

Pearl Petroleum Company Limited

INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2024 (UNAUDITED)

PEARL PETROLEUM COMPANY LIMITED

Interim condensed financial statements
30 September 2024 (Unaudited)

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PEARL PETROLEUM COMPANY LIMITED

Report of the Directors

The Board of Directors of Pearl Petroleum Company Limited (“Pearl Petroleum” or “the Company”) is pleased to announce the interim results of the Company for the nine-month period ended 30 September 2024.

Principal Activities

Pearl Petroleum is engaged in exploration, development, production, ownership, transportation, processing, distribution, marketing and sale of natural gas and petroleum related products, including the development of gas related projects and services.

Results

The results of the Company for the nine-month period ended 30 September 2024 are set out on page 3 of the interim condensed financial statements.

The Company has declared and paid US\$ 271 million as dividend during the nine-month period ended 30 September 2024 (nine-month period ended 30 September 2023: US\$ nil). Subsequent to the nine-month period ended 30 September 2024, pursuant to approvals by the Board, dividends amounting to US\$ 10 million was declared and paid.

Directors

The Directors who served during the period were:

Mr. Badr Jafar

Mr. Majid Jafar

Mr. Mohamed Makkawi

Mr. Thomas Watts

Mr. Richard Patrick Hall

Mr. Neville John Henwood

Mr. Alen Dzanic

Mr. Christopher James Hearne

Mr. Peter Seitinger

Auditors

The Company’s auditors, Ernst & Young, have issued their review report on the interim condensed financial statements of the Company.

Approved by the Board of Directors on 14 November 2024

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF PEARL PETROLEUM COMPANY LIMITED

Introduction

We have reviewed the accompanying interim condensed financial statements of Pearl Petroleum Company Limited (the “Company”) as at 30 September 2024, comprising of the interim statement of financial position as at 30 September 2024 and the related interim statements of comprehensive income for the three-month and nine-month periods then ended, changes in equity and cash flows for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with IAS 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

For Ernst & Young



Sanjay Khiara
Registration No: 5513

14 November 2024

Sharjah, United Arab Emirates

Pearl Petroleum Company Limited

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Nine month period ended 30 September 2024 (Unaudited)

		<i>Nine-month period ended 30 September 2024</i>	<i>Nine-month period ended 30 September 2023</i>	<i>Quarter ended 30 September 2024</i>	<i>Quarter ended 30 September 2023</i>
	<i>Notes</i>	<i>US\$' 000</i>	<i>US\$' 000</i>	<i>US\$' 000</i>	<i>US\$' 000</i>
Revenue	3	480,791	481,942	170,000	160,012
Cost of sales	4	(79,320)	(71,482)	(26,978)	(27,229)
Depreciation and depletion charge	7	(71,844)	(76,753)	(24,981)	(26,705)
GROSS PROFIT FOR THE PERIOD		329,627	333,707	118,041	106,078
Other expenses	5	(5,748)	(4,407)	(2,666)	(1,530)
Interest income, net	6	18,692	15,859	5,689	6,266
PROFIT FOR THE PERIOD		342,571	345,159	121,064	110,814
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		342,571	345,159	121,064	110,814

The attached explanatory notes 1 to 19 form part of these interim condensed financial statements.

Pearl Petroleum Company Limited

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

	<i>Notes</i>	<i>30 September 2024 US\$' 000</i>	<i>31 December 2023 US\$' 000 (Audited)</i>
ASSETS			
Non-current assets			
Property, plant & equipment	7	2,689,038	2,646,805
Total non-current assets		2,689,038	2,646,805
Other assets			
Other assets	8	2,324	6,621
Inventories	9	21,712	20,616
Trade and other receivables	10	260,804	355,393
Cash and bank balances	11	337,483	323,932
Total current assets		622,323	706,562
TOTAL ASSETS		3,311,361	3,353,367
EQUITY AND LIABILITIES			
Equity			
Share capital	12	10,000	10,000
Retained earnings		2,677,441	2,605,870
Total equity		2,687,441	2,615,870
LIABILITIES			
Non-current liabilities			
Borrowings	13	160,270	231,390
Trade and other payables	15	218,171	163,167
Employees' end of service benefit	14	3,224	2,707
Total non-current liabilities		381,665	397,264
Current liabilities			
Borrowings	13	157,506	181,580
Trade and other payables	15	77,699	151,175
Due to related parties	16	7,050	7,478
Total current liabilities		242,255	340,233
Total liabilities		623,920	737,497
TOTAL EQUITY AND LIABILITIES		3,311,361	3,353,367

Approved by the Board of Directors on 14 November 2024

The attached explanatory notes 1 to 19 form part of these interim condensed financial statements.

