



Annual Financial Statements



**For the year ended
30 June 2019**

Companhia Moçambicana de Hidrocarbonetos, SA

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Maputo, Moçambique

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For the year ended 30 June 2019

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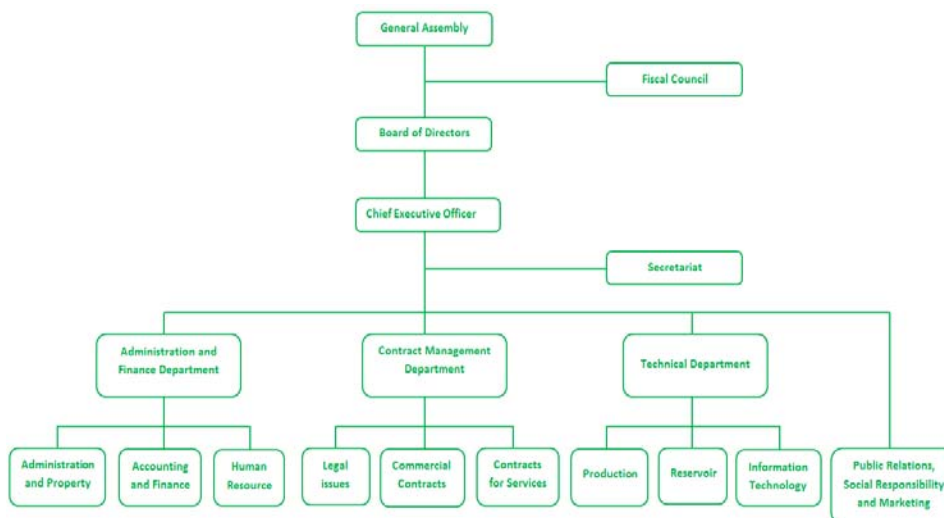
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I. CORPORATE INFORMATION

Company Name:	Companhia Moçambicana de Hidrocarbonetos, S.A. (CMH, S.A.)	
Registered Commercial Number:	13 259	
Tax Registration Number (NUIT):	400102961	
Board of Directors:	Fiscal Council:	General Assembly:
<ul style="list-style-type: none"> ▪ Jahir Adamo (Chairman) ▪ Fernando Faustino (Board Director) ▪ Tavares Martinho (Board Director) 	<ul style="list-style-type: none"> ▪ Benjamim Chilenge (Presidente) ▪ Afonso Mabica (Vogal) ▪ Pio Matos (Vogal) 	<ul style="list-style-type: none"> ▪ Fortunato Albrinho (Presidente) ▪ Marta Pecado (Secretária) ▪ Iolanda Matsinhe (Secretária)
Chief Executive Officer:	Estêvão Pale	
Shareholding Structure:	<ul style="list-style-type: none"> • Empresa Nacional de Hidrocarbonetos, E.P. (70%) • Government of Mozambique (20%) • National Private Investors (10%) 	
Share Capital:	MT 593 411 500 (USD25 286 649)	
Number of Shares:	5 934 115 (593 411 are listed on the Mozambique Stock Exchange)	
Auditors:	KPMG Auditores e Consultores, S.A.	
Banks:	Standard Bank South Africa, Barclays Mozambique Lda, FNB Moçambique	
Address:	Av. Julius Nyerere, n° 4003, Bairro da Polana Caniço “A” Maputo – Moçambique	
Country of Incorporation:	CMH, SA was established in accordance with the Laws of Mozambique.	
CMH Vision:	Secure optimal utilization of CMH’s present and future gas resources and infrastructure, by optimal operation and securing/providing access to additional Mozambican gas.	
CMH Mission:	To maximize the shareholder-value from investments in the production. Company, for Pande and Temane Upstream Joint Operation is, in full compliance with contractual rights and obligations.	

CMH Structure:



II. MESSAGE OF THE CHAIRMAN

We have the pleasure to submit the audited financial statement and the Directors report for the financial year ended 30 June 2019.

This financial year was characterized by lower sales volumes of natural gas and condensate compared to the previous financial year mainly due to lower nominations by Sasol Gas and some domestic contracts. Despite this fact, we were positively affected by higher oil prices in the international market.

During this financial year, our shareholders continued getting levels of dividends in line with previous and current financial performance indicators of the company.

We do continue committed to continue paying adequate amount of dividends to our shareholders, despite the fact that, the company has many technical challenges in terms of investments, to sustain the current production capacity, and to supply signed contracts as well as field performance. One of the main challenges is the availability of proven and probable reserves to guarantee the supply of signed contracts. We do need to invest in additional compression projects to recover more gas from Pande and Temane reservoirs. Discussions are being conducted with our main buyers in order to invest in additional facilities to increase volumes of gas to be supplied to them in order to resolve future possible deficit of reserves.

Under the field's performance, we experienced integrity issues on some of the Pande and Temane wells which have been contributed to higher operating costs when compared to previous year.

We can see from our financial statements that CMH has a total comprehensive income of USD 38 086 853 which represented an increase in profit of about 26% compared to the results of the 2018 financial year, due to the increase of petroleum prices in the international market.

During this financial year, CMH paid in taxes and contribution a total amount of USD 20 873 958 to the Government, of which 68% represents corporate income tax, 27% of withholding taxes and 5% of contribution to the social security (INSS + Complementary social security).

In relation to the loan, a total amount of USD 9 909 539 was paid as debt service during this year, being USD 9 125 310 related to principal and USD 784 229 related to interest. As at 30 June 2019, the CMH's outstanding debt is USD 4 562 655.

Additionally, considering the CMH articles of Association, the approved dividend policy and the existing commitments with Lenders, CMH has paid a total amount of USD 30 273 117 of dividends, being that USD 7 970 000 on 18 September 2018 and USD 4 600 000 on 25 February 2019, and USD 17 703 117 on 17 April 2019. Those amounts were declared in FY 2015, FY 2016, FY 2017 and 2018, respectively.

Occupational Health management programs continued to be well managed and there are good performance indicators.

Regarding our Corporate Social Responsibility (CSR), CMH continues to provide its contribution to the social projects with the Joint Operations (JO) as well as through CMH's direct contribution. Under the Joint Operations (JO), CMH has contributed to the joint account an amount of USD 344 368 and directly a total amount of USD 140 631 to the development of under privileged communities in various provinces of Mozambique through investing in projects of education, health, increasing community access to potable water, promotion of culture and sports and solidarity to the victims of natural disasters and employee welfare.

The implementation of social projects under the umbrella of the Joint Operations (JO) has been improving but, we still think that there is room for substantial improvements.

The Namacunda House Complex that was built in Vilanculos, City to accommodate skilled Mozambique personnel who are working in the industrial Complex of Temane is fully operational, and an increasing number of workers and their families are being accommodated there.

CMH continues to strengthen the organizational structure of the company. In terms of training, we do continue to pay great attention to the needs of our staff.

All members of our staff have benefited from training courses both in country and abroad, with special attention to specialised training in oil and gas related fields. We do continue committed to transparency, integrity and to combat any sort of potential negligence, fraud or corruption in our business. All our annual reports are made public through one of the largest circulation newspaper within the country and on our website.

Our shares at the local stock exchange market (*Bolsa de Valores de Moçambique - BVM*) remained traded at the market. During this year, there was a variation of the share value, from 800 to 1200 Meticaís during the financial year ended 30 June 2019. Despite these variations of the share value, this quotation still does not reflect the increase of the company value.

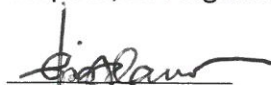
In terms of environment, we are happy to continue reporting an overall good safety and healthy environment performance by the operator.

Regarding this financial year, in spite of delays in receiving payments from gas supplied to the domestic market, there is no litigation to report.

We continued to honour all our commitments related to loans, taxes and other expenses to our stakeholders on a regular basis.

In conclusion, we want to extend our sincere gratitude and appreciation to all those who continue to believe in us and who have been supporting our company during these challenging times, specially members of the Mozambican Government, our shareholders, financiers, partners, who have always encouraged us to continue building this company as the vehicle of the participation of Mozambicans on the Pande & Temane Gas Fields Venture.

Maputo, 28 August 2019



Jahir Adamo

Chairman

III. DIRECTORS' REPORT

The Board of Directors of CMH has pleasure in submitting the Annual Financial Statements and the Directors' Report for the financial year ended 30 June 2019.

1. Nature of the business and main activities

Companhia Moçambicana de Hidrocarbonetos, SA (CMH) is the Mozambican Partner in the Natural Gas Pande and Temane Project (NGP), a Joint Operations (JO). Sasol Petroleum Temane (SPT) is the operator in the Temane and Pande gas fields, and is a Mozambican subsidiary of Sasol Exploration and Production International (SEPI), with a 70% interest in the joint operation. The non-operators are Companhia Moçambicana de Hidrocarbonetos (CMH) which is a subsidiary of the state-owned company Empresa Nacional de Hidrocarbonetos, EP, (ENH) with a 25% interest; and International Finance Corporation (IFC), a member of the World Bank Group, with a 5% interest in the joint operation.

The Joint Operations (JO) is managing and developing the Pande and Temane gas fields in Mozambique's Inhambane Province and a Central Processing Facility (CPF). Natural gas and condensate have been produced from the Temane field since February 2004 and Pande field since June 2009. From the CPF, the gas is transported along the 865 Km route through an underground cross-border transmission pipeline to Sasol Gas at Secunda, South Africa and to five off-take points, along the Mozambican portion of the pipeline route, for supply of gas to the domestic market.

Initially the CPF project was designed to produce 120 MGJ/annum of gas to sale to the anchor customer Sasol Gas through the Gas Sales Agreement 1 (GSA 1). In March 2007, the partners agreed to an expansion of the Pande and Temane gas fields and the CPF in Temane to deliver a 50% increase to existing gas production capacity and sales increasing the production capacity of the facilities from 120 MGJ/annum to 183 MGJ/annum. Out of additional capacity of 63 MGJ/annum, 27 MGJ/annum was allocated to Sasol Gas through the Gas Sales Agreement 2 (GSA 2), while the other 27 MGJ/annum was allocated to eligible projects in the Mozambican market detailed as follows: ENH KOGAS 6 MGJ/annum, Central Térmica de Ressano Garcia (CTRG) 11 MGJ/annum, Matola Gas Company (MGC) 8 MGJ/annum and additional 2 MGJ/annum was allocated to ENH in the year 2015, a total of

9 MGJ/annum was reserved for royalty to be paid to the Mozambican Government in kind. The condensate production is sold to Petromoc at the CPF and it is transported to Matola port.

In order to meet the contractual gas supply obligations, there was a need to increase the CPF processing capacity from 183 to 197 MGJ/annum through additional minimal capital expenditure for minor modifications to the plant to implement a debottlenecking project at the CPF.

Low Pressure Compression (LPC) phase 1 has achieved project close-out during FY17 as part of *plateau* extension period. RFC (ready for commissioning) for LP Compression Phase 2 has been achieved and beneficial operation was achieved at the end of September 2018.

Low Pressure Compression (LPC) phase 3 is underway. The FEED (front end engineering design) and engineering verification were completed in March 2018, the project RFC (Ready for commissioning) and BO (Beneficial Operation) are expected to be achieved by the end of March 2020.

During the period under review, the first infill well Pande-27 was successful drilled in Pande field during the month of March as an infill well to sustain a *plateau* of 197PJ/year.

2. Results and Activities under the Unincorporated Joint Operation (UJO) Scope

2.1 Results

Companhia Moçambicana de Hidrocarbonetos, S.A., operating profits, for the financial year ended 30 June 2019, for its participation in Pande and Temane Unincorporated Joint Operations (UJO-25%) is USD 81 751 772, as follows:

(USD)

Income Statement - CMH 25%	FY19	FY18
	01 July to 30 June	01 July to 30 June
Turnover	96 801 421	82 571 249
Sales: Natural Gas	93 601 145	80 038 098
Sales: Condensate	3 200 276	2 533 151
Royalties (Natural Gas and Condensate)	(920 534)	(1 104 649)
Net revenue after royalties	95 880 887	81 466 600
Operating expenditures relating to JO	(14 129 115)	(12 070 075)
Results from JO prior to CMH expenses	81 751 772	69 396 525

The operating profit increased by 18% compared to the Financial Year 2018 (FY18). There is a slight reduction in the sales volumes but a considerable increase in the selling price which resulted in an overall increase of 17% in turnover.

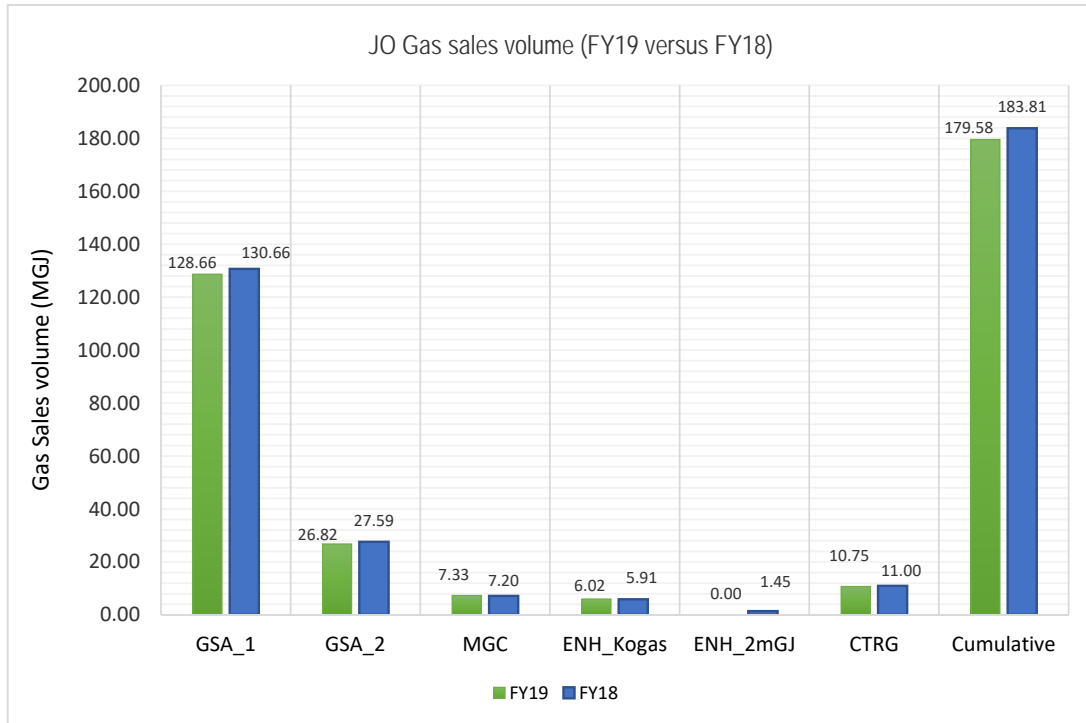
2.2 Production and Sales of Natural Gas and Condensate

2.2.1 Natural Gas and Condensate Sales

Volumes of Natural Gas and Condensate sold in the Financial Year 2019 (FY19) ended 30 June 2019, are as follows:

JO Sales Volumes (100%)	Unit	FY19	FY18	Variance
		1 July to 30 June	1 July to 30 June	(%)
Natural Gas - GSA 1	MGJ	128,66	132,36	-2,79
Natural Gas - GSA 2	MGJ	26,82	26,99	-0,63
ENH-kogas	MGJ	6,02	4,82	24,90
MGC	MGJ	7,33	7,20	1,81
CTRG	MGJ	10,75	10,94	-1,74
ENH 2mGj	MGJ	0,00	0,31	-100,00
Cumulative gas sales volume	MGJ	179,58	182,62	-1,66
Condensate	Bbl	353.178,46	385.443,24	-8,37
Royalty	Unit	FY19	FY18	Variance
		1 July to 30 June	1 July to 30 June	(%)
Gas Taken in Kind	MGJ	6,72	5,73	17,28
Average Selling Price	Unit	FY19	FY18	Variance
		1 July to 30 June	1 July to 30 June	(%)
Natural Gas - GSA 1	USD/GJ	2,40	1,98	21,21
Natural Gas - GSA 2	USD/GJ	2,09	1,72	21,51
ENH-kogas	USD/GJ	1,89	1,83	3,28
MGC	USD/GJ	1,37	1,29	6,20
CTRG	USD/GJ	2,54	2,46	3,25
ENH 2mGj	USD/GJ	2,24	2,17	3,23
Condensate	USD/Bbl	36,08	26,29	37,24

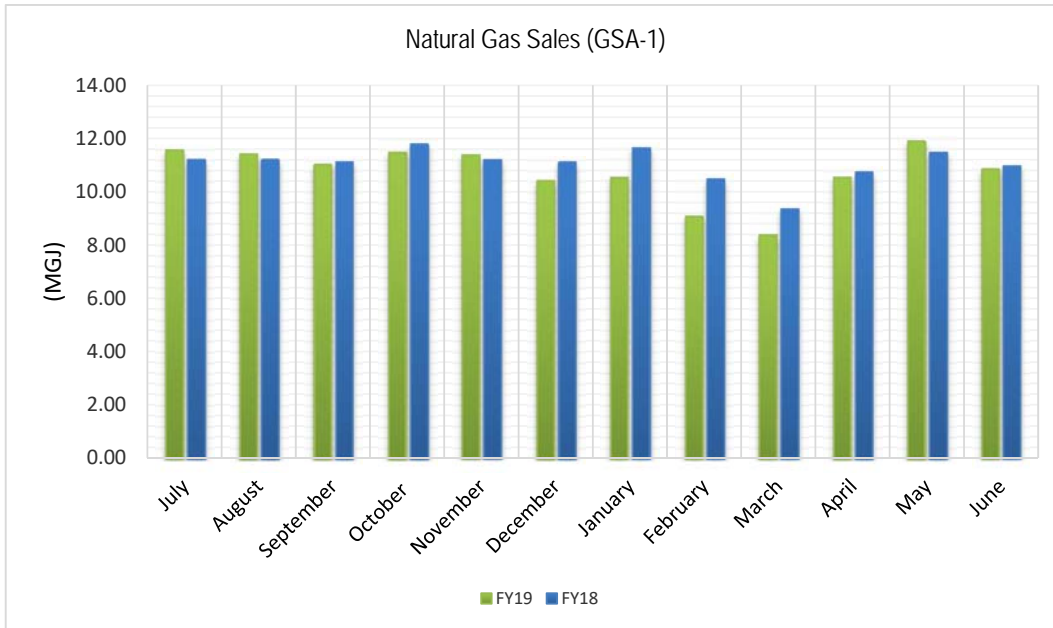
The chart below visualizes the figures from the previous table in terms of sales volumes (FY19 versus FY18).



