72,000,000
Transaction costs incurred These costs were incurred as a result of the Reserve Based Lending Facility mentioned above at the inception of the contract.	(715,104)	(1,315,168)
	22,284,896	**70,684,832**

	2020 $	2019 $

10. Financial liability (continued)

Transaction costs		
Incurred at inception	4,330,000	4,330,000
Unwinding over repayment period	(3,614,896)	(3,014,832)
	715,104	**1,315,168**

Split between non-current and current portions

Non-current liabilities	12,284,896	54,684,832
Current liabilities	10,000,000	16,000,000
	22,284,896	**70,684,832**

The facility is a revolving credit facility secured against the producing assets of PetroSA Ghana Limited. The security package comprises a share pledge and subordination of future loans to PetroSA Ghana Limited. Additional security includes, an offshore debenture comprising security over contemplated hedging agreement, intercompany loans granted by PetroSA to its subsidiaries and certain project accounts into which transaction funds are deposited. The available facility amount/borrowing base is redetermined six monthly at the end of June and December and is a function of the present value of future cash flows generated by a producing/developing assets. The available facility amount most sensitive to economic assumptions such as the Brent crude oil price and changes to independently audited oil reserves. The loan covenants applicable are the field life cover ratio of 1.3 and a loan life cover ratio of 1.1. All loan covenants relating to this facility have been satisfied.

At 31 December 2020, the total available facility of US$23 million had been utilised (2019: US$72 million of the US$87 million).

11. Leases

The company has a lease for a floating production storage and offloading unit (FPSO) in the TEN field in Ghana. The lease is reflected on the balance sheet as a right-of-use asset in property, plant and equipment and a corresponding lease liability. At commencement date the liability was calculated as the present value of future lease payments, discounted using the company's incremental borrowing rate.

PetroSA Ghana Ltd, together with its joint venture partners, entered into a finance lease with MODEC for the leasing of a floating production storage and offloading unit (FPSO) in the TEN field. The lease was initially recognised at US$71.9 million in the 2017 financial year. The present value of the lease liability unwinds over the expected life of the lease and is reported within finance costs as finance leases. The initial lease period is 10 years with an option for an additional 10 years, until end of life of field. The imputed interest rate is 8.4%. The company's obligations are secured by the lessor's charge over the leased assets.

There are no short-term leases and leases of low-value underlying assets. The company has no other leases.

Net carrying amount of right-of-use assets

The carrying amount of the right-of-use asset is included in the following line items:

Production assets	43,482,679	47,753,401

Depreciation recognised on right-of-use assets

Depreciation recognised on the right-of-use asset, is presented below. It includes depreciation which has been expensed in the total depreciation charge in cost of sales (note 16), as well as depreciation which has been capitalised to the cost of other assets.

Production assets	4,270,723	9,768,574

AUDITOR-GENERAL SOUTH AFRICA
08 December 2021

	2020 $	2019 $

11. Leases (continued)

Lease liability

The maturity analysis of lease liability is as follows:

	2020 $	2019 $
Within one year	9,037,536	9,062,297
Two to five years	35,780,482	36,174,904
More than five years	49,213,410	57,856,524
	94,031,428	103,093,725
Less finance charges component	(35,192,336)	(40,754,153)
	58,839,092	**62,339,572**

	2020 $	2019 $
Non-current liabilities	54,588,573	58,454,342
Current liabilities	4,250,519	3,885,230
	58,839,092	**62,339,572**

12. Deferred tax

Deferred tax liability

	2020 $	2019 $
Accelerated capital allowances for tax purposes	68,020,552	71,220,865
Tax losses available for set off against future taxable income	(9,405,149)	-
Provisions	(6,061,816)	(5,668,817)
Finance lease liability	(20,593,682)	(21,818,850)
Underlift	113,954	364,329
Total deferred tax liability	**32,073,859**	**44,097,527**

Deep Water Tano and TEN Field fall under one petroleum agreement whilst West Cape Three Points falls under a separate petroleum agreement. In accordance with the Petroleum Income Tax Act, 1987 these taxes have been ring fenced based on the petroleum agreements to which they relate.

The deferred tax assets and the deferred tax liabilities relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

	2020 $	2019 $
Deferred tax liability	68,134,506	71,585,194
Deferred tax asset	(36,060,647)	(27,487,667)
Total net deferred tax liability	**(32,073,859)**	**(44,097,527)**

Reconciliation of deferred tax liability

	2020 $	2019 $
At beginning of year	44,097,527	55,496,598
Accelerated capital allowances for tax purposes	(3,200,313)	(12,150,317)
Movement in tax losses available for set off against future taxable income	(10,048,523)	(528,178)
Taxable temporary difference movement on finance lease liability	1,225,168	1,279,424
Balance at end of year	**32,073,859**	**44,097,527**

		2020 $	2019 $

13. Provisions

Reconciliation of provisions - At 31 December 2020

	Opening balance	Interest expense	Change in estimate	Total
Decommisioning and environmental rehabilitation	25,931,519	322,810	324,715	26,579,044

Reconciliation of provisions - At 31 December 2019

	Opening balance	Interest expense	Change in estimate	Total
Decommissioning and environmental rehabilitation	23,615,322	1,001,621	1,314,576	25,931,519

Management reviewed US$2,804,533 shown as 'additions' to the decommissioning and environmental rehabilitation provision in the 2019 financial year, which resulted in the amount being reallocted from 'additions' to 'change in estimate' to better reflect the underlying movement. A contra-adjustment was made to additions to restoration costs in note 2 (US$1,756,030) and note 3 (US$48,504). The cash flow statement was updated accordingly.

The provision relates to future costs of decommissioning oil and gas wells and related facilities. The estimate is based on current legislative requirements, technology, price levels and expected plans for environmental rehabilitation. The discount rate used is 1.23% (2019: 4.02%) with an expected realisation date of 2036 for Jubilee, Teak and Akasa and 2034 for TEN and Wawa. Changes in cost estimates are driven by revisions to the Operator's cost assumptions and estimates.

14. Trade and other payables

	2020 $	2019 $
Financial instruments:		
Amounts due to related party	202,429	242,246
Accrued expenses	9,707,836	12,431,172
	9,910,265	**12,673,418**

15. Revenue

	2020 $	2019 $
Revenue from contracts with customers		
Sale of crude oil	62,388,290	99,102,735

16. Cost of sales

	2020 $	2019 $
Production expenditure	17,514,246	14,626,989
Change in stock	5,302,992	(7,469,594)
Depreciation	37,285,810	58,995,683
	60,103,048	**66,153,078**

17. Other operating income

	2020 $	2019 $
Various proceeds	68,828	6,727,085

Other operating income in 2020 represents withholding tax refunds received from the RBL lender during the financial year. All insurance proceeds (2019) due and receivable in relation to the Jubilee Business Interruption (BI) Insurance Policy claim for loss of income in relation to the FPSO Turret were accrued for in the previous financial year and fully settled in May 2020.

18. Impairment losses

	Note	2020 $	2019 $
Property, plant and equipment	2	(17,907,337)	(20,837,585)
Intangible assets	3	(434,812)	(1,780,865)
		(18,342,149)	**(22,618,450)**

AUDITOR-GENERAL SOUTH AFRICA
08 December 2021

	2020 $	2019 $

19. Operating (loss)/profit

Operating (loss)/profit for the year is stated after charging (crediting) the following, amongst others:

	2020 $	2019 $
Auditor's remuneration - external		
Audit fees	44,076	57,844
Other		
Insurance	1,623,930	1,881,275
Exploration costs written off/(reversed)	1	(11,204)
Country manager	35,675	47,100

20. Interest income

	2020 $	2019 $
Interest income		
Investments in financial assets:		
Interest income	834,370	1,914,310

21. Finance costs

	2020 $	2019 $
Finance lease	5,142,238	5,486,756
Non - current borrowings	2,407,462	4,416,181
Interest on decommissioning and environmental rehabilitation provision	322,810	1,001,621
Total finance costs	**7,872,510**	**10,904,558**

22. Taxation

Major components of the tax expense (income)

	2020 $	2019 $
Current		
Local income tax - current period	1,968,259	12,267,972
Deferred		
Originating and reversing temporary differences	(2,618,519)	(21,378,718)
Benefit of tax loss / tax credit / temporary difference used to reduce deferred tax expense	(9,405,149)	9,979,646
	(12,023,668)	**(11,399,072)**
	(10,055,409)	**868,900**

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

	2020	2019
Applicable tax rate	- %	- %
Tax paid in other jurisdictions	36.32 %	34.68 %
	36.32 %	**34.68 %**

AUDITOR-GENERAL SOUTH AFRICA

08 December 2021

	2020 $	2019 $

23. Cash generated from operations

(Loss)/profit before taxation	(27,688,804)	2,505,541
Adjustments for:		
Depreciation and amortisation	37,285,810	58,995,683
Exploration expenditure (reversed)/written off	1	(11,204)
Interest income	(834,370)	(1,914,310)
Finance costs	7,872,510	10,904,558
Impairment losses and reversals	18,342,149	22,618,450
Movement in provisions	-	(3)
Changes in working capital:		
Inventories	4,587,634	(5,879,028)
Trade and other receivables	15,739,509	5,343,260
Trade and other payables	(2,763,154)	(3,403,670)
	52,541,285	**89,159,277**

24. Tax paid

Charge to profit or loss	10,055,409	(868,900)
Movement in deferred taxation	(12,023,668)	(11,399,071)
Movement in taxation balance	(8,336,533)	3,633,249
	(10,304,792)	**(8,634,722)**

25. Commitments and contingencies

Authorised capital expenditure

Already contracted for but not provided for		
• Jubilee development	8,217,328	5,033,612
• TEN development	1,412,719	4,273,376
Not yet contracted for and authorised by directors	-	-

The firm and contingent exploration, appraisal and development spend commitments relate to participating interests in various petroleum agreements in the Republic of Ghana. These commitments will be settled by internal and external funding.

Contingent liabilities

The Ghana Revenue Authority (GRA) conducted an audit of the PetroSA Ghana branch in respect of 2014-2018 years of assessment and on 31 March 2021, issued the final audit assessment of US$47.9 million in respect to corporate tax, withholding tax and branch profits tax. PetroSA Ghana sent notice of objection to the GRA on 26 April 2021. On 21 May 2021, EY Ghana on behalf of PetroSA Ghana issued notice of dispute to the Minister of Energy and Minister of Finance requesting consultation and negotiation with the State. Subsequent to the current reporting period, on 26 October 2021, the GRA sent a notice withdrawing their audit assessment of US$47.9 million.

Figures in US Dollar

26. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2020

	Note(s)	Amortised cost	Total
Financial asset		6,254,532	6,254,532
Trade and other receivables	6	1,110,450	1,110,450
Cash and cash equivalents	8	56,724,791	56,724,791
		64,089,773	**64,089,773**

2019

	Note(s)	Amortised cost	Total
Financial asset		6,779,007	6,779,007
Trade and other receivables	6	16,202,532	16,202,532
Cash and cash equivalents	8	100,785,816	100,785,816
		123,767,355	**123,767,355**

Categories of financial liabilities

2020

	Note(s)	Amortised cost	Total
Trade and other payables	14	9,910,265	9,910,265
Financial liability	10	22,284,896	22,284,896
		32,195,161	**32,195,161**

2019

	Note(s)	Amortised cost	Total
Trade and other payables	14	12,673,418	12,673,418
Financial liability	10	70,684,832	70,684,832
		83,358,250	**83,358,250**

Figures in US Dollar

26. Financial instruments and risk management (continued)

Pre tax gains and losses on financial instruments

Gains and losses on financial assets

2020

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Interest income	20	834,370	834,370

2019

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Interest income	20	1,914,310	1,914,310

Gains and losses on financial liabilities

2020

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Finance costs	21	(2,407,462)	(2,407,462)

2019

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Finance costs	21	4,416,181	4,416,181

Capital risk management

The company's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the company's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably. The company manages capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

26. Financial instruments and risk management (continued)

Financial risk management

Overview

The company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The company has access to the parent company's risk management and central treasury function that manages the financial risks relating to the company's operations. The company's liquidity, credit and interest rate risks are monitored continually. Approved policies exist for managing these risks.

The company's objective in using financial instruments is to reduce the uncertainty over future cash flows arising from movements in crude oil prices and interest rates. Throughout the year under review it has been, and remains, the company's policy that no speculative trading in derivative instruments be undertaken.

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The company is exposed to credit risk on loans receivable, trade and other receivables and cash and cash equivalents.

Credit risk exposure arising on cash and cash equivalents is managed by the group through dealing with well-established financial institutions with high credit ratings. Trade receivables comprise of transactions with a well known listed oil and gas company, governed by a lifting agreement.

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss. At 31 December 2020, all trade receivables were current. There was no identified impairment loss.

Liquidity risk

The company is exposed to liquidity risk, which is the risk that the company will encounter difficulties in meeting its obligations as they become due. The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources are available to meet cash commitments.

Figures in US Dollar

26. Financial instruments and risk management (continued)

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

2020

		Less than 1 year	1 to 2 years	2 to 5 years	Total	Carrying amount
Non-current liabilities						
Financial liability	10	-	13,052,642	-	13,052,642	12,284,896
Current liabilities						
Trade and other payables		9,910,265	-	-	9,910,265	9,910,265
Financial liability	10	10,899,685	-	-	10,899,685	10,000,000
		20,809,950	**13,052,642**	**-**	**33,862,592**	**32,195,161**
Non-current assets						
Financial asset		-	-	(6,254,532)	(6,254,532)	(6,254,532)
Current assets						
Trade and other receivables		(1,110,450)	-	-	(1,110,450)	(1,110,450)
Cash and cash equivalents		(56,724,791)	-	-	(56,724,791)	(56,724,791)
		(57,835,241)	**-**	**(6,254,532)**	**(64,089,773)**	**(64,089,773)**
		(37,025,291)	**13,052,642**	**(6,254,532)**	**(30,227,181)**	**(31,894,612)**

2019

		Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Financial liability	10	-	58,641,761	58,641,761	54,684,832
Current liabilities					
Trade and other payables	14	12,673,418	-	12,673,418	12,673,418
Financial liability	10	19,949,526	-	19,949,526	16,000,000
		32,622,944	**58,641,761**	**91,264,705**	**83,358,250**
Non-current assets					
Financial asset		-	(6,779,007)	(6,779,007)	(6,779,007)
Current assets					
Trade and other receivables		(16,202,532)	-	(16,202,532)	(16,202,532)
Cash and cash equivalents		(100,785,816)	-	(100,785,816)	(100,785,816)
		(116,988,348)	**(6,779,007)**	**(123,767,355)**	**(123,767,355)**
		(84,365,404)	**51,862,754**	**(32,502,650)**	**(40,409,105)**

AUDITOR-GENERAL SOUTH AFRICA
08 December 2021

26. Financial instruments and risk management (continued)

In preparing the maturity profile of contractual cash flows, which is needed to asses liquidity risk, as required by IFRS 7, Management identified that undiscounted contractual cash flows were incorrected calculated. In light of this, the prior year maturity profile has been updated to accurately reflect undiscounted contractual cash flows. Non-current liability increased from US$54.7 million to US$56.9 million while current liability increased from US$16 million to US$18.6 million. No other changes were identified.

Foreign currency risk

The company is exposed to foreign currency risk as a result of certain transactions which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters. The foreign currencies in which the company deals primarily are Pound sterling and Ghanaian cedi.

Exposure in foreign currency

The net carrying amounts, in US Dollar, of the various exposures, are denominated in the following currencies. The amounts have been presented in US Dollar by converting the foreign currency amounts at the closing rate at the reporting date:

Pound sterling exposure:			
Current liabilities:			
Trade and other payables	14	-	24,170
Ghaniain cedi exposure:			
Current liabilities:			
Trade and other payables	14	2,204	387
Euro exposure:			
Current liabilities:			
Trade and other payables	14	2,931	-
Net exposure to foreign currency in US Dollar		**5,135**	**24,557**

Foreign currency sensitivity analysis

The following information presents the sensitivity of the company to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

As at 31 December 2020, the total value of foreign currency denominated balances was US$15,001 (2019: US$24,557). A 10% relative change in foreign currency exchange rates to the US Dollar would have impacted profit or loss for the year by US$1,365 (2019: US$2,333).

Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk. Exposure to interest rate risk on liabilities is monitored on a proactive basis. The financing of the company is structured on floating interest rates.

Figures in US Dollar

26. Financial instruments and risk management (continued)

Interest rate profile

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

	Note	Average effective interest rate		Carrying amount	
		2020	2019	2020	2019
Assets					
Financial asset		2.11 %	3.76 %	6,254,532	6,779,007
Cash and cash equivalents	8	0.69 %	1.74 %	56,724,791	100,785,816
				62,979,323	**107,564,823**
Liabilities					
Financial liability	10	5.40 %	6.55 %	(22,284,896)	(70,684,832)

Interest rate sensitivity analysis

As at 31 December 2020, a 0.5% relative change (50 basis points) in the US Dollar overnight rate and LIBOR rate respectively would have impacted profit or loss for the year by US$80,152 (2019: US$319,529).

Price risk

Price risk sensitivity analysis

Crude oil prices are subject to price risks associated with timing differences. The volatility in the crude oil prices could result in a revenue deterioration should price drop.

Should attractive hedges become available in the market at an acceptable cost, the price risk is mitigated by hedging the downside risk with an Asian put option. The instruments used are liquid and can be traded and valued at any time. The selling prices are hedged using the Platts Marketwire.

A sensitivity analysis was performed for revenue and every US$1 increase or decrease in the Brent crude oil price will increase or decrease profit by US$1.5 million (2019: US$2 million).

27. Directors' emoluments

The directors are not remunerated.