Pearl Petroleum Company Limited

INTERIM CONDENSED STATEMENT OF CASH FLOWS

Nine month period ended 30 September 2024 (Unaudited)

	<i>Notes</i>	<i>Nine month period ended 30 September 2024 US\$' 000</i>	<i>Nine month period ended 30 September 2023 US\$' 000</i>
OPERATING ACTIVITIES			
Net profit for the period		342,571	345,159
Adjustments for:			
Unwinding of discount on non-current other assets	6	(16)	(308)
Interest earned on bank deposits	6	(8,056)	(7,319)
Interest expense on borrowings	6	2,491	3,164
Depreciation and depletion for the period	7	71,844	76,753
Provision for employees' end of service benefits (net)	14	674	434
Profit on sale of asset	5	(180)	-
		409,328	417,883
Changes in working capital:			
Inventories	9	(1,096)	(2,477)
Trade and other receivables		94,418	(131,359)
Trade and other payables		(17,565)	23,607
Due to related parties		(225)	(2,729)
Other assets		4,297	1,064
Cash generated from operations		489,157	305,989
Payments related to employees' end of service benefits	14	(157)	(50)
Net cash from operating activities		489,000	305,939
INVESTING ACTIVITIES			
Capital expenditure		(93,051)	(207,812)
Interest received on bank deposits		8,227	6,014
Decrease/(Increase) in bank deposits (maturing after three months)	11	27,435	(13,944)
Proceeds from disposal of asset		329	-
Net cash used in investing activities		(57,060)	(215,742)
FINANCING ACTIVITIES			
Borrowings drawdown	13	105,000	32,500
Borrowings repaid	13	(200,300)	(77,500)
Interests and related costs paid on borrowings		(24,654)	(26,602)
Dividends paid to shareholders		(271,000)	-
Net cash used in financing activities		(390,954)	(71,602)
Net increase in cash and cash equivalents		40,986	18,595
Cash and cash equivalents at the beginning of the period	11	222,043	178,788
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	11	263,029	197,383

The attached explanatory notes 1 to 19 form part of these interim condensed financial statements.

Pearl Petroleum Company Limited

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

At 30 September 2024 (Unaudited)

	<i>Share capital US\$' 000</i>	<i>Retained earnings US\$' 000</i>	<i>Total US\$' 000</i>
Balance at 1 January 2024	10,000	2,605,870	2,615,870
Profit for the period	-	342,571	342,571
Total comprehensive income for the period	-	342,571	342,571
Dividends declared during the period*	-	(271,000)	(271,000)
Balance at 30 September 2024	10,000	2,677,441	2,687,441

	<i>Share capital US\$' 000</i>	<i>Retained earnings US\$' 000</i>	<i>Total US\$' 000</i>
Balance at 1 January 2023	10,000	2,163,521	2,173,521
Profit for the period	-	345,159	345,159
Total comprehensive income for the period	-	345,159	345,159
Balance at 30 September 2023	10,000	2,508,680	2,518,680

* Dividend per share is US\$ 27.1 for the nine-month period ended 30 September 2024 (period ended 30 September 2023: US\$ nil per share). Subsequent to the nine-month period ended 30 September 2024, pursuant to approvals by the Board, dividends amounting to US\$ 10 million (dividend per share: US\$ 1) was declared and paid.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2024 (Unaudited)

1 ACTIVITIES

Pearl Petroleum Company Limited (“Pearl Petroleum” or “the Company”) was incorporated in the British Virgin Islands as a BVI Business Company on 19 January 2009. The activities of the Company include exploration, development, production, ownership, transportation, processing, distribution, marketing and sale of natural gas and petroleum related products, including the development of gas related projects and services in the Kurdistan Region of Iraq (the “KRI”). The Company’s registered office is Flemming House, Wickhams Cay, P.O Box 662, Road Town, Tortola, British Virgin Islands. During 2018, the Company set up a branch in Erbil, KRI.

Pearl Petroleum is owned 35% each by Crescent Petroleum Company International Limited (“Crescent”) and Dana Gas Upstream Holdings Limited (“Dana Gas”) and 10% each by OMV Upstream International GmbH (“OMV”), MOL Hungarian Oil and Gas Public Limited Company (“MOL”) and RWE Middle East Holdings BV (“RWE”) and the relationship between the shareholders is governed by the Joint Venture Agreement dated May 2009 (“JVA”). Following a corporate restructuring that took place in December 2023, Dana Gas PJSC, the previous 35% shareholder of the Company’s shares, transferred its shareholding to Dana Gas, its wholly owned subsidiary.

Pursuant to Heads of Agreement with the Kurdistan Regional Government of Iraq (“KRG”) dated 4 April 2007 (supplemented with a detailed accounting procedure dated 25 January 2008) which was subsequently amended on 30 August 2017 and termed as the “Petroleum Development Agreement” (“PDA”), Pearl Petroleum is the Contractor and consequently takes title to and enjoys exclusive rights to appraise, develop, produce, market and sell petroleum, including natural gas domestically and for export, from Khor Mor, Chemchemical, Block 19 and Block 20 areas (“HoA Areas”). Crescent and Dana Gas have been appointed as the Operator (for and on behalf of Pearl Petroleum) for the purposes of the implementation of the PDA.

From time to time, certain monetary amounts are payable by the Company to the KRG based on the relevant year’s cash flows computed in accordance with the terms of the PDA. A provision is made in the financial statements of the Company as such amounts accrue. However, no payment is due to the KRG until the Company has recovered its full entitlements under the PDA.

The Company continues to progress the appraisal and development of the HoA Areas and prepared Field Development Plans (“FDPs”) for both the Khor Mor and Chemchemical fields. The Khor Mor FDP was approved by the Board under the JVA in October 2018 and by the KRG under the PDA in November 2018. The Chemchemical FDP will be updated following further appraisal before approval is sought from the Board.