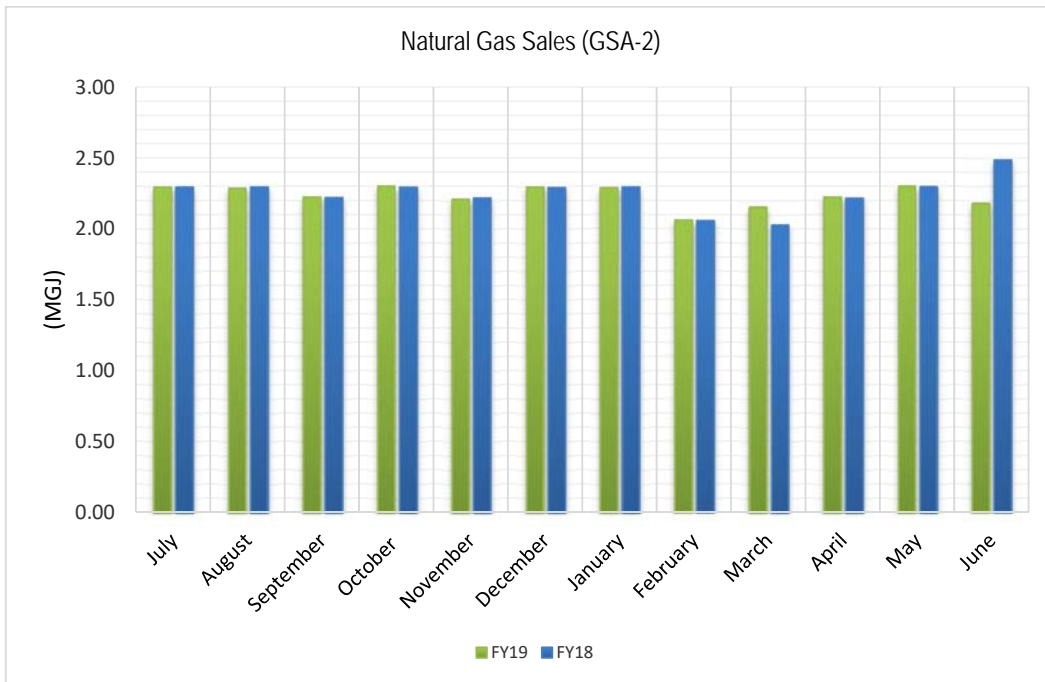
As we can see from the above graph, total natural gas sales volumes for FY19 are 1.66% lower than sales volumes for the same period of FY18, due to the following reasons:

- Lower nominations by Sasol Gas under GSA 1&2 and domestic agreements (CTRG ENH_2MGJ). In addition to that, no gas has been nominated under GSA ENH-2mGJ since September 2017, due to the fact that ENH Agreement remains suspended and this has also contributed to lower sales volumes for the period under review;
- During the period under review, a routine maintenance was undertaken, to minimize trips on the plant and equipment aimed to reduce plant shutdowns. However, there were some trips and shutdowns, but it did not result in losses of production in the Central Processing Facility (CPF).

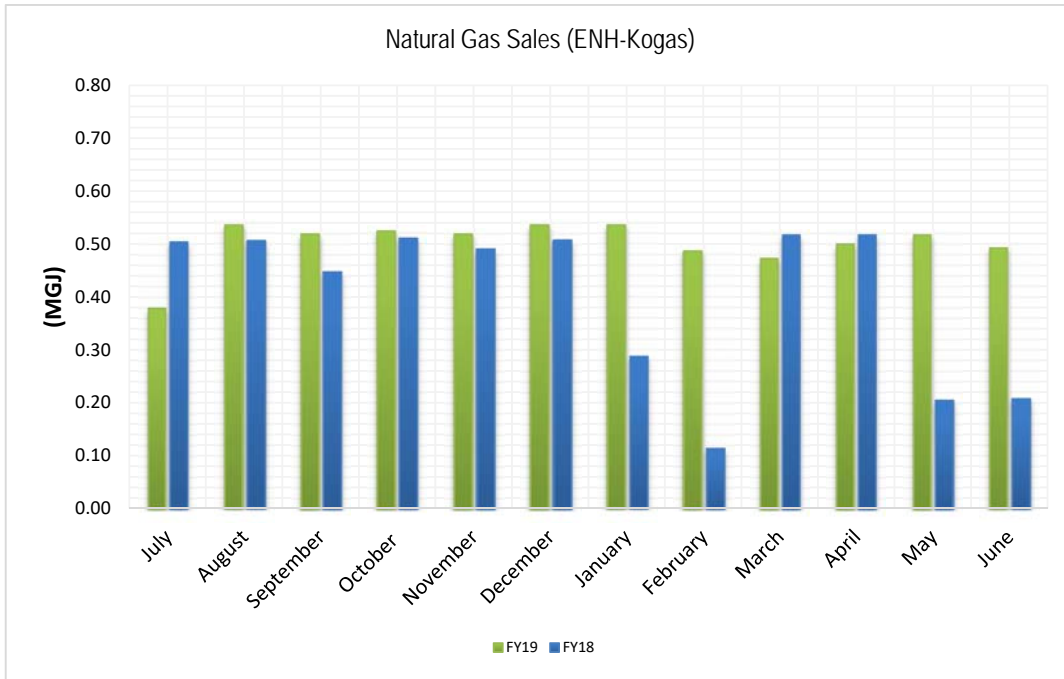
The following charts show gas production and price evolution during the FY19 compared to the FY18 for both gas and condensate.



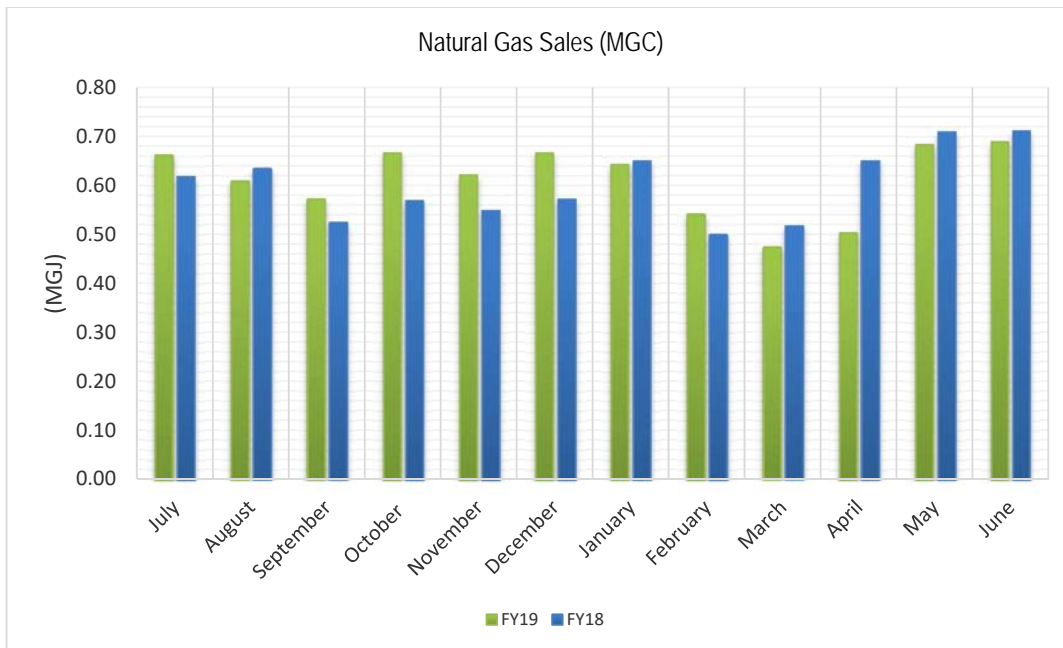
It is shown above that during FY19, there was 2.79% lower gas sales volumes under the GSA1 than sales volumes for the same period of FY18, due to lower gas nominations by Sasol under GSA1.



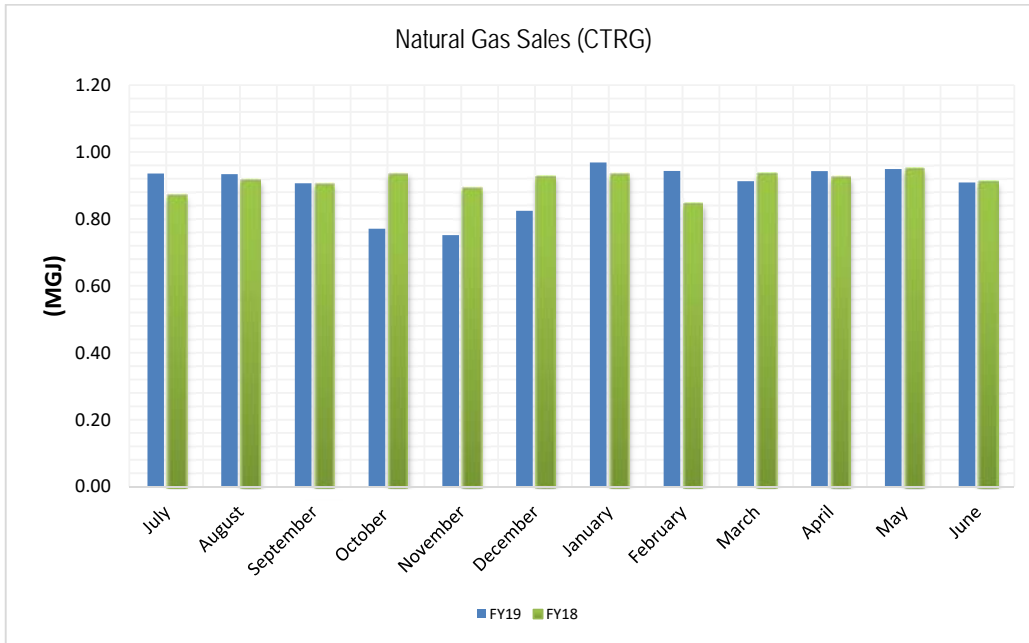
Gas sales volumes under GSA2 for FY19 were 0.63% lower than sales volumes for FY18, due to lower nominations by Sasol Gas under GSA 2.



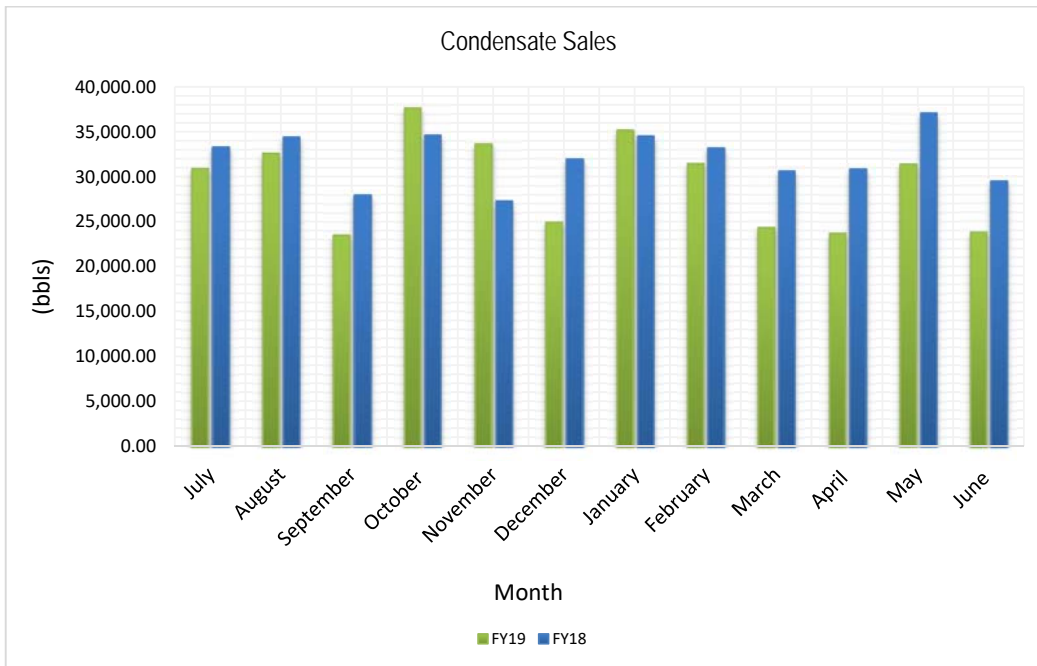
Gas sales volumes under ENH_KOGAS Agreement for FY19 were 24.90% higher than sales volumes for the same period of FY18, due to higher nominations over the reporting period.



Gas sales volumes under MGC Agreement for FY19 were 1.81% higher than sales volumes for the same period of FY18, due to higher nominations over the reporting period.



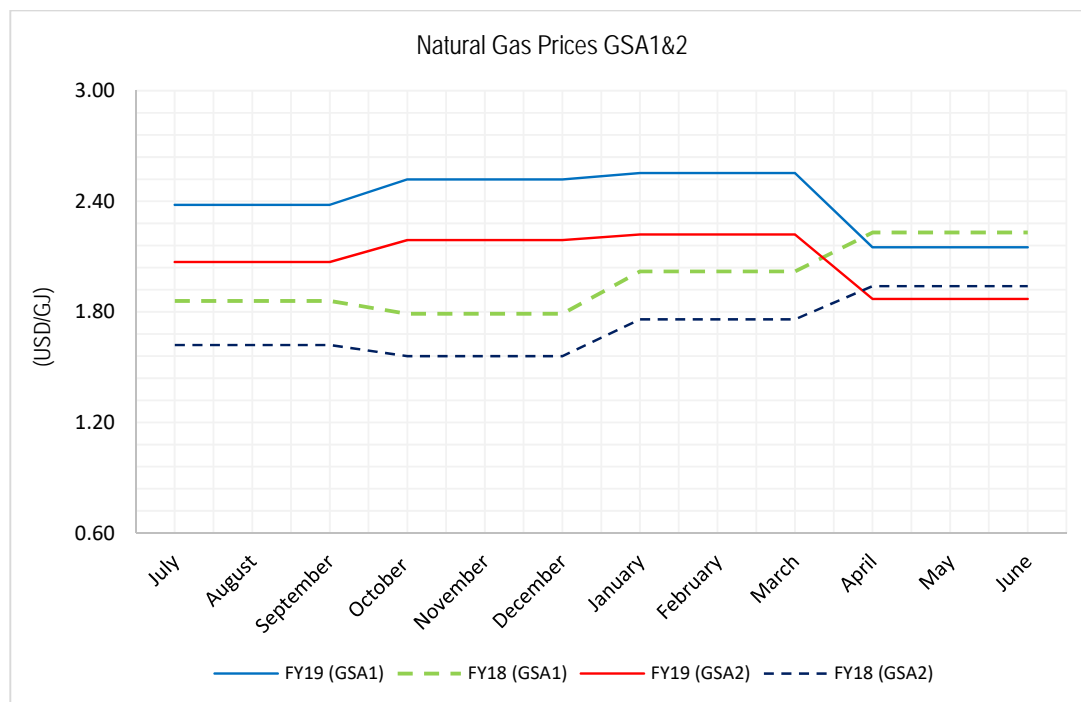
Gas sales volumes under CTRG Agreement for FY19 were 1.74% lower than sales volumes for FY18, due to lower nominations over the reporting period.



Condensate sales volumes for FY19 were 8.37% lower than sales volume of FY18 due to lower gas production, and the fact that more of the production which comes from Pande wells have less liquids. In addition to that, the condensate gas ratio (CGR) has been dropping with time as the reservoir pressure drops.

