ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 June 2020

Companhia Moçambicana de Hidrocarbonetos, SA
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Maputo, Moçambique

Financial Statements

For the year ended 30 June 2020

Companhia Moçambicana de Hidrocarbonetos, SA

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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:
- Jahir Adamo (Chairman)
- Fernando Faustino (Board Director)
- Tavares Martinho (Board Director)

Fiscal Council:
- Ismael Júnior (President)
- Afonso Mabica (First Voter)
- Filipe Masquil (Second Voter)

General Assembly:
- Fortunato Albrinho (President)
- Marta Pecado (Secretary)
- Iolanda Matsinhe (Secretary)

Chief Executive Officer: Estêvão Pale

Shareholding Structure:
- 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

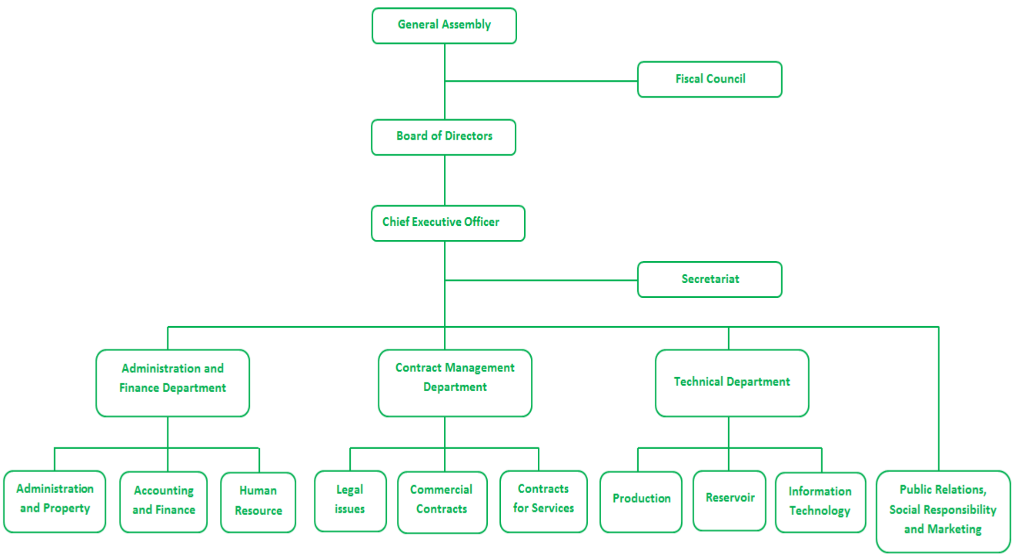
Address: Av. Julius Nyerere, n° 4003, Bairro da Polana Caniço "A"
Maputo – Moçambique

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 2020.

This year was characterized by lower sales volumes of natural gas and condensate followed by lower gas and condensate prices which negatively affected our revenues when compared to the previous financial year. The reduction in sales volumes and prices were negatively impacted by the global outbreak of the Covid-19 pandemic, whereby the Brent in the international market has reached to negative prices in the last quarter of the year.

During this financial year, our shareholders had a higher level of dividends when compared to previous financial year due to the fact we have finished to pay our loans to lenders in December 2019, which has contributed with cash availability for our shareholders.

We do continue committed paying adequate amount of dividends to our shareholders, despite the fact that, the company has many technical challenges in terms of investment on new infill wells and restoration of the production wells that have been experiencing integrity issues, in order to sustain current production capacity, and to supply gas under the signed contracts.

One of the main challenges is the availability of proven and probable gas reserves to guarantee the supply of signed contracts. We do need to invest in a combination projects such as, compression and debottlenecking projects to recover more gas from Pande and Temane reservoirs to increase volumes of gas to be supplied to them in order to fill potential reserves deficit.

We can see from our financial statements that CMH has total comprehensive income of USD 24 770 955 which represented a decrease in profit of about 34% compared to the results of the FY19, mainly due to the lower gas and condensate volumes and a decrease of petroleum prices in the international market as mentioned above.

During this financial year, CMH paid in taxes and contribution a total amount of USD 24 812 939 to the Government of which 90% represents corporate income tax, 9% of withholding taxes and 1% of contribution to the social security (INSS).

In relation to the loan, a total amount of USD 4 712 852 was paid as debt service during this financial year, which was the outstanding amount of the total loan, being USD 4 562 622 related to principal and USD 150 197 related to interest. We have fully repaid the loans in December 2019. On the maturity date, we expressed to AFD and DBSA our sincere gratitude for the excellent cooperation and collaboration over the last 15 years of the life of these facilities and we express our interest and willingness to continue to maintain the financial discipline that has been implemented and which allow us to fulfil our commitments with our lenders during those years. We have honoured all our commitments related to the loan and our shareholders are now enjoying positive results from these facilities.

Considering the CMH articles of Association, on 30 September 2019, an ordinary Assembly took place in which the CMH shareholders approved the distribution of 50% of the profits, CMH paid a total amount of USD 49 306 723 of dividends, to its shareholders, being USD 9 070 000 on 18 September 2019, USD 36 131 000 on 30 January 2020, and USD 4 105 723 on 1 April 2020, those amounts were declared in FY18 and FY19.

Our Corporate Social Responsibility (CSR), CMH continues to provide its contribution to the social projects with the Joint Operations (JO) as well as CMH's direct contribution.

Under the Joint Operations (JO) CMH has contributed to the joint account an amount of USD 230 038 and directly a total amount of USD 404 861 towards the implementation of social projects mainly in the area of community development, emergency support, energy, and education; aimed at promoting the development and welfare of Mozambican communities.

It should be noted that the outbreak of Covid-19 had a negative impact on social investment activities due to imposed prevention measures, however efforts are being put in place to ensure the return of our interventions safely.

Within the scope of the JO, regard to local content, we are committed to continue implementing initiatives that ensure local participation and development throughout our operations. This year, we exceeded our targets for total procurement spend on local suppliers and contributed to employment for Mozambican nationals.

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 1 200 to 2 750 Meticais during the financial year ended 30 June 2020. 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, safe and healthy environment performance by the operator.

We continued to honour all our commitments by providing good management practices for the company, dividends, paying 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 continued to believe in us and who have been supporting our company during these hard times, specially members of the Mozambican government, our shareholders, lenders, 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, 27 August 2020

Jahir Adamo
Chairman

III. DIRECTORS' REPORT

The Board of Directors of CMH has pleasure in submitting the Financial Statements and the Directors' Report for the financial year ended 30 June 2020.

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 the sustainment projects. 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, the project RFC (Ready for commissioning) and BO (Beneficial Operation) have been achieved during the reporting period and the project has been closed out.

In FY19, the first PPA horizontal well (Pande-27) was successful drilled in Pande field as an infill well to sustain a *plateau* of 197PJ/year.

In this FY20, has started a drilling campaign for the wells with integrity issues and the infill wells.

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

2.1 Results

Companhia Moçambicana de Hidrocarbonetos, S.A., earned operating profits, amounting to USD 72 978 570 for the financial year ended 30 June 2020, for its 25% participation in Pande and Temane Joint Operations.:

(USD)

Income Statement - CMH 25%	FY20	FY19
	01 July to 30 June	01 July to 30 June
Turnover	88 405 223	96 801 421
Sales: Natural Gas	86 659 892	93 601 145
Sales: Condensate	1 745 331	3 200 276
Royalties (Natural Gas and Condensate)	(991 266)	(920 534)
Net revenue after royalties	87 413 957	95 880 887
Operating expenditures relating to JO	(14 435 387)	(14 129 115)
Results from JO prior to CMH expenses	**72 978 570**	**81 751 772**

The results from the JO, decreased in 11% compared to the Financial Year 2019 (FY19). The decrease is mainly due to lower natural gas nominations and condensate sales volumes which were affected by negative impact of the global outbreak of the Covid-19 pandemic, as well as the operating expenditures which is slightly higher when compared to the FY19.

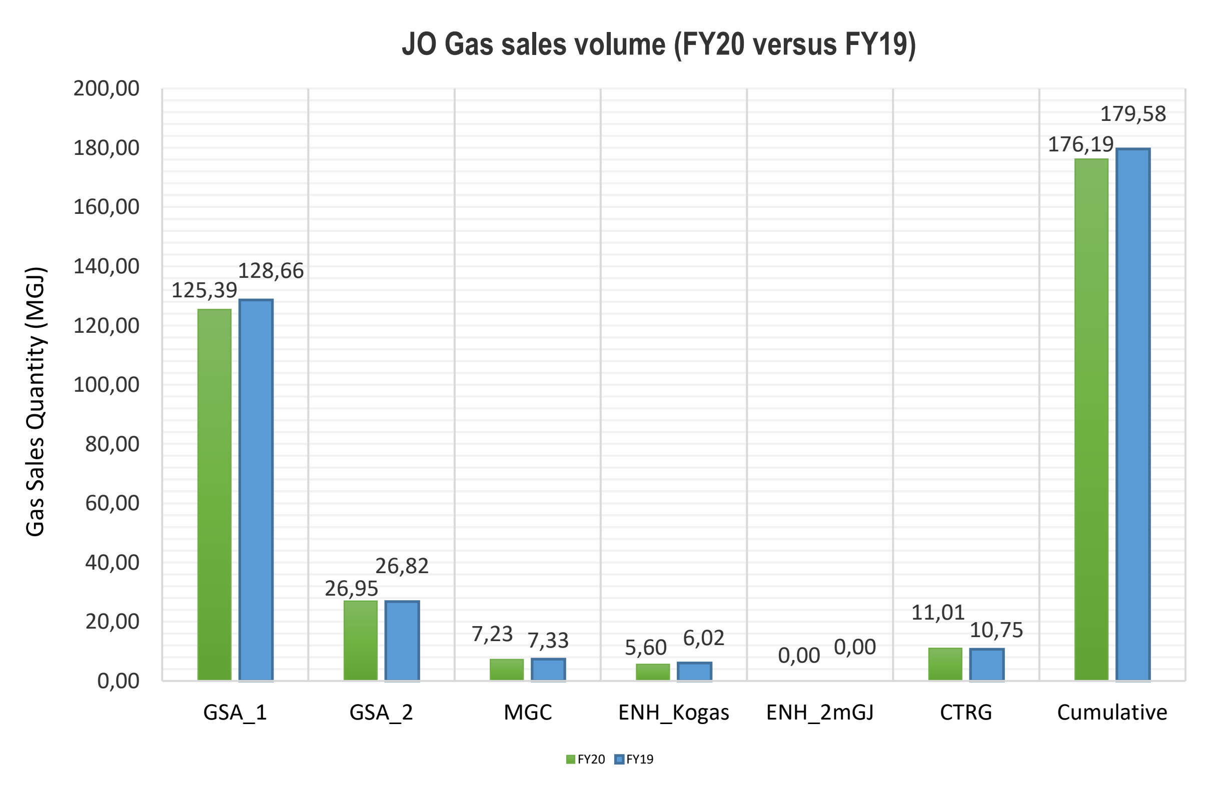
2.2 Production and Sales of Natural Gas and Condensate

2.2.1 Natural Gas and Condensate Sales

Volumes of Natural Gas and Condensate sold in the Financial Year 2020 (FY20) ended 30 June 2020, are as follows:

JO Sales Volumes (100%)	Unit	FY20 1 July to 30 June	FY19 1 July to 30 June	Variance (%)
Natural Gas - GSA 1	MGJ	125.39	128.66	-2.54
Natural Gas - GSA 2	MGJ	26.95	26.82	0.49
ENH-kogas	MGJ	5.60	6.02	-6.96
MGC	MGJ	7.23	7.33	-1.30
CTRG	MGJ	11.01	10.75	2.45
GSA ENH 2mGj	MGJ	-	-	-
Cumulative gas sales volume	**MGJ**	**176.19**	**179.58**	**-1.89**
Condensate	Bbl	295,621.14	353,178.46	-16.30
Royalty	**Unit**	**FY20 1 July to 30 June**	**FY19 1 July to 30 June**	**Variance (%)**
Gas Taken in Kind	MGJ	6.23	6.72	-7.21
Average Selling Price	**Unit**	**FY20 1 July to 30 June**	**FY19 1 July to 30 June**	**Variance (%)**
Natural Gas - GSA 1	USD/GJ	2.16	2.40	-10.00
Natural Gas - GSA 2	USD/GJ	1.92	2.09	-8.25
ENH-kogas	USD/GJ	1.92	1.89	1.59
MGC	USD/GJ	1.92	1.37	40.15
CTRG	USD/GJ	2.59	2.54	1.97
GSA ENH 2mGj	USD/GJ	2.28	2.24	1.79
Condensate	USD/Bbl	21.64	36.08	-40.02