28. Related parties

Holding company	The Petroleum Oil and Gas Corporation of South Africa SOC Ltd (PetroSA)

Related party balances and transactions

PetroSA		
Trade and other payables	202,429	242,146
Management fee	229,962	280,135
Other recoveries paid	911,225	911,543
Dividend paid	20,000,000	27,000,000

29. Public Finance Management Act (PFMA)

There was no fruitless, wasteful or irregular expenditure identified during the year.

30. Events after the reporting period

The current Reserve-Based Lending facility (RBL) is due to expire in February 2022. The early settlement of the RBL will result in savings of approximately US$750,000 in interest, commitment fees and withholding tax. On 8 June 2021, the directors resolved to settle the outstanding balance of US$23.3 million. The facility was repaid on 18 June 2021.

On 11 March 2021, the board of directors recommended a dividend of US$10 million to its shareholder. On 8 June 2021, the board recommended another US$10 million for payment. On 26 November 2021, the board approved a final dividend of US$20 million.

On 21 September 2021, three new directors were appointed. For information on these appointments, refer to point 1 of the Directors' Report.

On 26 October 2021, the GRA sent a notice withdrawing their audit assessment of US$47.9 million.

On 13 October 2021, PGL received notice of the disposal of Occidental Petroleum’s ghanaian assets to Kosmos and Ghana National Petroleum Corporation. PGL as a contractor to the Deep Water Tano (DWT) petroleum agreement and a partner to the DWT joint venture under the Joint Operating Agreement (JOA), has a right of pre-emption in respect of the disposal as it relates to DWT in the Jubilee Oil Field and TEN Oil Field. On 9 November 2021, PGL communicated its notice of pre-emption to stakeholders.

The directors are not aware of any material events which occurred after the reporting date and up to the date of this report, which significantly affect the financial position of the company.

31. Going concern

Management has made an assessment of the company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that cast significant doubt about the company's ability to continue as a going concern, therefore the financial statements continue to be prepared on the going concern basis.

32. Joint operations

The company has an interest in two licences whereby sharing accrues to each party in terms of the Petroleum and Joint Operating Agreements in accordance with the respective participating interests in respective of:

a) ownership of all rights and interests in all joint property and hydrocarbons,
b) all obligations incurred under the respective contracts,
c) all liabilities and expenses incurred by the operator and charged to the Joint Account, and
d) all credits accruing to the Joint Account.

32. Joint operations (continued)

Details of each operation are listed below:

Deepwater Tano Contract Area, Offshore Ghana	PetroSA Ghana Limited	Anadarko Energy Services Company	Kosmos Energy Ghana HC	Tullow Ghana Limited (Operator)	Ghana National Petroleum Corporation	Total
Exploration and Appraisal	4.50%	20.00%	20.00%	55.50%	-	100%
Development	4.28%	19.00%	19.00%	52.73%	5.00%	100%
Production	3.83%	17.00%	17.00%	47.18%	15.00%	100%

West Cape Three Points Contract Area, Offshore Ghana	PetroSA Ghana Limited	Anadarko Energy Services Company	Kosmos Energy Ghana HC (Operator)	Tullow Ghana Limited	Ghana National Petroleum Corporation	Total
Exploration and Appraisal	2.06%	34.31%	34.31%	29.32%	-	100%
Development	2.01%	33.45%	33.45%	28.60%	2.50%	100%
Production	1.80%	30.02%	30.02%	25.66%	12.50%	100%

Jubilee Field Unit, Offshore Ghana	PetroSA Ghana Limited	Anadarko Energy Services Company	Kosmos Energy Ghana HC	Tullow Ghana Limited (Operator)	Ghana National Petroleum Corporation	Total
Development	3.04%	26.85%	26.85%	39.62%	3.64%	100%
Production	2.73%	24.08%	24.08%	35.47%	13.64%	100%

Fields under development and in production

1. Movement in net remaining proved and probable reserves

Proved and Probable Reserves	Crude oil MMbbl	Gas Bscf	Crude oil MMbbl	Gas Bscf
	2020	**2020**	**2019**	**2019**
At beginning of year	12.50	13.00	16.00	20.00
Revisions of previous estimates	1.50	0.90	(1.70)	(5.20)
Production	(1.50)	(0.90)	(1.80)	(3.20)
Additions	2.30	(3.10)	-	1.40
At end of year	**14.80**	**9.90**	**12.50**	**13.00**

2. Proved and probable reserves by type of field

Fields in production	14.80	9.90	12.50	13.00

3. Reserves by category

Proved	5.30	5.00	6.40	4.60
Proved and probable	14.80	9.90	12.50	13.00

Notes

Oil

Fields in production and under development comprise the Jubilee oil field and TEN development.

Definitions

Proved reserves

Proved reserves are quantities of petroleum anticipated to be commercially recoverable from known accumulations from a given date forward under the following conditions: Discovered, recoverable, commercial and remaining.

Means the amount of petroleum which geophysical, geological and engineering data indicate to be commercially recoverable to a high degree of certainty. For the purposes of this definition, there is a 90% chance that the actual quantity will be more than the amount estimated as proved and a 10% chance that it will be less.

Proved and probable reserves

Proved and probable reserves are quantities of petroleum anticipated to be commercially recoverable from known accumulations from a given date forward under the following conditions: Discovered, recoverable, commercial and remaining.

Means proved reserves plus the amount of petroleum which geophysical, geological and engineering data indicate to be commercially recoverable but with a greater element of risk than in the case of proved. For the purposes of this definition, there is a 50% chance that the actual quantity will be more than the amount estimated as proved and probable and a 50% chance that it will be less.

Reserves under appraisal

Comprise quantities of petroleum, which are considered, on the basis of information currently available and current economic forecasts, to be commercially recoverable by present producing methods from fields that have been discovered but which require further appraisal prior to commerciality being established.

AUDITOR-GENERAL SOUTH AFRICA

PetroSA Ghana Limited
(Registration number 1403421)
Annual Financial Statements
for the year ended 31 December 2021
These annual financial statements were internally prepared and supervised by:
Mr R Erasmus FCCA (Acting Group Financial Manager) and Ms GN Tyandela CA(SA) (Acting Group Chief Financial Officer) respectively.
Issued 11 August 2022

General Information

Country of incorporation and domicile	Virgin Islands (British)
Nature of business and principal activities	The acquisition and development of crude oil and natural gas fields within the Republic of Ghana.
Directors	Mr LC Nene Mr O Chibambo Mr M Xiphu Mr L Haywood
Registered office	Woodbourne Hall, Skelton Bldg P.O. Box 3162 Road Town Tortola VG1110 British Virgin Islands
Postal address	Private Bag X5 Parow 7499
Holding company	The Petroleum Oil and Gas Corporation of South Africa SOC Ltd (PetroSA) incorporated in South Africa
Ultimate holding company	South African Government
Auditors	Auditor-General of South Africa Registered Auditors
Secretary	Ms M Khumalo
Company registration number	1403421

Index

Report of the auditor-general to Parliament on PetroSA Ghana Limited

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the PetroSA Ghana Limited set out on pages 13 to 44, which comprise the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of PetroSA Ghana Limited as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.

4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Events after the reporting date

7. I draw attention to note 31 in the financial statements which deals with significant events after the reporting date.

8. On 19 April 2022, the board approved a dividend of US$10 million which was paid on 25 April 2022. On 17 May 2022, the board approved another dividend of US$10 million.

9. On 12 November 2021, PetroSA Ghana Limited (PGL) exercised its right to pre-empt within Deepwater Tano Block, located in Ghana, which holds 3,83% equity. The completion of the pre-emption transaction means that PGL will acquire additional equity in the block, which will be financed by an approved bridge loan of US$46 million. The transaction was approved by

the PetroSA board on 10 February 2022 and by the Central Energy Fund (CEF) board on 14 July, and now awaits final approval by the Minister of Mineral Resources and Energy and the National Treasury. Ghana government approvals (Ghana National Petroleum Corporation and Ministry of Energy) are also required to finalise and complete the transaction.

10. On 16 July 2022, the PGL board resolved to approve the appointment of Standard Bank as the commercial leader to act as mandated lead arranger for the Ghana funding strategy to facilitate the borrowing up to US$200 million against PGL's assets. Per the pre-export finance facility (PXF) evaluation addendum dated July 2022, it is noted that US$50 million of the PXF facility is being forecasted to facilitate a share buyback of PetroSA Ghana. The finalisation of the PXF between PGL and Standard Bank is subject to a due diligence by Standard Bank as well as an approval by the National Treasury in line with section 66 of the PFMA (restrictions on borrowing, guarantees and other commitments).

Responsibilities of the accounting authority for the financial statements

11. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

12. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

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

14. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

15. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

16. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the public entity's annual performance report for the year ended 31 December 2021:

Objective	Pages in the annual performance report
Objective 1 – profitability	x – x

18. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

19. I did not identify any material findings on the usefulness and reliability of the reported performance information for this objective:

- objective 1 – profitability.

Report on the audit of compliance with legislation

Introduction and scope

20. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

21. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements, performance reports and annual reports

22. The financial statements were not submitted for auditing within the prescribed period after the end of financial year, as required by section 55(1)(c)(i) of the PFMA.

Strategic planning and performance management

23. The corporate plan submitted to the director-general of the Department of Mineral Resources and Energy, designated by the executive authority, did not include the affairs of PetroSA Ghana and, as a result, the corporate plan for PetroSA Ghana was not submitted to the executive authority as required by section 52(b) of the PFMA.

24. An annual shareholder's compact was not concluded in consultation with the executive authority, as required by treasury regulation 29.2.1 and the key performance measures and indicators included in the shareholder's compact were not agreed between the accounting authority and the executive authority, as required by treasury regulation 29.2.2. Consequently, the corporate plan did not include the objectives and outcomes as agreed with the executive authority in the shareholder's compact and key performance measures and indicators, as required by treasury regulation 29.1.1(a). The accounting authority of the PetroSA group prepared a shareholder's compact for the PetroSA group and submitted it to the CEF, its holding company, for inclusion in the CEF shareholder's compact. However, the PetroSA group shareholder's compact was not included in the CEF group shareholder's compact, which resulted in the key performance measures and indicators of PetroSA and its subsidiaries not being concluded with the executive authority.

Governance and oversight

25. An audit committee was not established by the accounting authority, as required by section 51(1)(a)(ii) of the PFMA.

Other information

26. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.

27. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

28. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objective presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

29. The other information I obtained prior to the date of this auditor's report is the director's report of PetroSA Ghana, the PetroSA group audit committee's report and the company secretary's certificate. Other reports or statements forming part of the annual report, such as the statement of the chairperson, the King application, the corporate governance statement, the report from the group chief executive office and the report from the group chief financial officer, are expected to be made available to me after 15 August 2022.

30. If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

31. When I do receive and read the other reports or statements forming part of the annual report, such as the statement of the chairperson, the King application, the corporate governance statement, the report from the group chief executive office and the report from the group chief financial officer, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

32. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

33. The PetroSA group shareholder's compact for the group was submitted to the CEF, its holding company, for inclusion in the CEF shareholder's compact. The CEF's shareholder's compact did not include the shareholder's compact of the PetroSA group in its submission to the executive authority. As a result, the PetroSA group shareholder's compact was not concluded and agreed with the executive authority.

34. The affairs of PetroSA Ghana were not included in the PetroSA group corporate plan that was submitted to the executive authority, which resulted in non-compliance with section 52(b) of the PFMA.

35. An audit committee was not established by the accounting authority, as required by section 51(1)(a)(ii) of the PFMA and the audit committee was thus not in place throughout the year to perform its duties for the year.

36. The annual financial statements were not submitted for auditing within the timeline prescribed by legislation due to delayed reserve audits and limited resources to meet year-end deliverables.

Auditor-General

Cape Town

12 August 2022

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for the selected objectives and on the public entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

   - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
   - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the PetroSA Ghana Limited to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Directors' Responsibilities and Approval

The directors are required to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company’s business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company’s cash flow forecast for the year to 31 December 2022 and, in light of this review and the current financial position, they are satisfied that the company has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 3 to 8.

The annual financial statements set out on pages 13 to 44, which have been prepared on the going concern basis, were approved by the board of directors on 11 August 2022 and were signed on their behalf by:

Approval of financial statements

L. Haywood

Director

Director

Thursday, 11 August 2022

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of PetroSA Ghana Limited for the year ended 31 December 2021.

1. Directorate

The directors in office, from the approval of the previous report to the date of this report are as follows:

Directors	Designation
Mr LC Nene	Non-executive
Mr O Chibambo	Non-executive
Mr M Xiphu	Non-executive
Mr L Haywood	Non-executive (Chairperson)

There have been no changes to directors since the approval of the previous report to the date of this report.

Board Audit Committee

PetroSA Ghana does not have a Board Audit Committee. The PetroSA Board Audit Committee fulfills this role.

2. Secretary

The company secretary is Ms M Khumalo.

Postal address:	Private Bag X5 Parow 7499
Business address:	151 Frans Conradie Drive Parow 7500

3. Nature of business

PetroSA Ghana Limited was incorporated in British Virgin Islands. The company undertakes exploration for, and production of, oil and gas within the Republic of Ghana.

There have been no material changes to the nature of the company's business from the prior year.

4. Review of financial results and activities

Field production results

For 2021, the actual crude oil production entitlement (post royalties) was 707,762bbls (2020: 787,742bbls) from the Jubilee Field and 435,253bbls (2020: 646,899bbls) from the TEN Field. In Jubilee, production performance was higher than projected, averaging 75kbopd (net: 2kbopd to PetroSA Ghana Limited). In TEN, production performance was lower than projected, averaging 33kbopd (net: 1.3kbopd to PetroSA Ghana Limited). Ongoing improvements in operating performance can be seen in uptime of more than 97% on both operated FPSOs and increased water injection rates and gas processing capacity. The annual gas offtake rate was impacted by overrunning maintenance and subsequent reduced capacity at the Ghana National Gas Company (GNGC) onshore gas processing plant during the fourth quarter of the year. TEN production performance was below forecast largely due to higher production decline rates than expected in some wells. A drilling and workover campaign was re-instated and operations were successfully completed ahead of plan.

Directors' Report

Sustainability of field production

The objective of the Greater Jubilee Full Field Development and the TEN Full Field Development, is to extend/maintain field production and increase reserves. Gas offtake has now returned to normal rates and the JV is targeting the agreed rates with the government of Ghana. In Greater Jubilee and TEN, four new wells and a workover were successfully completed ahead of plan. The current drilling activities are geared towards sustaining forecasted production. The plan of development (infill drilling) and operations execution (facility maintenance to increase reliability) has contributed towards positive production increases. PetroSA Ghana Limited endeavours to continue to explore ways to execute the Board approved strategy towards increasing its asset portfolio by working towards creating and increasing value to its shareholder.

The key areas of focus executed by the operator have been asset integrity, process safety, maintenance and reliability. The strategy to focus on the gas offtake and water injection, played an important role in addressing production decline and supporting producing wells in the field.

Financial Performance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of The Companies Act 71 of 2008. In preparing the financial statements, the directors confirm that suitable accounting policies have been used and reasonable and prudent judgment and estimates have been made in the preparation of the financial statements for the year ended 31 December 2021. A significant reduction in the cost to abandon, amongst other factors, triggered an impairment assessment which resulted in the recognition of an impairment reversal of US$2 million against property, plant and equipment. Full details of the financial position, results of operations and cash flows of the company are set out in these audited annual financial statements.

Pre-emption

PetroSA Ghana Limited exercised its right of pre-emption related to the sale of Occidental Petroleum’s interest in the Jubilee and TEN fields in Ghana to Kosmos. Therefore, upon completion of the transaction, PetroSA Ghana Limited’s equity is expected to increase to 6.77% in the Deepwater Tano (TEN) and 4.07% in the Greater Jubilee fields.

Additional oil entitlement (AOE)

The GRA has issued a provisional tax assessment for the amount of US$5.8 million for the period 2006-2016. The company together with its joint venture partners in the producing asset have disputed the revenue authority’s provisional assessment. The Minister of Finance of Ghana has suspended all action of enforcement of the provisional tax assessment. Furthermore the Department of Finance in Ghana is now mediating between the Ghana Revenue Authority, the Ghana National Petroleum Company and the joint venture partners to resolve the impasse.

Full details of the financial position, results of operations and cash flows of the company are set out in these annual financial statements.

5. Share capital

There have been no changes to the authorised or issued share capital during the year under review. Details of the share capital of the company are set out in note 9 to the annual financial statements.

6. Dividends

The Board recommended the approval of a final dividend of US$40 million (2020:US$20 million).

7. Shareholder

The company is a wholly-owned subsidiary of PetroSA.

Directors' Report

8. Events after the reporting period

On 19 April 2022, the board approved a dividend of US$10 million which was paid on 25 April 2022. On 17 May 2022, the board approved another dividend of US$10 million.

On 12 November 2021, PGL exercised its right to pre-empt within Deepwater Tano Block, located in Ghana, which holds 3.83% equity. The completion of the pre-emption transaction means that PGL will acquire additional equity in the block which will be financed by an approved bridge loan of US$46 million. The transaction was approved by PetroSA Board on 10 February 2022, CEF Board on 14 July, and now awaits final approval by the Minister of Mineral Resources and Energy and National Treasury. Ghana government approvals (GNPC and Ministry of Energy) are also required to finalise and complete the transaction.

On 16 July 2022, the PGL Board resolved to approve the appointment of Standard Bank as the commercial leader to act as mandated lead arranger for the Ghana funding strategy to facilitate the borrowing of a loan up to US$200 million against PGL's assets. Per the pre-export finance facility (PXF) evaluation addendum dated July 2022, it is noted that US$50 million of the PXF facility is being forecasted to facilitate a share buyback of PetroSA Ghana. The finalization of the PXF between PGL and Standard Bank is subject to a due diligence by Standard Bank as well as an approval by National Treasury in line with s66 (Restrictions on borrowing, guarantees and other commitments) of the PFMA.