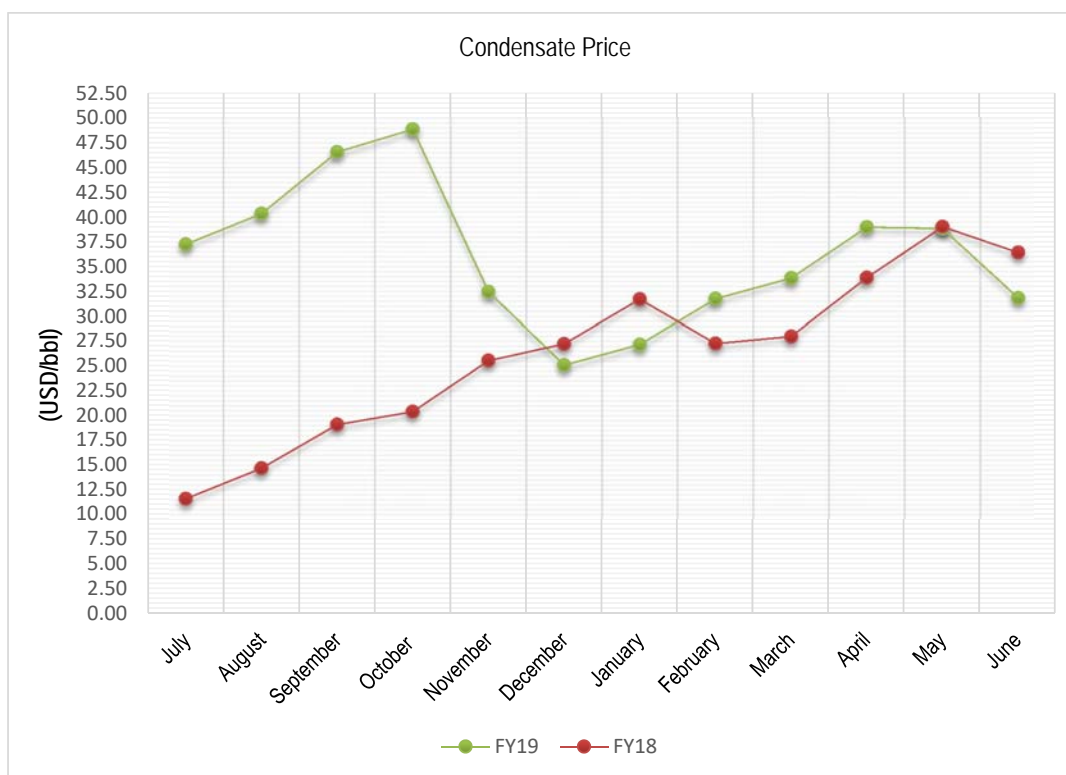
2.2.2 Natural Gas and Condensate Price

Overall, gas and condensate sales prices for the 12 months ended 30 June 2019 were higher compared to the previous year (FY18), due to the increase of oil prices in the international market.



- The weighted average gas price for GSA 1 (including excess gas) was USD 2,40 per GJ which is 21,21% higher than the previous year's gas price of USD 1,98 per GJ, due to positive variance on price drivers during the reporting period.
- The weighted average gas price for GSA2 was USD 2,09 per GJ which is 21,51% higher than the previous year's gas price of USD 1,72 per GJ, due to positive variance on price drivers during the reporting period.
- The weighted average gas price for ENH-KOGAS was USD 1,89 per GJ which is 3,28% higher than the previous year's gas price of USD 1,83 per GJ, due to positive variance on USA PPI.
- The weighted average gas price for MGC in FY19 was USD 1,37 per GJ which is 6,20% higher than the previous year's gas price of USD 1,29 per GJ, due to positive variance on price drivers.

- The weighted average gas price for CTRG in FY19 was USD 2,54 per GJ which is 3,25% higher than the previous year's gas price of USD 2,46 per GJ, due to positive variance on USA PPI.
- The weighted average gas price for ENH-2MGJ was USD 2,24 per GJ, which is 3,23% higher than the previous year's gas price of USD 2,17 per GJ, due to positive variance on USA PPI.



- The weighted average netback price for Liquid Hydrocarbon Sales was USD 36,08 per bbl which is 37,24% higher than the previous price of USD 26,29 per bbl for FY18, mainly due to increase of Brent price in the international market.

2.3 Royalty Tax

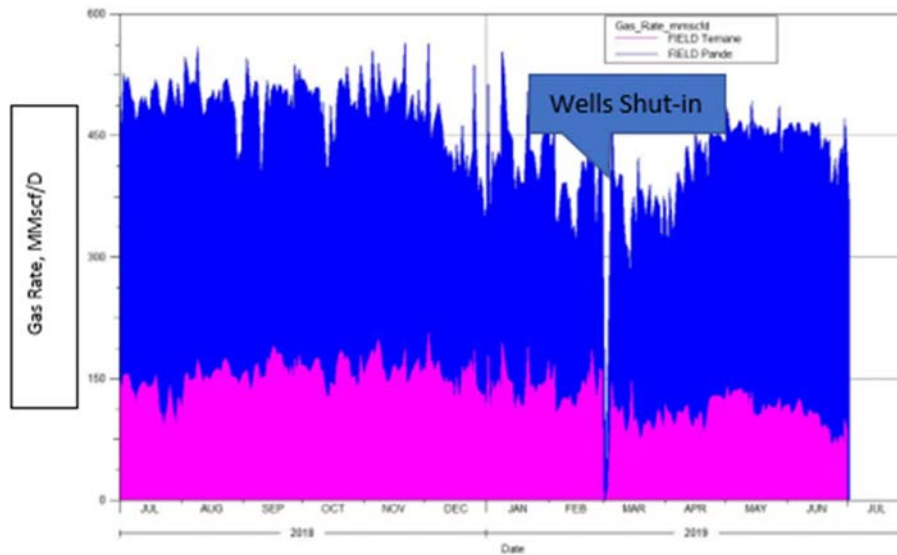
The royalty gas taken in kind by Matola Gas Company (MGC), Empresa Nacional de Hidrocarboretos (ENH) and Kuvaninga from July 2018 to June 2019 was 17.28% higher than what was taken during the FY18. This was due to increase in the domestic gas consumption under the reporting period.

2.4 Review of Operations

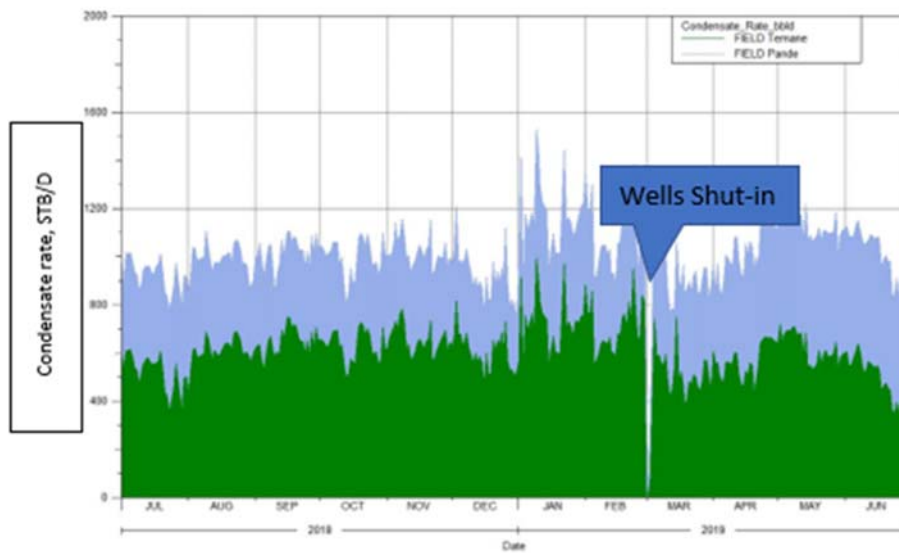
2.4.1 Operations on the Gas Field

Charts below visualize the average daily Gas and Condensate production profile for FY19

Pande G6 and Temane G9, average daily Gas Production rate from 1 July 2018 to 30 June 2019



Pande G6 and Temane G9, average daily condensate Production rate from 1 July 2018 to 30 June 2019



- Average gas production from the PPA assets in FY19 was 478 MMscf/D (Million standard cubic feet per day) which is 1.17% lower than the previous year (FY18) of 484.35 MMscf/d. There was a decrease by 5.6 MMscf/d with an average contribution ratio of 29% and 71% for Temane and Pande fields, respectively.
- Total average of condensate production was 981 STB/D (Stock tank barrel per day) in FY19 which is 6.2% lower than the previous year which was 1 046 STB/D.
- Condensate production decreased by 64 STB/D compared to the same period of FY18, due to lower gas production and the fact that condensate gas ratio (CGR) has been dropping with time as the reservoir pressure drops.
- As per the above charts, we can see that on the 2nd and 3rd of March 2019, there was no gas and condensate production, due to planned shutdowns of the CPF that took place in order to conduct routine maintenance.

Reservoir surveillance and Field performance

Under Reservoir Surveillance activities and field Performance, there were integrity issues on the wells, as follows:

- T-04, T-09, T-14 and T-15 have been experiencing integrity issues, due to gas migration that has been identified behind the Casing of the wells. The engineering team has recommended to Plug & Abandonment (P & A) in FY20 upcoming drilling campaign.
- T-03 and P-15, have detected the presence of gas leak in the annulus of the wells and the engineering team has recommended to be worked over in the FY20 drilling campaign.
- Pande 19 remain shut in since September 2016, due to gas leaks in the valves and several interventions have been made on this well, but with no success. The engineering team has also recommended to be worked over in the FY20 drilling campaign.
- Temane-22, the primary water disposal well, was detected higher skin and higher pressure in the formation and it was conducted Flow after Flow (FAF) test on the well which has indicated the possibility of two fractures in the formation. As short-

term solution, the engineering team has recommended that injection rates of 0.9 bbl/min should not be exceeded.

- Temane-11 has been experiencing low deliverability and well integrity issues. During the surveillance tests was detected higher pressure in the annulus than was expected and the engineering team has recommended to keep monitoring.
- Temane-13 has problems with an excessive water production which is 70 m³ when compared to an average of 30 m³ of the processing capacity in the CPF.
- Temane-23 (condensate disposal well), it has observed formation damage which cannot allow condensate disposal. Well delivery team has conducted a risk assessment to identify alternatives for condensate disposal.
- Under the field performance, the first PPA new horizontal well, Infill k (Pande 27) has been put on production and inspected by INP during the period under review. The production rate of the well is about 50MMscf/d which is in line with the flow well design.

As we can see from the above, only 65% of PPA wells production are online and 35 % are shut in and as mitigation plan, the well delivery team has selected and recommended that some of the wells to be worked over and others to be Plugged & Abandoned during the upcoming drilling campaign.

During the period under review, there was work progress on the potential risky PPA old wells from past operations that were plugged and abandoned (P&A) by the operator during the drilling campaign in 2007 and are under consortium responsibility as per the PPA agreement.

The progress since last reporting period is as follow;

- Evaluation via hot tapping, to test the current pressure stage of the wells for selecting priority wells that will require immediate remediation using upcoming rig campaign that will be available in the 2019 to 2022.
- The bushing works, to open roads to allow access to the wells so that the hot-tapping team begin to carry out its job.

2.4.2 Operations at the Central Processing Facility (CPF)

CPF operations were stable throughout the period under review. The overall nominations were met and not once were exceeded by more than 2%.

However, over the reporting period the following events have occurred as follows:

- There was a planned plant shutdown during the month of March and it was successfully executed without any safety incidents.
- Unit 43 (Dehydration unit), the circulating pumps tripped due to a communication failure between the outside of pumps and DCS (distributed control system). The maintenance team has worked on the PLC (programmable logic controller) and the problem has been resolved.
- Unit 32 (Low pressure compressor) had several trips during the period under review. A root cause analysis has been conducted and it was identified an electronics failure on the bleed valve that was causing the trips. The maintenance team has worked to solve the problem.
- Unit 31 (low pressure compressor) has tripped several times, due to indication of low speed on power gas turbine. Investigations were done by maintenance team and the problem was resolved.
- The GTG unit-D (Gas turbine generator) tripped due to the failure on the generator, causing load shedding on the plant. After investigations it was identified that the voltage regulator was faulty. The maintenance team corrected the failure and the unit has been put back in operation.
- Unit 92 (Condensate Storage & Loading) has experienced problems, during the month of September 2018, which has contributed to lower sales volumes. In addition to that, the tanks levels have been increasing due to loading bay restrictions. Some actions were taken on all loading bays (A, B and C) to mitigate risks (overflowing the tanks) whilst the maintenance team was working to repair the tank A.

Maintenance was carried out to minimize trips and production losses as stated below:

- Planned yearly maintenance for both Field and CPF was undertaken to minimize trips during the reporting period.

- On unit 69 (Daniel Metering station), it has been performed an upgrade on the electronic system (Software and hardware), during the month of July 2018, due to communication problems experienced in the past. During June 2019, it has been performed ISO (international organization for standardization) calibration on all meter runs and temperature, pressure and differential pressure transmitters). CMH technical team was invited to witness the works on such upgrade and calibration of Daniel metering station which were successfully executed.

2.4.3 Sustainment and *plateau* extension Projects

2.4.3.1 Low Pressure Compression (LPC) Project

Low Pressure Compression (LPC): Phase 3

The purpose of the LPC phase 3 project is to install the fourth compressor-turbine unit at the Central Processing Facility (CPF) in order to enable gas delivery at current operations conditions.

- The project is in its execution phase.
- The project RFC (Ready for commissioning) and BO (Beneficial Operation) are expected to be achieved by the end of March 2020.

2.4.3.2 Pande infield compression Project (PIC)

Pande Infield Compression Project is an additional compression with aim to compensate pressure decline from the reservoirs. The project plan is to recover additional gas quantities by allowing gas production to continue at reservoir pressures that are lower than the abandonment pressure attainable under the approved development plan and to enable plateau extension period and to meet the existing gas sales agreements.

The PIC is the last plateau extension project and it is not included in the current Field Development Plan approved. This project will be able to resolve the current deficit of gas reserves.

Progress since last reporting period is as follow:

- ✓ The operator has conducted a technical study to evaluate the feasibility of the PIC project and based on that, the sellers and buyer have chosen PT1+TI1 (Pande

- trunkline plus Temane CPF Inlet single stage) as the preferred option and financed by the buyer to carry forward for the FEED (Front End Engineering Design) stage, as it presents a lower investment cost compared to the other options which could add gas reserves 1P (Probability of 90%) to meet the GSAs obligations of 197MGJ/a;
- ✓ As a result of the engagement between sellers and buyer during the reporting period, JO Partners have already signed both 7th and 5th amendments of GSA1 and GSA2 respectively that have the provisions under the Gas sales agreements (1&2) to agree on the installation of additional delivery facilities as a way forward to address the reserves deficit;
 - ✓ With regard the abovementioned amendments signed between the sellers and the buyer which obliges the Gas buyer to request to the seller the installation of additional delivery facilities (ADF) via ADF Notice, such ADF Notice was issued to the Gas sellers on the 6th of March 2019.
 - ✓ The Sasol project team has submitted the Invitation to Tender (ITT) to award the contractor to conduct the FEED package.

2.5 Safety, Health and Environmental Matters

Overall good Safety, Health and Environmental (SH&E) performance and implementation of Sasol SH&E related initiatives are being maintained.

No significant environment, safety and health incidents were recorded during the period under review.

Occupational health management programs continued being well managed and good progress in achieving behaviour base safety indicators of performance were still evident, all procedures and work instructions are being updated in order to accommodate the standards from ISO 14001:2015.

The adherence to the medical surveillance program was excellent, there was no any occupational health illness during the reporting period.

Malaria incidents have been increasing or decreasing in line with seasonal variation. To mitigate this, the malaria vector control program is ongoing at the CPF site and the Nhamacunda Housing complex with indoor residual spraying, larvicide application on the lake and drains and fogging through the houses. These actions have resulted in a positive impact in decreasing mosquitoes' population.

1. Environmental performance monitoring

The JO Partners complies with the environmental management requirements as stipulated in the Operations Environmental Management Plan (OEMP) for the period under review, significant improvement has been demonstrated in terms of data capturing and consistent reporting as follows:

Soil monitoring - the results indicated that no soil contamination was found within the CPF perimeter and adjacent areas. The fieldwork observations and the results of analysis were following: metals were detected in soils samples and the results are well below the Dutch Soil Remediation Intervention Value, volatile organic compounds and chloride was not detected in any of the samples submitted to the laboratory. PH from soil sample collected inside and outside the CPF indicate that the soils are moderately alkaline (6.6-9.5) and does not affect physical, chemical, biological properties and process of the soil as well as plant growth.

Noise monitoring - the annual Environmental Noise Monitoring at the CPF was conducted by Consultec. The purpose of this survey was to characterize the existing sound levels in the vicinity of the CPF. The survey was performed in 20 pre-established sample locations in the surroundings of the plant, the recorded noise levels were evaluated and duly compared with the environmental noise Management Guidelines established by the IFC-World Bank Group and by Noise Control Regulations from South African Environment Conservation Act (73 of 1989).

The results show that sampling points located more than 1 kilometre from the facility, i.e., outside the CPF partial Protection zone do not suffer any acoustic influence from the CPF normal operation.

Air monitoring - the extraction, stabilization and export of hydrocarbons involve several processes that give rise to atmospheric emissions, these include combustion to provide electrical power and drive compressors, flaring of gas and incinerator operation. The field work for source emission testing and ambient air quality was performed at the CPF in July 2018. The report received concluded that air emissions from the CPF are well within the Sasol Air Guidelines Outlined in the OEMP, based on the following observations made on site and the results of laboratory analysis.

All tested parameters at the new incinerator are below Sasol guidelines value, dry gas results in terms of SO₂ and NO_x from various sources complies with OEMP guidelines, dust fallout results in the monitored sites are below the threshold limit of 600 mg/m²/day.

Groundwater Monitoring - has been undertaken by an independent specialist company, the organic and inorganic compounds of the water were analysed.

For organic ground water chemistry samples were analysed to determine the Total Petroleum Hydrocarbons (TPH) the analysis show that there were no indications of organic content in any of the samples. Inorganic analysis of the ground water quality at the CPF and gas field still resembles the regional quality except for the few parameters that slightly exceed the maximum ambient concentration from time to time due to natural process.