During Q1 2019, the Company signed a 20-year Gas Sales Agreement (“GSA2”) with the KRG to provide much needed gas supplies to support domestic electricity generation and in January 2020, Exterran, a leading oil and gas services provider (who was acquired by Enerflex in October 2022), was appointed to carry out the Engineering, Procurement and Construction (“EPC”) of a 250 MMSCFD gas processing train and provide operations related technical assistance services for 5 years post hand over of the plant (“the KM250 project”). The EPC contract terms reflect Exterran’s contractor financing whereby the plant will be predominantly funded by Exterran with repayment of principal with interest over five years following completion of the plant.

Declarations of force majeure were made under the EPC contract and GSA2: (i) in 2020 due to the impact of COVID-19 on the project; and (ii) in late June/early July 2022 when small projectiles landed not far from the EPC site construction activities. Other than two minor injuries there was no harm to personnel from those security incidents, and production operations, drilling and non-EPC construction activities continued throughout as normal. However, works on the KM250 project were suspended for 6 months whilst the Company, together with the KRG, and with support of other stakeholders actively took steps to enhance and harden the security measures at Khor Mor. Enerflex, together with its subcontractors, remobilised to site in mid-December 2022 for a ‘soft-start’ resumption of site activities, and as confidence on the ground slowly returned, the workforce gradually increased and construction activities resumed. Enerflex formally lifted its force majeure under the EPC contract on 31 March 2023 and the Company formally lifted its force majeure under GSA2 on 13 April 2023. Three further security incidents occurred at the Khor Mor site in 2023 and early 2024, which did not result in any harm to personnel, nor were any declarations of force majeure made, and only a minimal impact on production operations.

Pearl Petroleum Company Limited

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2024 (Unaudited)

1 ACTIVITIES (continued)

On 26 April 2024 a drone strike took place which resulted in 4 fatalities and 8 minor injuries to subcontractors' personnel. Production was immediately suspended for safety reasons, and the Company declared force majeure under the PDA and the sales contracts for natural gas, condensate and LPG. Starting 1 May 2024, production recommenced in a phased manner, and on 3 May 2024, production was restored to normal levels, following decisive actions by the Government of Iraq and the KRG as well as further firm commitments to significantly enhance security and strengthen defences at the Khor Mor site. The Company accordingly lifted force majeure under the PDA and the sales contracts in early May 2024, other than GSA2.

Enerflex declared force majeure under the EPC contract on 3 May 2024.

However, following numerous performance issues which arose during the execution of the EPC works, the Company issued a notice of termination under the EPC contract to Enerflex on 19 August 2024. That termination took effect on 9 September 2024. This action has enabled the Company to assume direct control over the remaining phases of the KM250 project, ensuring that it is brought back on track and completed in the timeliest manner. The Company has also initiated arbitration against Enerflex to recover costs and damages arising from Enerflex's defective performance. The KM250 project is currently expected to be completed in Q2 2026, with gas sales pursuant to GSA2 also expected to commence in that same quarter.

2 MATERIAL ACCOUNTING POLICIES

Basis of preparation

The interim condensed financial statements have been prepared on a historical cost basis. The interim condensed financial statements have been prepared in United States Dollars (US\$), which is the Company's functional currency, and all values are rounded to the nearest thousands except where otherwise indicated.

The interim condensed financial statements for the nine-month period ended 30 September 2024 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as at 31 December 2023.

Standards and Interpretations

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2023, except for the adoption of new standards and interpretations as of 1 January 2024. Several amendments and interpretations apply for the first time in 2024 but did not have an impact on the interim condensed financial statements of the Company. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Property, plant and equipment

Property, plant and equipment is stated at cost net of accumulated depreciation and/or accumulated impairment losses, if any.

Depreciation is computed on a basis designed to ensure that the costs of individual assets are recognised as an expense in the statement of comprehensive income in a systematic manner over the useful life of the asset taking into account its residual value. Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Oil and gas properties	unit-of-production
LPG plant & associated facilities	10-25 years
Pipelines	25 years
Other assets	3-25 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount being the higher of their fair value less costs to sell and their value in use.

2 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed at each financial year end and adjusted prospectively if appropriate.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred.

An item of property, plant and equipment is recognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

Capital work-in-progress is stated at cost less impairment, wherever applicable. On commissioning i.e. completion date, capital work-in-progress is transferred to property, plant and equipment and depreciated or depleted in accordance with Company policies.

Oil and Gas properties

The successful efforts method of accounting is used for oil and gas exploration costs. Initial acquisition costs of oil and gas properties and costs of drilling and equipping exploration wells are capitalised when incurred and, if subsequently determined to be unsuccessful, are charged to dry hole expense.

Capitalised oil and gas properties are part of property, plant and equipment. Capitalised oil and gas properties attributable to proved developed reserves are depleted by applying the unit-of-production (UOP) method using estimated total proved developed reserves. Estimated total proved developed reserves are reviewed annually and changes in such reserves are accounted for prospectively.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset or Cash Generating Unit (CGU) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's or CGU's recoverable amount. An asset's or CGU's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assumptions of the time value of money and the risks specific to the asset or CGU.

For assets or CGU's excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's or CGU's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset or CGU is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

The Company's significant accounting judgements and estimates were disclosed in its annual financial statements for the year ended 31 December 2023. These were subsequently reviewed at the end of the nine month period ended 30 September 2024 to determine if any changes were required to those judgements and estimated as a result of current market conditions.