The directors are not aware of any other material events which occurred after the reporting date and up to the date of this report, which significantly affect the financial position of the company.

9. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

The annual financial statements set out on pages 13 to 44, which have been prepared on the going concern basis, were approved by the board of directors on 11 August 2022, and were signed on its behalf by:

Approval of annual financial statements

Director	**Director**
Non-executive	**Non-executive**
Thursday, 11 August 2022	**Thursday, 11 August 2022**

Statement of Financial Position as at 31 December 2021

	Note(s)	2021 $	2020 $
Assets			
Non-Current Assets			
Property, plant and equipment	2	189,928,623	212,401,306
Intangible assets	3	9,818,386	10,960,259
Loans receivable	4	5,892,994	6,254,532
		205,640,003	**229,616,097**
Current Assets			
Inventories	5	4,831,671	2,110,048
Trade and other receivables	6	10,050,362	1,585,997
Current tax receivable	7	-	517,821
Cash and cash equivalents	8	23,156,522	56,724,791
		38,038,555	**60,938,657**
Total Assets		**243,678,558**	**290,554,754**
Equity and Liabilities			
Equity			
Share capital	9	121,861,586	121,861,586
Retained income		2,469,406	19,006,012
		124,330,992	**140,867,598**
Liabilities			
Non-Current Liabilities			
Financial liability	10	-	12,284,896
Lease liabilities	11	49,884,129	54,588,573
Deferred tax	12	37,433,311	32,073,859
Provisions	13	15,907,062	26,579,044
		103,224,502	**125,526,372**
Current Liabilities			
Trade and other payables	14	10,372,294	9,910,265
Financial liability	10	-	10,000,000
Lease liabilities	11	4,609,656	4,250,519
Current tax payable	7	1,141,114	-
		16,123,064	**24,160,784**
Total Liabilities		**119,347,566**	**149,687,156**
Total Equity and Liabilities		**243,678,558**	**290,554,754**

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2021 $	2020 $
Revenue	15	79,991,822	62,388,290
Cost of sales	16	(38,211,511)	(60,103,048)
Gross profit		**41,780,311**	**2,285,242**
Other operating income	17	-	68,828
Impairment losses	18	2,001,892	(18,342,149)
Other operating expenses		(2,517,277)	(4,662,585)
Operating profit (loss)	19	**41,264,926**	**(20,650,664)**
Investment income	20	121,132	834,370
Finance costs	21	(5,485,729)	(7,872,510)
Profit (loss) before taxation		**35,900,329**	**(27,688,804)**
Taxation	22	(12,436,934)	10,055,409
Profit (loss) for the year		**23,463,395**	**(17,633,395)**
Other comprehensive income		-	-
Total comprehensive income (loss) for the year		**23,463,395**	**(17,633,395)**

Statement of Changes in Equity

	Share capital $	Retained income $	Total equity $
Balance at 01 January 2020	**121,861,586**	**56,639,407**	**178,500,993**
Loss for the year	-	(17,633,395)	(17,633,395)
Total comprehensive Loss for the year	**-**	**(17,633,395)**	**(17,633,395)**
Dividends	-	(20,000,000)	(20,000,000)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**(20,000,000)**	**(20,000,000)**
Balance at 01 January 2021	**121,861,586**	**19,006,011**	**140,867,597**
Profit for the year	-	23,463,395	23,463,395
Total comprehensive income for the year	**-**	**23,463,395**	**23,463,395**
Dividends	-	(40,000,000)	(40,000,000)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**(40,000,000)**	**(40,000,000)**
Balance at 31 December 2021	**121,861,586**	**2,469,406**	**124,330,992**
Note(s)	9		

Statement of Cash Flows

	Note(s)	2021 $	2020 $
Cash flows from operating activities			
Cash generated from operations	23	54,695,334	52,541,285
Interest income		121,132	834,370
Finance costs		(5,242,558)	(7,549,700)
Tax paid	24	(5,418,547)	(10,304,792)
Net cash from operating activities		**44,155,361**	**35,521,163**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(11,348,269)	(7,857,731)
Purchase of other intangible assets	3	(106,696)	(348,517)
Sale of other intangible assets	3	-	1
Receipts from loans receivable at amortised cost		361,538	524,475
Net cash from investing activities		**(11,093,427)**	**(7,681,772)**
Cash flows from financing activities			
Repayment of financial liability		(22,284,896)	(48,399,936)
Payment on lease liabilities		(4,345,307)	(3,500,480)
Dividends paid		(40,000,000)	(20,000,000)
Net cash from financing activities		**(66,630,203)**	**(71,900,416)**
Total cash movement for the year		**(33,568,269)**	**(44,061,025)**
Cash at the beginning of the year		56,724,791	100,785,816
Total cash at end of the year	8	**23,156,522**	**56,724,791**

Accounting Policies

1. Presentation of annual financial statements

The following are the principal accounting policies used by the company which are, in all material respects, consistent with those applied in the previous year, except as otherwise indicated.

1.1 Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), Public Finance Management Act (PFMA) as well as the Companies Act 71 of 2008.

These annual financial statements are presented in United States Dollars which is also the company's functional currency and all values are rounded to the nearest dollar, except when otherwise indicated.

1.2 Joint operations

Joint operations

When the company undertakes its activities under a joint operation, the company as joint operator recognises in relation to its interest in the joint operation its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output of the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly.

The company accounts for assets, liabilities, revenues and expenses relating to its interest in joint operations in accordance with applicable IFRS.

1.3 Property, plant and equipment

Oil and gas production assets are the aggregated exploration and evaluation tangible assets, and development expenditure associated with the production of proved reserves. Subsequent expenditure which enhances or extends the performance of oil and gas production assets beyond their original specifications is recognised as capital expenditure and added to the original cost of the asset.

Production assets are depreciated from the date production commences, on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of proved and probable reserves at the end of the period plus the production in the period, on a field-by-field basis. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs required to recover the commercial reserves remaining. Units of production rates are based on the proved and probable developed reserves, which are oil, gas and other mineral reserves estimated to be recoverable from existing facilities using current operating methods. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Where there has been a change in economic conditions that indicates a possible impairment in a discovery field, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted future cash flows based on management’s expectations of future oil and gas prices and future costs. Where there is evidence of economic interdependency between fields, such as common infrastructure, the fields are grouped as a single cash generating unit for impairment purposes.

Any impairment identified is charged to the statement of profit or loss and other comprehensive income. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the statement of profit or loss and statement of other comprehensive income, net of any amortisation that would have been charged since the impairment.

Restoration costs

Cost of property, plant and equipment also includes the estimated costs of dismantling and removing the assets and site rehabilitation costs.

Estimated decommissioning and restoration costs are based on current requirements, technology and price levels. Provision is made for all net estimated abandonment costs as soon as an obligation to rehabilitate the area exists, based on the present value of the future estimated costs. These costs are deferred and are depreciated over the useful life of the assets to which they relate using the unit of production method based on the same reserve quantities as are used for the calculation of depletion of oil and gas production assets.

1.3 Property, plant and equipment (continued)

The amount recognised is the estimated cost of restoration, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the restoration provision is included as a finance cost.

1.4 Intangible assets

Exploration, evaluation and development and restoration costs of oil and gas wells

The company adopts the successful efforts method of accounting for exploration and evaluation costs. Under the successful efforts method, only those costs that lead directly to the discovery, acquisition, or development of specific discrete mineral reserves are capitalised and become part of the capitalised costs of the cost centre. Costs that are known to fail to meet this criterion (at the time of incurrence) are generally charged to the statement of profit or loss as an expense in the period they are incurred.

Exploration and evaluation costs

All costs relating to the acquisition of licences, exploration and evaluation of a well, field or exploration area are initially capitalised. Directly attributable administration costs and interest payable are capitalised insofar as they relate to specific development activities.

These costs are not depreciated but written off as exploration costs in profit or loss unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment.

Development costs

Costs of development wells, platforms, well equipment and attendant production facilities are capitalised. The cost of production facilities capitalised includes finance costs incurred until the production facility is completed and ready for the start of the production phase. All development wells are not depreciated until production starts and then they are depreciated on the unit of production method calculated using the estimated proved and probable reserves.

1.5 Impairment of non-financial assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated as the higher of fair value less costs of disposal and value-in-use.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, its carrying amount is reduced to the higher of its recoverable amount and zero. Impairment losses are recognised in profit or loss. Subsequent to the recognition of the impairment loss, the depreciation or amortisation charge for the asset is adjusted to allocate its remaining carrying value, less any residual value, over its remaining useful life.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had an impairment loss not been recognised in prior years. A reversal of an impairment loss is recognised in profit or loss.

1.6 Leases

For any new contracts entered into, the company considers whether a contract is, or contains a lease. To qualify as a lease, a contract must meet three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the company;
- the company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- the company has the right to direct the use of the identified asset throughout the period of use. The company assesses whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

Accounting Policies

1.6 Leases (continued)

At lease commencement date, the company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The company also assesses the right-of-use asset for impairment when such indicators exist.

The company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the company's incremental borrowing rate. The incremental borrowing rate is the estimated rate that the company would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value. This rate is adjusted should the lessee entity have a different risk profile to that of the company.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments, with the corresponding adjustment reflecting in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

1.7 Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction.

At the end of the reporting period:
- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise. Exchange differences that relate to borrowing and cash and cash equivalents are presented in the statement of profit or loss finance costs and investment income.

Accounting Policies

1.8 Financial instruments

Financial assets

1.8.1 Initial recognition and measurement

Financial assets are classified, at initial recognition, as measured at amortised cost. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets (including loans receivable and cash and cash equivalents) are initially measured at fair value adjusted for transaction costs (where applicable).

The classification is determined by both:

- the company's business model for managing the financial asset.
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

1.8.2 Subsequent measurement

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method and are subject to impairment. Discounting is omitted where the effect of discounting is immaterial. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The company's financial assets at amortised cost includes trade and other receivables and financial assets.

1.8.3 Derecognition

A financial asset is primarily derecognised when:

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

1.8.4 Impairment

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. The company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Accounting Policies

1.8 Financial instruments (continued)

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (‘Stage 1’) and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (‘Stage 2’).

12-month expected credit losses’ (ECL) are recognised for the first category while ‘lifetime expected credit losses’ are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. For trade receivables and contract assets, the company applies a simplified approach in calculating ECLs. Therefore, the company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

1.8.5 Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as measured at amortised cost. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the company designated a financial liability at fair value through profit or loss.

1.8.6 Subsequent measurement

Financial liabilities at amortised cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

The company’s financial liabilities at amortised cost includes financial liabilities and trade and other payables.

1.8.7 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification, it is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

1.8.8 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

1.9 Fair value considerations

For financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to their fair value measurement in its entirety, are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the group can access at measurement date;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable for the asset or liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The fair values at which financial instruments are carried at the reporting date have been determined using available market prices. Where market prices are not available, fair values have been calculated by discounting expected future cash flows at prevailing interest rates. The carrying amounts of financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair values due to the short term trading cycle of these items.

1.10 Inventories

Inventory is measured at the lower of cost and net realisable value according to the weighted average method.

1.11 Taxation

Current tax assets and liabilities

The tax expense for the period comprises current and deferred tax.

Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. The charge for current tax is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that have been enacted or substantially enacted at the reporting date.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date at the tax rates that have been enacted or substantively enacted at the reporting date.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset, current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Accounting Policies

1.11 Site restoration and dismantling cost (continued)

Deferred tax asset

A deferred tax asset is only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, unless specifically exempt.

Deferred tax liability

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

1.12 Provisions

Provisions represent liabilities of uncertain timing or amounts.

Provisions are recognised when a present legal or constructive obligation exists, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation.

Provisions are measured at the expenditure required to settle the present obligation. Where the effect of discounting is material, provisions are measured at their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks for which future cash flow estimates have not been adjusted. The increase in the provision due to passage of time is recognised as finance costs.

Provision for the cost of environmental and other remedial work such as reclamation costs, close down and restoration costs is made when such expenditure is probable and the cost can be estimated with a reasonable range of possible outcomes.

The amount recognised is the estimated cost of restoration, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of restoration or restoration cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. Any reduction in the restoration liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

1.13 Over/under lift

Lifting or off take arrangements for oil and gas produced in certain of the company’s jointly owned operations are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative production less stock is ‘underlift’ or ‘overlift’. Underlift and overlift are valued at production cost and included within receivables and payables respectively. Movements during an accounting period are adjusted through cost of sales such that gross profit is recognised on an actual liftings basis.

Accounting Policies

1.14 Revenue from contracts with customers

Revenue arises mainly from the sale of crude oil and gas products. Revenue from contracts with customers is recognised when control of the products is transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled to, net of discounts, returns and VAT, in exchange for those products.

To determine whether to recognise revenue, the company follows the 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Sale of products

The sale of products includes, but is not limited to crude oil and gas. Revenue from the sale of products is recognised when the company transfers control of the product to the customer. Control is transferred at the point of delivery.

1.15 Investment income

Investment income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life to the net carrying amount on initial recognition.

1.16 Borrowing and finance costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until the assets are substantially ready for their intended use or sale. Qualifying assets are assets that necessarily take a substantial period to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets.

Other borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Subsequent events

Recognised amounts in the annual financial statements are adjusted to reflect events arising after the reporting date that provide evidence of conditions that existed at the reporting date. Events after the reporting date that are indicative of conditions that arose after the reporting date are dealt with by way of a note.

1.18 Adoption of International Financial Reporting Standards

The following standards and amendments to existing standards have been published and are not yet effective and the company has not adopted them earlier.

1. **IFRS 9**, **'Financial instruments'**, (effective 1 January 2022). Annual Improvements to IFRS Standards 2018–2020: The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability.

2. **Amendments to IAS 1**, (effective 1 January 2023). Classification of Liabilities as current or non-current: Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.

Disclosure of Accounting Policies: The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.

3. **Amendments to IAS 8**, (effective 1 January 2023). Definition of Accounting Estimates: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The requirements for recognising the effect of change in accounting estimates prospectively remain unchanged.

4. **Amendments to IAS 16**, (effective 1 January 2022). Property, plant and equipment: Proceeds before intended use: The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

5. Amendments to IAS 37, (effective 1 January 2022). Onerous Contracts - Cost of fulfilling a contract: The amendments specify which costs should be included in an entity's assessment whether a contract will be loss-making

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

1.19 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements in terms of IFRS, the company's management is required to make certain estimates and assumptions that may materially affect reported amounts of assets and liabilities at the date of the annual financial statements and the reported amounts of revenues and expenses during the reported period and the related disclosures. As these estimates and assumptions concern future events, due to the inherent uncertainty involved in this process, the actual results often vary from the estimates. These estimates and judgements are based on historical experience, current and expected future economic conditions and other factors, including expectations of the future events that are believed to be reasonable under the circumstances.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Carrying value of intangible exploration and evaluation assets

The amount of intangible exploration and evaluation assets represent active exploration assets. These amounts will be written off to the statement of profit or loss and comprehensive income as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indicators of impairment.

The key areas in which management have applied judgement are as follows: the company's intention to proceed with a future work programme for a prospect or licence; the likelihood of licence renewal or extension; and the success of a well result or geological or geophysical survey.

Units of production (UOP) depreciation of oil and gas assets

Oil and gas properties are depreciated using the UOP method. The actual production for the period is divided by the total proved developed and undeveloped hydrocarbon reserves. This results in a depreciation/amortisation charge (UOP rate) proportional to the depletion of the anticipated remaining production from the field.

The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation/amortisation will be impacted to the extent that actual production in the future is different from current forecast production based on total proved reserves whereas the life of each item and the total recoverable reserves is impacted by future capital expenditure (because the future estimated capex does not affect the UOP rate directly; it only affects the life and value of the assets to be depreciated).

1.19 Significant judgements and sources of estimation uncertainty (continued)

Recoverability of oil and gas assets

The company assesses its cash generating unit (CGU) at each reporting period to determine whether any indication of impairment exists. Impairment tests are performed when there is an indication of impairment of assets or a reversal of previous impairments of assets. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal (FVLCD) and value in use (VIU).

Management therefore has implemented certain impairment indicators and these include movements in exchange rates, commodity prices and the economic environment its businesses operate in. Estimates are made in determining the recoverable amount of assets which include the estimation of cash flows and discount rates used.

In estimating the cash flows, management base cash flow projections on reasonable and supportable assumptions that represent managements' best estimate of the range of economic conditions that will exist over the remaining useful life of the assets, based on publicly available information.

The discount rates used are post-tax rates that reflect the current market assessment of the time value of money and the risks specific to the assets for which the future cash flow estimates have not been adjusted.

These estimates and assumptions are subject to risk and uncertainty. A pre-tax assessment would yield the same result. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of CGUs.

Hydrocarbon reserve and resource estimates

Management opted to use proven and probable for determining estimates in these financial statements. Proven reserves are oil and gas which has not been produced but has been located and is "recoverable reserves". Proven reserves refers to reserves that are assessed to be >90 % probable. If a reserve's resources can be recovered using current technology but is not economically profitable it is considered "technically recoverable" but cannot be considered a proven reserve. Reserves less than 90% recoverable but more than 50% are considered "probable reserves".

Commercial reserves are proven and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50 per cent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves and a 50 per cent statistical probability that it will be less.

The company estimates its commercial reserves and resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices.

Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. The carrying amount of oil development and production assets at 31 December 2021 is shown in note 2.