The following audits happened during the period under review, as follows:

- From 1st to 3rd of October 2018, the CPF received one combined Government audit from MITADER and INP, where some observations were raised, namely: missing bins at well site, update all environmental monitoring SOW (Scope of Work) and procedures according with the OEMP (Operation Environmental Management Plan) version 5, October 2014 and improvement of internal communication;
- An SHEQ audit (Safety, Health, Environment and Quality) was conducted, from 8 to 12th of September 2018, to assess the compliance with standards and other requirements, evaluation of the effectiveness of the management system in its

entirety. Therefore, the audit identified areas of improvement such as Calibration of Lab equipment;

- An SHEQ surveillance audit was conducted at CPF from 19th -22nd of November 2018 to assess compliance with standards and other requirements. All the findings raised were cleared by mid-February 2019;
- An Internal environmental Audit happened, but no environmental findings were raised, only positive observation were observed, namely: good waste management system and good housekeeping at visited areas;
- With regards to the environmental legal audit all findings raised in previous audits were fully addressed and closed.

2. Pande-4 remediation program

The Pande-4 well remediation project aims to assess the appropriate remediation action for the well. This project consists of subsurface review, environmental monitoring and assessment of a feasible remedial solution. The conventional drilling is not possible as the original wellbore cannot be identified.

The Pande-4 monitoring program has been managed by the CPF operations team. The following current actions have been implemented at Pande-4;

The Pande-4 access control facilities which consist of civil works including the rehabilitation of the berm, construction of the overflow channel, construction of security guard house, the bio-toilet and the installation of the fencing around Pande-4.

The surface, soil and water gas sampling are still ongoing on bi-annual basis, currently the gas sampling showed no ambient gas concentrations in excess of lower explosive limit (LEL), soil sampling found insignificant adsorbed compounds, present compounds pose no risks to human health. Water sampling results from the community boreholes observed no hydrocarbons, water deemed to be of good quality and suitable for human consumption. Pande-4 water pond contain significant levels of hydrocarbons and levels of salts, as a result the water is not suitable for human or animal consumption.

The main recommendation is to kick-off a Pande-4 monitoring program which will cover the following aspects: Subsurface monitoring scope, to better understand changes in the subsurface over time, surface monitoring facilities scope for better control i.e. flaring of the gas or power generation, including assessment of water for irrigation purposes and valuation of the current sand mining business at the crater. The water and gas releases from the area have been estimated of about 1 MMscf/day (million standard cubic feet per day) for gas and 125 bbl/day (barrels per day) for water.

2.4.4 Legal and Commercial Matters

During the reported year, the JO Partners were in process of reviewing and negotiating with SPM the draft of the Joint Development Agreement and Cost Recovery in Respect of Integrated Works (JDA) with the aim of providing a framework for payment and reimbursement in connection with work, prior to final investment decision, for the CPF Expansion. The negotiating process of this agreement is underway, the draft of the said Agreement is being reviewing by SPM.

Following termination of the Liquid Hydrocarbon Agreement in June 2018, in July 2018 it was signed a Liquid Hydrocarbon Agreement between the JO Partners (as Sellers) and Petromoc (as Buyer) for the sale of the PPA condensate, which came into force on 23rd July 2018, for a period of one year (until 30th of June 2019).

In June 2019, a new Liquid Hydrocarbon Sales Agreement was signed between the JO Partners (as Sellers) and Petromoc (as Buyer) for the sale of PPA liquid hydrocarbon, which came into force on the 1st July 2019, for a period of two (2) years (until 30th of June 2021).

During this year, the JO Partners and Sasol Gas signed the 5th Amendment to the GSA1 and the 3rd Amendment to the GSA2 for supplying excess gas, seeking to ensure that the JO Partners in the PPA Project could maximise sales revenues within the confines of the relevant agreements, licences and applicable laws to the production and sale of natural gas from the PPA reservoirs, provided that the Sellers will not be liable for any shortfall gas liability during the first two years of the reserve deficit.

In relation to the PIC project commercial enablement, it was signed between the JO Partners and Sasol Gas the 6th Amendment to the GSA1 and 4th Amendment to the GSA2 aiming to extend from four (4) to five (5) months the period of negotiating possible solutions to address the Reserves Deficit issues, in order to give time to ENH (CMH major Shareholder) to analyse the solution proposed by the JO Partners. Moreover, as result of the negotiations and in order to allow the Buyer (Sasol Gas) to elect, at its cost, the installation of Additional Delivery Facilities (ADF) to mitigate the Reserves Deficit, it was signed, between the JO Partners and Sasol Gas, the 7th Amendment to the GSA1 and the 5th Amendment to the GSA2. The Buyer has, in relation to the PIC, issued an Additional Delivery Facilities (ADF) Notice to the Seller, on 6th March 2019. According to the GSAs, the Sellers have to respond the Buyer in six months from the date of such ADF Notice being issued, with an ADF Notice Report.

During this year, an Amendment to the ENH-KOGAS GSA was signed between JO Partners (as Sellers) and ENH-KOGAS (as Buyer) with the aim to prescribe the terms and conditions for the supply of gas quantities by the Sellers to the Buyer for the purpose of creating, maintaining and/or increasing Buyer's share of the Strategic line pack in the Pipeline.

Regarding GSA3 (with MGC, ENH, CTRG and ENH-KOGAS as off-takers), they were affected by low demand and late payments from the downstream gas/power consumers, which is affected by lower electricity demand from the National Power Utility. The off-take by ENH-KOGAS continues at the maximum daily quantity level, due to the commissioning of the CTM Power Plant in Maputo. The ENH 2 MGJ Agreement remains suspended, parallelly, the JO Partners received two (2) letters from ENH, one dated 13th of February 2019, stating that ENH is waiving its "*rights to the Annual Deficiencies for contract year 4*", another dated 30th May 2019, stating that *ENH will resume the consumption on the 2MGJ, from August 2019 in full compliance with terms and conditions of the GSA*. CTRG, MGC and ENH-KOGAS have reached 90% of the DCQ, avoiding, thus, payments of Take or Pay "TOP" penalties for FY2019.

In respect of the PSA gas processing request, for processing PSA gas using the PPA's Central Processing Facility (CPF), a non-binding Term Sheet setting forth the governing principles

that would serve as foundation for the negotiation of a definitive gas processing agreement was drafted by SPT and shared with the JO Partners for their review before sharing with SPM. Nevertheless, this Term Sheet was put on hold by SPM request.

Concerning the PSA Liquid Hydrocarbon Processing Request, PSA has requested that the development of a definitive processing agreement is put on hold, until further notice.

2.4.4.1 Material changes in the legislation

Regarding the legislative changes, articles 4 and 55 of the Petroleum Operations Regulation approved by Decree No. 34/2015, dated December 31, have been amended, now these articles establishes that *"after the approval of any Development Plan, the Mozambican entities shall be registred at the Mozambican Stock Exchange, as per the terms of applicable legislation"* and that *"the acquisition of goods and services for the purpose of carrying out petroleum operations in the amount of 80,000,000.00 MT or more (eighty million meticaís) must be done by public tender. "*, respectively.

Following the approval of the new Foreign Exchange Regulations (Notice N° 20/GBM/2017, 11 December), the Central Bank has approved the Notice N° 7/GBM/2018 of 12 September with the aim of creating complementary norms and procedures for the materialization of the provisions contained in the section dedicated to the special foreign exchange regime for oil and gas operations established under the Notice N° 20/GBM/2017.

The JO Partners understand that the new Foreign Exchange Regulations (Notice 20) and the Notice 7 are applicable to the new EPCCs not to the pre-existing license agreements (such as PPA) which are governed by the foreign exchange regime established under the terms of its respective license agreements. However, for any foreign exchange matters not expressed in the referred license agreements, Notice 20 and any exchange foreign regulations issued subsequently (including Notice 7) shall be complied with accordingly.

2.4.4.2 Litigation

On 22 March 2019, SPT was notified of a decision by the Inhambane Provincial Judicial Court, informing that the owner of the Sand Mine adjacent to Pande 4 well had filed a legal request to Court, making several claims against SPT including alleged consequential

damages, on the basis of which an injunction order was issued by the Court. Following that, on 26 March 2019, an adversarial hearing, with the intention of lifting the injunction, took place without success. The Sand Miner had thirty (30) days after the injunction order to file the main judicial action (for requesting of any compensation) which was not submitted within the deadline, it means that the injunction order expired. Thus, SPT submitted a request to Court for lifting the injunction and cancelling the interplead, and as a result SPT received the Dispatch of the Court approving the request for cancellation of the injunction.

Nevertheless, the Sand Miner continues to have the right to file an action against JO Partners at any time, claiming whatever she feels entitled to.

2.4.5 Corporate Social Responsibility

Investing in local development is an enduring commitment of the JO Partners aiming to improve the quality of life in communities surrounding Pande and Temane. For the year ended on July 30th, 2019, the JO Partners invested an amount of USD 1 377 472 for the implementation of the following activities:

- **Natural disaster mitigation**

The JO Partners have invested in the repair work of three vital infrastructure in Inhambane which were damaged in the wake of cyclone Dineo in 2017, namely: the Inhambane pier, and the ferry-boats of Baía de Inhambane and Magulute. Within the year, the works have been concluded and normal circulation of people and goods has been restored. In March 2019, Mozambique was again struck by cyclone Idai, a tropical storm characterized by strong winds and heavy rains causing flooding, deaths, destruction of livelihoods and infrastructure in the Provinces of Sofala, Zambezia, Manica and Inhambane. In response to the emergency, the JO Partners donated funds through Red Cross Mozambique to support the recovery of affected populations.

- **Income Generation Programme for PPA Communities**

For the third consecutive year, the JO Partners supported a total of 57 families in Inhassoro to develop small businesses involving egg and chicken production as well as horticulture. The project led three associations created by communities to start the businesses, improve

market access and quality. Within the period, the egg and chicken projects were handed over to the communities, meanwhile a store house was built for the horticulture project as an addition to the irrigation system to add value to the increased production. The income generation program has reached its concluding phase as the necessary knowledge and competencies were transferred to the associations as they are now equipped to continue to manage their activities independently.

- **Construction and Rehabilitation of Water Sources**

Several boreholes were constructed by the JO Partners in different communities surrounding CPF in areas with high prevalence of water borne disease, however some of these boreholes developed problems and are no longer operational. In this context, seven boreholes were rehabilitated in the areas of Mabote and Vilanculos to providing communities a better access to potable water.

- **Enterprise and Supplier Development (ESD)**

The objective of the ESD Development program is to improve the technical and operational capacities of local small, medium and micro enterprises to meet internationally recognized standards, thereby enhancing their access to business opportunities provided by the operator and other companies. As part of this program, within the year, the final draft of the new five-year local content strategy was presented to the Government and two local content specialists were hired.

- **Local Development Agreements (LDAs)**

The JO Partners aims to adopt a new approach on the design and implementation of social investments through the establishment of Local Development Agreements to be signed within the operations' area of impact, aiming to align to the directives of Mozambique's CSR Policy for the extractive sector, demonstrate the commitment of the JO Partners in responding the real needs of communities as well as to create a sense of shared responsibility and ownership within the parties involved (Government, impacted communities and Sasol).

The LDAs will define the main terms and conditions for implementation of social investment projects and programs, local employment, and local content programs. Currently, negotiation of terms of agreement for Govuro and Inhassoro are still proceeding and engagement meetings with possible implementing partners, namely: SNV and GIZ are still happening.

3. CMH Activities

3.1 Legal Activities

Considering that the Liquid Hydrocarbon Agreement signed in July 2018 expires in 30 June 2019, the JO Partners started and concluded a tender process for selecting an off taker of the PPA condensate, being Petromoc reselected.

During the reported year, CMH has been involved in the negotiations of the Joint Development Agreement and Cost Recovery in Respect of Integrated works (JDA), to be signed between the JO Partners and Sasol Petroleum Mozambique (SPM) and in negotiations with Sasol Gas for the PIC project commercial enablement aiming to address possible solutions to the Reserve Deficit issues.

During the reported year, under the Joint Operating Agreement Accounting Procedures, CMH and IFC audited the Joint Account and the SPT records for the period from July 1st, 2017 to 30 June 2018. In this sense, it was signed an audit agreement, between CMH and Deloitte, which audit started on 15th October 2018 for three (3) months. Parallely, it was signed a letter agreement between CMH and IFC, which establishes that IFC has committed to reimburse CMH 50% of what CMH has paid for IFC in the audit agreement.

During this period there was no Litigation to report.

3.2 CMH at Stock Exchange Market

During this year, the value of CMH's shares varied positively from 800 to 1 200 Meticaís. On 30th June 2019, CMH had 1 241 shareholders, comprising of 1 239 class C shareholders, one class A shareholder (the State) and one class B shareholder (ENH).

3.3 Human Resources and training

At the end of the fiscal year, 24 was the total number of CMH's employees, of which 84% were university graduates. There were no new permanent hires during the period. After serving a four year mandate, the Board of Directors renewed the Chief Executive Officer's mandate as from the 1st of December 2018.

As part of its ongoing social responsibility and to give a work experience opportunity to recently graduated students and as a mean to contribute to the country's economic development, CMH offers a six month internship programme to law, management, geology and chemical engineering students.

In August, a lawyer and an engineer successfully finished their internship programme. In September, a lawyer and a chemical engineer were hired and in October the latter terminated her contract and she found a full time job opportunity. In March and April a lawyer, an accountant and a mining engineer were hired.

CMH continues to empower its employees through constant professional training. During the referred period, CMH engaged both its junior and senior staff members in training activities and special attention was given to oil and gas training programmes in finance, legal and technical programmes, such as the Model Contract Workshop, Certified Information Systems Security Professional, Field Processing & Surface Production Facilities and pension funds training to better understand the activities of the CMH Employees Pension's Fund currently under the management of Moçambique Previdente.

From the 29th of October to the 22nd of November a CMH's economist participated, in Beijing, in an Oil and Gas Economics training course organized by China National Petroleum Corporation (CNPC) in partnership with ENH Group.

In order to follow up the activities at the Central Processing Facility in Pande and Temane, in October and May a geologist, a chemical engineer and an IT engineer took part in the Fiscal Metering Calibration procedure, and in December and May and June a lawyer, an

administration officer, and two geologists participated on the mid and end of financial year physical inventory count for maintenance materials and condensate.

Meantime the Employee and the career's guidebooks are under revision.

3.4 Corporate Social Responsibility (CSR)

In the context of its corporate social responsibility, CMH continues to support the implementation of social projects aimed at alleviating poverty and increasing access to basic services and opportunities among vulnerable and unprivileged communities in Mozambique.

For the year ended at 30 June 2019, a total of USD 193 292 was disbursed for the implementation of projects in various thematic areas such as sports, culture, education, health, local enterprise development, emergency response, rehabilitation and construction of infrastructures, among others.

From July 2018 to June 2019, the following activities should be highlighted:

- **Culture and Sports**

In culture, CMH sponsored the production of the 2018 edition of Ngoma Moçambique CD and the production of two literary works, namely: "Kitamburisho Memory of our History" and "A Bela, a Bola e o Monstro", where the former is a memoir on the Mozambican liberation war and the latter portrays experiences from a former sportswoman that overcame inequality and prejudice.

In sports, supported the participation of the sub-19 basketball national women's team in FIBA's Under 19 Women's Basketball World Cup as well as the participation of the senior judo national team in the African Judo Championships in South Africa.

- **Emergency response to natural calamities**

In the aftermath of cyclone Idai, CMH partnered with its holding company (ENH) to provide aid to the recovery of the populations in the Provinces of Manica and Sofala, by donating a monetary value which was channelled to the victims through the Nacional Calamity Management Institute (INGC). Alongside, the employees of ENH and its affiliates

contributed with diverse foodstuffs and clothes that were delivered to CENOE (National Centre of Emergency Operations).

- **Rehabilitation and construction of infrastructures**

Within the year, definitive handover of rehabilitation and construction works financed in previous years took place, namely: rehabilitation of Khanimambo's primary school, opening of boreholes for water in Mangundze and Matsinhane, construction and rehabilitation of a wall in Arco-Íris Ministry.

- **Women's and girls' empowerment**

On occasion of Mozambican women's day, in partnership with NGO Wamina, a lecture on sexual health and feminine hygiene was ministered to over 200 girls in Khanimambo Primary School where reusable sanitary towels were also distributed, with the objective to combat stigma against menstruation and provide a sustainable sanitary care solution to unprivileged girls.

- **Event sponsorship**

Within the period, CMH sponsored the realization of the Local Content Conference in Maputo, aiming to promote and support the active participation of the national business sector in the oil and gas industry as well as the creation of appropriate policies to regulate local participation.

Throughout the festive season, CMH supported the realization of confraternizations at the Infulene Psychiatric Hospital and at the Nós Por Exemplo Association, ensuring decent festivities for patients and unprivileged children.

In addition, sponsorship was also provided to other events carried out by ACCLN (Association of Former Combatants of National Liberation War) and MIREME (Ministry of Mineral Resources and Energy)

- **Employee welfare**

Internally events and actions were carried out allusive to End-of Civil Year, Labor Day, Mozambican women's day, and CMH's anniversary.

3.5 Holding company and ultimate holding entity

CMH is controlled by Empresa Nacional de Hidrocarbonetos, E.P (ENH) a public company which holds 70% of the company's shares (Class B) and the State of the Republic of Mozambique represented by Instituto de Gestão das Participações do Estado (IGEPE) which holds 20% of the shares (Class A). The remaining 10% of the shares (Class C) are held by private Mozambican entities. These last shares are listed on the local Stock Exchange "BVM".