The recoverable amount of cash generating unit is determined based on value in use (VIU) calculations using a Discounted Cash Flow (DCF) model which includes cash flow projections for the remaining life of the PDA ending in 2049. As a result of the analysis, management did not identify an impairment loss for long term assets which are identified as one CGU.

2 MATERIAL ACCOUNTING POLICIES (continued)

Impairment test for long term non-financial assets (continued)

Key assumptions used:

The calculation of VIU is most sensitive to the following assumptions:

- (i) Oil and gas prices: Management applied long-term Brent prices of US\$71.4/barrel – US\$83.7/barrel for the years between 2024 and 2028 which is inflated thereafter for the remaining life of the PDA. Management estimated these long-term oil prices based on forecasts by brokers and consultants. Management estimated long term gas prices based on the existing long-term gas sales agreements. Management tested the impact of a reasonable reduction in the forecasted oil prices which did not indicate an impairment loss.
- (ii) Discount rate: Discount rates represent the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is derived from the Company's weighted average cost of capital (WACC), with appropriate adjustments made to reflect the risks specific to the CGU. Management tested the impact of a reasonable change in discount factor and noted that there were no impairment losses when the discount rate was sensitised through a range from 10% to 15%.
- (iii) Production and costs: The Company uses proved plus probable (2P) reserves estimates at an effective date of 15 May 2019 for Khor Mor area as certified by Gaffney Cline & Associates ("GCA") and adjusted for production in its VIU calculation. The estimation of reserves is inherently imprecise, as it requires the use of judgements and assumptions which may change due to technical and other factors. Projected capital and operating cost estimates included in VIU calculation represent management's best estimate of time to produce related 2P reserves.

Financial instruments

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

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

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

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

The Company's financial assets include cash and bank balances, trade and other receivables and other assets.

2 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Subsequent measurement

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

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

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

The Company's financial assets at amortised cost includes trade receivables (with no significant financing component), and other assets. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company does not have any financial assets at fair value through OCI or profit and loss.

Derecognition

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

The Company recognises impairment losses for financial assets based on an expected credit loss (ECL) approach for evaluating impairment of financial assets other than those measured at fair value through profit or loss (FVPL).

Expected credit losses are measured through a loss allowance equal to:

- The 12-months expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date);
- Full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

For trade receivables, the Company applies 'simplified approach' which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Company's financial exposure on trade receivables which are not collateralised and realised upto the balance sheet date is tested for impairment by comparing the present value of expected future cash flows discounted at the applicable effective interest rate. Expected cash flow assumptions used in the discounted cash flow analysis are based on Company's best estimate of reasonable and supportable assumptions and projections.

For other assets, the Company applies the 'general approach' whereby 12 month Expected Credit Loss is calculated to provide for impairment loss where there is no significant increase in credit risk. If there is significant increase in credit risk, full lifetime Expected Credit Loss is used.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Financial liabilities

Initial recognition and measurement

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

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

The Company's financial liabilities include borrowings, other liabilities including trade and other payables and due to related parties.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income. This category generally applies to interest-bearing loans and borrowings.

2 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities (continued)

Derecognition

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount 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, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises purchase price, cost of production, transportation and other directly allocable expenses. Costs of spares and consumables are determined on a weighted average basis. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Provision is made for insurance claims notified and for insurance claims incurred but which have not yet been notified in respect of self-insurance, based on advice from the Company's independent insurance advisers.

Foreign currencies

Transactions in foreign currencies are recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transactions. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised as finance cost in the statement of comprehensive income in the period in which they are incurred.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Company recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Set out below are the accounting policies of the Company in relation to IFRS 16:

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the right-of-use asset, unless there is a transfer of ownership or purchase option which is reasonably certain to be exercised at the end of the lease term. If there is a transfer of ownership or purchase option which is reasonably certain to be exercised at the end of the lease term, the lessee depreciates the right-of-use asset over the useful life of the underlying asset.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of vehicles, machineries, equipment, office space etc (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of vehicles, machineries, equipment, office space etc that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Revenue recognition

The Company recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15.

- Step 1. Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2. Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognise revenue when (or as) the Company satisfies a performance obligation.

2 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- a) The Company's performance does not create an asset with an alternate use to the Company and the Company has an enforceable right to payment for performance completed to date.
- b) The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- c) The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Company satisfies a performance obligation by delivering the promised goods or services it creates a contract-based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably. The Company identified one performance obligation which is the delivery of condensate, LPG and gas to the customers as per the terms of the customer contracts. Accordingly, revenue is recognised point in time when the performance obligation is fulfilled.

Interest income

Interest income represents interest charged to debtors, if any, for delayed settlement of outstanding receivables and income earned from the bank deposits.

Fair values

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

Current versus non-current classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is classified as current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

Pearl Petroleum Company Limited

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2024 (Unaudited)

3 REVENUE

	<i>30 September 2024</i>	<i>30 September 2023</i>
	<i>US\$' 000</i>	<i>US\$' 000</i>
Condensate	140,568	181,964
Liquified Petroleum Gas ("LPG")	99,294	93,882
Gas	240,929	206,096
	480,791	481,942

Revenue represents sale of 4,063,178 Bbls of condensate (nine month period ended 30 September 2023: 4,204,839 Bbls), 292,041 MT (nine month period ended 30 September 2023: 280,245 MT) of LPG and 60,569,131 MMBTU of gas (51,665 MMscf) (nine month period ended 30 September 2023: 51,792,798 MMBTU of gas (45,693 MMscf)) produced from the Khor Mor field for the nine month period ended 30 September 2024.