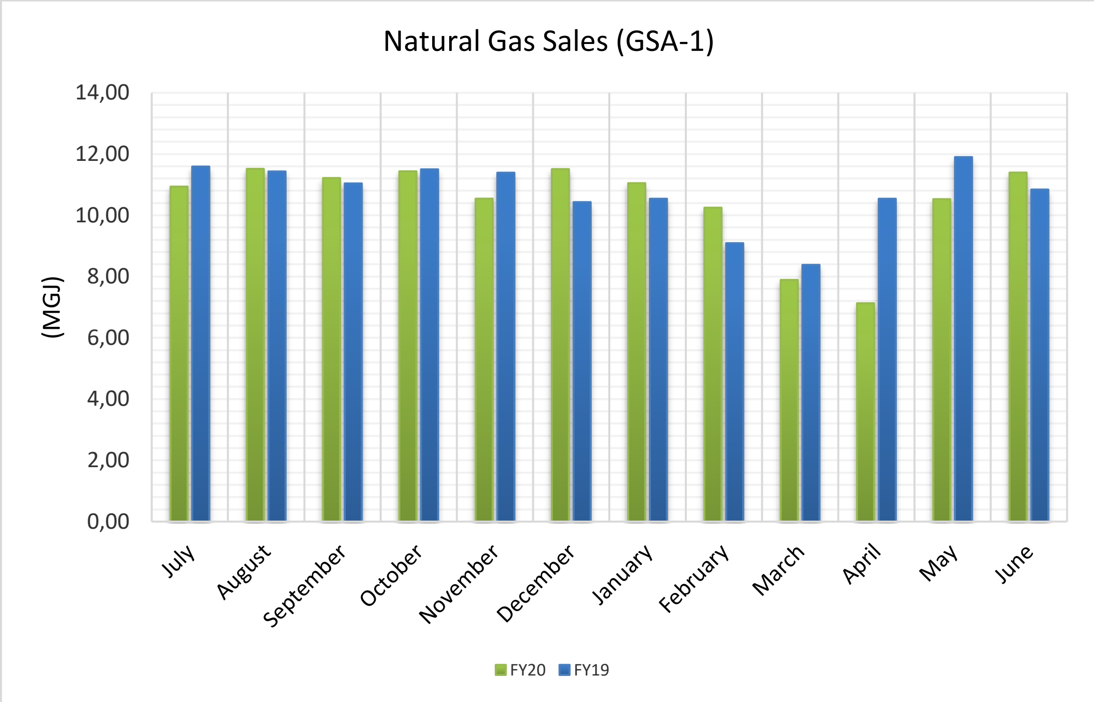
The chart below visualizes the figures from the previous table in terms of sales volumes (FY20 versus FY19).



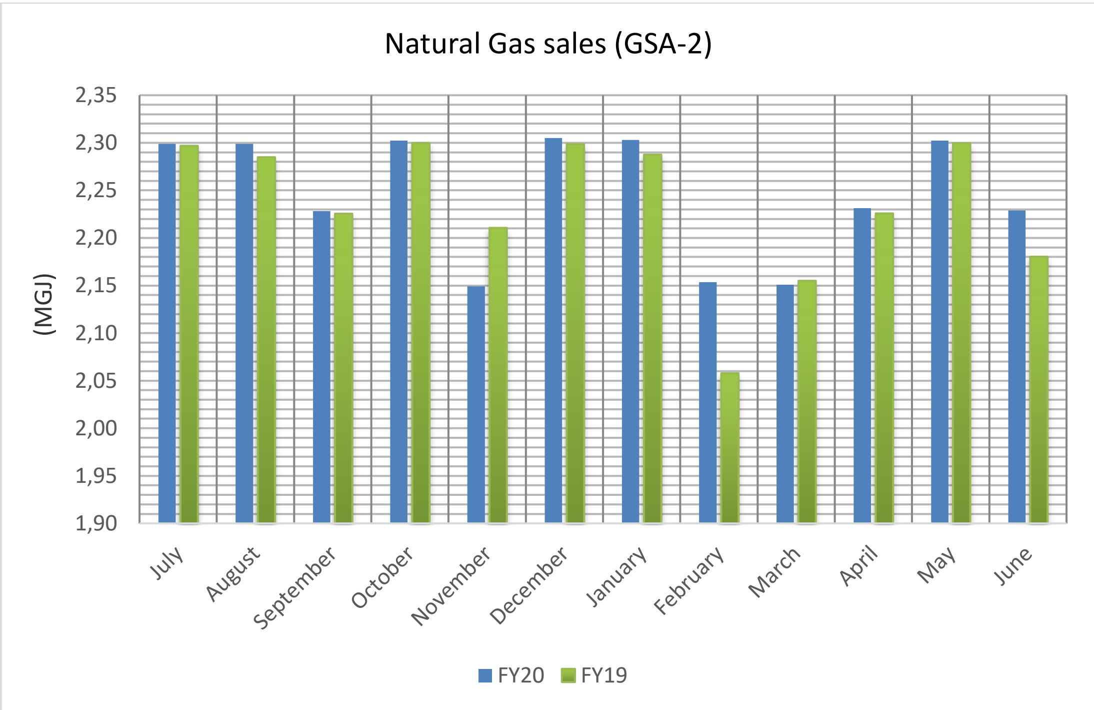
As we can see from the above table, total natural gas sales volumes for FY20 are 1.89% lower than sales volumes for the same period of FY19, due to the following reasons:

- Lower nominations by Sasol Gas under GSA 1 and some domestic agreements (ENH kogas and MGC). 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; In the meantime, the global outbreak of the Covid-19 pandemic, in conjunction with the declaration of the State of Emergency by the government of Mozambique as well as the declaration of the “Lockdown” in the Republic of South Africa had also a negative impact on sales volumes.
- 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, which did not result in losses of production in the Central Processing Facility (CPF).

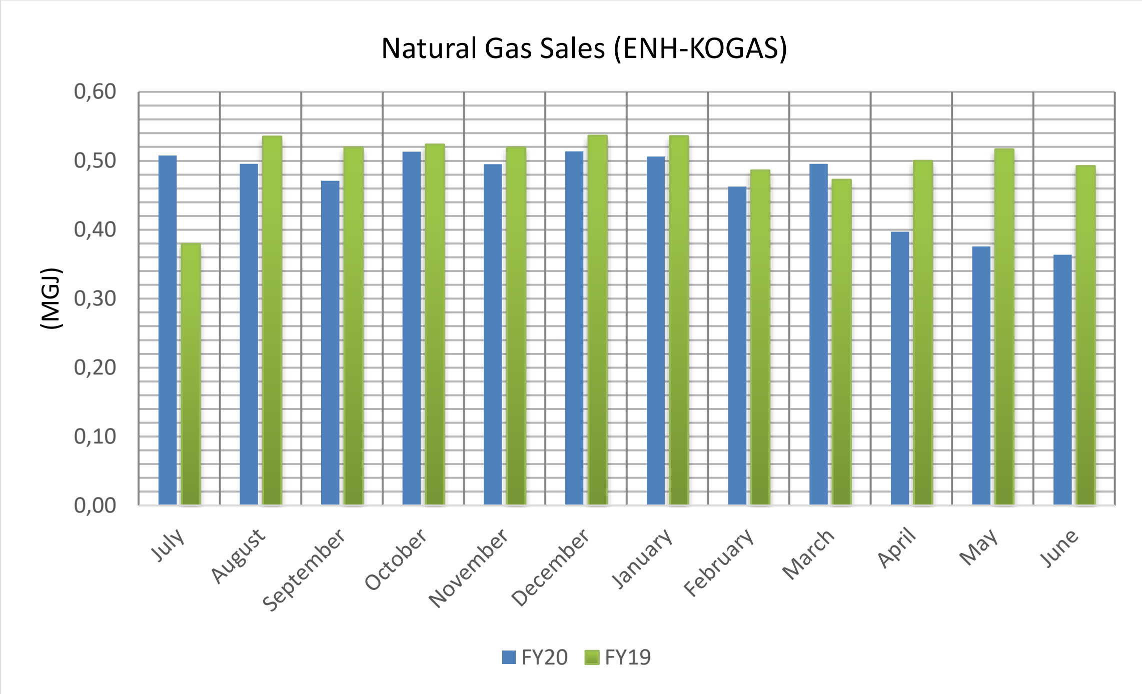
The following charts show gas production and price evolution during the FY20 compared to the FY19 for both natural gas and condensate.



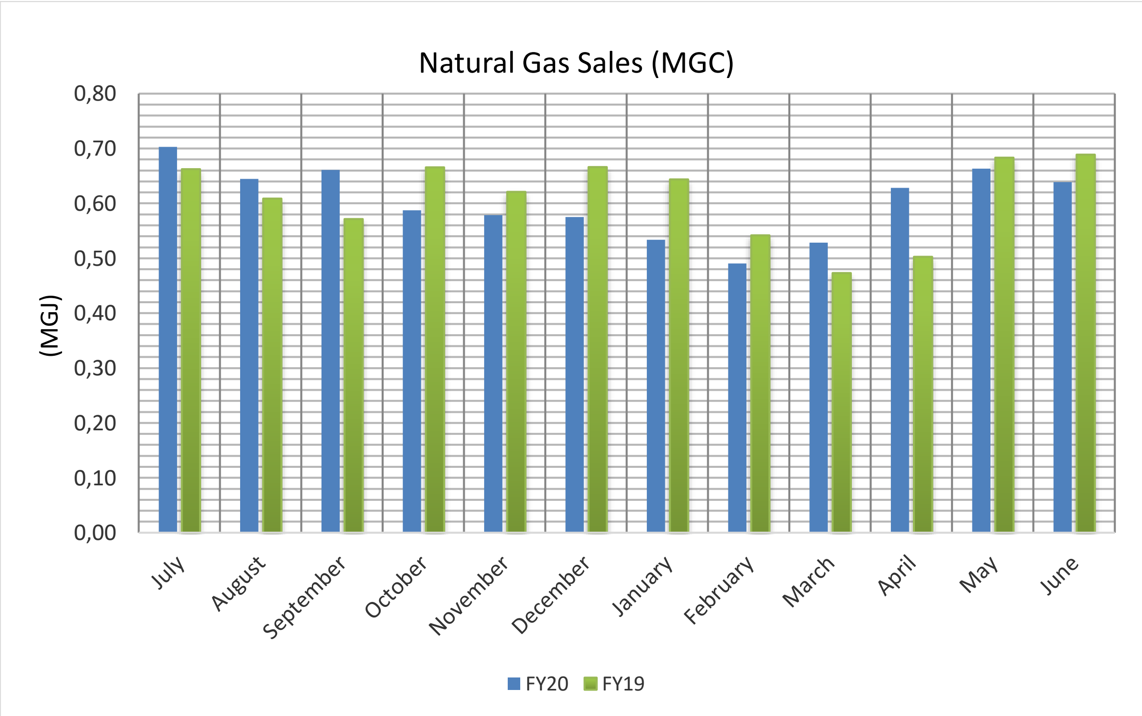
It is shown above that during FY20, there were 2.54% lower gas sales volumes under the GSA1 than sales volumes for the same period of FY19, due to lower gas nominations by Sasol under GSA1.