3.6 General Assembly

On September 28th, 2018, an Ordinary General Assembly took place in which the Management Report and Financial Statement for the year ended 30th June 2018, as well as the profits distribution were approved. During the same meeting:

- The Petromoc Liquid Hydrocarbons Sale Agreement was homologated; and
- The members of the Fiscal Council were reelected.

3.7 Financial statements prepared in accordance with IFRS

Financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC), for the year ended 30 June 2019.

3.8 Debt Management

3.8.1 Debt Service

During this financial year ended on 30 June 2019, CMH satisfied its obligations related to debt servicing of the first and second loan agreements. A total amount of USD 9 909 539 was paid as debt servicing during this year, being USD 9 125 310 related to principal and USD 784 229 related to interest, as shown in the table below.

(USD)

	15-Dec-18		15-Jun-19		Total FY 19		Outstanding
	Interest	Capital	Interest	Capital	Interest	Capital	Debt
DBSA TRANCH B	254 041	2 261 860	175 061	2 261 860	429 102	4 523 720	2 261 859
AFD LOAN B	214 467	2 300 795	140 660	2 300 795	355 127	4 601 590	2 300 796
TOTAL	468 508	4 562 655	315 721	4 562 655	784 229	9 125 310	4 562 655

The CMH outstanding debt is USD 4 562 655.

3.8.2 Financial Ratios

Payment of the dividends will be subject to CMH's meeting certain financial performance ratios measured every six months, namely:

Ratios	As at 30 June 2018	As at 31 December 2018	As at 30 June 2019	Dividends Level (AAP) ^a	Default Level (AAP)
Forecast Annual Debt Service Cover Ratio	1.89	2.85	1.80	1.5	1.35
Historical Annual Debt Service Cover Ratio	4.51	3.43	4.55	1.5	1.35
Loan Life Cover Ratio	2.60	4.01	2.59	2.0	1.6
Debt to Equity Ratio	4:96	3:97	1:99	N/A ^b	70:30

a. AAP – After the Availability Period

b. Not Applicable

3.9 Short term investment (Permitted Investment)

3.9.1 Off-shore Accounts

Based on the company's loan agreements, the lenders (AFD and DBSA) gave their non-objection to CMH to invest 90% of the credit balance in the offshore accounts (Debt Service Reserve Account, Capex Reserve Account and Proceeds Reserve Account) as a fixed rate deposit in the Standard Bank of South Africa Ltd.

During this financial year an average amount of USD 120 173 207 was invested semiannually at an average interest rate of 3,12% per quarter and the total interest earned was USD 5 566 906.

3.9.2 On-shore Accounts

In order to earn reasonable interest on the on-shore current accounts, CMH invited Mozambican commercial banks to submit proposals for better terms and conditions for the return on current deposits of those accounts.

The best interest rates proposal offer for deposit remuneration for Barclays Bank Mozambique and First National Bank Mozambique, for a period of 12 months was 7% per annum for the Metical Account and 0.25% for the USD Account, since 1st of April 2019.

3.10 Dividends Paid and Declared

On 28 September 2018, an Ordinary General Assembly took place in which the CMH Shareholders approved the distribution of 100% the profits, CMH paid a total amount of USD 30 273 117 of dividends to its shareholders, being USD 7 790 000 on 18th September 2018, USD 4,600,000 on 25th February 2019 and USD 17 703 117 on 17th April 2019. These dividends were related to FY15, FY16, FY17 and FY18, and such payments were in accordance with financial performance ratios.

Financial Year	Declared dividends			Dividends paid			Balance of declared dividends awaiting approval from the Lenders for payment
	General Assembly date	% Dividends on profit	Total Declared dividends	Date of payment	Amount paid USD	Total paid in FY	
FY06 - FY14			91 038 327		29 637 820	29 637 820	
FY15	29/09/2015	50%	26 459 793	23-Sep-14	7 205 584	30 000 000	
				16-Apr-15	22 794 416		
FY16	29/09/2016	50%	12 120 939	17-Sep-15	14 930 000	21 430 000	
				14-Apr-16	6 500 000	11 810 000	
FY17	29/09/2017	70%	15 842 415	22-Sep-16	3 460 000		
				12-Apr-17	8 350 000	22 320 357	
F18	28/09/2018	100%	30 273 117	21-Sep-17	6 980 000		
				11-Dec-17	4 209 256		
				11-Dec-17	2 911 101		
				19-Apr-18	8 220 000	30 273 117	
FY19				18-Sep-18	7 970 000		
				25-Feb-19	4 600 000		
				17-Apr-19	17 703 117		
Total			175 734 590		145 471 294	145 471 294	

4. Subsequent Events

Currently, it is being negotiated the 8th Amendment to the GSA1 and the 6th Amendment to the GSA2 to supply excess gas, in the condition that the Sellers will not be liable for any shortfall gas liability during the first three years of the reserve deficit.

The excess gas has an impact on annual revenues and it represents 0.41% of the total revenues.

IV. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation and fair presentation of the annual financial statements of Companhia Moçambicana de Hidrocarbonetos, SA, comprising the Statement of Financial Position at 30 June 2019, and the Statements of Profit or Loss and Other Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards. In addition, the Directors are also responsible for preparing the Directors' report.

The Directors are also responsible for such internal control as the Directors' determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management. The Directors' responsibility also includes ensuring compliance with relevant laws and regulations of the Republic of Mozambique.

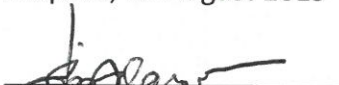
The Directors have made an assessment of the ability of the Company to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the International Financial Reporting Standards.

Approval of the annual financial statements

The annual financial statements of Companhia Moçambicana de Hidrocarbonetos, SA, as identified in the first paragraph, were approved by the board of Directors on 28 August 2019 and are signed on their behalf by:

Maputo, 28 August 2019



Jahir Admo
Chairman



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Companhia Moçambicana de Hidrocarbonetos, SA

Opinion

We have audited the financial statements of Companhia Moçambicana de Hidrocarbonetos, SA (“the Company”), set out on pages 43 to 96, which comprise the statement of financial position as at 30 June 2019, and 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, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Companhia Moçambicana de Hidrocarbonetos, SA, as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements applicable to performing audits of financial statements in Mozambique, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Impairment of exploration and evaluation assets and the central processing facility

Refer to accounting policies notes 3.5 and 3.8, critical accounting estimates and judgements note 4 and note 11 to the financial statements.

The key audit matter

The Company's exploration and evaluation assets and central processing facility (CPF) constitute a significant portion of property, plant and equipment being USD198 million of the total property, plant and equipment balance of USD215 million. Property, plant and equipment is required to be assessed for impairment indicators on an annual basis and due to the nature of the asset class, this involves a significant amount of judgement.

The impairment assessment was considered a key audit matter in the audit of the financial statements due to the inherent uncertainty, significant judgements, assumptions and estimates applied which include estimates of the remaining mineral reserve, oil and gas prices in the international market and future interest rates..

How the matter was addressed in our audit

The audit procedures we performed included the following:

- We evaluated management's analysis of the possible internal and external impairment triggers through enquiries with management and the operator of the joint operation, review of minutes of various committees of the joint operation and the board of directors of the Company, physical asset verifications and analysis of the impact of various economic fundamentals to the operations of the Company which include international market oil and gas prices and interest rates.
- We evaluated the design, implementation and operating effectiveness of internal controls applied by management to ensure that its impairment assessments were appropriately performed and reviewed.
- We used management's internal and external mineral reserve estimate specialists to assist us in assessing the remaining mineral reserves and we considered their professional competence, objectivity, capabilities and adequacy of the work they performed by challenging their work and considering the extent of management influence over them.
- We evaluated the Company's budgets in light of the remaining proved reserves and compared the previous budgets of the Company against actual performance in the current periods to assess the appropriateness of the inputs and accuracy of the budgeting process.
- We considered management's useful life estimate in view of the remaining proved reserve estimates as determined by mineral reserve estimate specialists, annual production capacity and the approved operating licence of the Company.

We also compared the Company's disclosures in respect of the impairment assessments in the financial statements against the requirements of the applicable financial reporting standards.



Site closure and rehabilitation provision

Refer to accounting policy note 3.7, critical accounting estimates and judgements note 4 and note 19 to the financial statements.

The key audit matter

The Company is required to rehabilitate the exploration site at the end of the project life as per the signed Petroleum Production Agreement. A provision is recognised in respect of the estimated costs to close and rehabilitate the site.

The calculation of the provision requires management judgement in estimating future costs, given the unique nature of each site and the potential associated obligations. These calculations are also discounted to determine the present value of the site rehabilitation costs.

Restoration and rehabilitation of each site is relatively unique and there has been limited restoration and rehabilitation activity against which to benchmark estimates of future costs, and changes in local laws and regulations and management's expected approach to restoration and rehabilitation could have a material impact on the amount of provision raised. The significant judgement involved in determining the provision resulted in this being a key audit matter.

How the matter was addressed in our audit

The audit procedures we performed included the following:

- We evaluated the legal and/or constructive obligations with respect to the restoration and rehabilitation through review of the Petroleum Production Agreement and understanding of the law which governs the exploration of mineral resources.
- We used management's internal and external experts to assist us in assessing the site closure and rehabilitation provision and we considered their professional competence, objectivity, capabilities and adequacy of the work they performed by challenging their work and assumptions applied, considering the extent of management influence over them and evaluating their professional qualifications and experience.
- We evaluated the accuracy of calculations and the appropriateness of the discount rate applied by comparing the discount rate to third party data and industry norms.

We also considered the adequacy of the Company's disclosures related to the site closure and rehabilitation provision in the financial statements in accordance with the applicable financial reporting standards.

Other Information

The directors are responsible for the other information. The other information comprises all of the information in the Annual Financial Statements, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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



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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG, Registered Audit Firm, 04/SCA/OCAM/2014

Represented by:

Hem Chandra Joshi, 57/CA/OCAM/2014

Partner

16 September 2019

VI. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

(Amounts in USD)	Note	2019	2018
Revenue	6	95 880 887	81 466 600
Other income		4 702	71
Operating costs	7	(42 004 958)	(39 717 396)
		53 880 631	41 749 275
Net finance income/(cost)	8	1 534 311	(978 249)
Finance income		4 705 538	2 531 326
Finance cost		(3 171 227)	(3 509 575)
Profit before tax		55 414 942	40 771 026
Income tax expense	9	(17 566 754)	(10 789 659)
Profit for the year		37 848 188	29 981 367
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of defined benefit liability, net of tax	23	238 665	291 750
Total comprehensive income		38 086 853	30 273 117
Earnings per share			
Basic earnings per share	10.1	6.37	5.05
Diluted earnings per share	10.1	6.37	5.05

VII. STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

(Amounts in USD)	Note	2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	11	215 179 032	207 235 844
Intangible assets	12	6 492 298	7 142 034
Non-current assets		221 671 330	214 377 878
Current assets			
Inventories	13	941 890	977 297
Trade and other receivables	14	5 911 642	11 195 521
Employee benefits	23	444 170	-
Cash and cash equivalents	15	167 364 010	150 996 055
Current assets		174 661 712	163 168 873
Total assets		396 333 042	377 546 751
EQUITY			
Share capital	16	25 286 649	25 286 649
Legal reserves	17.1	5 057 330	5 057 330
Investment reserve	17.2	14 296 822	14 296 822
Retained earnings		190 602 855	182 789 119
Total equity		235 243 656	227 429 920
LIABILITIES			
Non-current liabilities			
Borrowings	18	-	4 562 655
Provisions	19	70 489 806	62 916 696
Payables	20	41 872	50 518
Employee benefits	23	-	673 160
Deferred tax liability	9.3	60 204 925	60 825 437
Non-current liabilities		130 736 603	129 028 466
Current liabilities			
Borrowings	18	4 562 655	9 125 310
Provisions	19	13 353 052	1 745 588
Trade and other payables	20	4 203 681	5 887 868
Intercompany payable	21	12 398	7 687
Current tax liability	9	8 220 997	4 321 912
Current liabilities		30 352 783	21 088 365
Total liabilities		161 089 386	150 116 831
Total equity and liabilities		396 333 042	377 546 751

VIII. STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

(Amount in USD)	Share Capital	Supplementary Capital	Legal Reserves	Investment Reserves	Retained Earnings	Total Equity
Balance at 1 July 2017 (restated)	25 286 649	4 000 000	5 057 330	14 296 822	174 836 359	223 477 160
Profit for the year	-	-	-	-	29 981 367	29 981 367
Other comprehensive income for the year	-	-	-	-	291 750	291 750
<i>Transactions with owners of the company</i>						
Dividends	-	-	-	-	(22 320 357)	(22 320 357)
Repayment of supplementary capital	-	(4 000 000)	-	-	-	(4 000 000)
Balance at 30 June 2018	25 286 649	-	5 057 330	14 296 822	182 789 119	227 429 920
Profit for the year	-	-	-	-	37 848 188	37 848 188
Other comprehensive income for the year	-	-	-	-	238 665	238 665
<i>Transactions with owners of the company</i>						
Dividends	-	-	-	-	(30 273 117)	(30 273 117)
Balance at 30 June 2019	25 286 649	-	5 057 330	14 296 822	190 602 855	235 243 656

IX. STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

(Amounts in USD)	Note	2019	2018
Cash flows from operating activities			
Profit		37 848 188	29 981 367
Adjustments for:			
Depreciation and amortization	7	22 508 079	21 915 295
Unrealised foreign exchange differences		5 053	914
Interest income	8	(4 386 903)	(2 244 797)
Interest expense	8	2 639 621	3 105 508
Income tax expense	9	17 566 754	10 789 659
		76 180 792	63 547 946
Changes in:			
Intercompany payable		4 712	(11 558)
Trade and other receivables		5 279 539	6 453 919
Inventories		35 407	(67 554)
Employee benefit		(954 016)	(303 956)
Trade and other payables		(1 692 833)	3 781 854
Cash generated from operations		78 853 601	73 400 651
Income tax paid	9	(14 288 182)	(14 331 554)
Net cash from operating activities		64 565 419	59 069 097
Cash flows from investing activities			
Acquisition of property, plant and equipment	11	(12 528 291)	(20 934 019)
Acquisition of intangible assets	12	-	(2 669)
Proceeds from sale of property, plant and equipment		39 844	-
Net cash used in investing activities		(12 488 447)	(20 936 688)
Cash flows from financing activities			
Repayment of borrowings	18	(9 125 310)	(9 125 310)
Repayment of supplementary capital		-	(4 000 000)
Dividends paid	17.3	(30 273 117)	(22 320 357)
Interest received		4 391 243	2 244 797
Interest paid		(772 132)	(1 263 061)
Net cash used in financing activities		(35 779 316)	(34 463 931)
Net increase in cash and cash equivalents		16 297 656	3 668 478
Cash and cash equivalents at the beginning of the year		150 996 055	147 291 955
Effects of movements in exchange rate on cash held		70 299	35 622
Cash and cash equivalents at the end of the year	15	167 364 010	150 996 055

X. NOTES TO THE FINANCIAL STATEMENTS

1. Company background

Companhia Moçambicana de Hidrocarbonetos, SA (“CMH” or “Company”) is a limited liability company, incorporated in Mozambique on 26 October 2000, controlled by its parent company Empresa Nacional de Hidrocarbonetos, EP (ENH), which owns 70% of the company’s shares, with development of petroleum operations as its main activity.

The company was appointed by Empresa Nacional de Hidrocarbonetos, E.P (ENH) and the Government of Mozambique, along with Sasol Petroleum Temane, Lda. (SPT) to conduct petroleum operations in the petroleum production areas of Pande and Temane fields for a period of 30 years, under a Petroleum Production Agreement (PPA) signed in October 2000. CMH is also a party to the Joint Operating Agreement (JOA) signed with SPT in December 2002 covering the Pande and Temane field reservoirs. As the Company is only producing and selling gas and operates in an integrated way, the Company reports as one operating segment. All non-current assets are based in Mozambique and revenue is generated within Mozambique.

The participating share attributed to the Company in relation to the rights and obligations derived from the Petroleum Production Agreement and the Joint Operations Agreement was initially 30%, with the remaining 70% held by Sasol Petroleum Temane Lda (SPT). As such, CMH was entitled to acquire a 30% participation interest in the Pande and Temane Project as well as the Central Processing Facility (CPF). The project is currently operational with SPT as the designated operator.

A Farm-Out Agreement was signed in 2003 by the Company, to assign to International Finance Corporation (IFC) a 5% share in the Joint Operation Agreement which reduced the 30% held by the Company in the Pande and Temane natural gas project. Taking into consideration that all conditions from the contracts previously signed with Agence Française de Development (AFD), European Investment Bank (EIB), and Development Bank of Southern Africa were fulfilled, conditions were created to enable CMH to execute its right of participation in the Pande and Temane natural gas project. In April 2006, the following documents were signed:

- i) The agreement of the 5% participation interest cession of the rights and obligations under the Petroleum Production Agreement, amongst the Government of the Republic of Mozambique, ENH, SPT, CMH, and IFC;
- ii) The Novation agreement amongst SPT, CMH and IFC, whereby IFC assumes the

participation interest including all rights and obligations relating to its participation interest and is obliged under the project agreements exonerating CMH from any responsibilities arising from the interests ceded;

- iii) The cession and compromise agreement of 5% of the participation interest under the Gas Sales Agreement signed amongst Sasol Gas, SPT, CMH and IFC, as well as the deed made for the Performance Guarantee (annexed to the gas sales agreement signed between Sasol Gas and ENH); and
- iv) The agreement of the 5% participation interest cession under the Joint Operations Agreement, between CMH and IFC.