During the nine month period ended 30 September 2024, gas continued to be sold to the KRG, while LPG and condensate were sold to third party buyers, under separate sales contracts.

The costs, excluding depreciation and depletion charge, in relation to production and sale of the condensate, LPG and gas have been disclosed as cost of sales.

In July 2019, an audit of the KRI pipeline metering system revealed that a meter at the Khor Mor plant had, since November 2018, been over-reporting the volume of gas supplied by the Company to the KRG by 5.9%. Another issue also discovered concurrently was an under-reporting of the heating value of the sales gas.

Whilst interim steps were taken to correct the over-reporting in July 2019, the Company and the KRG also agreed a series of steps to install full fiscal metering to resolve this issue. In the meantime, a provisional interim adjustment of US\$ 23 million, relating to the period November 2018 to July 2019, was applied to the invoices of July, August and September 2019. The implementation of the fiscal metering package was completed by end of Q1 2024 and the new system has become operational from April 2024. The resolution of the provisional adjustment of US\$ 23 million is expected once the final adjustment and reconciliation is completed. Accordingly, this provisional adjustment of US\$ 23 million to the amounts due from the KRG continues to be reflected in these interim condensed financial statements as an accrued revenue asset with a corresponding reduction in trade receivable from KRG (refer note 10).

4 COST OF SALES

	<i>30 September 2024</i>	<i>30 September 2023</i>
	<i>US\$' 000</i>	<i>US\$' 000</i>
Staff cost	34,615	26,625
Consultancy fees, time cost	14,499	13,407
Other operating costs	33,868	34,875
Recharge to projects (refer note a below)	(3,662)	(3,425)
	79,320	71,482

(a) Represents capitalisation of costs for support provided by KM Production Operations personnel, including for the shared services, to KM250 expansion project (refer note 7).

Pearl Petroleum Company Limited

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2024 (Unaudited)

5 OTHER EXPENSES

	<i>30 September 2024</i>	<i>30 September 2023</i>
	<i>US\$' 000</i>	<i>US\$' 000</i>
Corporate costs (incl. legal, time cost & others)	2,209	1,051
Overhead costs as per the PDA	3,719	3,356
Profit on sale of asset	(180)	-
	<u>5,748</u>	<u>4,407</u>

6 INTEREST INCOME, NET

	<i>30 September 2024</i>	<i>30 September 2023</i>
	<i>US\$' 000</i>	<i>US\$' 000</i>
Interest earned on bank deposits	8,056	7,319
Interest expense on borrowings (refer note 13)	(2,491)	(3,164)
Unwinding of discount on other assets (refer note 8)	16	308
Interest on delayed payments (refer note a below)	13,111	11,396
	<u>18,692</u>	<u>15,859</u>

(a) Represents interest billed to the KRG on delayed payments against petroleum sales for nine month period ended 30 September 2024 and 30 September 2023 respectively, in accordance with the terms of the PDA and the Gas Sales Agreement dated 30 January 2018 (GSA 1) with the KRG.

7 PROPERTY, PLANT AND EQUIPMENT

	<i>LPG plant & associated facilities</i>	<i>Pipelines</i>	<i>Oil and gas properties</i>	<i>Other assets</i>	<i>Capital work-in-progress</i>	<i>Total</i>
	<i>US\$' 000</i>	<i>US\$' 000</i>	<i>US\$' 000</i>	<i>US\$' 000</i>	<i>US\$' 000</i>	<i>US\$' 000</i>
Cost:						
As at 1 January 2024	510,025	202,048	1,479,873	24,009	1,204,262	3,420,217
Additions during the period	-	-	-	212	114,014	114,226
Transfers during the period	23,487	-	10,886	5,468	(39,841)	-
Disposals during the period	-	-	-	(320)	-	(320)
As at 30 September 2024	<u>533,512</u>	<u>202,048</u>	<u>1,490,759</u>	<u>29,369</u>	<u>1,278,435</u>	<u>3,534,123</u>
Depreciation, depletion and impairment charge:						
As at 1 January 2024	262,969	113,185	376,500	14,123	6,635	773,412
Charge for the period	18,042	6,062	44,212	3,528	-	71,844
Disposals during the period	-	-	-	(171)	-	(171)
As at 30 September 2024	<u>281,011</u>	<u>119,247</u>	<u>420,712</u>	<u>17,480</u>	<u>6,635</u>	<u>845,085</u>
Net book value:						
As at 30 September 2024	<u>252,501</u>	<u>82,801</u>	<u>1,070,047</u>	<u>11,889</u>	<u>1,271,800</u>	<u>2,689,038</u>
Net book value:						
As at 31 December 2023	<u>247,056</u>	<u>88,863</u>	<u>1,103,373</u>	<u>9,886</u>	<u>1,197,627</u>	<u>2,646,805</u>

Pearl Petroleum Company Limited

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2024 (Unaudited)