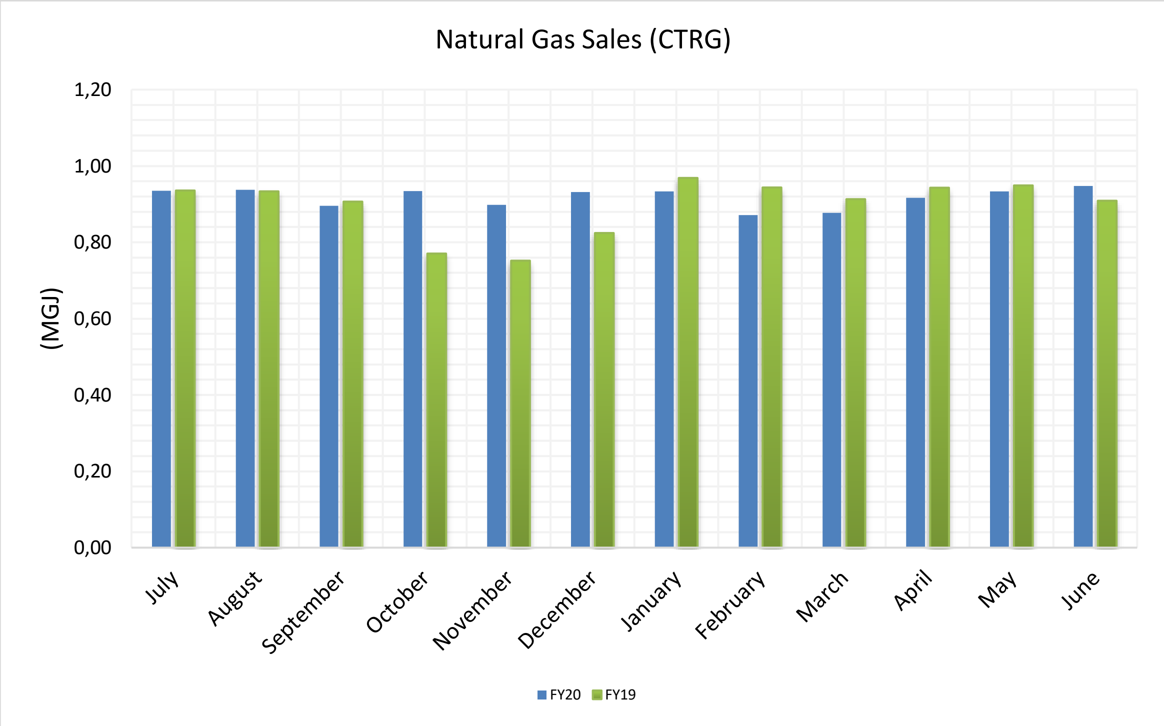
Gas sales volumes under GSA2 for FY20 were 0.49% higher than sales volumes for FY19, due to slightly higher nominations by Sasol Gas under GSA 2.



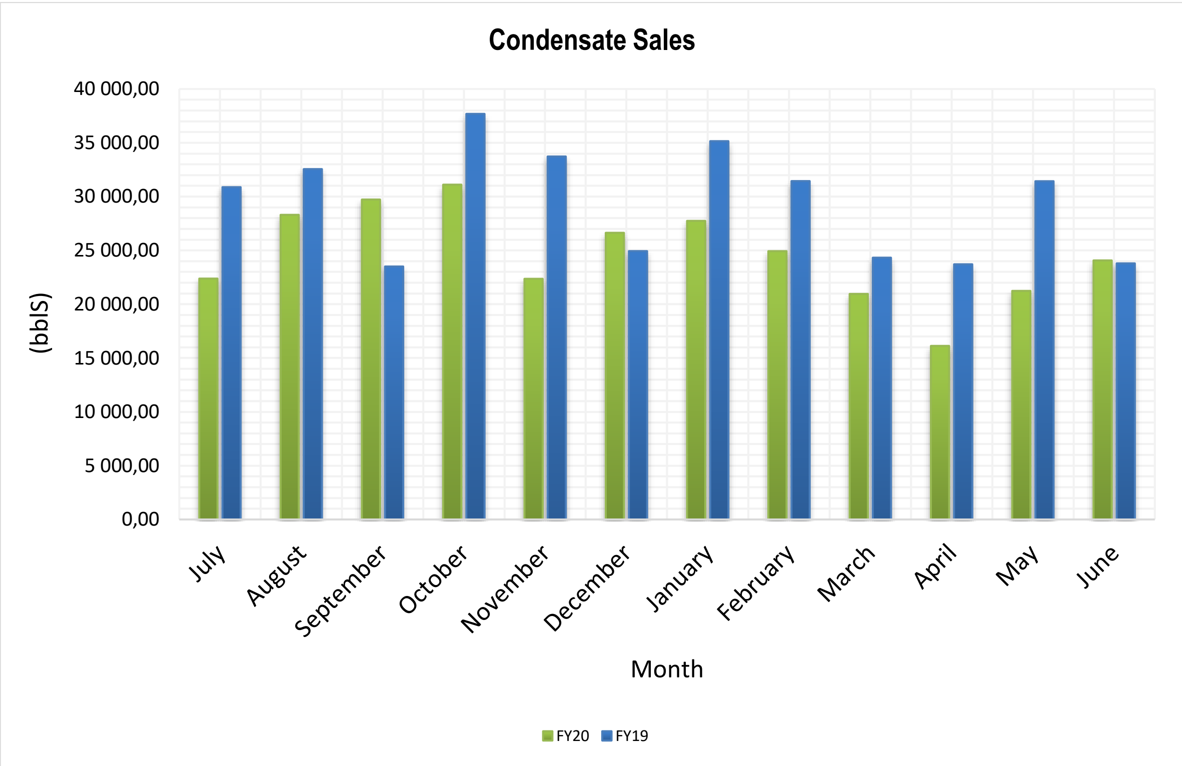
Gas sales volumes under ENH_KOGAS Agreement for FY20 were 6.96% lower than sales volumes for the same period of FY19, due to lower nominations over the reporting period.



Gas sales volumes under MGC Agreement for FY20 were 1.30% lower than sales volumes for the same period of FY19, due to lower nominations over the reporting period.



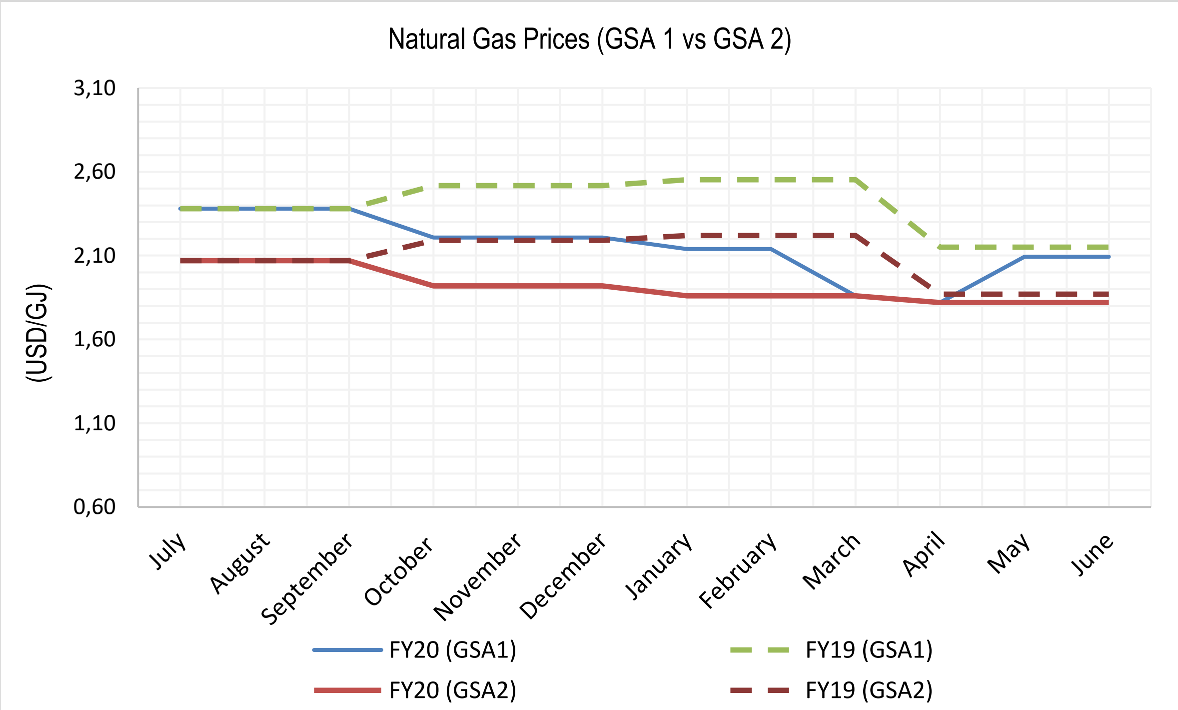
Gas sales volumes under CTRG Agreement for FY20 were 2.45% higher than sales volumes for FY19, due to higher nominations over the reporting period.



Condensate sales volumes for FY20 were 16.30% lower than sales volumes for FY19 due to lower gas production, and the fact that most production comes from Pande wells which have less liquids. In addition to that, the condensate gas ratio (CGR) has been dropping with time as the reservoir pressure drops as well as the changes in surface facilities through the installation of the different phases of low pressure compression.

2.2.2 Natural Gas and Condensate Price

Overall, natural gas and condensate sales prices for the 12 months ended 30 June 2020 were lower compared to the previous year (FY19), due to the decrease of oil prices in the international market with significant impact in the last quarter of the period under review, due to Covid-19 pandemic which has been creating an intensified economic recession worldwide.



- The weighted average gas price for GSA 1 (including excess gas) was USD 2,16 per GJ which is 10% lower than the previous year's gas price of USD 2,40 per GJ, due to negative variance on price drivers during the reporting period.
- The weighted average gas price for GSA2 was USD 1,92 per GJ which is 8,25% lower than the previous year's gas price of USD 2,09 per GJ, due to negative variance on price drivers during the reporting period.

- The weighted average gas price for ENH-KOGAS was USD 1,92 per GJ which is 1,59% higher than the previous year's gas price of USD 1,89 per GJ, due to positive variance on USA PPI.
- The weighted average gas price for the MGC was USD 1.92 per GJ which is 40.15% higher than the previous year's gas price of USD 1.37 per GJ, due to the removal of the "Cap e Collar" clause from this contract in June 2019, which contributed to the increase in the average gas price for the period under review, whereby the price from now on, will be equal to the first and second gas sales contracts.
- The weighted average gas price for CTRG in FY20 was USD 2,59 per GJ which is 1,97% higher than the previous year's gas price of USD 2,54 per GJ, due to positive variance on USA PPI.
- The weighted average gas price for ENH-2MGJ was USD 2,28 per GJ, which is 1,79% higher than the previous year's gas price of USD 2,24 per GJ, due to positive variance on USA PPI.

- The weighted average netback price for Liquid Hydrocarbon Sales was USD 21,64 per bbl which is 40,02% lower than the previous year's condensate price of USD 36.08 per bbl for FY19, mainly due to decrease of Brent price in the international market.

2.3 Royalty Tax

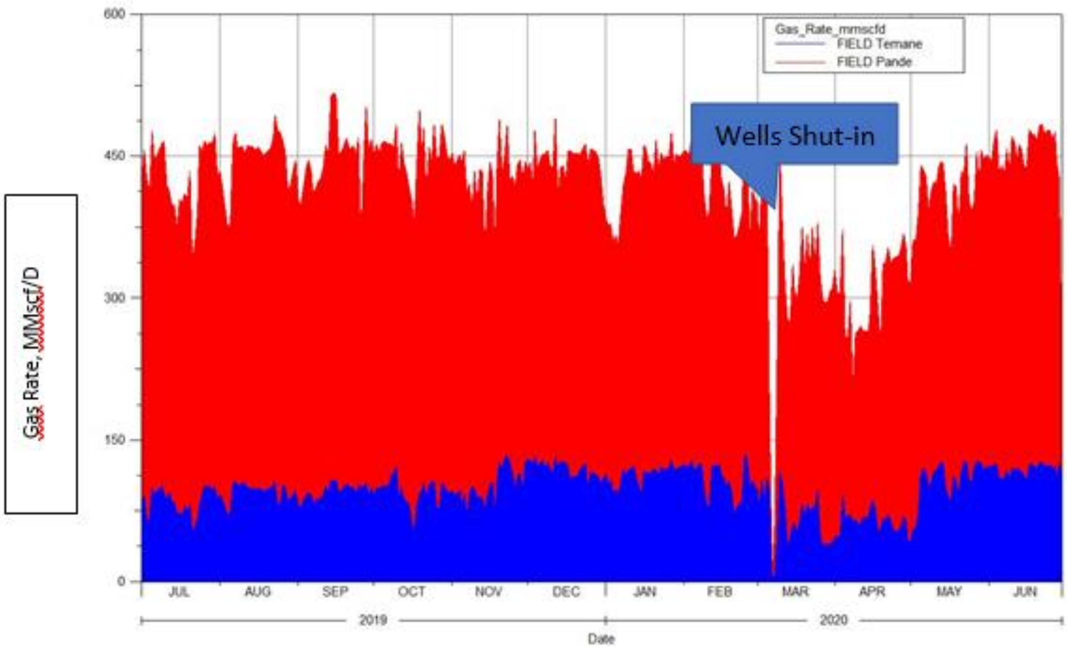
The royalty gas taken in kind by Matola Gas Company (MGC), Empresa Nacional de Hidrocarbonetos (ENH) and Kuvaninga from July 2019 to June 2020 was 7.21% lower than what was taken during the FY19. This was due to decrease in the domestic gas consumption under the reporting period.