These agreements became effective from April 2006, the date of financial closing, when the company made its contribution acquiring the 25% participation interest in the upstream component of the Pande and Temane project, in partnership with SPT (70%) and IFC (5%). Consequently, from 1 April 2006 CMH recognized its share of jointly controlled assets and liabilities and its share of income and expenses for which it is jointly responsible.

In April 2009, the government of Mozambique approved the amendment to the Development Plan, giving thus effect to the project expansion of the Pande and Temane Natural Gas Project. The expansion increased the CPF production capacity from 120 MGJ/annum to 183 MGJ/annum.

In 2015, the Government of Mozambique approved the second amendment to the Field Development Plan, thereby giving effect to the expansion of the Pande and Temane Natural Gas Project. The expansion increased the CPF's production capacity from 183 MGJ / year to 197MGJ / year, enabling the seller to provide the maximum contraction statistics under the Gas Sales Agreement (GSA1).

The registered address of the company is Av. Julius Nyerere, n° 4003, Bairro da Polana Caniço "A". Maputo, Moçambique.

2. Basis of Preparation

2.1 Basis of accounting and compliance with IFRS

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) on historical cost basis, unless indicated otherwise. The transactions and the balances relating to the company's share in the Joint Operations are based on the billing statements and information provided by the operator.

2.2 Functional and Presentation Currency

The financial statements are presented in US Dollars, which is the company's functional currency. All financial information presented in US Dollars has been rounded off to the nearest US Dollar.

2.3 New standards and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2019, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company do not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Effective for the financial year commencing 1 July 2019

- IFRIC 23 Uncertainty over Income Tax Treatments
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendment to IAS 28)
- Plan Amendment, Curtailment or Settlement (Amendment to IAS 19)
- IFRS 16 Leases

Effective for the financial year commencing 1 January 2021

- IFRS 17 Insurance Contracts

Out of above mentioned, following Standards and Interpretations are not applicable to the business of the entity and will therefore have no impact on future financial statements.

- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendment to IAS 28)
- IFRS 16 Leases

The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- Judgments made;
- Assumptions and other estimates used; and
- The potential impact of uncertainties that are not reflected.

No significant impact is expected on the financial statements, by application of IFRIC 23. IFRIC 23 applies for annual periods beginning on or after 1 January 2019.

Plan Amendment, Curtailment or Settlement (Amendment to IAS 19)

The IASB's amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.

The amendments clarify that:

- on amendment, curtailment or settlement of a defined benefit plan, it is now mandatory for entities to use the updated actuarial assumptions to determine the current service cost and net interest for the period; and
- the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).

The amendments should be applied prospectively to plan amendments, curtailments or settlements that occur on or after 1 January 2019, with earlier application permitted. No significant impact is expected on the financial statements.

3. Summary of significant Accounting Policies

The accounting policies set out from 3.1 to 3.16 have been applied consistently to all periods presented in these financial statements.

3.1. Joint Arrangement

The operations in Pande and Temane fields were structured in the form of a Joint Operation (JO), whereby the Joint Operation is not registered as a separate company, but each party to the JO, under the Joint Operating Agreement, receives its respective share in the assets, liabilities, revenue and expenses from the operations.

3.2. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that reporting date.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognised in profit or loss as part of finance income or finance costs.

3.3. Financial Instruments

Policy applicable after 1 July 2018

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and measurement

The Company classified its financial assets as carried at amortized cost. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial

assets and expected cash flows. Financial liabilities are classified as other financial liabilities. As per assessment the contractual cash flows are solely payments of principal and interest.

Financial assets carried at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortised cost. They are included in current assets, except for maturities more than 12 months after the statement of financial position date. Those with maturities more than 12 months are classified as non-current assets. The Company's financial assets carried at amortised cost comprise "trade and other receivables" and "cash and cash equivalents" in the financial statements. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.

By applying this method no material impact is observed while calculating expected credit loss on receivables.

Derecognition

Financial assets

The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset

The company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized. Gains or losses on derecognition are recognised in profit or loss.

Financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged or 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 profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the entity currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Policy applicable before 1 July 2018

Non-derivative financial assets

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets:

Loans and receivables - Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise of trade and other receivables (see note 14).

Cash and cash equivalents – These comprise of cash balances and fixed deposits with original maturities of six months or less.

Non-derivative financial liabilities

All financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company has the following non-derivative financial liabilities:

Borrowings and trade and other payables which also includes the intercompany payables. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Share capital

Ordinary shares - Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

3.4. Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are initially recognized at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes all directly attributable expenditure incurred in the acquisition of the asset. The cost of acquired and self-constructed assets includes the costs of materials and direct labour, any other costs directly attributable in bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other income or cost" in the profit or loss.

Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and the cost can be measured reliably. The carrying amount of the replaced

part is derecognised. The cost of day to day servicing of property, plant and equipment is recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Capital work in progress is not depreciated.

The estimated useful lives are as follows:

-Motor vehicles	4 - 5 years
-Equipment	4 – 10 years
-Buildings	50 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

3.5. Exploration and evaluation assets

The successful efforts method is used to account for gas exploration and evaluation activities. Geological and geophysical costs, relating to dry exploratory wells and the costs of carrying and retaining undeveloped properties are recognised in profit or loss as incurred.

On completion of an exploratory well, the entity may have found oil and gas reserves. Those reserves are classified as proved when, upon analysis of geological and engineering data, it appears with reasonable certainty that these reserves could be recoverable in the future under existing economic and operating conditions.

The cost of exploratory wells through which potential proved oil and gas reserves were discovered is capitalised as exploration and evaluation asset. These costs remain capitalised, pending the determination of whether proved oil and gas reserves have been found, as long as the following conditions have been met: (i) sufficient oil and gas reserves exist to justify the capital expenditure required for completion of the well as a producing well; (ii) drilling of additional exploratory wells is under way or firmly planned for the near future; and (iii) sufficient progress is being made in assessing the oil and gas reserves and the economic or operating viability of developing the property.

If the above conditions are not met or if information is obtained that raises doubt about the economic or operating viability of the project the costs are charged to profit or loss. Progress in this regard is reassessed at least annually to ensure sufficient justification for carrying such exploration

and evaluation expenditure as an asset. Where the recoverable amount of the exploration and evaluation asset is determined to be less than the carrying amount, an impairment loss is recognized. Exploration and evaluation assets are measured using cost model, subsequent to initial recognition.

Development phase is the phase in which the technical feasibility and commercial viability of extracting a reserve is demonstrated and identified reserve is prepared for production activities. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete the development and use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Borrowing costs related to the development of qualifying assets are capitalised to the cost of the qualifying asset. Other development expenditure is recognised in profit or loss as incurred.

Expenditure incurred to drill and equip development wells on proved properties is capitalised as mineral assets in property, plant and equipment on date of commissioning.

Capitalised development expenditure is measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of exploration assets and capitalised development expenditure inclusive of decommissioning costs is based on the units-of-production method, on a field-by-field basis, calculated using estimated proved developed oil and gas reserves. These reserves are yearend remaining reserves as per Sellers' Report (the report of sales and reserves from Sasol, the operator of JO) used for depreciation calculation retrospectively from the beginning of each financial year.

3.6. Intangible Assets

Intangible assets are initially recognized at cost and subsequently stated at cost less accumulated amortization and accumulated impairment losses. Intangible assets are recognised if it is probable that economic benefits will flow to the company from the assets and the costs of the assets can be reliably measured. Company reviews the amortisation method and period at each reporting date. Intangible assets consist solely of concession rights to explore and produce gas in the Pande and Temane fields, under a Petroleum Production Agreement signed in October 2000 which will expire

in 2034 (see note 1). These intangible assets are amortised on a straight line basis.

Subsequent Expenditure

Subsequent expenditure is capitalized only when increase in the future economic benefits embodied in the specific asset to which it is related are probable. All other expenditure is recognized in profit or loss as incurred.

3.7. Provisions

Provisions for environmental restoration and legal claims are recognized when: the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses. The provision for site rehabilitation is recognized as and when the environmental liability arises.

Where a closure and environmental obligation arises from mine development activities, the costs are capitalized as part of the cost of the associated asset. When this same obligation arises from mine production activities, the costs are expensed. Provisions are determined by discounting expected cash flows at a pre-tax rate reflecting current market rates and risks specific to the liability. Changes to provisions that were capitalized on initial recognition in the cost of the related asset are added to or deducted from the carrying amount of the asset.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. The increase in the provisions due to passage of time is recognized as interest expense.

3.8. Impairment of Assets

Policy applicable from 1 July 2018 - Financial instruments

The Company recognises loss allowances for Expected Credit Losses (ECLs) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets (as defined in IFRS 15).

The Company measured loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract asset are always measured at an amount equal ECL.

When determining whether 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 quantities and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the risk on a finance asset has increased significantly if is more than 60 days past due.

The Company considers a financial asset to be default when:

- the borrowers is unlikely to pay its credit obligations to the Company in full, without recourse by the Company actions such as realising (if any is held);
- the finance asset is more than 90 days past due.

Lifetime ECLs are the ACLs that result from all possible default events over the expected life of a financial instrument. 12- month ECLs are the portion of ECLs that result from default events that are possible which the 12 months after the reporting date (or a shorter period of the expected of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance

with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Policy applicable before 1 July 2018

Non-financial assets

The carrying amounts of the Company's assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication

exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognized in the profit or loss.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Company classifies exploration and evaluation asset and CPF as one CGU.

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. 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 assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss, is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or disappearance of an asset and secure market. However, for a security investment, a significant or prolonged decline in its fair value

is an impairment measure.

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss. The reversal will not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed.

3.9. Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that the tax arises from a transaction or event which is recognised, in the same period or a different period, outside profit or loss, either in other comprehensive income or directly in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

3.10. Employee Benefits

The cost of all short-term employee benefits, such as salaries, employee entitlements to leave pay, bonuses, medical aid and other contributions, are recognised during the period in which the employee renders the related service. The Company recognises the expected cost of bonuses only when the Company has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Contributions are made to the Instituto Nacional de Segurança Social (INSS), the national social security plan, a defined contribution plan, which all Mozambican companies, are obliged, by law, to make are based on a percentage of salaries and are recorded as expenses in the period in which they are incurred.

Defined Benefit Plan

Defined benefit fund was created in 2017. The company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognized for the amount expected to be paid under short term bonus if the company has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.11. Inventories

Inventories are measured at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Cost of natural gas liquids is determined using first in first out valuation method (FIFO) while cost for process, maintenance and other materials is determined using the weighted average cost price.

Net realizable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

3.12. Revenue Recognition

Revenue from the sale of natural gas and natural gas liquids in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of royalties paid to the government, returns, indirect taxes, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, in the form of the executed gas sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. In the production and sale of gas, transfer of ownership occurs when the gas is physically transferred into the inlet of the pipeline and liquids at the loading bay in the CPF.

Royalties payable are imposed on petroleum produced in the Mozambican territory, from a petroleum deposit. The tax base for royalties is the value of the produced petroleum, including the quantities of petroleum lost as a result of any deficiency in the petroleum operations or negligence. Royalties are levied at 5% of the value of natural gas, condensate produced or extracted and sold, less the cost of transportation, gathering and processing.

The company pays royalty through the operator according to the JOA.

3.13. Operating costs

Operating costs include personnel expenses, depreciation, amortization, general supplies and services. Operating costs are recorded in the period these costs relate to. These costs relate to the operating activities of CMH.

3.14. Dividends

Based on the company's loan agreements, CMH shall only pay dividends or make any profit distribution if:

- (i) No event of default or potential event of default has occurred and is continuing;
- (ii) The aggregate distribution does not exceed 50% of the CMH's net profit, unless there is prior approval from the Lenders, subject to availability of cash resources.
- (iii) The following distribution ratios are met:
 - (iii.1) FADSCR¹ is not less than 1.5 : 1;
 - (iii.2) HADSCR² is not less than 1.5 : 1;

¹ Forecast Annual Debt Service Cover Ratio

² Historical Annual Debt Service Cover Ratio

(iii.3) LLCR³ is not less than 2 : 1.

Dividends are recognized on declaration, when the rights have been established. CMH distributes dividends through written information to the Lenders. Accordingly, the company considers the amount of paid dividends as approved by the Board of Directors to be deducted from retained earnings.

3.15. Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions. Net foreign exchange gains or losses are also included as either finance income or costs.

3.16. Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

4. Critical accounting estimates and judgements

The preparation of financial statements in accordance with International Financial Reporting Standards requires the management team to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Significant judgements are involved in the measurement of the useful lives of the property, plant and equipment (while estimating the mineral reserves), in estimating the funds requirements for the site restoration obligation, in estimating the defined benefit obligation and while estimating the tax provision. Detailed information about these judgements is and application of the accounting policies that have the most significant effect on the amounts recognised in the financial statements is mentioned in the following notes:

Note 9 – Income Tax.

Note 11 – Measurement of property, plant and equipment: key assumptions about the pattern of

³ Loan Life Cover Ratio

consumption of economic benefits embodied in assets.

Note 19 – Recognition and measurement of provision for closure and environmental rehabilitation: key assumptions about the likelihood and magnitude of an outflow of resources.

Note 23 – Employee benefits.

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. The regulating entity reviews unobservable data and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair value is categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

5. Changes in accounting policies

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related

interpretations. Under IFRS 15, the company has recognised revenue at a point in time basis, when the control of the goods is transferred to customer. Entire control gets transferred to customer, once material is shipped, after that there is no control to use it for any other purpose.

As per IFRS 15 recognize revenue from its customers when following criteria is met which implies that a contract exists:

- Contract exists (in writing, orally or in accordance with other customary business practices) and parties are committed to perform their respective obligations.
- Company can identify each party's rights regarding the goods or services to be transferred.
- Company can identify the payment terms for the goods or services to be transferred.
- The contract has commercial substance.
- It is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, the Company considers only the customer's ability and intention to pay that amount of consideration when it is due.

There is no performance obligation which is satisfied over time and the Company satisfies the performance obligation at a point in time considering the contracts and indicators of the transfer of control. While applying IFRS 15 the company retained the prior year figures as reported under the previous standards, by recognising the cumulative effect of applying IFRS 15 as an adjustment to the opening balance of equity as at the date of initial application (beginning of current reporting period).

Revenue from the sale of natural gas and natural gas liquids in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of royalties paid to the government, returns, indirect taxes, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, in the form of the executed gas sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. In the production and sale of gas, transfer of ownership occurs when the gas is physically transferred into the inlet of the pipeline and liquids at the loading bay in the CPF.

Royalties payable are imposed on petroleum produced in the Mozambican territory, from a petroleum deposit. The tax base for royalties is the value of the produced petroleum, including the quantities of petroleum lost as a result of any deficiency in the petroleum operations or negligence. Royalties are levied at 5% of the value of natural gas, condensate produced or extracted and sold, less the cost of transportation, gathering and processing.

Revenue as per IAS 18 was recognised on transferring the control of goods to the customers, which is same for the company, as per IFRS 15, due to nature of its business hence there are no transitional adjustments required.

IFRS 9, Financial instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

The following table explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the company's financial assets and financial liabilities as at 1 July 2018.

Particulars	Original Classification under IAS 39	New Classification under IFRS 9	Original carrying amount under IAS 39 as at 1 July 2018	Original carrying amount under IFRS 9 as at 1 July 2018
Financial Assets			USD	USD
Trade Receivables	Loans and receivables	Amortised cost	9 786 668	9 786 668

Cash & Cash Equivalents	Loans and receivables	Amortised cost	150 996 055	150 996 055
Financial Liabilities				
Long term borrowing	Other financial liabilities	Other financial liabilities	4 562 655	4 562 655
Short term borrowings	Other financial liabilities	Other financial liabilities	9 125 310	9 125 310
Intercompany paybles	Other financial liabilities	Other financial liabilities	7 687	7 687
Trade & other Payable	Other financial liabilities	Other financial liabilities	5 887 868	5 887 868

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Management determined that the impact of adopting the IFRS 9 ECL model was immaterial. As a result no transition adjustment was made in opening retained earnings at 1 July 2018.

The Company has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Accordingly, the information presented for 2017-2018 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

The assessment of the determination of the business model within which the financial assets is held have been made on the basis of facts and circumstances that existed at the date of initial amortization.

The Company has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. A new expected credit loss (ECL) model, which involves a three stage, approach whereby financial assets move through the three stages as their credit quality changes. It dictates how the Company measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade receivables). On initial recognition, the Company record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are

considered credit impaired. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

In accordance with this method, if any provision provided to the trade receivables because of a specific event, the Company measures expected credit loss from these receivables by the lifetime expected credit loss. The calculation of expected credit loss is performed based on the experience of the Company and its expectations for the future indications.

The transitional adjustment in the opening retained earnings (due to change from incurred loss model to expected loss model) was not made as management considers the same as immaterial. The impact of the transition to IFRS 9 on the opening balance of retained earnings would have been as follows, had the adjustment been made:

Description	Amount (USD)
Opening retained earnings	182 789 119
Recognition of the expected credit loss under IFRS 9	331 453
Adjusted opening retained earnings	182 457 666

During the financial years ended 2019 and 2018, there were no changes in accounting estimates.