7 PROPERTY, PLANT AND EQUIPMENT (continued)

	<i>LPG plant & associated facilities</i>	<i>Pipelines</i>	<i>Oil and gas properties</i>	<i>Other assets</i>	<i>Capital work-in-progress</i>	<i>Total</i>
	<i>US\$ ' 000</i>	<i>US\$ ' 000</i>	<i>US\$ ' 000</i>	<i>US\$ ' 000</i>	<i>US\$ ' 000</i>	<i>US\$ ' 000</i>
Cost:						
As at 1 January 2023	501,965	202,048	1,479,873	15,841	866,241	3,065,968
Additions during the period	-	-	-	159	280,675	280,834
Transfers during the period	1,459	-	-	-	(1,459)	-
As at 30 September 2023	503,424	202,048	1,479,873	16,000	1,145,457	3,346,802
Depreciation, depletion and impairment charge:						
As at 1 January 2023	241,111	105,103	306,807	11,838	6,635	671,494
Charge for the period	16,405	6,061	52,798	1,489	-	76,753
As at 30 September 2023	257,516	111,164	359,605	13,327	6,635	748,247
Net book value:						
As at 30 September 2023	245,908	90,884	1,120,268	2,673	1,138,822	2,598,555

Capital work-in-progress primarily comprises the costs such as appraisal studies, well drilling, KM 250 plant construction etc. incurred in respect of the ongoing project development activities (including inventories for these projects) in the HoA Areas.

Property, plant and equipment include financing costs amounting to US\$ 131.54 million as at 30 September 2024 (31 December 2023: US\$ 105.52 million) on borrowings for ongoing developments. For the nine-month period ended 30 September 2024, the rate used to determine the amount of borrowing costs eligible for capitalisation is circa 10.5% (30 September 2023: 9.5%) for Bank of Sharjah (“BOS”) and US International Development Finance Corporation (“DFC”) facilities which is considered as the effective interest rate of the specific borrowings (refer note 13).

Additions to capital work in progress for the nine-month period ended 30 September 2024 includes US\$ 3.7 million (31 December 2023: US\$ 3.4 million) recharge for support provided by KM Production Operations personnel, including for the shared services, to KM250 expansion project (refer note 4). LPG plant and associated facilities includes certain production assets pledged against the borrowings from BOS & DFC (refer note 13).

8 OTHER ASSETS

Other assets balance as at 30 September 2024 represents US\$ 2.32 million being funds set aside with pension scheme provider towards Employees’ end of service benefits provision (“Pension Fund”), disclosed under current assets. The balance of Other assets as at 31 December 2023 was US\$ 6.62 million which comprised a) US\$ 2.32 million towards Pension Fund and b) US\$ 4.30 million being the discounted value of the credit extension amount of US\$ 6.40 million, which has been fully refunded as at 30 September 2024.

9 INVENTORIES

	<i>30 September 2024</i>	<i>31 December 2023</i>
	<i>US\$ ' 000</i>	<i>US\$ ' 000</i>
		<i>(Audited)</i>
Commissioning and production spares	21,712	20,616

Pearl Petroleum Company Limited

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2024 (Unaudited)

10 TRADE AND OTHER RECEIVABLES

	30 September 2024	31 December 2023
	US\$' 000	US\$' 000
		<i>(Audited)</i>
Trade receivables from KRG	171,707	262,440
Trade receivables from third party buyer	25,945	30,923
Trade receivables	197,652	293,363
Interest receivable from KRG (refer note a below and note 6)	29,888	23,695
Prepaid and other receivables (refer note b below)	10,264	15,335
Accrued revenue asset (refer note 3)	23,000	23,000
	260,804	355,393

(a) Represents interest billed to the KRG on delayed payments against petroleum sales in accordance with the terms of the PDA and the Gas Sales Agreement dated 30 January 2018 (GSA 1) with the KRG (of which US\$ 26.04 million is overdue).

(b) Represents balances held towards prepayments, contractual down payments to vendors and balance due from KRG towards the Khor Mor Interim Compression Solution project.

Credit period for trade receivables in respect of liquid sales ranges from 5-30 days while that of gas sales is 15 working days. As at 30 September 2024, the ageing analysis of trade receivables is as follows:

	<i>Neither past due nor impaired</i>	<i>Past due but not impaired</i>					
		<i><30 days</i>	<i>30-60 days</i>	<i>61-90 days</i>	<i>91-120 days</i>	<i>>120 days</i>	
<i>Total</i>	<i>US\$' 000</i>	<i>US\$' 000</i>	<i>US\$' 000</i>	<i>US\$' 000</i>	<i>US\$' 000</i>	<i>US\$' 000</i>	
30 September 2024	197,652	51,984	-	-	-	-	145,668
31 December 2023	293,363	53,158	2,997	-	26,464	26,952	183,792

Subsequent to the period-end, trade receivables amounting to US\$ 51.9 million have been settled which includes US\$ 26 million from KRG. In addition, US\$ 1.6 million was received from the KRG towards settlement of September 2024 KM ICS invoice (included under Prepaid and other receivables above).