2.4 Review of Operations

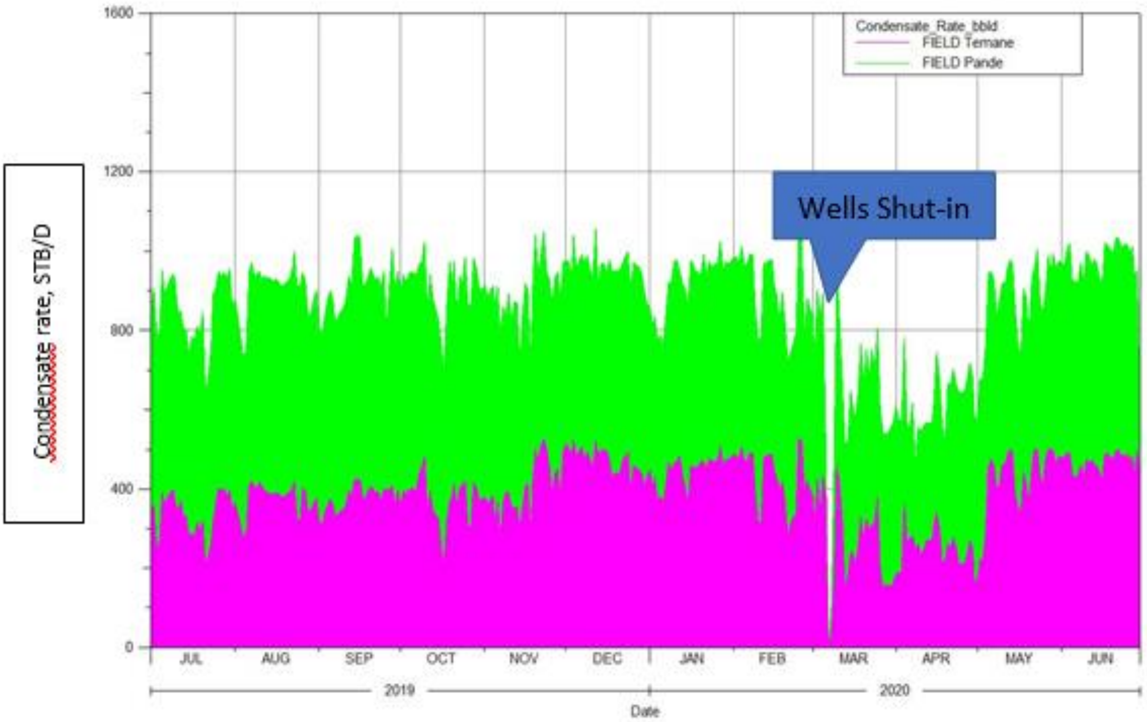
2.4.1 Operations on the Gas Field

Charts below visualize the average daily Gas and Condensate production profile for FY20

Pande G6 and Temane G9, average daily Gas Production rate from 1 July 2019 to 30 June 2020



Pande G6 and Temane G9, average daily condensate Production rate from 1 July 2019 to 30 June 2020



- Average gas production from the PPA assets in FY20 was 471 MMscf/D (Million standard cubic feet per day) which is 1.4% lower than the previous year (FY19). There was a decrease by 7 MMscf/d with an average contribution ratio of 21% and 79% for Temane and Pande fields, respectively.
- Total average condensate production in FY20, was 816 STB/D (Stock tank barrel per day) which is 17% lower than the previous year.

- Condensate production decreased by 164 STB/D compared to the same period of FY19, due to lower gas production. In addition to that, the condensate gas ratio (CGR) has been dropping with time as the reservoir pressure drops as well as, the changes in surface facilities through the installation of the different phases of low pressure compression.

- As per the above charts, we can see that on 7th and 8th March 2020, 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 Production & field Performance

As mentioned in FY19 report, most of Pande and Temane wells are experiencing integrity issues and there was a need to undertake drilling activities in this FY20 on some of the wells as stated below. Under reservoir surveillance activities and production & field performance, the following issues were detected:

- Pande-12, the well was closed since January this year due to integrity problems associated with leak in the hydraulic control line that gives access to the safety valves, TR-SCSSSV (Tubing Retrievable control subsurface safety Valve) and SSV (Surface Safety Valve). However, due to limitation of PPA wells production, the well was put back online under concession, on 24th April 2020. This is a new well to be selected for workover as part of the drilling campaign, which is scheduled for November 2021.

- Pande-18 and P-23 wells, the flow rate on these wells was reduced from 30MMscf/d to 18MMscf/d and from 45MMscf/d to 15MMscf/d respectively, due to sand production found during the inspection.

- Pande-19 and 15, remain shut-in due to integrity issues, the wells are priority candidates for workover and had been planned to be worked over in this FY20. Due to the suspension of drilling activities as a result of Covid-19 pandemic and the declaration of the State of Emergency by the government of Mozambique, the remediation schedule of these wells has been changed from June 2020 to April 2021.

- Temane-4, Temane-15, Temane-9 and Temane -14, remains permanently closed due to integrity issues and the wells were selected for plug and abandonment (P&A). The first phase of P&A, begun with two wells (T-9 & T-14) which had been planned to be plugged and abandoned in this FY20, whereby T-14 was completed in February of this year, followed by T-9 which was not completed its P&A due to the suspension of the drilling operations as a result of the a negative impact of Covid-19. The T-9, was suspended on 15th March 2020 with approximately 60% of planned activity completed and as a result of such suspension, the overall schedule for well integrity and restoration (WIR) for FY20 has been rescheduled and the operations will resume in March 2021, whereby T-9 is expected to be completed in such period with other remaining wells previous planned under the WIR.

- Temane-3, G9A reservoir well, was detected leak in the production tubing, but due to the limited wells to the gas supply, the well was back online under concession, given the list of wells priority for the workover. The remediation for this well, was scheduled for January 2024.

As we can see from the above, only 65% of PPA wells production were online and 35 % were shut-in during the period under review and this was the reason why the well delivery team has selected and recommended that some of the wells has to be worked over and others to be Plugged & Abandoned as a mitigation plan in FY20 Drilling campaign.

During the period under review, there was also work progress on the potential SHE risks due to well integrity issues of 8 old PPA Exploration and appraisal wells from past operations that were not properly plugged and abandoned (P&A) by the operator during the drilling campaign of 2007 and are under JO responsibility as per the PPA agreement. The hot tapping result and the risk assessments for those wells concluded that only 2 wells, Temane-2 and Pande-10 will require remediation (P&A) in FY24.

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:

- On unit 69 Daniel Metering station, during the month of August has experienced problems on Gas chromatograph analyzer which affected the heating value calculation. The instrumentation team have already solved the problem and it was put back in operation.

- On unit 30 (low pressure compressor), has been performed a Lower Inlet Pressure Test Run during the month of August, by operating the facility in three different modes or configurations to identify potential benefits, and the inlet plant pressure reached about 17 bar(a). The test occurred successfully.

- There was a planned plant shutdown during the month of March and it was successfully executed without any safety incidents and during such period, were conducted some activities such as: the improvement of the burn management terminal of the stabilizer unit, as well as the replacement of the communication protocols on the Pande trunkline transmitters in order to improve the communication interface with the CPF.

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

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

- Unit 31 (Low Pressure Compressor), has been experienced several trips on high discharge temperature. After investigations, it was found a failure in the resistance temperature detector. The maintenance team replaced the failure and the unit was put back in operation.

- Unit 63 (High pressure compressor) have experienced some trips during the period under review. A root cause analysis has been conducted and it was identified that the fuel gas system valve was causing the trips and it was decided to replace it.

- The GTG unit-A (Gas Turbine Generator unit A) tripped due to the failure on guide vane. After investigations it was identified malfunction of the enclosure pressure. The maintenance team corrected the failure and the unit was put back in operation.

2.4.3 Sustainment and *plateau* extension Projects

2.4.3.1 Plateau Extension and Decline Optimisation Program (PEDOP)

As mentioned in FY19 report, the PIC (Pande Infield compression) project was one of the sustainment and plateau extension project with aim to compensate pressure decline from the reservoirs and recover additional gas quantities. Therefore, the operator has conducted several studies and modelling works to evaluate the feasibility of PIC project and was concluded the following:

- ✓ The CPF could operate at 17 barg (18 bara) to meet nominations with lower well stock and was confirmed that LPC3 inlet pressure of 15–17 bar(a) would be achievable by operating the CPF to generate production profiles for plateau demand of 197 PJ/a and;
- ✓ The studies concluded that 50%-75% (200-350 Bscf) of the “incremental PIC volumes” could be recovered by infill wells (Tranche-1, 2 and 3) at inlet pressure of about 15-17 bar(a), with lower capital expenditure. However, the current PIC project scope and its cost was not economical viable for incremental volume recovery of ~100 Bscf.
- ✓ Due to the above explanations, the PIC project has been cancelled and being replaced by Plateau Extension Decline Optimisation Program (PEDOP).

The aim of PEDOP is to optimise gas recovery from the PPA reservoirs by applying technical solutions within the commercial and legal framework. 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. Progress since last reporting period is as follow:

- The project is in its Assess phase and targeting Gate 2 in Q4 2020.
- Wood, (consultant company) conducted a pre-assess study with the aim to determine current base line performance of the existing plant and evaluate options which could aid in the achievement of PEDOP objectives.

2.5 Safety, Health and Environmental Matters

Overall good Safety, Health and Environmental (SH&E) performance report 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. The new survey for Temane that had been planned for March this FY20, was postponed till further notice due to Covid-19. All procedures and work instructions are being updated in order to accommodate the standards from ISO 14001:2015.

Malaria incidence is 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 with a positive impact in decreasing the mosquito population.

Environmental performance monitoring

The JO complies with the environmental management requirements as stipulated in the Operations Environmental Management Plan (OEMP). The monitoring plan for FY20 was impacted by Covid-19 with restricted people movement across the world, therefore SPT is unable to undertake that third-party monitoring.

Air and ambient quality monitoring: sampling took place from 15 July to 20 August. The results showed that all tested parameters (CO_2, NO_2, and SO_2) at the new incinerator, compressors, can be stated that the current air emissions from the CPF are well within the Sasol air guidelines outlined in the SPT operation environmental management plan.

Surface and ground water: groundwater and surface water quality monitoring are conducted twice a year as previously established monitoring points within the CPF, nearby communities, Govuro river, small lakes around Temane and Inhassoro area. The ground water and surface water quality analysis include inorganic and organic analysis. The objective of this monitoring is to determine the impacts of the SPT operations into the quality and quantity of surrounding water bodies. The monitoring of the surface and ground water was conducted between 7 and 11 of October 2019 by an independent consultant (MJA Consultores) at 44 ground water sampling points and 15 surface water monitoring points. From the outcome of the sampling activity it was concluded that the quality of the surface and ground water surrounding CPF is good and none of the targeted hydrocarbon compounds were detected in any of the analysed surface and ground water samples.