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

- The carrying value of exploration and evaluation assets and production assets may be affected due to changes in estimated future cash flows;
- Depreciation and amortisation charges in the statement of profit or loss and other comprehensive income may change where such charges are determined using the units of production method.
- Provisions for decommissioning may change, where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities.
- The recognition and carrying value of deferred tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

Accounting Policies

1.19 Significant judgements and sources of estimation uncertainty (continued)

Contingent liabilities

Management considers the existence of possible obligations which may arise from legal action as well as the possible non-compliance of the requirements of completion guarantees and other guarantees provided. The estimation of the amount disclosed is based on the expected possible outflow of economic benefits should there be a present obligation.

Environmental and decommissioning provisions

Provision is made for environmental and decommissioning costs where either a legal or constructive obligation is recognised as a result of past events. Estimates are made in determining the present obligation of environmental and decommissioning provisions, which include the actual estimate, the discount rate used and the expected date of closure of mining activities in determining the present value of environmental and decommissioning provisions. Estimates are based upon costs that are regularly reviewed, by internal and external experts, and adjusted as appropriate for new circumstances.

Valuation assumptions

The following valuation assumptions were used in assessing estimates and judgements and are regarding as the best estimates by the board.

2021 assumptions	**Unit**	**2022**	**2023**	**2024**	**2025 - 2026**
Brent crude	USD/barrel	78.00	69.40	67.70	61.80
US CPI	Year-on-year	3.50	2.20	2.10	2.00

2020 assumptions	**Unit**	**2021**	**2022**	**2023**	**2024 - 2025**
Brent crude	USD/barrel	47.90	51.50	56.90	57.50
USD CPI	Year-on-year	1.90	1.80	1.80	2.00

2. Property, plant and equipment

	2021			2020		
	Cost	Accumulated depreciation & impairment	Carrying value	Cost	Accumulated depreciation & impairment	Carrying value
Production assets	530,408,789	(341,036,515)	189,372,274	519,056,609	(314,671,053)	204,385,556
Restoration costs	9,825,097	(9,268,748)	556,349	17,217,404	(9,201,654)	8,015,750
Total	**540,233,886**	**(350,305,263)**	**189,928,623**	**536,274,013**	**(323,872,707)**	**212,401,306**

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Transfers	Change in estimate	Depreciation	Impairment reversal	Total
Production assets	204,385,556	11,348,269	3,911	-	(28,367,354)	2,001,892	189,372,274
Restoration costs	8,015,750	-	-	(7,392,307)	(67,094)	-	556,349
	212,401,306	**11,348,269**	**3,911**	**(7,392,307)**	**(28,434,448)**	**2,001,892**	**189,928,623**

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Transfers	Change in estimate	Depreciation	Impairment loss	Total
Production assets	248,723,320	7,857,731	2,197,610	-	(36,485,768)	(17,907,337)	204,385,556
Restoration costs	8,627,291	-	-	188,501	(800,042)	-	8,015,750
	257,350,611	**7,857,731**	**2,197,610**	**188,501**	**(37,285,810)**	**(17,907,337)**	**212,401,306**

Leased property, plant and equipment

Production assets include property, plant and equipment leased under a finance lease (refer to note 10). These assets were initially capitalised at US$71.9 million. This acquisition was treated as a non-cash addition to property, plant and equipment.

Impairment

Oil and gas reserves are used in assessing oil and gas producing properties for impairment. An impairment review was triggered due to a significant drop in the cost to abandon, paired with a reduction in capital expenditure and changes to forward-looking macro-economic assumptions. When such indicators are identified, management must exercise further judgement in making an estimate of the recoverable amount (value in use) of the asset against which to compare the carrying value. The outcome of the review resulted in an impairment reversal of US$2 million (2020: US$17.9 million impairment). This was determined by comparing the CGU's carrying value at year-end against the expected present value of the free cash flows (net present value) from this CGU, based on a fixed life of field per the reserves audit report. These cash flows are management’s best estimate taking into account past experience and future economic assumptions, such as forward curves for crude oil, product prices and discounted using the WACC of 11% (2020: 11%).

The company will continue to review the recoverable amounts of the cash-generating units in the event of future changes in reserves and relevant macroeconomic indicators.

	2021 $	2020 $

3. Intangible assets

	2021			2020		
	Cost	Accumulated amortisation & impairment	Carrying value	Cost	Accumulated amortisation & impairment	Carrying value
Exploration and appraisal	12,034,062	(2,215,676)	9,818,386	11,932,115	(2,215,677)	9,716,438
Restoration costs	-	-	-	1,243,821	-	1,243,821
Total	**12,034,062**	**(2,215,676)**	**9,818,386**	**13,175,936**	**(2,215,677)**	**10,960,259**

Reconciliation of intangible exploration and evaluation assets - 2021

	Opening balance	Additions	Disposals	Transfers	Change in estimate	Total
Exploration and appraisal	9,716,438	106,696	(837)	(3,911)	-	9,818,386
Restoration costs	1,243,821	-	-	-	(1,243,821)	-
	10,960,259	**106,696**	**(837)**	**(3,911)**	**(1,243,821)**	**9,818,386**

Reconciliation of intangible exploration and evaluation assets - 2020

	Opening balance	Additions	Disposals	Transfers	Change in estimate	Impairment loss	Total
Exploration and appraisal	12,000,344	348,517	(1)	(2,197,610)	-	(434,812)	9,716,438
Restoration costs	1,107,608	-	-	-	136,213	-	1,243,821
	13,107,952	**348,517**	**(1)**	**(2,197,610)**	**136,213**	**(434,812)**	**10,960,259**

Borrowing costs capitalised

	2021	2020
Borrowing costs capitalised to qualifying assets	101,667	348,512
Capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation	4.74 %	5.36 %

Exploration write off

Well and other related costs from relinquished areas reversed during the year amounted to US$837 (2020: US$1).

Impairment assessment

The impairment assessment performed for the company, which includes both property, plant and equipment and intangible assets, resulted in no impairment charge for the year (2020: US$434,812 on Wawa and Akasa assets) on intangible assets. For further details regarding the impairment, refer to the property, plant and equipment note.

	2021 $	2020 $

4. Loans receivable

Loans receivable are presented at amortised cost, which is net of loss allowance, as follows:

	2021 $	2020 $
Ghana National Petroleum Corporation (GNPC) The loan in respect of TEN Development capital expenditure bears interest at LIBOR plus a margin percentage of 1.5% per annum and the loan in respect of the TEN Development gas export pipeline expenditure bears interest at 15 % per annum. The loan will be repaid with 40% of GNPC's receivables per each lifting of TEN production until the liability is fully discharged. TEN Development delivered first oil in August 2016. There is currently no signed agreement in place between the GNPC and the joint venture partners regarding the repayment terms however repayment proposals are currently being considered and evaluated in order to reach an agreement with the joint venture partners.	5,892,994	6,254,532

5. Inventories

	2021 $	2020 $
The amounts attributable to the different categories are as follows:	-	-
Crude oil	4,831,671	2,110,048
	4,831,671	**2,110,048**

6. Trade and other receivables

	2021 $	2020 $
Financial instruments:		
Trade receivables	7,785,553	-
Other receivables	452,103	1,110,450
Non-financial instruments:		
VAT	130,343	127,411
Underlift	1,473,135	325,582
Prepayments	209,228	22,554
Total trade and other receivables	**10,050,362**	**1,585,997**

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

	2021 $	2020 $
At amortised cost	8,237,656	1,110,450
Non-financial instruments	1,812,706	475,547
	10,050,362	**1,585,997**

Exposure to credit risk

Trade receivables inherently expose the company to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due.

Trade receivables are generally settled on a short time frame and financial assets are due from counterparties without material credit risk concerns.

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts. Prepayments consisted of annual licences with the Petroleum Commission and Tullow operational insurance recharges.

	2021 $	2020 $

7. Current tax (payable)/receivable

Opening balance	517,821	(7,818,712)
Charge for the year	(7,077,481)	(1,968,259)
Payments	5,418,546	10,304,792
	(1,141,114)	**517,821**

8. Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Cash and cash equivalents consist of:

Cash on hand	23,100,000	51,400,000
Bank balances	56,522	5,324,791
	23,156,522	**56,724,791**

Credit quality of cash at bank and short-term deposits

The credit quality of cash at bank and short term deposits can be assessed by reference to external credit ratings. Short term deposits mature in less than three months. Cash balances are US Dollar denominated and currently held with banks with the following credit rating.

Credit rating		
Aaa-mf	23,100,000	29,400,000
A2	-	14,000,000
Baa2	31,059	13,312,711
B3	-	12,080
Caa1	25,463	-
	23,156,522	**56,724,791**

9. Share capital

Authorised		
60,000 Ordinary shares of no par value	-	-
Issued		
50,018 Ordinary no par value shares	121,861,586	121,861,586

These shares served as security for the Reserve Based Lending Facility. Refer to note 10.

10. Financial liability

At amortised cost		
Reserve Based Lending Facility (RBL) The loan accrued interest at LIBOR plus a margin percentage, varying between 3.25% and 4.50% over the period of the loan. The loan was due to mature in February 2022. All interest payable accrued from day to day at the relevant rate of interest, was calculated on the basis of the actual number of days elapsed and a 360 day year.	-	23,000,000
Transaction costs incurred These costs were incurred as a result of the Reserve Based Lending Facility mentioned above at the inception of the contract.	-	(715,104)
	-	**22,284,896**

	2021 $	2020 $

10. Financial liability (continued)

Transaction costs	**2021**	**2020**
Incurred at inception	-	4,330,000
Unwinding over repayment period	-	(3,614,896)
	-	**715,104**

Split between non-current and current portions

Non-current liabilities	-	12,284,896
Current liabilities	-	10,000,000
	-	**22,284,896**

The facility was a revolving credit facility secured against the producing assets of PetroSA Ghana Limited. The security package comprised of a share pledge and subordination of future loans to PetroSA Ghana Limited. Additional security included, an offshore debenture comprising security over contemplated hedging agreement, intercompany loans granted by PetroSA to its subsidiaries and certain project accounts into which transaction funds were deposited. The available facility amount/borrowing base was redetermined six monthly at the end of June and December and was a function of the present value of future cash flows generated by a producing/developing assets. The available facility amount was most sensitive to economic assumptions such as the Brent crude oil price and changes to independently audited oil reserves. The loan covenants applicable was the field life cover ratio of 1.3 and a loan life cover ratio of 1.1. All loan covenants relating to this facility have been satisfied.

On 18 June 2021, the outstanding value of the loan was settled (December 2020: full facility of US$23 million was utilised).

11. Leases (company as lessee)

The company has a lease for a floating production storage and offloading unit (FPSO) in the TEN field in Ghana. The lease is reflected on the balance sheet as a right-of-use asset in property, plant and equipment and a corresponding lease liability. At commencement date the liability was calculated as the present value of future lease payments, discounted using the company's incremental borrowing rate.

PetroSA Ghana Ltd, together with its joint venture partners, entered into a finance lease with MODEC for the leasing of a floating production storage and offloading unit (FPSO) in the TEN field. The lease was initially recognised at US$71.9 million in the 2017 financial year. The present value of the lease liability unwinds over the expected life of the lease and is reported within finance costs as finance leases. The initial lease period is 10 years with an option for an additional 10 years, until end of life of field. The imputed interest rate is 8.4%. The company's obligations are secured by the lessor's charge over the leased assets. For total lease cash outflows, refer to the Statement of cash flows.

There are no short-term leases and leases of low-value underlying assets. The company has no other leases.

Details pertaining to leasing arrangements, where the company is lessee are presented below:

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are included in the following line items:

Production assets	38,803,164	43,482,679

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in cost of sales (note 16).

Production assets	4,679,515	4,270,723

	2021 $	2020 $

11. Leases (company as lessee) (continued)

Other disclosures

Interest expense on lease liabilities	4,800,779	5,142,238

Lease liabilities

The maturity analysis of lease liabilities is as follows:

Within one year	9,037,536	9,037,536
Two to five years	34,994,106	35,780,482
More than five years	40,962,250	49,213,410
	84,993,892	94,031,428
Less finance charges component	(30,500,107)	(35,192,336)
	54,493,785	**58,839,092**
Non-current liabilities	49,884,129	54,588,573
Current liabilities	4,609,656	4,250,519
	54,493,785	**58,839,092**

12. Deferred tax

Deferred tax liability

Accelerated capital allowances for tax purposes	62,003,115	68,020,552
Tax losses available for set off against future taxable income	(639,827)	(9,405,149)
Provisions	(5,372,749)	(6,061,816)
Finance lease liability	(19,072,825)	(20,593,682)
Underlift	515,597	113,954
Total deferred tax liability	**37,433,311**	**32,073,859**

Deep Water Tano and TEN Field fall under one petroleum agreement whilst West Cape Three Points falls under a separate petroleum agreement. In accordance with the Petroleum Income Tax Act, 1987 these taxes have been ring fenced based on the petroleum agreements to which they relate.

The deferred tax assets and the deferred tax liabilities relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax liability	62,518,712	68,134,506
Deferred tax asset	(25,085,401)	(36,060,647)
Total net deferred tax liability	**(37,433,311)**	**(32,073,859)**

Reconciliation of deferred tax liability

At beginning of year	32,073,859	44,097,527
Accelerated capital allowances for tax purposes	(6,017,437)	(3,200,313)
Movement in tax losses available for set off against future taxable income and other temporary differences	9,856,032	(10,048,523)
Taxable temporary difference movement on finance lease liability	1,520,857	1,225,168
Balance at end of year	**37,433,311**	**32,073,859**

	2021 $	2020 $

13. Provisions

Reconciliation of provisions - At 31 December 2021

	Opening balance	Interest expense	Change in estimate	Total
Decommissioning and environmental rehabilitation	26,579,044	243,171	(10,915,153)	15,907,062

Reconciliation of provisions - At 31 December 2020

	Opening balance	Interest expense	Change in estimate	Total
Decommissioning and environmental rehabilitation	25,931,519	322,810	324,715	26,579,044

The provision relates to future costs of decommissioning oil and gas wells and related facilities. The estimate is based on current legislative requirements, technology, price levels and expected plans for environmental rehabilitation. The discount rate used is 1.55% (2020: 1.23%) with an expected realisation date of 2036 for Jubilee, Teak and Akasa and 2032 for TEN and Wawa. Changes in cost estimates are driven by revisions to the Operator's cost assumptions and estimates.

14. Trade and other payables

	2021	2020
Financial instruments:		
Amounts due to related party	198,501	202,429
Accrued expenses	10,173,793	9,707,836
	10,372,294	**9,910,265**

15. Revenue

	2021	2020
Revenue from contracts with customers		
Sale of crude oil	79,991,822	62,388,290

16. Cost of sales

	2021	2020
Production expenditure	12,860,273	17,514,246
Change in stock	(3,083,210)	5,302,992
Depreciation	28,434,448	37,285,810
	38,211,511	**60,103,048**

17. Other operating income

	2021	2020
Various proceeds	-	68,828

Other operating income in 2020 represents withholding tax refunds received from the RBL lender during the financial year.

Notes to the Annual Financial Statements

		2021 $	2020 $

18. Impairment reversals/(losses)

	Note	2021 $	2020 $
Impairment reversals/(losses)			
Property, plant and equipment	2	2,001,892	(17,907,337)
Intangible assets	3	-	(434,812)
		2,001,892	**(18,342,149)**

19. Operating profit (loss)

Operating profit (loss) for the year is stated after charging (crediting) the following, amongst others:

	2021 $	2020 $
Auditor's remuneration - external		
Audit fees	54,401	44,076
Other		
Business interruption insurance	1,284,920	1,623,930
Exploration costs written off	837	1
Country manager	32,812	35,675

20. Investment income

	2021 $	2020 $
Interest income		
Investments in financial assets:		
Interest income	121,132	834,370

21. Finance costs

	2021 $	2020 $
Lease liabilities	4,800,779	5,142,238
Borrowings	441,779	2,407,462
Interest on decommissioning and environmental rehabilitation provision	243,171	322,810
Total finance costs	**5,485,729**	**7,872,510**

22. Taxation

Major components of the tax expense

	2021 $	2020 $
Current		
Local income tax - current period	7,077,481	1,968,259
Deferred		
Originating and reversing temporary differences	(3,405,870)	(2,618,519)
Benefit of unrecognised tax loss/tax credit	8,765,323	(9,405,149)
	5,359,453	**(12,023,668)**
	12,436,934	**(10,055,409)**

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

	2021	2020
Applicable tax rate	- %	- %
Tax paid in other jurisdictions	34.64 %	36.32 %
	34.64 %	**36.32 %**

	2021 $	2020 $
23. Cash generated from operations		
Profit before taxation	35,900,329	(27,688,804)
Adjustments for:		
Depreciation and amortisation	28,434,448	37,285,810
Interest income	(121,132)	(834,370)
Finance costs	5,485,729	7,872,510
Impairments (reversals)/losses	(2,001,892)	18,342,149
Exploration expenditure reversed	837	1
Re-estimation of decommissioning and rehabilitation provision	(2,279,026)	-
Changes in working capital:		
Inventories	(2,721,623)	4,587,634
Trade and other receivables	(8,464,365)	15,739,509
Trade and other payables	462,029	(2,763,154)
	54,695,334	**52,541,285**

24. Tax paid

	2021 $	2020 $
Charge to profit or loss	(12,436,934)	10,055,409
Movement in deferred taxation	5,359,452	(12,023,668)
Movement in taxation balance	1,658,935	(8,336,533)
	(5,418,547)	**(10,304,792)**

25. Commitments and contingencies

Authorised capital expenditure

	2021 $	2020 $
Already contracted for but not provided for		
• Jubilee field	11,599,110	8,217,328
• TEN development	6,785,825	1,412,719
Not yet contracted for and authorised by directors	-	-

The firm and contingent exploration, appraisal and development spend commitments relate to participating interests in various petroleum agreements in the Republic of Ghana. These commitments will be settled by internal and external funding.