11 CASH AND BANK BALANCES

Cash and cash equivalents in the statement of cash flows consist of the following amounts:

	30 September 2024	31 December 2023
	US\$' 000	US\$' 000
		<i>(Audited)</i>
Cash in hand	288	337
Bank balances	88,107	98,943
Deposits maturing within three months	174,634	122,763
Cash and cash equivalents	263,029	222,043
Deposits maturing after three months	74,454	101,889
Cash and Bank Balances	337,483	323,932

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2024 (Unaudited)

11 CASH AND BANK BALANCES (continued)

Deposits are maintained with commercial banks in the United Arab Emirates with original maturity up to 12 months which earn varied interest rates depending on the duration for which such deposits are placed and the currency of deposit. Short-term deposits with original maturity up to 3 months carry interest at rate of 4.50% to 5.10% p.a. (31 December 2023: 5.00% to 5.30% p.a.) while deposits with original maturity greater than three months carry interest at rates ranging from 5.20 % to 5.25 % p.a. (31 December 2023: 5.45% to 6.20% p.a.). Deposits maturing after three months include US\$ 43.20 million retained in Debt Service Reserve Accounts (DSRA) as required under BOS and DFC facilities (refer note 13).

12 SHARE CAPITAL

	30 September 2024 US\$' 000	31 December 2023 US\$' 000 (Audited)
<i>Authorised:</i>		
100,000,000 common shares of US\$ 1 each	100,000	100,000
<i>Issued and fully paid up:</i>		
10,000,000 common shares of US\$ 1 each	10,000	10,000

13 BORROWINGS

The Company had signed several financing facilities with Bank of Sharjah between September 2018 and 30 June 2024 with a combined total nominal value of US\$335 million. The applicable interest rate of these loan facilities was ranging between 4.2% - 6.2% plus Secured Overnight Financing Rate ("SOFR"). As of 30 September 2024, all outstanding amounts (31 December 2023: US\$172.50 million) under these facilities have been repaid.

The Company further signed on 17 July 2024 a new US\$125 million loan facility with the Bank of Sharjah ("BOS Facility") with a final repayment date of 30 September 2025 for financing of specific working capital needs and capital expenditure required to finalise the construction of the new 250MMscfd gas processing facility located in the Khor Mor gas field. The interest rate applicable to this facility is 6.5% plus SOFR. As at 30 September 2024, the outstanding amount under the BOS Facility was US\$105 million which is classified as current liabilities.

The Company signed on 7 September 2021 a US\$250 million term loan facility with the U.S. International Development Finance Corporation ("DFC Facility") with a final repayment date of 17 July 2028 for financing the construction, development and operation of a new 250MMscfd gas processing facility and associated infrastructure located in the Khor Mor gas field. The DFC Facility has a 2.5-year grace period and is repayable in eighteen equal quarterly instalments, with the first repayment taking place on 17 April 2024. The applicable interest rate margin is 5.25% and the weighted average interest rate across all drawdowns is 7.58% (inclusive of margin). As at 30 September 2024, the outstanding amount under DFC Facility was US\$ 222.22 million (31 December 2023: US\$ 250.00 million). The repayment instalments under DFC Facility of US\$ 55.56 million which are due by 30 September 2025 have been classified as current liabilities while the balance amount of US\$166.67 million is classified as non-current liabilities.

A new US\$350 million Senior Secured Callable Bond ("Bond") was subscribed for by investors on 30 October 2024 and has been issued by the Company on 14 November 2024 with a final bullet repayment date of 14 May 2028. The net proceeds from the Bond would be mainly applied towards financing of Company's development costs. The interest rate applicable to the Bond is 13% p.a. payable semi-annually.

For the BOS Facility, the DFC Facility and the Bond, the Company provides pari-passu security to the lenders by way of assignment of revenues, insurances, major construction contracts, pledge over revenue/debt service/debt service reserve accounts, registered pledge over certain of the Company's existing production assets in the KRI and registered pledge over the new 250MMscfd gas processing facility once the facility is fully operational. The borrowings are stated net of transaction costs and are carried at amortised cost as at 30 September 2024.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2024 (Unaudited)

14 EMPLOYEES' END OF SERVICE BENEFITS

	<i>30 September 2024 US\$' 000</i>	<i>31 December 2023 US\$' 000 (Audited)</i>
As at 1 January	2,707	2,206
Provisions during the period	674	589
Payments during the period	(157)	(88)
	<u>3,224</u>	<u>2,707</u>

15 TRADE AND OTHER PAYABLES

	<i>30 September 2024 US\$' 000</i>	<i>31 December 2023 US\$' 000 (Audited)</i>
Trade and other payables (refer note a below)	11,984	19,807
Accruals (refer note b below)	239,268	237,396
Accrued interest on EPC contract (refer note c below)	24,693	22,214
Advances received against sales (refer note d below)	19,925	34,925
	<u>295,870</u>	<u>314,342</u>

	<i>30 September 2024 US\$' 000</i>	<i>31 December 2023 US\$' 000 (Audited)</i>
Trade and Other Payables analysed as:		
Non-current liabilities	218,171	163,167
Current liabilities	77,699	151,175
	<u>295,870</u>	<u>314,342</u>

- (a) Trade and other payables represent amounts payable that are non-interest bearing and are normally settled on 30-60 day terms disclosed under current liabilities
- (b) Accruals represent:
- i. Accruals against the KM250 project amount to US\$ 211.75 million (31 December 2023: US\$ 209.21 million). This includes US\$ 193.47 million in respect of value of work done under the EPC contract (net of US\$ 2.89 million recoverable from Enerflex) disclosed under non-current liabilities and a further amount of US\$ 18.28 million (towards other KM250 works) disclosed under current liabilities.
 - ii. Other accruals amounting to US\$ 27.51 million (31 December 2023: US\$ 28.18 million) disclosed under current liabilities.
- (c) Accrued interest on EPC contract represents interest accrued on the EPC contract with Enerflex amounting to US\$ 24.69 million (31 December 2023: US\$ 22.21 million), being the implied finance cost and disclosed under non-current liabilities.
- (d) Advances received against sales represent amount received from local buyer in the form of security deposit pursuant to sales agreement entered with the buyer and disclosed under current liabilities.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2024 (Unaudited)

16 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, associated companies, directors and key management personnel of the Company, Shareholders and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company.