Noise monitoring: following the annual basis noise monitoring frequency it was conducted in February 2020 in all sampling points. The report concluded the following: at the CPF perimeter fence and partial protection zone, the noise environment complies with the guideline value established by the IFC-World Bank for industrial areas, at the CPF Partial protection Zone, defined as residential areas, do not suffer any perceptible acoustic influence from the CPF normal operation. Thus, CPF normal operation do not have noise impacts on the sensitive receptors located in the vicinity of the facility.

Radiation monitoring: took place in March 2020 and the final draft report will be submitted within 6 months. Nevertheless, the service provider reported that the laboratory where the samples were submitted are closed due to South Africa lockdown, therefore it is expected to have delays on lab results consequently the final report submission will be affected. No noise complains relating to operational noise from the CPF were received during the report period.

CPF Environmental license renewal process

The CPF environmental licence renewal process started in February 2019. The Operational EMP has been reviewed by environmental consultants according to the recommendation given by MITADER, this was submitted to MITADER in July 2019, further this submission, MITADER conducted a site visit in December 2019 to verify the major environmental aspects, following the visit MITADER approved the CPF updated operation Environmental Management Plan (OEMP) and will therefore renew the CPF environmental license.

During the reporting period, internal and external audits have been conducted against the Safety, health and environment (SHE) management system at the CPF, namely:

- An emergency response and preparedness audit was conducted by INP from 18 to 20 September 2019. As per the closing meeting some concerns were raised which are summarized as follows:
- lack of evidence of familiarization process on emergency response for new employees, long lead time for emergency response related training provided in different departments, maintenance of emergency response equipment, critical emergence response equipment not on SAP system.

The action plan will be put in place after submission of the formal approved report by INP.

- Third party surveillance audit took place from 25 to 29th of November. The objective of the audit was to verify compliance with SHEQ standards (ISO 14001:2015, ISO 9001:2015 and BS OHSAS 18001:2007) and other requirements, evaluation of the effectiveness of the management system, review effectiveness of measures arising from previous audits and evaluation of the achievement of SPT policy and objectives. Overall based on the outcomes of the audit, the management system is mostly effective and fulfils the requirements of the applied standards (14001:2015). No non-conformances were raised against environmental standards, only some opportunities for improvement were identified such as the need to calibrate effluent flowmeters for irrigation system as well as water abstraction flow meter.

Pande-4 remediation program

The Pande-4 remediation project aims to assess the appropriate remediation action for the well. This project consists of subsurface review, environmental monitoring and assessment of 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. Current actions have been implemented at Pande- 4:

- The Pande-4 access control facilities which consist of civil works include 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 water, soil and gas sampling monitoring program took place in January 2020 the results still show, no impact on the Pande- 4 community surroundings found to date. i.e., no soil contamination which will affect agricultural activities, no contamination of ground water sources.

Methane detection at Pande- 4 crater was reported for the first time since the start of the monitoring program at Pande-4, water discharged from the berm into the crater it is approximate 1 m^3/min.

The additional monitoring program will assist Sasol in understanding the changing status of Pande-4, by monitoring the following: Surface deformation, hydrocarbon, saline water migration and pressure flux. In this regard, the expression of interest commenced in September for this additional subsurface monitoring scope of work and responses received from interested organizations, which include environmental monitoring companies and universities.

Pande-4 Surface containment Facilities

The contract to conduct the feasibility study on Pande- 4 Surface Containment Facilities was awarded to an experienced company Wood plc. The main objective of the feasibility study is to define a technically feasible surface facilities containment infrastructure that enable better control of the venting gas and provide water treatment capabilities of the Pande- 4 produced water. The study will comprise the following aspects:

- Investigation of the options for the containment, collection and control of the venting gas and water.
- Identification of the options for flaring or utilization of the gas and treatment and disposal or utilization of the water.
- Feasibility review and assessment of each of the presented options for both the gas and water, and select options for further definition.

Sand Mining operations concern

A sand mining license has been granted in the adjacent area of the Pande-4 in 2015. The sand miner has been exploring sand in a crater closed to the existing pond at the Pande -4 site. Due to safety and environmental concerns, ongoing discussions are being held with government institutions namely: INP, Provincial Directorate of Mineral Resources and Energy (DIPREME), general inspection of Mineral Resources and Energy (IGREME), ENH and Provincial Directorate of land, Environmental and Rural Development in order to ensure sand mining operations are discontinued.

2.6 Legal and Commercial Matters

During this year, a Liquid Hydrocarbons Sales Agreements with Petromoc was signed in July 2019, for a period of two (2) years starting on 1st of July 2019 until June 30th, 2021.

During the reported period, the JO Partners and Sasol Gas signed 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 (3) years of the reserve deficit, with effect from 1st of July 2019 until 30th of June 2020.

Following the signature of the Drilling Agreement between SPT (PPA Operator) and PR Marriot Drilling LTD in 3rd of December 2018, for drilling many wells and, the signature of the Well Campaign Cost Agreement (engagement principles, assignment, reassignment and novation agreement) with the aim of sharing the rig costs with SPM and SMPT5-C for costs minimisation, it was signed, on 13th of December 2019, the first Novation Agreements for the first wells between PPA and PSA. However, the drilling campaign was suspended due to the outbreak of the Covid-19 until a date to be announced.

During the reported period, the ENH GSA 2 MGJ Agreement remained suspended. However, the JO Partners received letters from ENH, advising of the need to resume the consumption of its gas, under the ENH 2MGJ GSA. In this regard, ENH was requested and advised to: (i) fulfil the administrative and business requirements that led to the suspension of the GSA, being the payment of overdue amounts and provision of the Buyer's guarantees; (ii) Secure the Regulator's (National Petroleum Institute) approval for the supply of gas considering that the final consumer of such gas is based in South Africa; and (iii) seeking also the MIREME non objection. Parallelly, a letter was received from ENH on 25th October 2019, requesting the waiver of its take or pay obligation, regarding FY19, which was accepted.

During this period, Amendments to the ENH-KOGAS, CTRG and MGC GSAs were signed between JO Partners (as Sellers) and ENH-KOGAS and MGC (as Buyers) with the aim to prescribe the terms and conditions for supplying 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. As the ENH 2 MGJ GSA remains suspended, the Strategic Line Pack engagement with ENH shall start at the resumption of supply under this agreement.

During this year, SPT, CMH, IFC and SPM signed a Joint Development Agreement and Past Cost Recovery in Respect of Integrated Work aiming, among others, to provide a framework for payment in connection with past work. SPM has reimbursed CMH and IFC past works.

2.6.1. Material changes in legislation

Regarding material change in law, through Presidential Decree nº 11/2020 of 30th March, it was declared the State of Emergency for 30 days, which was extended for equal periods by Presidential Decree n.º12/2020 of 29th April, Presidential Decree nº 14/2020 of 28th of May and by Presidential Decree nº 21/2020 of 26th of June, ratified, successively, by the Parliament through Laws number 1/2020 of 31st of March, 4/2020 of 29th April, 6/2020 of 29th May and 8/2020 of 29th June, respectively. In this regard, the Council of Minister, through the Decrees nº 12/2020 of 2nd of April, nº 26/2020 of 8th May and nº 32/2020 of 20th May and nº 36/2020 of 2nd June, adopted administrative measures to be in force to contain the spread of Covid-19 during the State of Emergency. The State of Emergency has implications for the project operations.

2.6.2. Litigation

During FY 20, the dispute with the alleged concession holder (sand miner) adjacent to Pande-4 well still persists and without any agreement between the parties.

SPT was notified by the Vilankulo Municipality (CMVV) to pay annual real state tax (IPRA), in respect of the Nhamacunda Housing Complex located in Vilankulo, for the years of 2016 to 2020. SPT believes to be exempt of the referred tax under the fiscal benefits sets forth in the PPA and according to applicable Mozambican legislation, as result SPT submitted an administrative claim to the Vilankulo Municipality Mayor, without success. Following the lack of understanding between the operator and the municipality, both processes follow its legal procedures.

2.7 Corporate Social Responsibility

Corporate social responsibility actions carried out by the Consortium aim to improve the quality of life in disadvantaged communities around Pande and Temane, thus contributing to sustainable development.

During the year ended June 30th 2020, expenses related to social projects amounted to USD 920 154, which is 69% below budget. Poor budgetary implementation is due to delays in approving Local Development Agreements (LDAs) and the declaration of a state of emergency in the face of Covid-19.

For FY20, it is important to highlight the following progress in social responsibility activities:

- Local Development Agreements (LDAs) have been concluded and contracts with implementing partners (GIZ and SNV) have been signed. LDAs main objective is to establish a long-term commitment with 37 communities in the Districts of Inhassoro and Govuro through the joint definition of the portfolio of projects to be implemented in the next 5 years. Within the period, payments were made to implementing partners, however the beginning of activities were cancelled due to Covid-19.

- The preliminary report for the baseline study carried out in the communities covered by LDAs was been submitted to partners. This study will help setting the base to compare the results of the implemented projects.

- In the context of emergency response after the tropical storms that devastated the Province of Inhambane, the repair works on the Inhambane Bay ferry has been completed and the repair of the Magulute ferry is still ongoing. In addition, the Red Cross completed the emergency response activities initiated in the previous year in the face of Cyclone Idai, having rehabilitated the health centers of Mafambisse, Inhamizua and Macharote.

- Rehabilitation works on the EN1 stretch from Pambara to Macovane (68 km), were completed and delivered to ANE (National Roads Administration). The inauguration ceremony was attended by the Minister of Public Works, Housing and Water Resources.

- For the Enterprise and Supplier Development Program, the financial institution that will be responsible for managing a fund for SMEs (Small and Medium Enterprises) was awarded, 30 beneficiaries were pre-selected and 23 were admitted to training sessions. Currently, project activities have been suspended until the end of the state of emergency.

- During the period, progress was made with regards to the implementation of the Inhassoro Water System. The implementation partner ENH started phase 1 of the project and ensured that the work will be completed by the end of July 2020, having already submitted the bill of quantities for financing the second phase.

3. CMH Activities

3.1 Legal Activities

During this year, it was signed the Audit Agreement between CMH and KPMG to undertake a financial audit of the CMH and Pension Fund accounts for the Financial Years 2020, 2021 and 2022.

Litigation

During this period there was no litigation to report.

3.2 CMH at Stock Exchange market

During this period, there was a positive variation on the share value, from 1 200 to 2750 Meticais per share. On June 30th, 2020, CMH had 1 294 shareholders, comprising of 1 292 class C shareholders, one class A shareholder (the State) and one class B shareholder (ENH).

3.3 Human Resources

At the end of June 2020, CMH had a total of 24 employees, of which 84% held a university degree. There were no new permanent hires during the period. In February the then CEO was appointed chairman of the mother company, ENH.

With the outbreak of the Covid-19 virus last November in the People's Republic of China, in Wuhan, the capital city of Hubei province, followed by a worldwide spread, the Mozambican Government has approved a series of measures to fight this pandemic. On the 30th of March 2020, His Excellence the President of the Republic of Mozambique declared a state of emergency for the period from the 1st to the 30th of April 2020, which was extended for the period from the 1st to the 31st of May 2020 and extended again for the period from the 1st to 30th of June 2020. During such periods CMH adopted a series of actions to reduce the impact of Covid-19 in the workplace and encouraged its workforce to strictly adhere to the approved measures. 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 graduates.

In September a lawyer and a reservoir engineer, and in October an accountant, successfully finished their internship programme. In October, an accountant and reservoir engineer were hired and successfully finished their internship programme in March. At the end of March, due to the Covid-19, CMH was forced to suspend a lawyer's internship contract less than a month after being hired.

CMH continues to empower its employees through constant professional training. Due to the Covid-19 all training programmes schedule to March onwards were cancelled. 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.

In order to follow up the activities at the Central Processing Facility in Pande and Temane, the following took place:

- In July two geologists participated on a well integrity training course on the plant.
- In October the CEO and the Technical Director visited the plant.
- In December a lawyer and an administration officer participated on the mid financial year physical inventory count for maintenance materials and condensate.