Contingent liabilities

The Ghana Revenue Authority (GRA) conducted an audit of the PetroSA Ghana branch in respect of 2014-2018 years of assessment and on 31 March 2021, issued the final audit assessment of US$47.9 million in respect to corporate tax, withholding tax and branch profits tax. PetroSA Ghana sent notice of objection to the GRA on 26 April 2021. On 21 May 2021, EY Ghana on behalf of PetroSA Ghana issued notice of dispute to the Minister of Energy and Minister of Finance requesting consultation and negotiation with the State. Subsequent to the prior reporting period, on 26 October 2021, the GRA sent a notice withdrawing their audit assessment of US$47.9 million.

	2021 $	2020 $

26. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2021

	Note(s)	Amortised cost	Total
Loans receivable	4	5,892,994	5,892,994
Trade and other receivables	6	8,237,656	8,237,656
Cash and cash equivalents	8	23,156,522	23,156,522
		37,287,172	**37,287,172**

2020

	Note(s)	Amortised cost	Total
Loans receivable	4	6,254,532	6,254,532
Trade and other receivables	6	1,110,450	1,110,450
Cash and cash equivalents	8	56,724,791	56,724,791
		64,089,773	**64,089,773**

Categories of financial liabilities

2021

	Note(s)	Amortised cost	Total
Trade and other payables	14	10,372,294	10,372,294

2020

	Note(s)	Amortised cost	Total
Trade and other payables	14	9,910,265	9,910,265
Financial liability	10	22,284,896	22,284,896
		32,195,161	**32,195,161**

26. Financial instruments and risk management (continued)

Pre tax gains and losses on financial instruments

Gains and losses on financial assets

2021

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Interest income	20	121,132	121,132

2020

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Interest income	20	834,370	834,370

Gains and losses on financial liabilities

2021

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Finance costs	21	(441,779)	(441,779)

2020

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Finance costs	21	(2,407,462)	(2,407,462)

Capital risk management

The company's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the company's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably. The company manages capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

	2021	2020
	$	$

26. Financial instruments and risk management (continued)

Financial risk management

Overview

The company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The company has access to the parent company's risk management and central treasury function that manages the financial risks relating to the company's operations. The company's liquidity, credit and interest rate risks are monitored continually. Approved policies exist for managing these risks.

The company's objective in using financial instruments is to reduce the uncertainty over future cash flows arising from movements in crude oil prices and interest rates. Throughout the year under review it has been, and remains, the company's policy that no speculative trading in derivative instruments be undertaken.

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The company is exposed to credit risk on loans receivable, trade and other receivables and cash and cash equivalents.

Credit risk exposure arising on cash and cash equivalents is managed by the group through dealing with well-established financial institutions with high credit ratings. Loans receivables comprise of transactions with a JV partner. Trade receivables comprise of transactions with a well known listed oil and gas branches, governed by a lifting agreement.

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss. At 31 December 2021, all trade receivables were current. All financial assets were assessed for impairment and taking into consideration the low credit risk associated with these amounts, no impairment loss was identified.

Liquidity risk

The company is exposed to liquidity risk, which is the risk that the company will encounter difficulties in meeting its obligations as they become due. The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources are available to meet cash commitments.

26. Financial instruments and risk management (continued)

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

2021

		Less than 1 year	2 to 5 years	Total	Carrying amount
Current liabilities					
Trade and other payables	14	10,372,294	-	10,372,294	10,372,294
Non-current assets					
Loan receivable	4	-	5,892,994	5,892,994	5,892,994
Current assets					
Trade and other receivables	6	8,237,656	-	8,237,656	8,237,656
Cash and cash equivalents	8	23,156,522	-	23,156,522	23,156,522
		31,394,178	**5,892,994**	**37,287,172**	**37,287,172**
		21,021,884	**5,892,994**	**26,914,878**	**26,914,878**

2020

		Less than 1 year	1 to 2 years	2 to 5 years	Total	Carrying amount
Non-current liabilities						
Financial liability	10	-	13,052,642	-	13,052,642	12,284,896
Current liabilities						
Trade and other payables	14	9,910,265	-	-	9,910,265	9,910,265
Financial liability	10	10,899,685	-	-	10,899,685	10,000,000
		20,809,950	**13,052,642**	**-**	**33,862,592**	**32,195,161**
Non-current assets						
Loans receivable	4	-	-	6,254,532	6,254,532	6,254,532
Current assets						
Trade and other receivables	6	1,110,450	-	-	1,110,450	1,110,450
Cash and cash equivalents	8	56,724,791	-	-	56,724,791	56,724,791
		57,835,241	**-**	**6,254,532**	**64,089,773**	**64,089,773**
		37,025,291	**(13,052,642)**	**6,254,532**	**30,227,181**	**31,894,612**

Foreign currency risk

The company is exposed to foreign currency risk as a result of certain transactions and borrowings which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters. The foreign currencies in which the company deals primarily are Pound sterling and Ghanaian cedi.

		2021 $	2020 $

26. Financial instruments and risk management (continued)

Exposure in foreign currency amounts

The net carrying amounts, in US Dollar, of the various exposures, are denominated in the following currencies. The amounts have been presented in US Dollar by converting the foreign currency amounts at the closing rate at the reporting date:

Rand exposure:			
Current liabilities:			
Trade and other payables	14	16,167	-
Euro exposure:			
Current liabilities:			
Trade and other payables	14	-	2,931
Ghanaian cedi exposure:			
Current assets:			
Cash and cash equivalents	8	25,463	12,080

Foreign currency sensitivity analysis

The following information presents the sensitivity of the company to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

As at 31 December 2021, the total value of foreign currency denominated balances was US$41,629 (2020: US$15,001). A 10% relative change in foreign currency exchange rates to the US Dollar would have impacted profit or loss for the year by US$3,784 (2020: US$1,365).

In the prior year, US$2,204 included under trade and other payables, was shown as having exposure to the Ghanaian Cedi. This exposure was amended to US$12,080 and shown as part of cash and cash equivalents.

Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk. Exposure to interest rate risk on liabilities is monitored on a proactive basis. The financing of the company is structured on floating interest rates.

	2021 $	2020 $

26. Financial instruments and risk management (continued)

Interest rate profile

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

	Note	Average effective interest rate		Carrying amount	
		2021	2020	2021	2020
Variable rate instruments:					
Assets					
Loan receivable	4	1.60 %	2.11 %	5,892,994	6,254,532
Cash and cash equivalents	8	0.04 %	0.69 %	23,156,522	56,724,791
				29,049,516	**62,979,323**
Liabilities					
Financial liability	10	- %	5.40 %	-	(22,284,896)
Net variable rate financial instruments				**29,049,516**	**40,694,427**

Interest rate sensitivity analysis

As at 31 December 2021, a 0.5% relative change (50 basis points) in the US Dollar overnight rate and LIBOR rate respectively would have impacted profit or loss for the year by US$29,465 (2020: US$80,512).

Price risk

Price risk sensitivity analysis

Crude oil prices are subject to price risks associated with timing differences. The volatility in the crude oil prices could result in a revenue deterioration should price drop.

Should attractive hedges become available in the market at an acceptable cost, the price risk is mitigated by hedging the downside risk with an Asian put option. The instruments used are liquid and can be traded and valued at any time. The selling prices are hedged using the Platts Marketwire.

A sensitivity analysis was performed for revenue and every US$1 increase or decrease in the Brent crude oil price will increase or decrease profit by US$1.1 million (2020: US$1.5 million).

	2021 $	2020 $

27. Directors' emoluments

No emoluments were paid to the directors or any individuals holding a prescribed office during the prior year. Emoluments paid during the current year are shown below:

Non-executive

2021

Directors' emoluments	Fees for services as director	Total
Services as director		
Ms S Masinga	672	672
Mr M Xiphu	960	960
Mr L Haywood	1,632	1,632
	3,264	**3,264**

28. Related parties

Holding company	The Petroleum Oil and Gas Corporation of South Africa SOC Ltd (PetroSA)

Related party balances and transactions

PetroSA	2021	2020
Trade and other payables	198,501	202,429
Management fee	349,131	229,962
Other recoveries paid	1,449,021	911,225
Dividend paid	40,000,000	20,000,000

All transactions are carried out on commercial terms and conditions. Outstanding balances are payable in cash.

29. Public Finance Management Act (PFMA)

There was no fruitless, wasteful or irregular expenditure identified during the year.

30. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The director directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

31. Events after the reporting period

On 19 April 2022, the board approved a dividend of US$10 million which was paid on 25 April 2022. On 17 May 2022, the board approved another dividend of US$10 million.

On 12 November 2021, PGL exercised its right to pre-empt within Deepwater Tano Block, located in Ghana, which holds 3.83% equity. The completion of the pre-emption transaction means that PGL will acquire additional equity in the block which will be financed by an approved bridge loan of US$46 million. The transaction was approved by PetroSA Board on 10 February 2022, CEF Board on 14 July, and now awaits final approval by the Minister of Mineral Resources and Energy and National Treasury. Ghana government approvals (GNPC and Ministry of Energy) are also required to finalise and complete the transaction.

On 16 July 2022, the PGL Board resolved to approve the appointment of Standard Bank as the commercial leader to act as mandated lead arranger for the Ghana funding strategy to facilitate the borrowing of a loan up to US$200 million against PGL's assets. Per the pre-export finance facility (PXF) evaluation addendum dated July 2022, it is noted that US$50 million of the PXF facility is being forecasted to facilitate a share buyback of PetroSA Ghana. The finalization of the PXF between PGL and Standard Bank is subject to a due diligence by Standard Bank as well as an approval by National Treasury in line with s66 (Restrictions on borrowing, guarantees and other commitments) of the PFMA.

The directors are not aware of any other material events which occurred after the reporting date and up to the date of this report, which significantly affect the financial position of the company.

32. Joint operations

The company has an interest in two licences whereby sharing accrues to each party in terms of the Petroleum and Joint Operating Agreements in accordance with the respective participating interests in respective of:

a) ownership of all rights and interests in all joint property and hydrocarbons,
b) all obligations incurred under the respective contracts,
c) all liabilities and expenses incurred by the operator and charged to the Joint Account, and
d) all credits accruing to the Joint Account.

Details of each operation are listed below:

Deepwater Tano Contract Area, Offshore Ghana	**PetroSA Ghana Limited**	**Anadarko WCTP Company**	**Kosmos Energy Ghana HC**	**Tullow Ghana Limited (Operator)**	**Ghana National Petroleum Corporation**	**Total**
Exploration and Appraisal	4.50%	20.00%	20.00%	55.50%	-	100%
Development	4.28%	19.00%	19.00%	52.73%	5.00%	100%
Production	3.83%	17.00%	17.00%	47.18%	15.00%	100%

West Cape Three Points Contract Area, Offshore Ghana	**PetroSA Ghana Limited**	**Anadarko WCTP Company**	**Kosmos Energy Ghana HC (Operator)**	**Tullow Ghana Limited**	**Ghana National Petroleum Corporation**	**Total**
Exploration and Appraisal	2.06%	34.31%	34.31%	29.32%	-	100%
Development	2.01%	33.45%	33.45%	28.60%	2.50%	100%
Production	1.80%	30.02%	30.02%	25.66%	12.50%	100%

Jubilee Field Unit, Offshore Ghana	**PetroSA Ghana Limited**	**Anadarko WCTP Company**	**Kosmos Energy Ghana HC**	**Tullow Ghana Limited (Operator)**	**Ghana National Petroleum Corporation**	**Total**
Development	3.04%	26.85%	26.85%	39.62%	3.64%	100%
Production	2.73%	24.08%	24.08%	35.47%	13.64%	100%

Fields under development and in production

1. Movement in net remaining proved and probable reserves

Proved and Probable Reserves	Crude oil MMbbl	Gas Bscf	Crude oil MMbbl	Gas Bscf
	2021	**2021**	**2020**	**2020**
At beginning of year	14.80	9.90	12.50	13.00
Revisions of previous estimates	0.30	-	1.50	0.90
Production	(0.30)	-	(1.50)	(0.90)
Additions	(1.60)	0.80	2.30	(3.10)
At end of year	**13.20**	**10.70**	**14.80**	**9.90**

2. Proved and probable reserves by type of field

Fields in production	13.20	10.70	14.80	9.90

3. Reserves by category

Proved	8.60	5.70	5.30	5.00
Proved and probable	13.20	10.70	14.80	13.00

Notes

Oil

Fields in production and under development comprise the Jubilee oil field and TEN development.

Definitions

Proved reserves

Proved reserves are quantities of petroleum anticipated to be commercially recoverable from known accumulations from a given date forward under the following conditions: Discovered, recoverable, commercial and remaining.

Means the amount of petroleum which geophysical, geological and engineering data indicate to be commercially recoverable to a high degree of certainty. For the purposes of this definition, there is a 90% chance that the actual quantity will be more than the amount estimated as proved and a 10% chance that it will be less.

Proved and probable reserves

Proved and probable reserves are quantities of petroleum anticipated to be commercially recoverable from known accumulations from a given date forward under the following conditions: Discovered, recoverable, commercial and remaining.

Means proved reserves plus the amount of petroleum which geophysical, geological and engineering data indicate to be commercially recoverable but with a greater element of risk than in the case of proved. For the purposes of this definition, there is a 50% chance that the actual quantity will be more than the amount estimated as proved and probable and a 50% chance that it will be less.

Reserves under appraisal

Comprise quantities of petroleum, which are considered, on the basis of information currently available and current economic forecasts, to be commercially recoverable by present producing methods from fields that have been discovered but which require further appraisal prior to commerciality being established.

PetroSA Ghana Limited
(Registration number 1403421)
Annual Financial Statements
for the year ended 31 December 2022
These annual financial statements were internally prepared and supervised by:
Mr R Erasmus FCCA (Manager: Group Financial and Management Accounting) and Ms GN Tyandela CA(SA) (Group Chief Financial Officer) respectively.
Issued 15 June 2023

PetroSA Ghana Limited
Annual Financial Statements for the year ended 31 December 2022

General Information

Country of incorporation and domicile	Virgin Islands (British)
Nature of business and principal activities	The acquisition and development of crude oil and natural gas fields within the Republic of Ghana.
Directors	Mr LC Nene Mr M Xiphu Mr L Haywood
Registered office	Woodbourne Hall, Skelton Bldg P.O. Box 3162 Road Town Tortola VG1110 British Virgin Islands
Postal address	Private Bag X5 Parow 7499
Holding company	The Petroleum Oil and Gas Corporation of South Africa SOC Ltd (PetroSA) incorporated in South Africa
Ultimate holding company	South African Government
Auditors	Auditor-General of South Africa Registered Auditors
Secretary	Ms M Khumalo
Company registration number	1403421

Index

Report of the auditor-general to Parliament on Petroleum Oil and Gas Corporation of South Africa Ghana Limited (PetroSA)

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the PetroSA Ghana Limited set out on pages 14 to 45, which comprise the statement of financial position as at 31 December 2022, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the PetroSA Ghana Limited as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Context for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.

4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the accounting authority for the financial statements

6. The board of directors, which consists of the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS and the requirements of the PFMA; and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

7. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate

governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

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

9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected objective presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

11. I selected the following objective presented in the annual performance report for the year ended 31 December 2022 for auditing. I selected the objective that measures the public entity's performance on its primary mandated functions and that is of significant national, community or public interest:

Objective	Page numbers	Purpose
Objective 1 - Profitability	X	Profitability – Ensure sustainability of PetroSA Ghana

12. I evaluated the reported performance information for the selected objective against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

13. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives

- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements

- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated

- the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents

- the reported performance information is presented in the annual performance report in the prescribed manner

14. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.

15. I did not identify any findings on usefulness and reliability of the reported performance information of the selected objective - Profitability.

Report on compliance with legislation

16. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

17. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

18. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

19. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Strategic planning and performance management

20. An annual shareholder's compact was not concluded in consultation with the executive authority, as required by treasury regulation 29.2.1 and the key performance measures and indicators included in the shareholder's compact were not agreed between the accounting authority and the executive authority, as required by treasury regulation 29.2.2. The accounting authority of the PetroSA group prepared a shareholder's compact for the PetroSA group and submitted it to the Central Energy Fund SOC Ltd (CEF), its holding company, for inclusion in the CEF shareholder's compact.

Other information in the annual report

21. The accounting authority is responsible for the other information included in the annual report, which includes the audit committee's report. The other information referred to does not include the financial statements, the auditor's report and those selected objective presented in the annual performance report that have been specifically reported on in this auditor's report.

22. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

23. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected objective presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

24. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

25. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

26. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on compliance with legislation included in this report.

- Leadership, including the executive authority (minister), did not exercise sufficient oversight responsibility regarding compliance and related internal controls by ensuring that the shareholder's compact was appropriately concluded with the executive authority. The shareholders compact was not signed by the minister and therefore not appropriately concluded as required by treasury regulation 29.2.1.

Auditor-General

Cape Town

23 June 2023

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

1. The annexure includes the following:

   - the auditor-general's responsibility for the audit
   - the selected legislative requirements for compliance testing.

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

2. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objectives and on the public entity's compliance with selected requirements in key legislation.