The nature of significant related party transactions and the amounts involved were as follows:

	<i>Nine-month Period Ended 30 September 2024 US\$'000</i>	<i>Nine-month Period ended 30 September 2023 US\$'000</i>
<i>Transaction with the shareholders and its affiliates</i>		
Time costs recharges	28,098	27,766
Overhead costs	7,884	13,432
Reimbursement of expenses (net)	339	776
Dividends	271,000	-

All costs in respect of personnel employed by the Operator (and its affiliates) and who are required for conducting the business of the Company are recharged (“time cost”) to the Company with no markup for profit.

Due to related parties as at 30 September 2024 amounting to US\$ 7.05 million (as at 31 December 2023:US\$ 7.48 million) represents amounts payable in respect of time cost and related charges, overhead and other costs incurred on behalf of the Company.

17 EXPENDITURE COMMITMENTS

As at 30 September 2024, the Company has capital commitments of US\$ 27.16 million (31 December 2023: US\$ 98.31 million) which mainly includes commitments relating to the development of 250 MMSCFD gas processing train in Khor Mor (refer note 1) and the Khor Mor Interim Compression Solution project.

18 SEGMENT INFORMATION

The information reported to the Company’s Executive Management, for the purposes of resource allocation and other decision making is based on the overall operating result of the Company. The Company has one class of business, being exploration, development, production, ownership, transportation, processing, distribution, marketing and sale of natural gas and petroleum related products, including the development of gas related projects and services, operating from the KRI which is considered as one operating segment. The disaggregation of revenue relating to the business activities can be referred in Note 3.

19 SUBSEQUENT EVENT

Subsequent to the period end, as referred in Note 13, a new US\$350 million Senior Secured Callable Bond was subscribed for by investors on 30 October 2024 and has been issued by the Company on 14 November 2024 with a final bullet repayment date of 14 May 2028. The net proceeds from the Bond would be mainly applied towards financing of Company’s development costs. The interest rate applicable to the Bond is 13% p.a. payable semi-annually.

The Company has provided pari-passu security to the lenders by way of assignment of revenues, insurances, major construction contracts, pledge over revenue/debt service/debt service reserve accounts, registered pledge over certain of the Company’s existing production assets in the KRI and registered pledge over the new 250MMscfd gas processing facility once the facility is fully operational.

Pearl Petroleum Company Limited

At 30 September 2024 (Unaudited)

UNAUDITED FINANCIAL INFORMATION

Resources

Gaffney Cline & Associates (“GCA”) prepared a Competent Person’s Report (CPR) on the 10th October 2019 for the resources of the Khor Mor Field (as defined by the extended boundaries set out in the Petroleum Development Agreement). The CPR is based on an assessment of the full dataset made available by the Operator, taking into account the understanding of the field plus the latest production and pressure data as at 15th May 2019.

The GCA CPR estimates the following Reserves at an Effective Date of 15th May 2019 for Khor Mor Area:

- Proved plus Probable (2P) gas, condensate and LPG reserves for Khor Mor are 6.9 Tscf, 173.4 MMBbl and 18.1 MMt, respectively.
- Proved plus Probable (2P) oil reserves for Khor Mor are 51.3 MMBbl,

which equates to total Proved plus Probable (2P) reserves in equivalent barrels for Khor Mor of 1,661 MMboe¹.

The above reserves figures are based on data from 3 of the 15 defined compartments in the Khor Mor Area. Following the oil discovery and testing in 2019, the CPR attributes contingent resources of 311 MMBbl oil to the field. In addition, Prospective Resources in the remaining yet to be developed compartments within the Khor Mor structure have been reported in the CPR.

Gaffney Cline Associates (“GCA”) carried out a certification of the reserves for the Chemchemical Area (as defined in the Petroleum Development Agreement) as at 15 May 2019. This certification is based on the earlier work carried out by GCA (as described in their report dated December 2015) but updated to take into account the understanding of the field and incorporating the test results as at 15th May 2019.

GCA estimate the following Reserves for Chemchemical Area:

- Proved plus Probable (2P) gas, condensate and LPG reserves for Chemchemical are 5.7 Tscf, 215.2 MMBbl and 19.7 MMt, respectively,

which equates to total Proved plus Probable (2P) reserves in equivalent barrels for Chemchemical of 1,446 MMboe¹.

Proved Developed Hydrocarbon Reserves:

At the Company’s request, GCA carried out an independent audit of the Proved Developed Hydrocarbon Reserves in the Khor Mor Area and issued its statement in June 2024. The report estimated a total Proved Developed Hydrocarbon Reserves of 4.251 Tscf as at an effective date of 1 January 2024.

¹ using conversion factors of 5.658 thousand cubic feet=1 boe, 1Bbl condensate=1 boe and 1 tonne LPG=11.7boe