3.4 Corporate Social Responsibility

Within the scope of its 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 30th June 2020, a total of USD 404 861 was disbursed towards the implementation of social projects, which represents 47% above budgeted amount. It should be noted that this year, during the last quarter, CSR activities were impacted by Covid-19 which resulted in the delay and consequent postponement of some planned activities to the next financial year.

Within the period, the following activities implemented under corporate social responsibility should be highlighted:

- The beginning of construction works of a Primary School in Mangundze, Province of Gaza which will comprise ten classrooms and an administrative block to accommodate around 540 children. It should be noted that the Board of Directors has equally approved the construction of school lavatories for the next financial year.

- Financing of the 5th phase of the natural gas network project expansion in northern Inhambane, which will benefit about 400 households in the Districts of Inhassoro, Vilanculos and Nova Mambone, with the objective to increase access to natural gas in communities around Pande and Temane. Since 2013, a CMH has been financing the natural gas network links in Inhambane and to date about 1400 families and comercial establishments have been impacted.

- Sponsorship of the 2019 edition of Ngoma Mozambique's album, a musical collection with more than 40 years that supports artists and popular Mozambican music.

- Lecture about the Value Chain of Natural Gas and the Production Processes ministered by the Technical Department at Zambeze University (Beira), which was allusive to CMH's 19th anniversary. The event was attended by approximately 200 students.

- In sports, CMH granted sponsorship to ENH's soccer team (ENH FC) and to the Senior Basketball National Women's team in the qualification tournament of the Olympic Games for African Teams. Internally, CMH sponsored the rental of space within the pavilion of Campo Desportivo for ENH employees aiming to promote physical and mental health.

- Support for the celebration of Christmas in the Infulene Psychiatric Hospital and at the *Nós Por Exemplo* Association, ensuring decent festivities for patients and unprivileged children through the donations of foodstuffs, school supplies and toys.

- Donation of personal protective equipment such as alcohol, masks and gloves to Infulene Psiquiatric Hospital and Marracuene District, aiming to prevent the spread of Covid-19 among vulnerable communities. Internally, masks and alcohol were distributed to all the employees including members of its households.

- Support other internal activities to promote employee welfare, such as distribution of supermarket vouchers during festive season and celebration of commemorative dates (such as Mozambican women's, Labour Day and children's day).

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 30 September 2019, an Ordinary General Assembly took place in which the following matters were approved:

- The Financial Statement for the year ended 30 June 2019;
- The distribution of 50% of profit and 50% of profit for accrue;
- KPMG as the CMH and Pension Funds accounts auditor for FY2020, FY2021 and FY2022;
- The release of 50% of retained funds for dividends distribution; and
- The election of a new President of the Fiscal Council and the re-election of the first and second Voters.

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 2020.

3.8 Financial and Economic ratios

Ratios	2020	2019
Liquidity Ratio		
Current Ratio	10.70	5.75
Return on Equity	0.13	0.16
Return on Assets	0.07	0.10

3.9 Debt Management

During this financial year ended on 30 June 2020, CMH has fully paid the loans related with the debt service on the second loan agreements. It was paid a total amount of USD 4 712 852, was paid as debt servicing during this year, being USD 4 562 655 related to principal and USD 150 197 related to interest, as shown in the table below:

	15 December 2019		TOTAL
	Interest	Capital	
DBSA TRANCH B	79 867	2 261 860	**2 341 727**
AFD LOAN B	70 330	2 300 795	**2 371 125**
TOTAL	**150 197**	**4 562 655**	**4 712 852**

3.10 Short term investment (Permitted Investment)

3.9.1 Off-shore Accounts

CMH invested 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 109 000 000 was invested semi-annually at an average interest rate of 2,63% and the total interest earned was USD 2 900 000.

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 ABSA 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 01 April 2020.

3.11 Changes in accounting policies

The Company initially applied IFRS 16 Leases from 1 July 2019. A number of other new standards are also effective from 1 July 2019 but they do not have a material effect on the Company's financial statements.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in significant accounting policies.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied to contracts entered into or changed on before 1 July 2019.

As a lessee, the Company leases property where service stations are developed. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases-i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;

excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and – used hindsight when determining the lease term.

Leases classified as finance leases under IAS 17

For finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 is determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

Impact on financial statements

On transition to IFRS 16, there was no impact on the Company as the Company's leases have been determined to be short term leases.

3.12 Dividends Paid and Declared

On 30 September 2019, an Ordinary General Assembly took place in which the CMH Shareholders approved the distribution of 50% the profits, CMH paid a total amount of USD 49 306 723 of dividends to its shareholders, being USD 9 070 000 on 18 September 2019, USD 36 131 000 on 30 January 2020 and USD 4 105 723 on 30 March 2020. These dividends were related to FY18 and FY19.

	Declared dividends			Dividends paid			
Financial Year	General Assembly date	% Dividends on profit	Total Declared dividends	Date of payment	Amount paid USD	Total paid in FY	Balance of declared dividends awaiting approval from the Lenders for payment
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		
FY17	29/09/2017	70%	15 842 415	22-Sep-16	3 460 000	11 810 000	
				12-Apr-17	8 350 000		
F18	28/09/2018	100%	30 273 117	21-Sep-17	6 980 000	22 320 357	
				11-Dec-17	4 209 256		
				11-Dec-17	2 911 101		
				19-Apr-18	8 220 000		
FY19	30/09/2019	50%	19 043 427	18-Sep-18	7 970 000	30 273 117	
				25-Feb-19	4 600 000		
				17-Apr-19	17 703 117		
AF20				18-Set-19	9 070 000	49 306 723	
				30-Jan-20	36 131 000		
				30-Mar-20	4 105 723		
Total			**194 778 017**		**194 778 017**	**194 778 017**	**0**

4. Subsequent Events

Subsequent to 30 June 2020 to the date of reporting, there are no significant events that have occurred which might need disclosure or adjustment in the financial statements. However the uncertainties caused by the Covid-19 to the global economy are still prevalent.

Entity is in the oil and gas sector and demand for its commodities is consistent and sales are being made as per confirmed sales agreements of the JO with the customers. Oil and gas sector has always been experiencing good demand. There are no possible losses to the company due to any deferral of the payment from the customers. There have never been lockdown in Mozambique due to Covid-19 and all entities are in operations. There are no issues with regard to any critical supplies, cross border trade is also open and company is earning profits. JO is maintaining its operations itself and there are no significant dependencies on any service provider. Continuous supply of gas is in interest of the country. The impact of the coronavirus is being monitored closely and necessary precautionary measures have been put in place to comply with the government instructions to mitigate any possible negative impact of the Corona virus pandemic on operations. As gas consumption is not significantly impacted from the end users there is low chance that this continued pressure on global markets, as a result of the Covid-19 pandemic, would lead to any market losses. In light of the above, management has re-assessed the appropriateness of the use of the going concern assumption in the preparation of these financial statements. Based on the assessment performed, management is of the view that the current uncertainties related to the Covid-19 virus currently does not result in a material uncertainty related to such events or conditions that may cast significant doubt on the company's ability to continue as a going concern. The Board concurs with this assessment.

IV. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation and fair presentation of the financial statements of Companhia Moçambicana de Hidrocarbonetos, SA, comprising the Statement of Financial Position at 30 June 2020, 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 financial statements

The financial statements of Companhia Moçambicana de Hidrocarbonetos, SA, as identified in the first paragraph, were approved by the board of Directors on 27 August 2020 and are signed on their behalf by:

Maputo, 27 August 2020

Jahir Adamo
Chairman

KPMG Auditores e Consultores, SA
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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 47 to 95, which comprise the statement of financial position as at 30 June 2020, 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 2020, 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 the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the 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.

KPMG

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 USD 166 million of the total property, plant and equipment balance of USD 202 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 reserves, oil and gas prices in the international market, future interest rates and the basis of the budgeting process.

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 indicators for reasonableness 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 financial controls applied by management to ensure that its impairment assessments were appropriately performed and reviewed.
- We relied on management's internal and external mineral reserve estimate specialists 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 tested the reasonableness of oil and gas prices by checking against independent sources. We also assessed the appropriateness of the discount factor applied in terms of the prevailing and future interest rates against independent sources.
- 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	*How the matter was addressed in our audit*
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, specifically related to the significant assumptions made which include the timing of the site rehabilitation, the inflation and discount rates applied in the determination of the present value of the site rehabilitation.	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 future rehabilitation costs and the timing of the required costs. We also assessed the appropriateness of the discount rate and inflation rate applied by comparing 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.

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Other Information

The directors are responsible for the other information. The other information comprises all of the information in the annual report, 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.

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- 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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
4 September 2020

VI. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

(Amounts in USD)	Note	2020	2019
Revenue	6	87 413 956	95 880 887
Other income		99 058	4 702
Operating costs	7	(48 153 018)	(42 004 958)
		39 359 996	53 880 631
Net finance (cost)/income	8	(1 326 803)	1 534 311
Finance income		3 743 235	4 705 538
Finance cost		(5 070 038)	(3 171 227)
Profit before tax		38 033 193	55 414 942
Income tax expense	9	(12 697 960)	(17 566 754)
Profit for the year		**25 335 233**	**37 848 188**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit liability, net of tax	23	(564 278)	238 665
Total comprehensive income		**24 770 955**	**38 086 853**
Earnings per share			
Basic earnings per share	10.1	4.27	6.37
Diluted earnings per share	10.1	4.27	6.37

VII. STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

(Amounts in USD)	Note	2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment	11	202 498 386	215 179 032
Intangible assets	12	5 842 562	6 492 298
Non-current assets		208 340 948	221 671 330
Current assets			
Inventories	13	931 135	941 890
Trade and other receivables	14	10 030 235	5 911 642
Net defined benefit assets	23	826 264	444 170
Cash and cash equivalents	15	134 037 852	167 364 010
Current assets		145 825 486	174 661 712
Total assets		**354 166 434**	**396 333 042**
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		166 067 086	190 602 855
Total equity		**210 707 887**	**235 243 656**
LIABILITIES			
Non-current liabilities			
Provisions	19	77 841 689	70 489 806
Other payables	20	71 245	41 872
Deferred tax liability	9.3	51 914 402	60 204 925
Non-current liabilities		129 827 336	130 736 603
Current liabilities			
Borrowings	18	-	4 562 655
Provisions	19	952 608	13 353 052
Trade and other payables	20	4 589 551	4 203 681
Intercompany payable	21	11 389	12 398
Current tax liability	9	8 077 663	8 220 997
Current liabilities		13 631 211	30 352 783
Total liabilities		**143 458 547**	**161 089 386**
Total equity and liabilities		**354 166 434**	**396 333 042**

VIII. STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

(Amount in USD)	Share capital	Legal Reserves	Investment Reserves	Retained earnings	Total Equity
Balance at 1 July 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
Transactions with owners of the company					
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**
Profit for the year	-	-	-	25 335 233	25 335 233
Other comprehensive income for the year	-	-	-	(564 278)	(564 278)
Transactions with owners of the company					
Dividends	-	-	-	(49 306 724)	(49 306 724)
Balance at 30 June 2020	**25 286 649**	**5 057 330**	**14 296 822**	**166 067 086**	**210 707 887**

IX. STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

(Amounts in USD)	Note	2020	2019
Cash flows from operating activities			
Profit		25 335 233	37 848 188
Adjustments for:			
Depreciation and amortization	7	25 812 950	22 508 079
Unrealised foreign exchange differences		527 462	5 053
Gain on sale of fixed assets	11	-	(39 844)
Interest income	8	(3 368 295)	(4 386 903)
Interest expense	8	2 803 498	2 639 621
Income tax expense	9	12 697 960	17 566 754
		63 808 808	76 180 792
Changes in:			
Intercompany payable		(1 009)	4 712
Trade and other receivables		(4 500 687)	5 279 534
Inventories		10 755	35 407
Employee benefit		(382 094)	(954 016)
Trade and other payables		415 243	(1 692 833)
Cash generated from operations		59 351 016	78 853 601
Income tax paid	9	(21 131 816)	(14 288 182)
Net cash generated from operating activities		38 219 200	64 565 419
Cash flows from investing activities			
Acquisition of property, plant and equipment	11	(20 179 068)	(12 528 291)
Proceeds from sale of property, plant and equipment		-	39 844
Net cash used in investing activities		(20 179 068)	(12 488 447)
Cash flows from financing activities			
Repayment of borrowings	18	(4 562 655)	(9 125 310)
Dividends paid		(49 306 723)	(30 273 117)
Interest received		3 333 794	4 391 243
Interest paid		(731 676)	(772 132)
Net cash used in financing activities		(51 267 260)	(35 779 316)
Net increase in cash and cash equivalents		(33 227 128)	16 297 656
Cash and cash equivalents at the beginning of the year		167 364 010	150 996 055
Effects of movements in exchange rate on cash held		(99 030)	70 299
Cash and cash equivalents at the end of the year	15	**134 037 852**	**167 364 010**

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 2020, 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 2020

- *Amendments to References to Conceptual Framework in IFRS Standards*
- *Definition of a Business (Amendments to IFRS 3)*
- *Definition of Material (Amendments to IAS 1 and IAS 8)*
- *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)*

Effective for the financial year commencing 1 January 2022

- *Classification of liabilities as current or non-current (Amendments to IAS 1) - proposed delay to 1 April 2023*

Effective for the financial year commencing 1 April 2023

- *IFRS 17 Insurance Contracts*

Effective at the option of the entity (effective date has been deferred indefinitely)

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)*

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.