6. Revenue

	2019 USD	2018 USD
Natural Gas	92 680 611	79 059 773
Condensate	3 200 276	2 406 827
	<u>95 880 887</u>	<u>81 466 600</u>

7. Operating costs

	Note	2019 USD	2018 USD
Personnel Expenses		4 705 377	4 748 151
Employee remuneration		3 515 610	3 206 418
Directors remuneration		662 712	785 162
Social security		77 907	75 251
Training		265 891	310 257
Complementary Social Security		183 257	333 264
Other personnel expenses		-	37 799
Depreciation and amortization expense	11 & 12	22 508 079	21 915 295
Other operating expenses	7.1	14 791 502	13 053 950
		<u>42 004 958</u>	<u>39 717 396</u>

The average number of employees during the year were 24 (2018: 24).

	2019 USD	2018 USD
7.1 Other operating expenses		
Share of operating costs of JO	14 129 115	12 070 075
Salary and related costs	1 775 466	1 775 466
Contribution to INSS	53 264	53 264
Operating cost JO	12 300 385	10 241 345
CMH other administrative expenses	662 387	983 875
Audit fee	61 444	67 396
Consultancy fee	30 667	108 362
Social development program	140 631	353 538
Other supplies and services	429 645	454 579
	14 791 502	13 053 950

8. Net finance income/(cost)

	Note	2019 USD	2018 USD
Finance income		4 705 538	2 531 326
Interest income		4 386 903	2 244 797
Foreign exchange gains		318 635	286 529
Finance cost		(3 171 227)	(3 509 575)
Interest on borrowings		(753 309)	(1 263 061)
Notional interest on unwinding of environmental provisions	19	(1 867 489)	(1 842 447)
Foreign exchange losses		(531 606)	(383 627)
Bank charges		(18 823)	(20 440)
Net finance income/(cost)		1 534 311	(978 249)

Interest income relates to the fixed term deposit (Permitted Investments). The Lenders (AFD and DBSA) gave their non-objection to CMH to invest 90% of the balances of the Off-Shore Accounts (Debt Service Reserve, Capex Reserve and Proceeds Accounts) into a fixed term deposit account to earn interest. The average rate of the interest was 3.12%.

9. Income Tax

	2019 USD		2018 USD
9.1 Amounts recognised in profit or loss			
Current tax expense			
Current year	18 187 267		13 037 698
Deferred tax expense			
Origination and reversal of temporary differences	(620 513)		(2 248 039)
	17 566 754		10 789 659
9.2 Reconciliation of effective tax rate			
Profit before tax	55 414 942		40 771 026
Tax using company's tax rate	32% 17 732 781	32%	13 046 728
Depreciation not deductible	(-1%) (129 866)		-
Tax effect of non-deductible/(non-taxable) expenses/income	(.05%) (36 161)	(6%)	(2 257 069)
	30.95% 17 566 754	26%	10 789 659
9.3 Deferred tax liability			
2019	Net Balance 30 June 2019	Recognised in profit or loss	Net Balance 30 June 2018
Property, plant and equipment	58 129 519	(410 904)	58 540 423
Intangible assets	2 077 020	(207 702)	2 284 722
Unrealised exchange gains/(losses)	(1 614)	(1 906)	292
	60 204 925	(620 512)	60 825 437
2018	Net Balance 30 June 2018	Recognised in profit or loss	Net Balance 30 June 2017
Property, plant and equipment	58 540 423	(1 686 007)	60 226 430
Intangible assets	2 284 722	(207 702)	2 492 424
Unrealised exchange gains	292	(354 330)	354 622
	60 825 437	(2 248 039)	63 073 476
9.4 Income tax payable			
Opening balance	4 321 912		5 615 768
Payments during the year	(14 288 182)		(14 331 554)
Current tax expense	18 187 267		13 037 698
Closing balance	8 220 997		4 321 912

The tax authorities in Mozambique do not confirm the acceptance of tax returns submitted to them. These remain open and may be subjected to review and adjustment for a period of 5 years. The directors are of the opinion that no significant adjustments or penalties will result in respect of open years if these were subject to review by the tax authorities.

10. Earnings and dividend per share

10.1 Earnings per share

The basic earnings per share were calculated based on the profit after tax of USD 37 848 188 (June 2018: USD 29 981 367) divided by the average number of shares outstanding of 5 934 115 (June 2018: 5 934 115).

The diluted earnings per share figures are equal to the basic earnings per share figures as the company did not have dilutive financial instruments at the reporting date.

The reconciliation of the number of shares is not necessary since there was no change in the base numbers during the year.

10.2 Dividend per share

The dividend per share amounted to USD 5.10 (2018; USD 3.76)

11. Property, plant and equipment

	Building - office	Transport equipment	Exploration and evaluation assets and CPF	Capital work in progress	Total
	USD	USD	USD	USD	USD
Cost					
Balance at 1 July 2017	2 024 101	931 388	313 803 870	6 940 857	323 700 216
Additions	-	251 728	-	20 682 291	20 934 019
Adjustment in site closure and rehabilitation cost	-	-	(11 935 526)	-	(11 935 526)
Transfers	-	115 213	23 765 254	(23 880 467)	-
Balance at 30 June 2018	<u>2 024 101</u>	<u>1 298 329</u>	<u>325 633 598</u>	<u>3 742 681</u>	<u>332 698 709</u>
At 1 July 2018	2 024 101	1 298 329	325 633 598	3 742 681	332 698 709
Additions	-	34 760	697 744	11 795 787	12 528 291
Increase in site closure and rehabilitation cost	-	-	17 313 084	-	17 313 084
Disposal	-	(161 286)	-	-	(161 286)
Transfer	-	283 423	-	(283 423)	-
Balance at 30 June 2019	<u>2 024 101</u>	<u>1 455 226</u>	<u>343 644 426</u>	<u>15 255 045</u>	<u>362 378 798</u>
Accumulated depreciation					
Balance at 1 July 2017	242 893	687 414	103 266 721	-	104 197 028
Charge for the year	40 482	340 269	20 885 086	-	21 265 837
Balance at 30 June 2018	<u>283 375</u>	<u>1 027 683</u>	<u>124 151 807</u>	<u>-</u>	<u>125 462 865</u>
Balance at 1 July 2018	283 375	1 027 683	124 151 807	-	125 462 865
Charge for the year	40 482	237 939	21 579 922	-	21 858 343
Disposal	-	(121 442)	-	-	(121 442)
Balance at 30 June 2019	<u>323 857</u>	<u>1 144 180</u>	<u>145 731 729</u>	<u>-</u>	<u>147 199 766</u>
Carrying amounts					
At 1 July 2017	<u>1 781 207</u>	<u>243 974</u>	<u>210 537 149</u>	<u>6 940 857</u>	<u>219 503 188</u>
At 1 July 2018	<u>1 740 726</u>	<u>270 645</u>	<u>201 481 791</u>	<u>3 742 682</u>	<u>207 235 844</u>
At 30 June 2019	<u>1 700 244</u>	<u>311 046</u>	<u>197 912 697</u>	<u>15 255 045</u>	<u>215 179 032</u>

Increase in the site restoration and rehabilitation asset is non cash item hence not considered in the cash flows from investing activities, in the statement of cash flows.

11. Property, plant and equipment (continued)

The CPF included under exploration and evaluation assets is used as collateral in respect of the borrowing facilities with AFD and DBSA (see note 18).

Loans obtained from DBSA and AFD are secured by the following: CPF mortgage deed for the 25% CMH share in CPF, pledge over moveable assets, assignment of insurance rights, assignment of rights, assignment of contractual position, pledge of bank accounts and security cession of monies.

Exploration and Evaluation Assets and CPF comprises 25% of the JO capital expenditure namely: cost of exploratory well, cost for completion of the wells as producing wells, cost of drilling of additional exploratory wells, cost of development of qualifying assets as well as the Central Processing Facility Plant.

Significant assumptions are involved while performing the impairment assessment of the exploration and evaluation asset and CPF, including;

- the remaining mineral reserves;
- oil and gas prices in the international market;
- future interest rates; and
- basis of the budgeting process

Adjustment in site closure and rehabilitation cost represents the decrease in the estimated cost due to change in discount rates and change in gross estimate of the rehabilitation liability.

12. Intangible assets

	Concession Rights USD
Cost	
At 1 July 2017	19 231 666
Addition	2 669
Balance at 30 June 2018	<u>19 234 335</u>
At 1 July 2018	19 234 335
Addition	-
Balance at 30 June 2019	<u>19 234 335</u>
Accumulated amortisation	
At 1 July 2017	11 442 843
Charge for the year	649 458
At 30 June 2018	<u>12 092 301</u>
At 1 July 2018	12 092 301
Charge for the year	649 736
At 30 June 2019	<u>12 742 037</u>
Carrying amounts	
At 30 June 2017	7 788 823
At 30 June 2018	<u>7 142 034</u>
At 30 June 2019	<u>6 492 298</u>

Intangible assets consist of licence fee/costs passed on from ENH for development of the gas project (Pande and Temane fields).

13. Inventories

	2019 USD	2018 USD
Maintenance materials	941 890	977 297
	<u>941 890</u>	<u>977 297</u>

14. Trade and other receivables

	2019 USD	2018 USD
Interest in current assets of the Joint Operations	4 366 354	9 786 668
Trade receivables	4 366 354	9 786 668
Other receivables	1 545 288	1 408 853
Value added tax	710 350	600 878
Prepayments	166 672	139 709
Tax reimbursement – prior year	668 266	668 266
	<u>5 911 642</u>	<u>11 195 521</u>

15. Cash and cash equivalents

	2019 USD	2018 USD
Cash on hand	319	345
Cash at bank	167 363 691	150 995 710
CMH Onshore Accounts (i)	18 741 533	13 306 727
Proceeds Account (ii)	17 441 859	17 367 236
Capex Reserve Account (iii)	6 757 098	3 146 423
Off-Shore Operating Account (iv)	25 083	25 135
Debt Service Reserve Account (v)	473 333	1 064 600
Fixed rate deposit (vi)	123 924 785	116 085 589
	<u>167 364 010</u>	<u>150 996 055</u>

The payment mechanism and priority of payment is determined contractually by the Accounts Agreement and was amended in December 2017. This agreement was signed on 20 May 2010 between CMH, Development Bank of Southern Africa (DBSA), Agence Française de Development (AFD), Standard Bank of South Africa Limited (the off-shore bank account) and Barclays Bank Moçambique SA (the onshore bank account). It was agreed to maintain the following accounts in the name of CMH:

- i. The CMH onshore Accounts (Meticais and US Dollars) – CMH shall transfer from the Proceeds Account at any payment date, the amount of administrative costs expected to be paid in Mozambique for a period of six months from the expected payment date;

15. Cash and cash equivalents (continued)

- ii. The Proceeds Account – The account shall be deposited with the proceeds of each disbursement made under the Expansion facilities, all revenues, including any amount payable to CMH under the project documents, all proceeds of any share capital issued, all insurance proceeds and any excess amount in the Debt Service Account and Capex Reserve Account.
- iii. The Capex Reserve Account – This account is used as a reserve for an amount equal to the aggregate of project operating cost and sustainment expenditure for the next 12 month period and CMH’s administrative cost for the following 6 month period.
Notwithstanding any other provision of the Agreement, up to 90% of the balance in the Capex Reserve Account may from time to time be invested in Permitted Investments with the prior written consent of the CMH Lenders.
- iv. The Off Shore Operating Account – This account is for settling due and payable project operating costs denominated in American Dollars and CMH’s administrative costs payable outside of Mozambique.
- v. The Debt Service Reserve Account – This account is used as a reserve for all scheduled principal and interest payments which will be due and payable within the following next two payment dates in accordance with the CMH loan facilities.
Notwithstanding any other provision of the Agreement, up to 90% of the balance of the Debt Service Reserve Account may from time to time be invested in Permitted Investments with the prior written consent of the CMH Lenders.
- vi. Fixed Deposit (Permitted Investments) – the Lenders (AFD and DBSA) gave their non-objection for CMH to invest 90% of the balances of the Off-Shore Accounts (Debt Service Reserve, Capex Reserve and Proceeds Accounts) into a fixed deposit account to earn interest.

16. Share capital

		2019 USD		2018 USD
	%		%	
4 153 880 authorised and issued ordinary shares owned by Empresa Nacional de Hidrocarbonetos, EP (ENH) at par value of USD 4.26 per share (Class B)	70	17 700 654	70	17 700 654
1 186 823 authorised and issued ordinary shares owned by the Mozambican Government at par value of USD 4.26 per share (Class A)	20	5 057 330	20	5 057 330
593 412 authorised and issued ordinary shares owned by 1242 private shareholders at par value of USD 4.26 per share (Class C)	10	2 528 665	10	2 528 665
Total share capital authorized, issued and paid up	100	25 286 649	100	25 286 649

The company has not issued any preference shares. The classes of shares as described below do not create a restriction on the payment of dividends. All classes of shares have equal voting rights.

- Class “A” shares - not freely transferable, depending on the consent of the general assembly.
- Class “B” shares - not freely transferable, depending on the consent of the general assembly.
- The class “C” shares – Freely transferable to national citizens or entities, through the Stock Exchange (Bolsa de Valores de Moçambique).

17. Legal and investment reserves

17.1 Legal reserve

In terms of Mozambican Company Law, the company is obliged to transfer 5% of its annual net profit to a non-distributable legal reserve until the amount of the legal reserve reaches a minimum of 20% of share capital. This reserve may be utilised to offset losses and pay up capital. The company has fulfilled its requirement for transfer to the legal reserve as the legal reserve balance has reached 20% of share capital. The accumulated amount of reserve is USD 5 057 330 (2018: USD 5 057 330).

17.2 Investment reserve

This is a specific reserve set aside by the shareholders for the purpose of investment. Transfer to investment reserve was as per the shareholders' approval dated 11 December 2008. The accumulated amount of reserve is USD 14 296 822 (2018: USD 14 296 822).

18. Borrowings

	2019 USD	2018 USD
Non-current portion of borrowings	-	4 562 655
Development Bank of Southern Africa- Tranche B (i)	-	2 261 860
Agence Française de Development Loan B (ii)	-	2 300 795
Current portion of borrowings	4 562 655	9 125 310
Development Bank of Southern Africa - Tranche B (i)	2 261 860	4 523 719
Agence Française de Development Loan B (ii)	2 300 795	4 601 591
Total	4 562 655	13 687 965

i) CMH and the Development Bank of Southern Africa (DBSA) entered into a loan agreement, on 20 May 2010, in order to grant a senior loan facility under which CMH was entitled to borrow funds limited to USD 50 000 000 until 31 December 2012 (as the expiry date for drawdowns), with a maturity on 15 December 2019. Amounts not drawn are subject to a commitment fee of 0.5% per annum, chargeable from 14 June 2010. Amounts disbursed and not repaid bear interest at 6 month Libor plus a 4.75% spread. A total of USD 31 678 705 was drawn down on the facility, on 14 June 2010, 30 September 2010 and 31 March 2011 while the remaining fund, USD 18 321 295, was cancelled on 27 March 2012. In August 2012, an addendum of the new repayment schedule was signed. The capital repayment started from 15 June 2013 (repayment commencing 36 months after the date of the first disbursement), on a bi-annual basis.

Loan is secured by the following: CPF mortgage deed for the 25% CMH share in CPF, pledge over moveable assets, assignment of insurance rights, assignment of rights, assignment of contractual position, pledge of bank accounts and security cession of monies.

ii) CMH entered into a Credit Facility Agreement with the Agence Française de Development on 20 May 2010, under which CMH is entitled to borrow funds up to the equivalent of USD 50 000 000 with a maturity on 15 December 2019. A total of USD 32 224 026 was drawn down on the

facility, on 14 June 2010, 8 October 2010 and 10 March 2011 and the remaining fund, USD 17 775 974, was cancelled on 27 March 2012. Amounts disbursed and not repaid bear weighted average interest rate of the three disbursements of 6.05% per annum and the capital repayment started on 15 June 2013 (36 months after the date of the first disbursement), being on a bi-annual basis.

The loan is secured by the following: CPF mortgage deed for the 25% CMH share in CPF, pledge over moveable assets, assignment of insurance rights, assignment of rights, assignment of contractual position, pledge of bank accounts and security cession of monies.

The reconciliation of the movement is as follows;

Description	Balance at 1 July 2018 USD	Repayments made USD	Balance at 30 June 2019, USD
Development Bank of Southern Africa- Tranche B (i)	6 785 579	4 523 719	2 261 860
Agence Française de Development Loan B (ii)	6 902 386	4 601 591	2 300 795

19. Provision

The provision relates to site closure and rehabilitation costs. As per concession granted, the operators are required to rehabilitate the area at the end of the project life. The existing estimate of the site restoration and rehabilitation cost was increased with the annual inflation factor for the remaining time, as to the site rehabilitation, and such future value was discounted (using a discount rate of 2%-2.9%) to arrive at present value of the site rehabilitation costs. Significant assumptions are involved in the estimation process of the site restoration and rehabilitation obligation, including;

- Cost elements at the end of the concession;
- Timing of the individual cost component;
- Inflation rate; and
- Discount rate

	2019 USD	2018 USD
Long Term		
Opening balance	62 916 696	73 531 236
Notional Interest	1 654 171	1 320 986
Capitalised in property plant and equipment	5 918 939	(11 935 526)
Closing balance	70 489 806	62 916 696

	2019 USD	2018 USD
Short Term		
Opening balance	1 745 588	1 224 127
Notional Interest	213 319	521 461
Capitalised in property plant and equipment	11 394 145	-
Closing balance	13 353 052	1 745 588
Total	83 842 858	64 662 284

	2019 USD	2018 USD
Expected timing of future cash flows		
Within one year	13 353 052	1 745 588
1 - 5 years	13 197 501	13 654 687
More than five years	57 292 305	49 262 009
Total	83 842 858	64 662 284

20. Trade and other payables

	2019 USD	2018 USD
Non-current		
Payables	41 872	50 518
Current		
Interest in current liabilities of the JO	4 053 759	5 680 561
Trade payables	2 257 052	2 996 147
Accruals	1 796 707	2 684 414
Other payables	149 922	207 307
Suppliers	30 267	72 556
Withholding tax, employee tax and social security	118 655	93 045
Accruals and other payables	-	41 706
	4 203 681	5 887 868

21. Intercompany payable

	2019 USD	2018 USD
Empresa Nacional de Hidrocarburos (ENH)	12 398	7 687
	12 398	7 687

The amount payable to ENH relates to monthly fee for the technical services provided by ENH in accordance with the technical services agreement signed among CMH and ENH.