Financial statements

3. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

   - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
   - conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

4. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

5. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

1. The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999 (PFMA)	Section 50(3)(a) and 50(3)(b) Section 51(a)(ii) and 51(a)(iii) Section 51(b)(i) and 51(b)(ii) Section 51(1)(e)(iii) Section 52(b) Section 54(2)(c), 54(2)(d) Section 55(1)(c)(i) Section 55(1)(a) and (b) Section 57(b) Section 66(3)(a) Section 66(5)
Treasury Regulations	Treasury Regulation 29.1.1 Treasury Regulation 29.1.1(a) and (c) Treasury Regulation 29.2.1 Treasury Regulation 29.2.2 Treasury Regulation 29.3.1 Treasury Regulation 31.2.5 Treasury Regulation 31.2.7(a) Treasury Regulation 31.2.4 Treasury Regulation 31.2.7(a) Treasury Regulation 32.1.1(a),(b) and (c) Treasury Regulation 33.1.1 Treasury Regulation 33.1.3
National Treasury Instruction	Note 3 (2021/22): par 4.1, 4.2, 4.3 and 4.4 Note 4 (2015/16): par 3.4 Note 5 (2020/21): par 4.8, 4.9 and 5. Second amendment NT Instruction No 5 of 2020/21 par 1 Erratum NT Instruction note No 5 of 2020/21 par 2 Note 11 (2020/21): par 3.1, 3.4(b) and 3.9
Preferential Procurement Policy Framework Act of 2000	Section 1 Section 2(1)(a) and 2(1)(f)
Preferential Procurement Regulation	PPR of 2011: - Regulation 9(1) PPR of 2017 - Regulation 4(1) and 4(2) - Regulation 5(1), 5(3), 5(6) and 5(7) - Regulation 6(8) - Regulation 7(8) - Regulation 8(2) and 8(5) - Regulation 9(1) - Regulation 10(1) and 10(2) - Regulation 11(1) PPR of 2022: - Regulation 4(4) and 5(4)
Construction Industry Development Board	CIDB Act 18(1) CIDB Regulation 17 CIDB Regulation 25(7A)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

Legislation	Sections or regulations
BVI Companies Act	Section 124 Section 175 Section 192 Division 4 – section 57(1), 57(2), 57(3) and 58(1)
Standard Bidding Document (SBD)	SBD 6.2 issued in 2015/16

Directors' Responsibilities and Approval

The directors are required to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company’s business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company’s cash flow forecast for the year to 31 December 2023 and, in light of this review and the current financial position, they are satisfied that the company has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 3 to 8.

The annual financial statements set out on pages 14 to 45, which have been prepared on the going concern basis, were approved by the board of directors on 15 June 2023 and were signed on their behalf by:

Approval of financial statements

Director	**Director**

Thursday, 15 June 2023

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of PetroSA Ghana Limited for the year ended 31 December 2022.

1. Directorate

The directors in office, from the approval of the previous report to the date of this report are as follows:

Directors	Designation	Changes
Mr LC Nene	Non-executive	
Mr O Chibambo	Non-executive	Resigned 31 August 2022
Mr M Xiphu	Non-executive	
Mr L Haywood	Non-executive (Chairperson)	

Board Audit Committee

PetroSA Ghana does not have a Board Audit Committee. The PetroSA Board Audit Committee fulfills this role.

2. Secretary

The company secretary is Ms M Khumalo.

Postal address:	Private Bag X5 Parow 7499
Business address:	151 Frans Conradie Drive Parow 7500

3. Nature of business

PetroSA Ghana Limited was incorporated in British Virgin Islands. The company undertakes exploration for, and production of, oil and gas within the Republic of Ghana.

There have been no material changes to the nature of the company's business from the prior year.

4. Review of financial results and activities

Field production results

For 2022, the actual crude oil production entitlement (post royalties) was 790,313bbls (2021: 707,762bbls) from the Jubilee Field and 312,968bbls (2021: 435,253bbls) from the TEN Field. In Jubilee, production performance was higher than projected, averaging 83kbopd (net: 2,2kbopd to PetroSA Ghana Limited). In TEN, production performance was lower than projected, averaging 23kbopd (net: 0.9kbopd to PetroSA Ghana Limited Ongoing improvements in operating performance can be seen in uptime of more than 97% on both operated FPSOs and increased water injection rates and gas processing capacity. The annual gas offtake rate was impacted by overrunning maintenance and subsequent reduced capacity at the Ghana National Gas Company (GNGC) onshore gas processing plant during the fourth quarter of the year. TEN production performance was below forecast largely due to higher production decline rates than expected in some wells. A drilling and workover campaign was re-instated and operations were successfully completed ahead of plan.

Directors' Report

Sustainability of field production

The objective of the Greater Jubilee Full Field Development and the TEN Full Field Development, is to extend/maintain field production and increase reserves. The operational efficiencies on Jubilee's and TEN's FPSO were 97% and 98%, respectively. The transition of Operatorship on the Jubilee FPSO moved from Modec to Tullow, following Modec's Operations and Maintenance Agreement ending in July 2022. This improved efficiencies on the Jubilee FPSO as well as cost reductions (up to 30% cost reduction). Foundation Volume Gas (FVG) of 200 bcf was delivered to the Government of Ghana as of 01 Jan 2023 in compliance with the FVG Sales Agreement. In anticipation of the expiry of the Gas Agreement, an interim substitution agreement was signed for 19 bcf of Jubilee gas at a gas price of $0.50c/mmbtu, in line with the price for the TEN associated gas as referenced in the TEN Gas Sales Agreement (GSA). The interim agreement is expected to expire by mid-2023, where a Greater Jubilee GSA is anticipated to be in place.

The JV partnership continued their efforts to maintain production plateau in the Jubilee Field and arrest oil production decline in the TEN Field. To that end, one of the five wells drilled in the Jubilee Field were in Jubilee Southeast (JSE - previously known as Mahogany Field), which are planned to be completed and tied back to the production facility during 2023. Completion of JSE will mark the completion of the major infrastructure spend. The remaining infill wells were drilled in the main Jubilee area. These wells contributed significantly towards production in 2022.

Overall production from the TEN Field was below forecast. Three wells were drilled in 2022 with one being successful and producing at good rates. The other two wells did not encounter economically developable resources and will not be completed in 2023 as originally intended, thus reducing previously forecasted 2023 production rates. To mitigate the reduced oil production rates in TEN, a long-term strategy to monetise the remaining TEN resources is being matured. The phased enhancement development strategy seeks to incorporate new areas near existing infrastructure which will include development of the significant gas resources and the drilling of prospective resources. The plan of development is scheduled to be submitted to the Government of Ghana later in 2023.

Financial Performance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of The Companies Act 71 of 2008. In preparing the financial statements, the directors confirm that suitable accounting policies have been used and reasonable and prudent judgment and estimates have been made in the preparation of the financial statements for the year ended 31 December 2022. Full details of the financial position, results of operations and cash flows of the company are set out in these audited annual financial statements.

Pre-emption

PetroSA Ghana Limited exercised its right of pre-emption related to the sale of Occidental Petroleum's interest in the Jubilee and TEN fields in Ghana to Kosmos on 13 November 2021. The transaction comprised Kosmos (0.62%) and Jubilee Oil Holdings Limited (2.33%).

In December 2022, the Ghana Ministry of Energy expressed a lack of support for the PetroSA Ghana Jubilee Oil Holdings Limited pre-emption transaction including reasons thereof.

At the long stop date of 10 February2023, the Kosmos pre-emption transaction had not been approved by the Ghana Authorities (Ghana National Petroleum Company and Ministry of Energy).

These matters are being addressed by the PetroSA board.

Additional oil entitlement (AOE)

The Ghana Revenue Authority has issued a provisional tax assessment for the amount of US$5.8 million for the period 2006-2016. The branch together with its joint venture partners in the producing asset have disputed the revenue authority's provisional assessment. The Minister of Finance of Ghana has suspended all action of enforcement of the provisional tax assessment. Furthermore the Ministry of Finance in Ghana is now mediating between the Ghana Revenue Authority, the Ghana National Petroleum Company (GNPC) and the joint venture partners to resolve the impasse..

Full details of the financial position, results of operations and cash flows of the company are set out in these annual financial statements.

5. Share capital

There have been no changes to the authorised or issued share capital during the year under review. Details of the share capital of the company are set out in note 9 to the annual financial statements.

Directors' Report

6. Dividends

The Board recommended the approval of a final dividend of US$52 million (2021:US$40 million).

7. Other information

During the year, no significant or material contract was entered into in which directors of the company had an interest which significantly or materially affected the business of the company.

The Ghana Revenue Authority (GRA) conducted an audit of the PetroSA Ghana company in respect of 2014-2018 years of assessment and on 31 March 2021, issued the final audit assessment of US$47.9 million in respect to corporate tax, withholding tax and company profits tax. PetroSA Ghana sent notice of objection to the GRA on 26 April 2021. On 21 May 2021, EY Ghana on behalf of PetroSA Ghana issued notice of dispute to the Minister of Energy and Minister of Finance requesting consultation and negotiation with the State. Subsequent to the prior reporting period, on 26 October 2021, the GRA sent a notice withdrawing their audit assessment of US$47.9 million.

A final demand notice was received in July 2022 followed by 3rd party notices sent to the operator, Tullow Ghana. In December 2022 PetroSA Ghana agreed to pay 30% of assessed liability (US$ 14.4m). In return the GRA agreed to consider the objection lodged to the assessment and enter a consultation process in order to resolve the matter. PetroSA Ghana is awaiting the outcome of the objection.

The company did not undertake any corporate social responsibility activities during the year.

The director of the company did not attend any training programs or conferences during the year ended 31 December 2022.

8. Shareholder

The company is a wholly-owned subsidiary of PetroSA.

Directors' Report

9. Events after the reporting period

The directors are not aware of any other material events which occurred after the reporting date and up to the date of this report, which significantly affect the financial position of the company.

10. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

The annual financial statements set out on pages 14 to 45, which have been prepared on the going concern basis, were approved by the board of directors on 15 June 2023, and were signed on its behalf by:

Approval of annual financial statements

Director	**Director**
Non-executive	**Non-executive**
Thursday, 15 June 2023	**Thursday, 15 June 2023**

Statement of Financial Position as at 31 December 2022

	Note(s)	2022 $	2021 $
Assets			
Non-Current Assets			
Property, plant and equipment	2	181,040,150	189,928,623
Intangible assets	3	9,820,968	9,818,386
Loans receivable	4	4,992,943	5,892,994
		195,854,061	**205,640,003**
Current Assets			
Inventories	5	1,576,293	4,831,671
Trade and other receivables	6	18,724,530	10,050,362
Cash and cash equivalents	8	8,655,868	23,156,522
		28,956,691	**38,038,555**
Total Assets		**224,810,752**	**243,678,558**
Equity and Liabilities			
Equity			
Share capital	9	121,861,586	121,861,586
Retained income		(5,872,569)	2,469,406
		115,989,017	**124,330,992**
Liabilities			
Non-Current Liabilities			
Lease liabilities	10	44,869,651	49,884,129
Deferred tax	11	36,096,415	37,433,311
Provisions	12	12,929,771	15,907,062
		93,895,837	**103,224,502**
Current Liabilities			
Trade and other payables	13	5,404,064	10,372,294
Lease liabilities	10	5,014,478	4,609,656
Current tax payable	7	4,507,355	1,141,114
		14,925,897	**16,123,064**
Total Liabilities		**108,821,734**	**119,347,566**
Total Equity and Liabilities		**224,810,751**	**243,678,558**

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2022 $	2021 $
Revenue	14	113,966,477	79,991,822
Cost of sales	15	(41,084,734)	(38,211,511)
Gross profit		**72,881,743**	**41,780,311**
Impairment losses	16	-	2,001,892
Other operating expenses		(1,705,386)	(2,517,277)
Operating profit (loss)	17	**71,176,357**	**41,264,926**
Investment income	18	549,286	121,132
Finance costs	19	(4,910,194)	(5,485,729)
Profit (loss) before taxation		**66,815,449**	**35,900,329**
Taxation	20	(23,157,424)	(12,436,934)
Profit (loss) for the year		**43,658,025**	**23,463,395**
Other comprehensive income		-	-
Total comprehensive income (loss) for the year		**43,658,025**	**23,463,395**

Statement of Changes in Equity

	Share capital $	Retained income $	Total equity $
Balance at 01 January 2021	**121,861,586**	**19,006,011**	**140,867,597**
Profit for the year	-	23,463,395	23,463,395
Total comprehensive income for the year	**-**	**23,463,395**	**23,463,395**
Dividends	-	(40,000,000)	(40,000,000)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**(40,000,000)**	**(40,000,000)**
Balance at 01 January 2022	**121,861,586**	**2,469,406**	**124,330,992**
Profit for the year	-	43,658,025	43,658,025
Total comprehensive income for the year	**-**	**43,658,025**	**43,658,025**
Dividends	-	(52,000,000)	(52,000,000)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**(52,000,000)**	**(52,000,000)**
Balance at 31 December 2022	**121,861,586**	**(5,872,569)**	**115,989,017**
Note(s)	9		

Statement of Cash Flows

	Note(s)	2022 $	2021 $
Cash flows from operating activities			
Cash generated from operations	21	85,068,475	54,695,334
Interest income		549,286	121,132
Finance costs		(4,427,880)	(5,242,558)
Tax paid	22	(21,128,078)	(5,418,547)
Net cash from operating activities		**60,061,803**	**44,155,361**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(18,806,392)	(11,348,269)
Purchase of other intangible assets	3	(46,460)	(106,696)
Receipts from loans receivable at amortised cost		900,051	361,538
Net cash from investing activities		**(17,952,801)**	**(11,093,427)**
Cash flows from financing activities			
Repayment of financial liability		-	(22,284,896)
Payment on lease liabilities		(4,609,656)	(4,345,307)
Dividends paid		(52,000,000)	(40,000,000)
Net cash from financing activities		**(56,609,656)**	**(66,630,203)**
Total cash movement for the year		**(14,500,654)**	**(33,568,269)**
Cash at the beginning of the year		23,156,522	56,724,791
Total cash at end of the year	8	**8,655,868**	**23,156,522**

Accounting Policies

1. Presentation of annual financial statements

The following are the principal accounting policies used by the company which are, in all material respects, consistent with those applied in the previous year, except as otherwise indicated.

1.1 Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), Public Finance Management Act (PFMA) as well as the Companies Act 71 of 2008.

These annual financial statements are presented in United States Dollars which is also the company's functional currency and all values are rounded to the nearest dollar, except when otherwise indicated.

1.2 Joint operations

Joint operations

When the company undertakes its activities under a joint operation, the company as joint operator recognises in relation to its interest in the joint operation its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output of the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly.

The company accounts for assets, liabilities, revenues and expenses relating to its interest in joint operations in accordance with applicable IFRS.

1.3 Property, plant and equipment

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably. All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any.

Oil and gas production assets are the aggregated exploration and evaluation tangible assets, and development expenditure associated with the production of proved reserves. Subsequent expenditure which enhances or extends the performance of oil and gas production assets beyond their original specifications is recognised as capital expenditure and added to the original cost of the asset.

Production assets are depreciated from the date production commences, on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of proved and probable reserves at the end of the period plus the production in the period, on a field-by-field basis. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs required to recover the commercial reserves remaining. Units of production rates are based on the proved and probable developed reserves, which are oil, gas and other mineral reserves estimated to be recoverable from existing facilities using current operating methods. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Where there has been a change in economic conditions that indicates a possible impairment in a discovery field, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted future cash flows based on management’s expectations of future oil and gas prices and future costs. Where there is evidence of economic interdependency between fields, such as common infrastructure, the fields are grouped as a single cash generating unit for impairment purposes.

Any impairment identified is charged to the statement of profit or loss and other comprehensive income. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the statement of profit or loss and statement of other comprehensive income, net of any amortisation that would have been charged since the impairment.

Restoration costs

Cost of property, plant and equipment also includes the estimated costs of dismantling and removing the assets and site rehabilitation costs.

1.3 Property, plant and equipment (continued)

Estimated decommissioning and restoration costs are based on current requirements, technology and price levels. Provision is made for all net estimated abandonment costs as soon as an obligation to rehabilitate the area exists, based on the present value of the future estimated costs. These costs are deferred and are depreciated over the useful life of the assets to which they relate using the unit of production method based on the same reserve quantities as are used for the calculation of depletion of oil and gas production assets.

The amount recognised is the estimated cost of restoration, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the restoration provision is included as a finance cost.

1.4 Intangible assets

Exploration, evaluation and development and restoration costs of oil and gas wells

The company adopts the successful efforts method of accounting for exploration and evaluation costs. Under the successful efforts method, only those costs that lead directly to the discovery, acquisition, or development of specific discrete mineral reserves are capitalised and become part of the capitalised costs of the cost centre. Costs that are known to fail to meet this criterion (at the time of incurrence) are generally charged to the statement of profit or loss as an expense in the period they are incurred.

For the treatment of restoration costs, refer to property, plant and equipment.

Exploration and evaluation costs

All costs relating to the acquisition of licences, exploration and evaluation of a well, field or exploration area are initially capitalised. Directly attributable administration costs and interest payable are capitalised insofar as they relate to specific development activities.

These costs are not depreciated but written off as exploration costs in profit or loss unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment.

Development costs

Costs of development wells, platforms, well equipment and attendant production facilities are capitalised. The cost of production facilities capitalised includes finance costs incurred until the production facility is completed and ready for the start of the production phase. All development wells are not depreciated until production starts and then they are depreciated on the unit of production method calculated using the estimated proved and probable reserves.

1.5 Impairment of non-financial assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated as the higher of fair value less costs of disposal and value-in-use.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, its carrying amount is reduced to the higher of its recoverable amount and zero. Impairment losses are recognised in profit or loss. Subsequent to the recognition of the impairment loss, the depreciation or amortisation charge for the asset is adjusted to allocate its remaining carrying value, less any residual value, over its remaining useful life.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had an impairment loss not been recognised in prior years. A reversal of an impairment loss is recognised in profit or loss.

1.6 Leases

For any new contracts entered into, the company considers whether a contract is, or contains a lease. To qualify as a lease, a contract must meet three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the company;

1.6 Leases (continued)

- the company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- the company has the right to direct the use of the identified asset throughout the period of use. The company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The company also assesses the right-of-use asset for impairment when such indicators exist.