- *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)*
- *IFRS 17 Insurance Contracts*

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

Amendments to References of Conceptual Framework in IFRS Standards

The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB, includes:

- A new chapter on measurement;
- Guidance on reporting financial performance;
- Improved definitions of an asset and a liability, and guidance supporting these definitions; and
- Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

No significant impact is expected on the financial statements.

Definition of a Business (Amendments to IFRS 3)

Defining a business is important because the financial reporting requirements for the acquisition of a business are different from the requirements for the purchase of a group of assets that does not constitute a business. The proposed amendments are intended to provide entities with clearer application guidance to help distinguish between a business and a group of assets when applying IFRS 3.

IASB issued this amendment to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The amendments:

- Confirm that a business must include inputs and a process, and clarified that: (i) the process must be substantive and (ii) the inputs and process must together significantly contribute to creating outputs.
- Narrow the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
- Add a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. No significant impact is expected on the financial statements.

Definition of Material (Amendments to IAS 1 and IAS 8)

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework.

The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments are effective from 1 January 2020. However, the Board does not expect significant change – the refinements are not intended to alter the concept of materiality.

No significant impact is expected on the financial statements.

Classification of liabilities as current or non-current (Amendments to IAS 1)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement.

The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged. The amendments are to be applied retrospectively from the effective date. No significant impact is expected on the financial statements.

***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28)**

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 *Business Combinations*. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised.

Under the consolidation standard, the parent recognises the full gain on the loss of control. But under the standard on associates and JVs, the parent recognises the gain only to the extent of unrelated investors' interests in the associate or JV. In either case, the loss is recognised in full if the underlying assets are impaired. In response to this conflict and the resulting diversity in practice, on 11 September 2014 the IASB issued Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

The IASB has decided to defer the effective date for these amendments indefinitely. Adoption is still 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 3.17 have been applied consistently to all periods presented in these financial statements.

3.1. Joint Operations

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

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

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.

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.

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 the assets used to explore 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.

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 office	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.

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

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

- financial assets measured at amortised cost;

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

Loss allowances for trade receivables is 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 90 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 ECLs 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). When determining whether the credit risk of a financial asset has increased significantly since the initial recognition, company considers reasonable and supportable information from both qualitative and quantitative aspects based on historic experience, and forward looking information.

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.

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.

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.

Short-term employee benefits

Defined benefit fund was created in 2016. 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 liability 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 is measured based on the consideration specified in a contract with a customer. The Company recognises revenue at point in time when it delivers the goods and delivery is acknowledged by the customer. In view of the contracts of the company there are no performance obligations which are met over time.

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, measured as per prices specified in the contract with the customer. Revenue is recognised net of royalties paid to the government, returns, indirect taxes, trade discounts and volume rebates. 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.

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

CMH shall pay dividends according to the Dividend Policy in which establishes that the aggregate distribution shall be 50% of the net profit.

Dividends are recognized on declaration, when the rights have been established. Accordingly, the company considers the amount of paid dividends as approved by the shareholders 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.

3.17. Royalties

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.

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 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

The Company initially applied IFRS 16 Leases from 1 July 2019. A number of other new standards are also effective from 1 July 2019 but they do not have a material effect on the Company's financial statements.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in significant accounting policies.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied to contracts entered into or changed on before 1 July 2019.

As a lessee, the Company leases property where service stations are developed. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases-i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;

excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and – used hindsight when determining the lease term.

Leases classified as finance leases under IAS 17

For finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 is determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

Impact on financial statements

On transition to IFRS 16, there was no impact on the Company as there are no leases.

6. Revenue

	2020 USD	2019 USD
Natural Gas	85 854 950	92 680 611
Condensate	1 559 006	3 200 276
	87 413 956	95 880 887

7. Operating costs

	Note	2020 USD	2019 USD
Personnel Expenses		7 030 940	4 705 377
Employee remuneration		4 293 230	3 515 610
Directors remuneration		1 486 971	662 712
Social security		77 911	77 907
Training		152 268	265 891
Complementary Social Security		1 020 560	183 257
Depreciation and amortization expense	11 & 12	25 812 950	22 508 079
Other operating expenses	7.1	15 309 128	14 791 502
		48 153 018	42 004 958

7.1 Other operating expenses

	2020 USD	2019 USD
Share of operating costs of JO	14 435 388	14 129 115
Salary and related costs	2 134 643	1 775 466
Contribution to INSS	63 028	53 264
Operating cost JO	12 237 717	12 300 385
CMH other administrative expenses	873 740	662 387
Audit fee	34 372	61 444
Consultancy fee	51 879	30 667
Social development program	404 861	140 631
Other supplies and services	382 628	429 645
	15 309 128	14 791 502

8. Net finance (cost)/income

	Note	2020 USD	2019 USD
Finance income		3 743 235	4 705 538
Interest income		3 368 295	4 386 903
Foreign exchange gains		374 940	318 635
Finance cost		(5 070 038)	(3 171 227)
Interest on borrowings		(150 147)	(753 309)
Notional interest on unwinding of environmental provisions	19	(2 647 939)	(1 867 489)
Foreign exchange losses		(2 266 540)	(531 606)
Bank charges		(5 412)	(18 823)
		(1 326 803)	1 534 311

Net finance (cost)/income

Interest income relates to the fixed term deposit at Standard Bank of South Africa. CMH invests 90% of the balances of the Off-Shore Accounts (Capex Reserve and Proceeds Accounts) into a fixed term deposit account to earn interest. The average rate of the interest was 2.63%. (2019: 3.12%)

9. Income Tax

		2020 USD		2019 USD
9.1 Amounts recognised in profit or loss				
Current tax expense				
Current year		20 988 482		18 187 267
Deferred tax expense				
Origination and reversal of temporary differences [1]		(8 290 522)		(620 513)
		12 697 960		17 566 754
9.2 Reconciliation of effective tax rate				
Profit before tax		38 033 193		55 414 942
Tax using company's tax rate	32%	12 170 622	32%	17 732 781
Depreciation not deductible	0.1%	40 884	(1%)	(129 866)
Tax effect of non-deductible/(non-taxable) expenses/income	1.2%	486 454	(0.05%)	(36 161)
	33.3%	12 697 960	30.95%	17 566 754

9.3 Deferred tax liability

2020	Net Balance 30 June 2020	Recognised in profit or loss	Net Balance 30 June 2019
Property, plant and equipment	49 519 237	(8 610 282)	58 129 519
Intangible assets	1 869 317	(207 702)	2 077 020
Unrealised exchange gains/(losses)	525 848	527 462	(1 614)
	51 914 402	(8 290 522)	60 204 925

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	(1 614)	(1 907)	292
	60 204 925	(620 513)	60 825 437

9.4 Income tax payable

	2020 USD	2019 USD
Opening balance	8 220 997	4 321 912
Payments during the year	(21 131 816)	(14 288 182)
Current tax expense	20 988 482	18 187 267
Closing balance	8 077 663	8 220 997

[1] The variance refers to the temporary differences at the Property, plant and equipment, Unrealized exchange gains and losses and Concession rights.

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 25 335 233 (June 2019: USD 37 848 188) divided by the average number of shares outstanding of 5 934 115 (June 2019: 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. The earning per share amounted to USD 4.27 (2019: USD 6.37)

10.2 Dividend per share

The dividend per share amounted to USD 8.31 (2019: USD 5.10)

11. Property, plant and equipment

	Building - office	Motor vehicles and equipment	Exploration and evaluation assets and CPF	Capital work in progress	Total
	USD	USD	USD	USD	USD
Cost					
Balance 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
Adjustment in site closure and rehabilitation cost	-	-	17 313 084	-	17 313 084
Disposal	-	(161 286)	-	-	(161 286)
Transfers	-	283 423	-	(283 423)	-
Balance at 30 June 2019	2 024 101	1 455 226	343 644 426	15 255 045	362 378 798
At 1 July 2019	2 024 101	1 455 226	343 644 426	15 255 045	362 378 798
Additions	-	241 533	307 309	19 630 226	20 179 068
Adjustment in site closure and rehabilitation cost	-	-	(7 696 500)	-	(7 696 500)
Disposal	-	(745 280)	-	-	(745 280)
Balance at 30 June 2020	2 024 101	951 479	336 255 235	34 885 271	374 116 086
Accumulated depreciation					
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	323 857	1 144 180	145 731 729	-	147 199 766
Balance at 1 July 2019	323 857	1 144 180	145 731 729	-	147 199 766
Charge for the year	40 603	302 281	24 820 330	-	25 163 214
Disposal	-	(745 280)	-	-	(745 280)
Balance at 30 June 2020	364 460	701 181	170 552 059	-	171 617 700
Carrying amounts					
At 1 July 2018	1 740 726	270 645	201 481 791	3 742 682	207 235 844
At 1 July 2019	1 700 244	311 046	197 912 697	15 255 045	215 179 032
At 30 June 2020	1 659 641	250 298	165 703 176	34 885 271	202 498 386

11. Property, plant and equipment (continued)

The decrease 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.

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 2018	19 234 335
Addition	-
At 30 June 2019	19 234 335
At 1 July 2019	19 234 335
Addition	-
At 30 June 2020	19 234 335
Accumulated amortisation	
At 1 July 2018	12 092 301
Charge for the year	649 736
At 30 June 2019	12 742 037
At 1 July 2019	12 742 037
Charge for the year	649 736
At 30 June 2020	13 391 773
Carrying amounts	
At 30 June 2018	7 142 034
At 30 June 2019	6 492 298
At 30 June 2020	5 842 562

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

13. Inventories

	2020 USD	2019 USD
Maintenance materials	931 135	941 890
	931 135	941 890

14. Trade and other receivables

	2020 USD	2019 USD
Interest in current assets of the Joint Operations	8 818 851	4 366 354
Trade receivables (Note 26.2)	8 818 851	4 366 354
Other receivables	1 211 384	1 545 288
Value added tax	518 739	710 350
Prepayments	127 532	166 672
Tax reimbursement – prior year	565 383	668 266
	10 030 235	5 911 642

15. Cash and cash equivalents

	2020 USD	2019 USD
Cash on hand	390	319
Cash at bank	134 037 462	167 363 691
CMH Onshore Accounts (i)	12 217 968	18 741 533
Proceeds Account (ii)	9 663 683	17 441 859
Capex Reserve Account (iii)	5 837 139	6 757 098
Off-Shore Operating Account (iv)	25 002	25 083
Debt Service Reserve Account (v)	2 489	473 333
Fixed rate deposit (vi)	106 291 181	123 924 785
	134 037 852	167 364 010

The payment mechanism and priority of payment are the following:

i. The CMH onshore Accounts (Meticais and US Dollars) – CMH transfers from the Proceeds Account the amount of administrative costs expected to be paid in Mozambique for a period of six months;

ii. The Proceeds Account – It is deposited in this account all revenues, 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.