22. Related-party transactions

For the purpose of these financial statements, parties are considered to be related to the company if the company has the ability, directly or indirectly to control or jointly control the party or exercise significant influence over the party in making financial or operating decisions. Related party also includes key management personal defined as those persons having authority and responsibility for planning, directing and controlling activities directly or indirectly. The key management personal includes all board of director members, executive director and non-executive director. The company related parties include joint operations as well as the Government of Mozambique and its related entity as the holding company (ENH) wholly owned by the Government of Mozambique.

The company is controlled by Empresa Nacional de Hidrocarbonetos, EP (ENH), which owns 70% of the company's shares, 20% shares are held by the Government of Mozambique and the remaining 10% belongs to private shareholders. The following transactions took place during the year, at arm's length, which resulted in the mentioned closing balances with the related parties:

Related party relationship	Type of transaction	Transaction amount		Balance owed	
		2019 (USD)	2018 (USD)	2019 (USD)	2018 (USD)
Empresa Nacional de Hidrocarbonetos, EP	Technical service	126 478	107 052	(12 398)	7 687

Upon approval of any Work Programme and Budget, if Operator so requests, each Party shall advance its share of estimated cash requirements for the succeeding month's operations. The amount requested in a cash call shall be equal to the Operator's estimate of the money to be spent, in the currencies required, to defray the net cash payments, being cash payments less cash receipts, due in the relevant month under the approved Work Programme and Budget. For informational purposes the cash call shall contain an estimate of the funds required for the succeeding two (2) months. The following transactions took place:

		Sales in Joint Operations Gas and condensate (Note 6)		Amount received from JO current account		Year end balances arising from purchases of services, office rent and payments made (operating costs and fixed assets) amount to pay to Joint Operations (Note 20)	
		2019 (USD)	2018 (USD)	2019 (USD)	2018 (USD)	2019 (USD)	2018 (USD)
Sasol Petromoc, Kogas, through operations.	Gas, ENH ENH joint	95 880 887	81 466 600	-	-	-	-
Joint Operations (JO)		-	-	97 856 976	81 051 330	(4 053 759)	(5 680 561)

The following amounts were transferred to joint operations on account of cash calls.

Related party relationship	Type of transaction	Transaction amount 2019 (USD)	Transaction amount 2018 (USD)
Joint Operations (JO)	Cash calls for expenses	24 513 193	21 721 424

Capital commitments with regard to the joint operations are mentioned in note 25.

The company pays management fees related to the service of an executive director and also fees for non-executive director of the company. The following transactions took place:

Related party relationship	Type of transaction	Transaction amount 2019 (USD)	2018 (USD)	Balance owed 2019 (USD)	2018 (USD)
Key management	Remuneration	662 712	785 162	-	-

The short term key management remuneration amounts to USD 662 172 (2018: USD 785 162) while post-employment benefits amounts to USD 45 230 (2018: USD 45 815). There was neither any payment for the termination cost nor share based payments.

23. Employee benefits

	2019 USD	2018 USD
Defined benefit asset	2 229 060	1 166 308
Defined benefit liability	(1 784 890)	(1 839 468)
Net defined benefit asset/(liability)	444 170	(673 160)

a. Funding

The fund provides for pensions to be paid in retirement or lump sum benefits to be paid in event of death while in service or withdrawal before retirement. The normal retirement age is 60 for males and 55 for females. The Fund does not make allowance for early retirement however, members can retire early on account of ill-health. The contribution rates are fixed in terms of the rules. Members contribute 3.0% of Pensionable Emoluments to retirement. The employer contributes 8.63% of Pensionable Emoluments towards the fund. The balance, after allowing for risk benefits and operational costs, is allocated to retirement.

b. Movement in net defined benefit (asset) liability

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit (asset) liability and its components.

	Defined Benefit Obligation		Fair Value of Plan Assets		Net Defined Benefit (Asset) Liability	
	2019 (USD)	2018 (USD)	2019 (USD)	2018 (USD)	2019 (USD)	2018 (USD)
<i>Balance at 1 July</i>	1 839 468	1,813,968	(1 166 307)	(545,102)	673 161	1,268,866
<i>Included in profit or loss</i>						
	300 460	342,916	(222 070)	(122,805)	78 390	220,110
Current service cost	45 230	45,815	-	-	45 230	45,815
Interest cost (income)	255 230	297,101	(222 070)	(122,805)	33 160	174,295
<i>Included in OCI</i>						
Actuarial gain	(238 665)	(291,750)	-	-	(238 665)	(291,751)
<i>Other</i>						
Net foreign exchange difference	(82 426)	35,129	53 981	(10,556)	(28 445)	24,573
Contributions paid by members & employer	60 188	37,755	(1 127 923)	(693,208)	(1 067 735)	(655,452)
Benefits paid	(94 134)	(98,550)	94 134	98,550	-	-
Expenses paid	-	-	139 124	106,814	139 124	106,814
	1 784 891	1,839,468	(2 229 061)	(1,166,307)	(444 170)	673,160

Plan assets comprise of term deposits, treasury bonds and promissory notes.

Defined benefit obligation

i. Actuarial assumptions

	2019	2018
Discount rate	14.9%	16.49%
Future salary growth	7.9%	9.5%
Future pension growth	9.5%	9.5%
Inflation rate	6.9%	8.6%

The summary of the membership statistics for the active members as at the valuation date is as follows:

Age band (Years)	No. of Female Employees	No. of Male Employees
25-30	1	1
30-35	1	4
35-40	3	4
40-45	1	2
45-50	1	2
50-55	2	-
55-60	1	-

The summary of the membership statistics for the pensioner as at the valuation date is as follows:

Age band (Years)	No. of employees
61-63	1

ii. Sensitivity analysis

	Liability (USD)	Service cost (USD)	Percentage change in Liability
Salary growth 1% Increase	1 870 651	50 027	-2,6%
Salary growth 1% decrease	1 708 205	41 075	-3,3%
Valuation interest rate 1% increase	1 637 794	40 329	-3,0%
Valuation interest rate 1% decrease	1 959 277	51 312	-2,9%
Pension 1% increase	1 924 901	48 532	-3,0%
Pension 1% decrease	1 661 610	42 344	-2,9%
Post retirement mortality (2 years younger)	1 826 895	46 026	-2,8%

iii. Maturity profile

Time	Pensioner members and active members (% of liability)
2020 – 2024	5%
2025 – 2029	20%
2030 – onwards	75%

Short term employee benefits comprise of the salaries and utilities, mentioned in note 7.

24. Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial instruments, including their fair value hierarchy. It does not include fair value information for financial instruments not measured at fair value if the carrying amount is a reasonable approximation of fair value due to the short term nature of the instrument.

30 June 2019

Financial instruments not measured at fair value

	Note	Carrying amount (USD)		Fair Value (USD)			Total
		Other financial liabilities	Total	Level 1	Level 2	Level 3	
Secured bank loans	18	4 562 655	4 562 655	-	4 562 655	-	4 562 655
		<u>4 562 655</u>	<u>4 562 655</u>	<u>-</u>	<u>4 562 655</u>	<u>-</u>	<u>4 562 655</u>

	Note	Carrying amount (USD)		Fair Value (USD)			Total
		Financial assets	Total	Level 1	Level 2	Level 3	
Trade receivables	14	4 366 354	4 366 354	-	4 366 354	-	4 366 354
Cash and cash equivalents	15	167 364 010	167 364 010	-	167 364 010	-	167 364 010
		<u>171 730 364</u>	<u>171 730 364</u>	<u>-</u>	<u>171 730 364</u>	<u>-</u>	<u>171 730 364</u>

30 June 2018

Financial instruments not measured at fair value

	Note	Carrying amount (USD)		Fair Value (USD)			Total
		Other financial liabilities	Total	Level 1	Level 2	Level 3	
Secured bank loans	18	13 687 965	13 687 965	-	13 687 965	-	13 687 965
		<u>13 687 965</u>	<u>13 687 965</u>	<u>-</u>	<u>13 687 965</u>	<u>-</u>	<u>13 687 965</u>

	Note	Carrying amount (USD)		Fair Value (USD)			Total
		Financial assets	Total	Level 1	Level 2	Level 3	
Trade receivables	14	9 786 668	9 786 668	-	9 786 668	-	9 786 668
Cash and cash equivalents	15	150 996 055	150 996 055	-	150 996 055	-	150 996 055
		<u>160 782 723</u>	<u>160 782 723</u>	<u>-</u>	<u>160 782 723</u>	<u>-</u>	<u>160 782 723</u>

Measurement of fair values

Type	Valuation technique	Significant unobservable inputs
Secured bank loans (other financial liabilities)	Discounted cash flows	Not applicable

25. Commitments and contingencies

Commitments for capital expenditure contracted for and not yet incurred at the reporting date are as follows:

Estimated timing of expenditure	2019 USD	2018 USD
Within one year	33 584 105	4 849 683
2 - 5 years	3 614 709	2 633 795
	<u>37 198 814</u>	<u>7 483 478</u>

25. Commitments and contingencies (continued)

2019

	Gross capital commitments Authorised USD	Authorised and contracted USD	Authorised and not contracted USD
Joint operation's projects			
PPA- Long Term Service Providers workshops	710 687	-	710 687
PPA- Main Gate Security and Induction Building	660 825	-	660 825
PPA - SPT Special Tools and Equipment Store	28 095	-	28 095
PPA - PPA Infill Wells (Tranche 1)-Well Y	6 678 572	507 018	6 171 555
PPA - ENH Gas Inlet Pressure	293 892	129 246	164 646
PPA - LP Compression Phase 3	5 012 484	892 368	4 120 116
PPA - Crise Management Meeting Room	16 668	-	16 669
PPA - SPT Laboratory Information Mgmnt System	11 819	-	11 819
PPA - U60 Fuel Gas Auto Venting	77 169	-	77 169
PPA - PPA Infill Wells (Tranche 2)	6 233 112	1 993 607	4 239 505
Meric Drilling Campaign	10 460 344	4 145 392	6 314 952
PPA - Infield Compression	6 629 603	949 685	5 679 919
PPA - Erosion Probes	85 545	39 609	45 936
PPA - Security Upgrade	300 000	-	300 000
CMH administrative costs	-	-	-
Under the acquisition of property, plant and equipment			
	37 198 815	8 656 925	28 541 893

2018

	Gross capital commitments Authorised USD	Authorised and contracted USD	Authorised and not contracted USD
Joint operation's projects			
PPA - LP Compression Phase 2	2 831 404	668 347	2 163 057
PPA - PPA Infill Wells (Tranche 1)	8 729 753	1 654 388	7 075 365
PPA - LP Compression Phase 3	10 673 035	4 478 724	6 194 311
FEED	2 458 630	496 064	1 962 567
CMH administrative costs	215 955	215 955	-
Under the acquisition of property, plant and equipment			
	<u>24 908 777</u>	<u>7 513 478</u>	<u>17 395 300</u>

The balance corresponds to a 25% of the capital expenditure commitment of the Joint Operations.

26. Financial Instruments and Risk Management

Financial Risk Management

Exposure to currency, credit, liquidity and interest rate risks arises in the normal course of the Company's business. The Company's risks are being monitored continually. Financial instruments as shown in the statement of financial position include cash resources, trade receivables, trade payables and borrowings.

This note presents information about the Company's exposure to each of the above risks, the Company objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to

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

The Company's Board of Directors oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

26.1 Market Risk

Market risk is the risk arising from possible market price movements and their impact on the future cash flows of the company or fair value of financial instruments. The market price movements that the company is exposed to include foreign currency exchange rates, interest rates and oil and natural gas prices (commodity price risk). The company has developed policies aimed at managing the volatility inherent in these exposures which are discussed in the risks below.

26.1.1 Currency Risk

The Company is exposed to risks as a result of purchases in foreign currencies. The currency giving rise to the currency risk in which the Company deals is the Mozambican Metical.

Exposure to currency risk

The Company's exposure to foreign currency risk was as follows based on national amounts:

	2019 MT	2018 MT
Trade and other payables	(4 674 929)	(4 350 276)
Cash and cash equivalents	10 893 133	35 693 892
	6 218 204	31 343 616

	Average rate		Spot rate	
Reporting Date	30 June 2019	30 June 2018	30 June 2019	30 June 2018
MT per USD	62.20	61.18	62.12	59.90

26. Financial Instruments and Risk Management (continued)

Sensitivity analysis

A 1% decrease or increase in the value of foreign currencies against United State Dollars on the company's foreign currency exposures would have the effect of increasing or decreasing the shareholders' equity and profit after tax by USD 426 (2018: USD 197). This analysis assumes that all other variables remain constant.

26.1.2 Interest Rate Risk

The Company is exposed to interest rate changes on its borrowings. Management adopts a policy of ensuring that its borrowing is at market-related rates to address its interest rate risk.

	Carrying Amount	
	2019 USD	2018 USD
Fixed rate instruments		
Fixed term deposit	123 924 785	116 085 589
Financial liabilities	(4 562 655)	(6 902 389)
	<u>119 362 130</u>	<u>109 183 200</u>
Variable rate instruments		
Financial liabilities	<u>(2 261 859)</u>	<u>(6 785 576)</u>

Sensitivity analysis

A 1% decrease or increase in the interest rate on the company's variable rate financial instruments would have the effect of increasing or decreasing the shareholder's equity and profit after tax by USD 656 (2018: USD 1 191). This analysis assumes that all other variables remain constant.

26.1.3 Commodity price risk

The Company is exposed to changes in the prices of oil and gas in the international market. A 1% decrease of increase in the prices would have effect of increasing or decreasing the shareholder's equity and profit after tax by USD 651 990 (2018: USD 553 973). This analysis assumes that all other variables remain constant.

26.2 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, and arises principally from the Company's receivables from customers and balances kept at the bank with financial institutions.

26. Financial Instruments and Risk Management (continued)

Management has a credit policy in place and exposure to credit risk is monitored on an on-going basis. Credit exposure is limited as the company's trade receivables are due from the Joint Operation partner only. Other receivables are mainly related parties. The maximum exposure to credit risks is represented by the carrying amount of each financial asset in the statement of financial position. The entity uses reputable financial institutions to manage the credit risk related to bank balances.

Exposure to Credit Risk

The Carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2019 USD	2018 USD
Trade receivables	4 366 354	9 786 668
Cash and cash equivalents	167 364 010	150 996 055
Total exposure	<u>171 730 364</u>	<u>160 782 723</u>

The above trade receivables included sales to one anchor-customer being Sasol Gas, a subsidiary of Sasol Limited.

The aging of the trade receivables at the reporting date was:

	2019 USD	2018 USD
Neither past due nor impaired	<u>4 366 354</u>	<u>11 442 377</u>

Based on historic default rates, the company believes that no impairment allowance is necessary in respect of trade receivables. Sasol Gas Limited represents 84% (2018: 86%) of the Company's total

turnover and 0% (2018:56%) of trade receivables at 30 June 2019. Sasol Gas has more than 10 years trading history with the JO.

26.3 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Liquidity risk is actively managed through cash flow projections to ensure that there are sufficient funds available for any short term and long term commitments.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for the short term, including the servicing of financial obligations.

The following are the contractual maturities of financial liabilities, including estimated payments dates:

	Carrying amount USD	Contractual Cash flow USD	6 months or less USD	06-12 Months USD	1-2 years USD	2-5 years USD
30 June 2019						
Non-derivative financial liabilities						
Secured bank loans	4 562 655	(4 562 655)	(4 562 655)	-	-	-
Trade and other payables	4 203 680	(4 203 680)	(4 203 680)	-	-	-
	<u>8 766 335</u>	<u>(8 766 335)</u>	<u>(8 766 335)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Carrying amount USD	Contractual Cash flow USD	6 months or less USD	06-12 Months USD	1-2 years USD	2-5 years USD
30 June 2018						
Non-derivative financial liabilities						
Secured bank loans	13 687 965	(14 575 717)	(5 012 707)	(4 852 101)	(4 709 909)	-
Trade and other payables	6 566 408	(6 566 408)	(6 566 408)	-	-	-
	<u>20 254 373</u>	<u>(21 142 125)</u>	<u>(11 579 115)</u>	<u>(4 852 101)</u>	<u>(4 709 909)</u>	<u>-</u>

27. Subsequent events

Subsequent to 30 June 2019 to the date of reporting, there are no significant events that have occurred which might need disclosure or adjustment in the financial statements.