The company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the company's incremental borrowing rate. The incremental borrowing rate is the estimated rate that the company would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value. This rate is adjusted should the lessee entity have a different risk profile to that of the company.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments, with the corresponding adjustment reflecting in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

1.7 Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise. Exchange differences that relate to borrowing and cash and cash equivalents are presented in the statement of profit or loss finance costs and investment income.

Accounting Policies

1.8 Financial instruments

Financial assets

1.8.1 Initial recognition and measurement

Financial assets are classified, at initial recognition, as measured at amortised cost. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets (including loans receivable and cash and cash equivalents) are initially measured at fair value adjusted for transaction costs (where applicable).

The classification is determined by both:

- the company's business model for managing the financial asset.
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

1.8.2 Subsequent measurement

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method and are subject to impairment. Discounting is omitted where the effect of discounting is immaterial. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The company's financial assets at amortised cost includes trade and other receivables and financial assets.

1.8.3 Derecognition

A financial asset is primarily derecognised when:

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

1.8.4 Impairment

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. The company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

1.8 Financial instruments (continued)

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (‘Stage 1’) and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (‘Stage 2’).

12-month expected credit losses’ (ECL) are recognised for the first category while ‘lifetime expected credit losses’ are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. For trade receivables and contract assets, the company applies a simplified approach in calculating ECLs. Therefore, the company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

1.8.5 Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as measured at amortised cost. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the company designated a financial liability at fair value through profit or loss.

1.8.6 Subsequent measurement

Financial liabilities at amortised cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

The company’s financial liabilities at amortised cost includes financial liabilities and trade and other payables.

1.8.7 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification, it is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

1.8.8 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Accounting Policies

1.9 Fair value considerations

For financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to their fair value measurement in its entirety, are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the group can access at measurement date;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable for the asset or liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The fair values at which financial instruments are carried at the reporting date have been determined using available market prices. Where market prices are not available, fair values have been calculated by discounting expected future cash flows at prevailing interest rates. The carrying amounts of financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair values due to the short term trading cycle of these items.

1.10 Inventories

Inventory is measured at the lower of cost and net realisable value according to the weighted average method.

1.11 Taxation

Current tax assets and liabilities

The tax expense for the period comprises current and deferred tax. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities.

Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. The charge for current tax is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that have been enacted or substantially enacted at the reporting date.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date at the tax rates that have been enacted or substantively enacted at the reporting date.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset, current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.11 Site restoration and dismantling cost (continued)

Deferred tax asset

A deferred tax asset is only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, unless specifically exempt.

Deferred tax liability

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

1.12 Provisions

Provisions represent liabilities of uncertain timing or amounts.

Provisions are recognised when a present legal or constructive obligation exists, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation.

Provisions are measured at the expenditure required to settle the present obligation. Where the effect of discounting is material, provisions are measured at their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks for which future cash flow estimates have not been adjusted. The increase in the provision due to passage of time is recognised as finance costs.

Provision for the cost of environmental and other remedial work such as reclamation costs, close down and restoration costs is made when such expenditure is probable and the cost can be estimated with a reasonable range of possible outcomes.

The amount recognised is the estimated cost of restoration, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of restoration or restoration cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. Any reduction in the restoration liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

1.13 Over/under lift

Lifting or off take arrangements for oil and gas produced in certain of the company's jointly owned operations are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative production less stock is 'underlift' or 'overlift'. Underlift and overlift are valued at production cost and included within receivables and payables respectively. Movements during an accounting period are adjusted through cost of sales such that gross profit is recognised on an actual liftings basis.

Accounting Policies

1.14 Revenue from contracts with customers

Revenue arises mainly from the sale of crude oil and gas products. Revenue from contracts with customers is recognised when control of the products is transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled to, net of discounts, returns and VAT, in exchange for those products.

To determine whether to recognise revenue, the company follows the 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Sale of products

The sale of products includes, but is not limited to crude oil and gas. Revenue from the sale of products is recognised when the company transfers control of the product to the customer. Control is transferred at the point of delivery.

1.15 Investment income

Investment income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life to the net carrying amount on initial recognition.

1.16 Borrowing and finance costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until the assets are substantially ready for their intended use or sale. Qualifying assets are assets that necessarily take a substantial period to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets.

Other borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Subsequent events

Recognised amounts in the annual financial statements are adjusted to reflect events arising after the reporting date that provide evidence of conditions that existed at the reporting date. Events after the reporting date that are indicative of conditions that arose after the reporting date are dealt with by way of a note.

1.18 Adoption of International Financial Reporting Standards

The following standards and amendments to existing standards have been published and are not yet effective and the company has not adopted them earlier.

1. **Amendments to IAS 1**, (effective 1 January 2023). Classification of Liabilities as current or non-current: Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.

Disclosure of Accounting Policies: The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.

Accounting Policies

2. **Amendments to IAS 8**, (effective 1 January 2023). Definition of Accounting Estimates: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The requirements for recognising the effect of change in accounting estimates prospectively remain unchanged.

3. **Amendments to IAS 12**, (effective 1 January 2023). Deferred Tax related to assets and liabilities arising from a single transaction: The amendment clarifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations, by clarifying when the exemption from recognising deferred tax would apply to the initial recognition of such items.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

1.19 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements in terms of IFRS, the company's management is required to make certain estimates and assumptions that may materially affect reported amounts of assets and liabilities at the date of the annual financial statements and the reported amounts of revenues and expenses during the reported period and the related disclosures. As these estimates and assumptions concern future events, due to the inherent uncertainty involved in this process, the actual results often vary from the estimates. These estimates and judgements are based on historical experience, current and expected future economic conditions and other factors, including expectations of the future events that are believed to be reasonable under the circumstances.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Carrying value of intangible exploration and evaluation assets

The amount of intangible exploration and evaluation assets represent active exploration assets. These amounts will be written off to the statement of profit or loss and comprehensive income as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indicators of impairment.

The key areas in which management have applied judgement are as follows: the company’s intention to proceed with a future work programme for a prospect or licence; the likelihood of licence renewal or extension; and the success of a well result or geological or geophysical survey.

Units of production (UOP) depreciation of oil and gas assets

Oil and gas properties are depreciated using the UOP method. The actual production for the period is divided by the total proved developed and undeveloped hydrocarbon reserves. This results in a depreciation/amortisation charge (UOP rate) proportional to the depletion of the anticipated remaining production from the field.

The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation/amortisation will be impacted to the extent that actual production in the future is different from current forecast production based on total proved reserves whereas the life of each item and the total recoverable reserves is impacted by future capital expenditure (because the future estimated capex does not affect the UOP rate directly; it only affects the life and value of the assets to be depreciated).

Accounting Policies

1.19 Significant judgements and sources of estimation uncertainty (continued)

Recoverability of oil and gas assets

The company assesses its cash generating unit (CGU) at each reporting period to determine whether any indication of impairment exists. Impairment tests are performed when there is an indication of impairment of assets or a reversal of previous impairments of assets. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal (FVLCD) and value in use (VIU).

Management therefore has implemented certain impairment indicators and these include movements in exchange rates, commodity prices and the economic environment its businesses operate in. Estimates are made in determining the recoverable amount of assets which include the estimation of cash flows and discount rates used.

In estimating the cash flows, management base cash flow projections on reasonable and supportable assumptions that represent managements' best estimate of the range of economic conditions that will exist over the remaining useful life of the assets, based on publicly available information.

The discount rates used are post-tax rates that reflect the current market assessment of the time value of money and the risks specific to the assets for which the future cash flow estimates have not been adjusted.

These estimates and assumptions are subject to risk and uncertainty. A pre-tax assessment would yield the same result. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of CGUs.

Hydrocarbon reserve and resource estimates

Management opted to use proven and probable for determining estimates in these financial statements. Proven reserves are oil and gas which has not been produced but has been located and is "recoverable reserves". Proven reserves refers to reserves that are assessed to be >90 % probable. If a reserve's resources can be recovered using current technology but is not economically profitable it is considered "technically recoverable" but cannot be considered a proven reserve. Reserves less than 90% recoverable but more than 50% are considered "probable reserves".

Commercial reserves are proven and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50 per cent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves and a 50 per cent statistical probability that it will be less.

The company estimates its commercial reserves and resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices.

Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. The carrying amount of oil development and production assets at 31 December 2022 is shown in note 2.

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

- The carrying value of exploration and evaluation assets and production assets may be affected due to changes in estimated future cash flows;
- Depreciation and amortisation charges in the statement of profit or loss and other comprehensive income may change where such charges are determined using the units of production method.
- Provisions for decommissioning may change, where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities.
- The recognition and carrying value of deferred tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

Accounting Policies

1.19 Significant judgements and sources of estimation uncertainty (continued)

Contingent liabilities

Management considers the existence of possible obligations which may arise from legal action as well as the possible non-compliance of the requirements of completion guarantees and other guarantees provided. The estimation of the amount disclosed is based on the expected possible outflow of economic benefits should there be a present obligation.

Environmental and decommissioning provisions

Provision is made for environmental and decommissioning costs where either a legal or constructive obligation is recognised as a result of past events. Estimates are made in determining the present obligation of environmental and decommissioning provisions, which include the actual estimate, the discount rate used and the expected date of closure of mining activities in determining the present value of environmental and decommissioning provisions. Estimates are based upon costs that are regularly reviewed, by internal and external experts, and adjusted as appropriate for new circumstances.

Valuation assumptions

The following valuation assumptions were used in assessing estimates and judgements and are regarding as the best estimates by the board.

2022 assumptions	Unit	2023	2024	2025	2026 - 2027
Brent crude	USD/barrel	83.88	80.47	73.55	67.27
US CPI	Year-on-year	3.80	2.50	2.00	2.00

2021 assumptions	Unit	2022	2023	2024	2025 - 2026
Brent crude	USD/barrel	78.00	69.40	67.70	61.80
USD CPI	Year-on-year	3.50	2.20	2.10	2.00

2. Property, plant and equipment

	2022			2021		
	Cost	Accumulated depreciation & impairment	Carrying value	Cost	Accumulated depreciation & impairment	Carrying value
Production assets	549,251,316	(368,211,165)	181,040,151	530,408,789	(341,036,515)	189,372,274
Restoration costs	9,268,747	(9,268,748)	(1)	9,825,097	(9,268,748)	556,349
Total	**558,520,063**	**(377,479,913)**	**181,040,150**	**540,233,886**	**(350,305,263)**	**189,928,623**

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Transfers	Change in estimate	Depreciation	Total
Production assets	189,372,274	18,806,392	36,135	-	(27,174,650)	181,040,151
Restoration costs	556,349	-	-	(556,350)	-	(1)
	189,928,623	**18,806,392**	**36,135**	**(556,350)**	**(27,174,650)**	**181,040,150**

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Transfers	Change in estimate	Depreciation	Impairment reversal	Total
Production assets	204,385,556	11,348,269	3,911	-	(28,367,354)	2,001,892	189,372,274
Restoration costs	8,015,750	-	-	(7,392,307)	(67,094)	-	556,349
	212,401,306	**11,348,269**	**3,911**	**(7,392,307)**	**(28,434,448)**	**2,001,892**	**189,928,623**

Leased property, plant and equipment

Production assets include property, plant and equipment leased under a finance lease (refer to note). These assets were initially capitalised at US$71.9 million. This acquisition was treated as a non-cash addition to property, plant and equipment.

Restoration costs

Changes in cost estimates are driven by revisions to the Operators's cost assumptions and estimates. The discount rate used is 3.87% (2021: 1.55%), reduced significantly with an expected realisation date of 2036 for Jubilee, Teak and Akasa and 2032 for TEN and Wawa. Also see Provisions note 12.

Impairment

No impairment recognised in the current financial year (2021: US$2 million impairment reversal). This was determined by comparing the CGU's carrying value at year-end against the expected present value of the free cash flows (net present value) from this CGU, based on a fixed life of field per the reserves audit report. These cash flows are management's best estimate taking into account past experience and future economic assumptions, such as forward curves for crude oil, product prices and discounted using the WACC of 13.44% (2021: 11%).

The company will continue to review the recoverable amounts of the cash-generating units in the event of future changes in reserves and relevant macroeconomic indicators.

	2022 $	2021 $

3. Intangible assets

	2022			2021		
	Cost	Accumulated amortisation & impairment	Carrying value	Cost	Accumulated amortisation & impairment	Carrying value
Exploration and appraisal	12,036,644	(2,215,676)	9,820,968	12,034,062	(2,215,676)	9,818,386

Reconciliation of intangible exploration and evaluation assets - 2022

	Opening balance	Additions	Disposals	Transfers	Total
Exploration and appraisal	9,818,386	46,460	(7,743)	(36,135)	9,820,968

Reconciliation of intangible exploration and evaluation assets - 2021

	Opening balance	Additions	Disposals	Transfers	Change in estimate	Total
Exploration and appraisal	9,716,438	106,696	(837)	(3,911)	-	9,818,386
Restoration costs	1,243,821	-	-	-	(1,243,821)	-
	10,960,259	**106,696**	**(837)**	**(3,911)**	**(1,243,821)**	**9,818,386**

Borrowing costs capitalised

Borrowing costs capitalised to qualifying assets	-	101,667
Capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation	- %	4.74 %

Exploration write off

Well and other related costs from relinquished areas reversed during the year amounted to US$7,734 (2021: US$837).

Impairment assessment

The impairment assessment performed for the company, which includes both property, plant and equipment and intangible assets, resulted in no impairment charge for the year (2021: US$0) on intangible assets. For further details regarding the impairment, refer to the property, plant and equipment note.

Notes to the Annual Financial Statements

	2022 $	2021 $

4. Loans receivable

Loans receivable are presented at amortised cost, which is net of loss allowance, as follows:

Ghana National Petroleum Corporation (GNPC) The loan in respect of TEN Development capital expenditure bears interest at LIBOR plus a margin percentage of 1.5% per annum and the loan in respect of the TEN Development gas export pipeline expenditure bears interest at 15 % per annum. The loan will be repaid with 40% of GNPC's receivables per each lifting of TEN production until the liability is fully discharged. TEN Development delivered first oil in August 2016. There is currently no signed agreement in place between the GNPC and the joint venture partners regarding the repayment terms however repayment proposals are currently being considered and evaluated in order to reach an agreement with the joint venture partners.	4,992,943	5,892,994

5. Inventories

The amounts attributable to the different categories are as follows:	-	-
Crude oil	1,576,293	4,831,671
	1,576,293	**4,831,671**

6. Trade and other receivables

Financial instruments:		
Trade receivables	-	7,785,553
Other receivables	255,779	452,103
Non-financial instruments:		
VAT	615,188	130,343
Other receivables GRA	14,381,797	-
Underlift	3,187,634	1,473,135
Prepayments	284,132	209,228
Total trade and other receivables	**18,724,530**	**10,050,362**

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

At amortised cost	255,779	8,237,656
Non-financial instruments	18,468,751	1,812,706
	18,724,530	**10,050,362**

Exposure to credit risk

Trade receivables inherently expose the company to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due.

Trade receivables are generally settled on a short time frame and financial assets are due from counterparties without material credit risk concerns.

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts. Prepayments consisted of annual licences with the Petroleum Commission and Tullow operational insurance recharges.

Notes to the Annual Financial Statements

	2022 $	2021 $

7. Current tax (payable)/receivable

	2022	2021
Opening balance	(1,141,114)	517,821
Charge for the year	(24,494,320)	(7,077,481)
Payments	21,128,079	5,418,546
	(4,507,355)	**(1,141,114)**

8. Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Cash and cash equivalents consist of:

	2022	2021
Cash on hand	2,562,000	23,100,000
Bank balances	6,093,868	56,522
	8,655,868	**23,156,522**

Credit quality of cash at bank and short-term deposits

The credit quality of cash at bank and short term deposits can be assessed by reference to external credit ratings. Short term deposits mature in less than three months. Cash balances are US Dollar denominated and currently held with banks with the following credit rating.

Credit rating	2022	2021
Aaa-mf	2,562,000	23,100,000
A1	6,069,465	-
Baa2	-	31,059
Caa1	-	25,463
Caa3	24,403	-
	8,655,868	**23,156,522**

9. Share capital

	2022	2021
Authorised		
60,000 Ordinary shares of no par value	-	-
Issued		
50,018 Ordinary no par value shares	121,861,586	121,861,586

These shares served as security for the Reserve Based Lending Facility. The facility has now been fully repaid.

10. Leases (company as lessee)

The company has a lease for a floating production storage and offloading unit (FPSO) in the TEN field in Ghana. The lease is reflected on the balance sheet as a right-of-use asset in property, plant and equipment and a corresponding lease liability. At commencement date the liability was calculated as the present value of future lease payments, discounted using the company's incremental borrowing rate.

PetroSA Ghana Ltd, together with its joint venture partners, entered into a finance lease with MODEC for the leasing of a floating production storage and offloading unit (FPSO) in the TEN field. The lease was initially recognised at US$71.9 million in the 2017 financial year. The present value of the lease liability unwinds over the expected life of the lease and is reported within finance costs as finance leases. The initial lease period is 10 years with an option for an additional 10 years, until end of life of field. The imputed interest rate is 8.4%. The company's obligations are secured by the lessor's charge over the leased assets. For total lease cash outflows, refer to the Statement of cash flows.

There are no short-term leases and leases of low-value underlying assets. The company has no other leases.

Notes to the Annual Financial Statements

	2022 $	2021 $

10. Leases (company as lessee) (continued)

Details pertaining to leasing arrangements, where the company is lessee are presented below:

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are included in the following line items:

	2022 $	2021 $
Production assets	34,723,162	38,803,164

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in cost of sales (note 15).