Also, up to 90% of the balance in the Capex Reserve Account may from time to time be invested in fixed rate deposit.

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 was 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.

Also, up to 90% of the balance of the Debt Service Reserve Account may from time to time be invested in fixed rate deposit.

vi. Fixed Deposit (Permitted Investments) – CMH invests 90% of the balances of the Off-Shore Accounts (Capex Reserve and Proceeds Accounts) into a fixed deposit account to earn interest.

16. Share capital

	%	2020 USD	%	2019 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 1252 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 (2019: 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 (2019: USD 14 296 822).

18. Borrowings

	2020 USD	2019 USD
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
Total	**-**	**4 562 655**

CMH has fully paid the loans during the year.

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

The reconciliation of the movement is as follows;

Description	**Balance at 1 July 2019 USD**	**Repayments made USD**	**Balance at 30 June 2020 USD**
Development Bank of Southern Africa-Tranche B (i)	2 261 860	2 261 860	-
Agence Française de Development Loan B (ii)	2 300 795	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

	2020 USD	2019 USD
Long Term		
Opening balance	70 489 806	62 916 696
Notional Interest	2 183 004	1 654 171
Capitalised in property plant and equipment	5 168 879	5 918 939
Closing balance	**77 841 689**	**70 489 806**

	2020 USD	2019 USD
Short Term		
Opening balance	13 353 052	1 745 588
Notional Interest	464 935	213 319
Change in amount, capitalised in property plant and equipment	(12 865 379)	11 394 145
Closing balance	**952 608**	**13 353 052**
Total	**78 794 297**	**83 842 858**

	2020 USD	2019 USD
Expected timing of future cash flows		
Within one year	952 608	13 353 052
1 - 5 years	22 678 520	13 197 501
More than five years	55 163 169	57 292 305
Total	**78 794 297**	**83 842 858**

20. Trade and other payables

	2020 USD	2019 USD
Non-current		
Payables	71 245	41 872
Current		
Interest in current liabilities of the JO	4 318 116	4 053 759
Trade payables	2 257 595	2 257 052
Accruals	2 060 521	1 796 707
Other payables	271 435	149 922
Suppliers	36 899	30 267
Withholding tax, employee tax and social security	184 190	119 655
Accruals and other payables	50 346	-
	4 589 551	4 203 681

21. Intercompany payable

	2020 USD	2019 USD
Empresa Nacional de Hidrocarbonetos (ENH)	11 389	12 398
	11 389	12 398

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	Volume of Transactions 2020 (USD)	Volume of Transactions 2019 (USD)	Balance owed 2020 (USD)	Balance owed 2019 (USD)
Empresa Nacional de Hidrocarbonetos, EP	Technical service	116 623	126 478	(11 389)	(12 398)

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)	
	2020 (USD)	2019 (USD)	2020 (USD)	2019 (USD)	2020 (USD)	2019 (USD)
Sasol Gas, Petromoc, ENH Kogas, ENH through joint operations.	87 413 956	95 880 887	-	-	-	-
Joint Operations (JO)	-	-	88 337 980	97 856 976	(4 318 116)	(4 053 759)

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

Related party relationship	Type of transaction	Transaction amount 2020 (USD)	Transaction amount 2019 (USD)
Joint Operations (JO)	Cash calls for expenses	39 167 628	24 513 193

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 2020 (USD)	2019 (USD)	Balance owed 2020 (USD)	2019 (USD)
Key management	Remuneration	1 486 971	662 712	-	-

The short term key management remuneration amounts to USD 1 486 971 (2019: USD 662 712) while post-employment benefits amounts to USD 40 061 (2019: USD 45 230). There was neither any payment for the termination cost nor share based payments.

23. Employee benefits

	2020 USD	2019 USD
Defined benefit asset	3 142 000	2 229 060
Defined benefit liability	(2 315 736)	(1 784 890)
Net defined benefit asset/(liability)	826 264	444 170

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.

The defined benefit plan is administered by a pension fund managing entity, to comply with the legal requirements. The board of the pension fund is required by law to act in the best interest of the plan’s participants and responsible for setting certain policies for investments, contribution and indexation. The defined benefit plan exposes company to the actuarial risks, longevity risk, currency risk, interest rate risk and market risk.

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	
	2020 (USD)	2019 (USD)	2020 (USD)	2019 (USD)	2020 (USD)	2019 (USD)
Balance at 1 July	1 784 891	1 839 468	(2 229 061)	(1 166 307)	(444 170)	673 161
Included in profit or loss	269 625	300 460	(346 432)	(222 070)	(76 807)	78 390
Current service cost	40 061	45 230	-	-	40 061	45 230
Interest cost (income)	229 564	255 230	(346 432)	(222 070)	(116 868)	33 160
Included in OCI						
Actuarial gain	564 278	(238 665)	-	-	564 278	(238 665)
Other						
Net foreign exchange difference	(254 799)	(82 426)	305 554	53 981	50 755	(28 445)
Contributions paid by members & employer	35 115	60 188	(1 046 653)	(1 127 923)	(1 011 538)	(1 067 735)
Benefits paid	(83 374)	(94 134)	83 374	94 134	-	-
Expenses paid	-	-	91 218	139 124	91 218	139 124
	2 315 736	1 784 891	(3 142 000)	(2 229 061)	(826 264)	(444 170)

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

Defined benefit obligation

i. Actuarial assumptions

	2020	2019
Discount rate	12.02%	14.9%
Future salary growth	4.5%	7.9%
Future pension growth	9.5%	9.5%
Inflation rate	2.7%	6.9%

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	3
40-45	-	3
45-50	1	2
50-55	3	-
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	173 087 829	5 102 898	6.2%
Salary growth 1% decrease	153 988 065	4 045 197	(5.5%)
Valuation interest rate 1% increase	146 100 340	3 926 293	(10.4%)
Valuation interest rate 1% decrease	183 540 277	5 310 623	12.6%
Pension 1% increase	178 541 875	4 953 518	9.5%
Pension 1% decrease	149 490 139	4 174 513	(8.3%)
Post retirement mortality (2 years younger)	168 895 264	4 664 073	3.6%

iii. Maturity profile

Time	Pensioner members and active members (% of liability)
2021 – 2025	5%
2026 – 2030	20%
2031 – 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. For the financial assets mentioned, the carrying amount is a reasonable approximation of fair value due to the short term nature of the instrument.

30 June 2020

Financial instruments not measured at fair value

	Note	Carrying amount (USD)		Fair Value (USD)			
		Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
Secured bank loans	18	-	-	-	-	-	-
		-	-	-	-	-	-

	Note	Carrying amount (USD)		Fair Value (USD)			
		Financial assets at amortised cost	Total	Level 1	Level 2	Level 3	Total
Trade receivables	14	8 818 581	8 818 581	-	8 818 581	-	8 818 581
Cash and cash equivalents	15	134 037 852	134 037 852	-	134 037 852	-	134 037 852
		142 856 433	142 856 433	-	142 856 433	-	142 856 433

30 June 2019

Financial instruments not measured at fair value

	Note	Carrying amount (USD)		Fair Value (USD)			
		Other financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
Secured bank loans	18	4 562 655	4 562 655	-	4 562 655	-	4 562 655
		4 562 655	4 562 655		4 562 655		4 562 655

	Note	Carrying amount (USD)		Fair Value (USD)			
		Financial assets at amortised cost	Total	Level 1	Level 2	Level 3	Total
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
		171 730 364	171 730364	-	171 730 364	-	171 730 364

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 authorized at the reporting date are as follows:

Estimated timing of expenditure	2020 USD	2019 USD
Within one year	8 662 679	33 584 109
2 - 5 years	23 576 509	3 614 709
	32 239 188	37 198 818

June 2020

	Gross capital commitments Authorised USD	Authorised and contracted USD	Authorised and not contracted USD
Joint operation's projects			
PPA – PPA Infill Wells (Tranche 1)-Well Y	5 633 824	3 996 370	1 637 453
PPA – PPA Infill Wells (Tranche 2)	19 951 647	7 266 240	12 685 228
Meric Drilling Campaign	1 922 786	6 559 328	(4 636 542)
PPA Water Disposal	434 956	65 044	369 912
Other projects	3 709 592	692 683	3 016 910
CMH administrative costs	586 383	-	586 383
Under the acquisition of property, plant and equipment			
	32 239 188	18 579 665	13 659 344

June 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	6 678 573	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	16 669	-	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	6 629 604	949 685	5 679 919
PPA - Erosion Probes	85 545	39 609	45 936
PPA - Security Upgrade	300 000	-	300 000
	37 198 818	8 656 925	28 541 893

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 tolimits. 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. Company manages this risk by ensuring that all significant transactions are conducted in its functional currency.

Exposure to currency risk

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

	2020 MT	2019 MT
Trade and other payables	(806 265)	(4 674 929)
Cash and cash equivalents	41 567 958	10 893 133
	40 761 693	6 218 204

Below are the exchange rates that were applied during the year;

	Average rate		Spot rate	
Reporting Date	30 June 2020	30 June 2019	30 June 2020	30 June 2019
MT per USD	65.31	62.20	70.80	62.12

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 5 758 (2019: USD 426). 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	
	2020 USD	2019 USD
Fixed rate instruments		
Fixed term deposit	106 291 181	123 924 785
Financial liabilities	-	(4 562 655)
	106 291 181	119 362 130
Variable rate instruments		
Financial liabilities	-	(2 261 859)

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 27 955 (2019: USD 656). 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 or increase in the prices would have effect of increasing or decreasing the shareholder's equity and profit after tax by USD 84 414 (2019: USD 95 881). This analysis assumes that all other variables remain constant. Company manages this risk by agreeing the fixed component of the price in the sale agreements.

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.

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:

	2020 USD	2019 USD
Trade receivables (Note 14)	8 818 851	4 366 354
Cash and cash equivalents (Note 15)	134 037 852	167 364 010
Total exposure	142 856 703	171 730 364

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:

	2020 USD	2019 USD
Neither past due nor impaired	8 818 581	4 366 354

Based on historic default rates, the company believes that no impairment allowance is necessary in respect of trade receivables. Sasol Gas Limited represents 86% (2019: 84%) of the Company's total turnover and 79% (2019: 0%) of trade receivables at 30 June 2020. Sasol Gas has more than 10 years trading history with the JO.

Classification and ECL rate is calculated for each receivable based on the actual credit loss experience and in view of that, for these financial statements, a low credit risk presumption is used.

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 2020						
Non-derivative financial liabilities						
Secured bank loans	-	-	-	-	-	-
Trade and other payables	(4 589 551)	(4 589 551)	(4 589 551)	-	-	-
	(4 589 551)	(4 589 551)	(4 589 551)	-	-	-

	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)	-	-	-
	(8 766 335)	(8 766 335)	(8 766 335)	-	-	-

27. Subsequent Events

Subsequent to 30 June 2020 to the date of reporting, there are no significant events that have occurred which might need disclosure or adjustment in the financial statements. However the uncertainties caused by the Covid-19 to the global economy are still prevalent.

Entity is in the oil and gas sector and demand for its commodities is consistent and sales are being made as per confirmed sales agreements of the JO with the customers. Oil and gas sector has always been experiencing good demand. There are no possible losses to the company due to any deferral of the payment from the customers. There have never been lockdown in Mozambique due to Covid-19 and all entities are in operations. There are no issues with regard to any critical supplies, cross border trade is also open and company is earning profits. JO is maintaining its operations itself and there are no significant dependencies on any service provider. Continuous supply of gas is in interest of the country.

The impact of the coronavirus is being monitored closely and necessary precautionary measures have been put in place to comply with the government instructions to mitigate any possible negative impact of the Corona virus pandemic on operations. As gas consumption is not significantly impacted from the end users there is low chance that this continued pressure on global markets, as a result of the Covid-19 pandemic, would lead to any market losses.

In light of the above, management has re-assessed the appropriateness of the use of the going concern assumption in the preparation of these financial statements. Based on the assessment performed, management is of the view that the current uncertainties related to the Covid-19 virus currently does not result in a material uncertainty related to such events or conditions that may cast significant doubt on the company's ability to continue as a going concern. The Board concurs with this assessment.