	2022 $	2021 $
Production assets	4,080,001	4,679,515

Other disclosures

	2022 $	2021 $
Interest expense on lease liabilities	4,427,880	4,800,779

Lease liabilities

The maturity analysis of lease liabilities is as follows:

	2022 $	2021 $
Within one year	9,037,536	9,037,536
Two to five years	35,960,830	34,994,106
More than five years	30,957,991	40,962,250
	75,956,357	84,993,892
Less finance charges component	(26,072,228)	(30,500,107)
	49,884,129	**54,493,785**
Non-current liabilities	44,869,651	49,884,129
Current liabilities	5,014,478	4,609,656
	49,884,129	**54,493,785**

Notes to the Annual Financial Statements

	2022 $	2021 $

11. Deferred tax

Deferred tax liability

	2022 $	2021 $
Accelerated capital allowances for tax purposes	56,965,608	62,003,115
Tax losses available for set off against future taxable income	-	(639,827)
Provisions	(4,525,420)	(5,372,749)
Finance lease liability	(17,459,445)	(19,072,825)
Underlift & Other receivables	1,115,672	515,597
Total deferred tax liability	**36,096,415**	**37,433,311**

Deep Water Tano and TEN Field fall under one petroleum agreement whilst West Cape Three Points falls under a separate petroleum agreement. In accordance with the Petroleum Income Tax Act, 1987 these taxes have been ring fenced based on the petroleum agreements to which they relate.

The deferred tax assets and the deferred tax liabilities relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

	2022 $	2021 $
Deferred tax liability	58,081,280	62,518,712
Deferred tax asset	(21,984,865)	(25,085,401)
Total net deferred tax liability	**(36,096,415)**	**(37,433,311)**

Reconciliation of deferred tax liability

	2022 $	2021 $
At beginning of year	37,433,311	32,073,859
Accelerated capital allowances for tax purposes	(5,037,507)	(6,017,437)
Movements in net temporary differences available for set off against future taxable income and other temporary differences	2,087,231	9,856,032
Taxable temporary difference movement on finance lease liability	1,613,380	1,520,857
Balance at end of year	**36,096,415**	**37,433,311**

12. Provisions

Reconciliation of provisions - At 31 December 2022

	Opening balance	Interest expense	Change in estimate	Total
Decommissioning and environmental rehabilitation	15,907,062	482,314	(3,459,605)	12,929,771

Reconciliation of provisions - At 31 December 2021

	Opening balance	Interest expense	Change in estimate	Total
Decommissioning and environmental rehabilitation	26,579,044	243,171	(10,915,153)	15,907,062

The provision relates to future costs of decommissioning oil and gas wells and related facilities. The estimate is based on current legislative requirements, technology, price levels and expected plans for environmental rehabilitation. The discount rate used is 3.87% (2021: 1.55%) with an expected realisation date of 2036 for Jubilee, Teak and Akasa and 2032 for TEN and Wawa. Changes in cost estimates are driven by revisions to the Operator's cost assumptions and estimates.

13. Trade and other payables

	2022 $	2021 $
Financial instruments:		
Amounts due to related party	490,454	198,501
Accrued expenses	4,913,610	10,173,793
	5,404,064	**10,372,294**

Notes to the Annual Financial Statements

		2022 $	2021 $

14. Revenue

Revenue from contracts with customers			
Sale of crude oil		113,966,477	79,991,822

15. Cost of sales

Production expenditure		13,155,171	12,860,273
Change in stock		754,913	(3,083,210)
Depreciation		27,174,650	28,434,448
		41,084,734	**38,211,511**

16. Impairment reversals/(losses)

Impairment reversals/(losses)			
Property, plant and equipment	2	-	2,001,892

17. Operating profit (loss)

Operating profit (loss) for the year is stated after charging (crediting) the following, amongst others:

Auditor's remuneration - external			
Audit fees		38,160	41,499
Other			
Business interruption insurance		1,347,420	1,284,920
Exploration costs written off		7,734	837
Country manager		32,975	32,812

18. Investment income

Interest income			
Investments in financial assets:			
Interest income		549,286	121,132

19. Finance costs

Lease liabilities		4,427,880	4,800,779
Borrowings		-	441,779
Interest on decommissioning and environmental rehabilitation provision		482,314	243,171
Total finance costs		**4,910,194**	**5,485,729**

	2022 $	2021 $

20. Taxation

Major components of the tax (income) expense

Current		
Local income tax - current period	24,494,321	7,077,481
Deferred		
Originating and reversing temporary differences	(1,336,897)	(3,405,870)
Benefit of unrecognised tax loss/tax credit	-	8,765,323
	(1,336,897)	**5,359,453**
	23,157,424	**12,436,934**

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	- %	- %
Tax paid in other jurisdictions	34.66 %	34.64 %
	34.66 %	**34.64 %**

21. Cash generated from operations

(Loss) profit before taxation	66,815,449	35,900,329
Adjustments for:		
Depreciation and amortisation	27,174,650	28,434,448
Interest income	(549,286)	(121,132)
Finance costs	4,910,194	5,485,729
Impairments (reversals)/losses	-	(2,001,892)
Exploration expenditure reversed	7,743	837
Re-estimation of decommissioning and rehabilitation provision	(2,903,255)	(2,279,026)
Changes in working capital:		
Inventories	3,255,378	(2,721,623)
Trade and other receivables	(8,674,168)	(8,464,365)
Trade and other payables	(4,968,230)	462,029
	85,068,475	**54,695,334**

22. Tax paid

Charge to profit or loss	(23,157,423)	(12,436,934)
Movement in deferred taxation	(1,336,896)	5,359,452
Movement in taxation balance	3,366,241	1,658,935
	(21,128,078)	**(5,418,547)**

	2022 $	2021 $

23. Commitments and contingencies

Authorised capital expenditure

	2022 $	2021 $
Already contracted for but not provided for		
• Jubilee field	11,650,805	11,599,110
• TEN development	15,039,450	6,785,825
Not yet contracted for and authorised by directors	-	-

The firm and contingent exploration, appraisal and development spend commitments relate to participating interests in various petroleum agreements in the Republic of Ghana. These commitments will be settled by internal funding.

Contingent liabilities

The Ghana Revenue Authority (GRA) conducted an audit of the PetroSA Ghana branch in respect of 2014-2018 years of assessment and on 31 March 2021, issued the final audit assessment of US$47.9 million in respect to corporate tax, withholding tax and branch profits tax. PetroSA Ghana sent notice of objection to the GRA on 26 April 2021. On 21 May 2021, EY Ghana on behalf of PetroSA Ghana issued notice of dispute to the Minister of Energy and Minister of Finance requesting consultation and negotiation with the State. Subsequent to the prior reporting period, on 26 October 2021, the GRA sent a notice withdrawing their audit assessment of US$47.9 million.

A final demand notice was received in July 2022 followed by 3rd party notices sent to the operator, Tullow Ghana. In December 2022 PetroSA Ghana agreed to pay 30% of assessed liability (US$14.4m). In return the GRA agreed to consider the objection lodged to the assessment and enter a consultation process in order to resolve the matter. PetroSA Ghana is awaiting the outcome of the objection..

Notes to the Annual Financial Statements

	2022 $	2021 $

24. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2022

	Note(s)	Amortised cost	Total
Loans receivable	4	4,992,943	4,992,943
Trade and other receivables	6	255,779	255,779
Cash and cash equivalents	8	8,655,868	8,655,868
		13,904,590	**13,904,590**

2021

	Note(s)	Amortised cost	Total
Loans receivable	4	5,892,994	5,892,994
Trade and other receivables	6	8,237,656	8,237,656
Cash and cash equivalents	8	23,156,522	23,156,522
		37,287,172	**37,287,172**

Categories of financial liabilities

2022

	Note(s)	Amortised cost	Total
Trade and other payables	13	5,404,064	5,404,064

2021

	Note(s)	Amortised cost	Total
Trade and other payables	13	10,372,294	10,372,294

	2022 $	2021 $

24. Financial instruments and risk management (continued)

Pre tax gains and losses on financial instruments

Gains and losses on financial assets

2022

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Interest income	18	549,286	549,286

2021

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Interest income	18	121,132	121,132

Gains and losses on financial liabilities

2022

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Finance costs	19	1	1

2021

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Finance costs	19	(441,779)	(441,779)

Capital risk management

The company's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the company's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably. The company manages capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

24. Financial instruments and risk management (continued)

Financial risk management

Overview

The company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The company has access to the parent company's risk management and central treasury function that manages the financial risks relating to the company's operations. The company's liquidity, credit and interest rate risks are monitored continually. Approved policies exist for managing these risks.

The company's objective in using financial instruments is to reduce the uncertainty over future cash flows arising from movements in crude oil prices and interest rates. Throughout the year under review it has been, and remains, the company's policy that no speculative trading in derivative instruments be undertaken.

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The company is exposed to credit risk on loans receivable, trade and other receivables and cash and cash equivalents.

Credit risk exposure arising on cash and cash equivalents is managed by the group through dealing with well-established financial institutions with high credit ratings. Loans receivables comprise of transactions with a JV partner. Trade receivables comprise of transactions with a well known listed oil and gas branches, governed by a lifting agreement.

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss. At 31 December 2022, all trade receivables were current. All financial assets were assessed for impairment and taking into consideration the low credit risk associated with these amounts, no impairment loss was identified.

Liquidity risk

The company is exposed to liquidity risk, which is the risk that the company will encounter difficulties in meeting its obligations as they become due. The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources are available to meet cash commitments.

	2022 $	2021 $

24. Financial instruments and risk management (continued)

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

2022

	Note	Less than 1 year	2 to 5 years	Total	Carrying amount
Current liabilities					
Trade and other payables	13	5,404,064	-	5,404,064	5,404,064
Non-current assets					
Loan receivable	4	-	4,992,943	4,992,943	4,992,943
Current assets					
Trade and other receivables	6	255,779	-	255,779	255,779
Cash and cash equivalents	8	8,655,868	-	8,655,868	8,655,868
		8,911,647	**4,992,943**	**13,904,590**	**13,904,590**
		3,507,583	**4,992,943**	**8,500,526**	**8,500,526**

2021

	Note	Less than 1 year	2 to 5 years	Total	Carrying amount
Current liabilities					
Trade and other payables	13	10,372,294	-	10,372,294	10,372,294
Non-current assets					
Loans receivable	4	-	5,892,994	5,892,994	5,892,994
Current assets					
Trade and other receivables	6	8,237,656	-	8,237,656	8,237,656
Cash and cash equivalents	8	23,156,522	-	23,156,522	23,156,522
		31,394,178	**5,892,994**	**37,287,172**	**37,287,172**
		21,021,884	**5,892,994**	**26,914,878**	**26,914,878**

		2022 $	2021 $

24. Financial instruments and risk management (continued)

Foreign currency risk

The company is exposed to foreign currency risk as a result of certain transactions and borrowings which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters. The foreign currencies in which the company deals primarily are Pound sterling and Ghanaian cedi.

Exposure in US Dollar

The net carrying amounts, in US Dollar, of the various exposures, are denominated in the following currencies. The amounts have been presented in US Dollar by converting the foreign currency amounts at the closing rate at the reporting date:

		2022 $	2021 $
Rand exposure:			
Current liabilities:			
Trade and other payables	13	337,240	16,167
Ghanaian cedi exposure:			
Current assets:			
Cash and cash equivalents	8	24,403	25,463
GBP exposure:			
Current liabilities:			
Trade and other payables	13	98,819	-

Foreign currency sensitivity analysis

The following information presents the sensitivity of the company to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

As at 31 December 2022, the total value of foreign currency denominated balances was US$460,462 (2021: US$41,630). A 10% relative change in foreign currency exchange rates to the US Dollar would have impacted profit or loss for the year by US$41,860 (2021: US$3,784).

Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk. Exposure to interest rate risk on liabilities is monitored on a proactive basis. The financing of the company is structured on floating interest rates.

	2022	2021
	$	$

24. Financial instruments and risk management (continued)

Interest rate profile

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

		Average effective interest rate		Carrying amount	
		2022	2021	2022	2021
Variable rate instruments:					
Assets					
Loan receivable	4	3.16 %	1.60 %	4,992,943	5,892,994
Cash and cash equivalents	8	1.57 %	0.04 %	8,655,868	23,156,522
				13,648,811	**29,049,516**

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

As at 31 December 2022, a 0.5% relative change (50 basis points) in the US Dollar overnight rate and LIBOR rate respectively would have impacted profit or loss for the year by US$24,965 (2021: US$29,465).

Price risk

Price risk sensitivity analysis

Crude oil prices are subject to price risks associated with timing differences. The volatility in the crude oil prices could result in a revenue deterioration should price drop.

Should attractive hedges become available in the market at an acceptable cost, the price risk is mitigated by hedging the downside risk with an Asian put option. The instruments used are liquid and can be traded and valued at any time. The selling prices are hedged using the Platts Marketwire.

A sensitivity analysis was performed for revenue and every US$1 increase or decrease in the Brent crude oil price will increase or decrease profit by US$1 million (2021: US$1.1 million).

	2022 $	2021 $

25. Directors' emoluments

Emoluments paid during the current year are shown below:

Non-executive

2022

Directors' emoluments	Fees for services as director	Total
Services as director		
Ms S Masinga	66	66
Mr M Xiphu	5,832	5,832
Mr L Haywood	6,345	6,345
	12,243	**12,243**

2021

Directors' emoluments	Fees for services as director	Total
Services as director or prescribed officer		
Ms S Masinga	672	672
Mr M Xiphu	960	960
Mr L Haywood	1,632	1,632
	3,264	**3,264**

26. Related parties

Holding company	The Petroleum Oil and Gas Corporation of South Africa SOC Ltd (PetroSA)

Related party balances and transactions

	2022	2021
PetroSA		
Trade and other payables	490,454	198,501
Management fee	343,131	349,131
Other recoveries paid	1,155,524	1,449,021
Dividend paid	52,000,000	40,000,000

All transactions are carried out on commercial terms and conditions. Outstanding balances are payable in cash.

27. Public Finance Management Act (PFMA)

There was no fruitless, wasteful or irregular expenditure identified during the year.

28. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

29. Events after the reporting period

The directors are not aware of any other material events which occurred after the reporting date and up to the date of this report, which significantly affect the financial position of the company.

30. Joint operations

The company has an interest in two licences whereby sharing accrues to each party in terms of the Petroleum and Joint Operating Agreements in accordance with the respective participating interests in respect of:

a) ownership of all rights and interests in all joint property and hydrocarbons,
b) all obligations incurred under the respective contracts,
c) all liabilities and expenses incurred by the operator and charged to the Joint Account, and
d) all credits accruing to the Joint Account.

Details of each operation are listed below:

Deepwater Tano Contract Area, Offshore Ghana	**PetroSA Ghana Limited**	**Anadarko WCTP Company**	**Kosmos Energy Ghana HC**	**Tullow Ghana Limited (Operator)**	**Ghana National Petroleum Corporation**	**Total**
Exploration and Appraisal	4.50%	20.00%	20.00%	55.50%	-	100%
Development	4.28%	19.00%	19.00%	52.73%	5.00%	100%
Production	3.83%	17.00%	17.00%	47.18%	15.00%	100%

West Cape Three Points Contract Area, Offshore Ghana	**PetroSA Ghana Limited**	**Anadarko WCTP Company**	**Kosmos Energy Ghana HC (Operator)**	**Tullow Ghana Limited**	**Ghana National Petroleum Corporation**	**Total**
Exploration and Appraisal	2.06%	34.31%	34.31%	29.32%	-	100%
Development	2.01%	33.45%	33.45%	28.60%	2.50%	100%
Production	1.80%	30.02%	30.02%	25.66%	12.50%	100%

Jubilee Field Unit, Offshore Ghana	**PetroSA Ghana Limited**	**Anadarko WCTP Company**	**Kosmos Energy Ghana HC**	**Tullow Ghana Limited (Operator)**	**Ghana National Petroleum Corporation**	**Total**
Development	3.04%	26.85%	26.85%	39.62%	3.64%	100%
Production	2.73%	24.08%	24.08%	35.47%	13.64%	100%

Fields under development and in production

1. Movement in net remaining proved and probable reserves

Proved and Probable Reserves	Crude oil MMbbl 2022	Gas Bscf 2022	Crude oil MMbbl 2021	Gas Bscf 2021
At beginning of year	13.10	10.70	14.80	9.90
Revisions of previous estimates	(0.80)	-	0.30	-
Production	(0.30)	-	(0.30)	-
Additions	(0.50)	0.30	(1.60)	0.80
At end of year	**11.50**	**11.00**	**13.20**	**10.70**

2. Proved and probable reserves by type of field

Fields in production	11.50	11.00	13.20	10.70

3. Reserves by category

Proved	8.50	5.70	8.60	5.70
Proved and probable	11.50	11.00	13.20	10.70

Notes

Oil

Fields in production and under development comprise the Jubilee oil field and TEN development.

Definitions

Proved reserves

Proved reserves are quantities of petroleum anticipated to be commercially recoverable from known accumulations from a given date forward under the following conditions: Discovered, recoverable, commercial and remaining.

Means the amount of petroleum which geophysical, geological and engineering data indicate to be commercially recoverable to a high degree of certainty. For the purposes of this definition, there is a 90% chance that the actual quantity will be more than the amount estimated as proved and a 10% chance that it will be less.

Proved and probable reserves

Proved and probable reserves are quantities of petroleum anticipated to be commercially recoverable from known accumulations from a given date forward under the following conditions: Discovered, recoverable, commercial and remaining.

Means proved reserves plus the amount of petroleum which geophysical, geological and engineering data indicate to be commercially recoverable but with a greater element of risk than in the case of proved. For the purposes of this definition, there is a 50% chance that the actual quantity will be more than the amount estimated as proved and probable and a 50% chance that it will be less.

Reserves under appraisal

Comprise quantities of petroleum, which are considered, on the basis of information currently available and current economic forecasts, to be commercially recoverable by present producing methods from fields that have been discovered but which require further appraisal prior to commerciality being established.