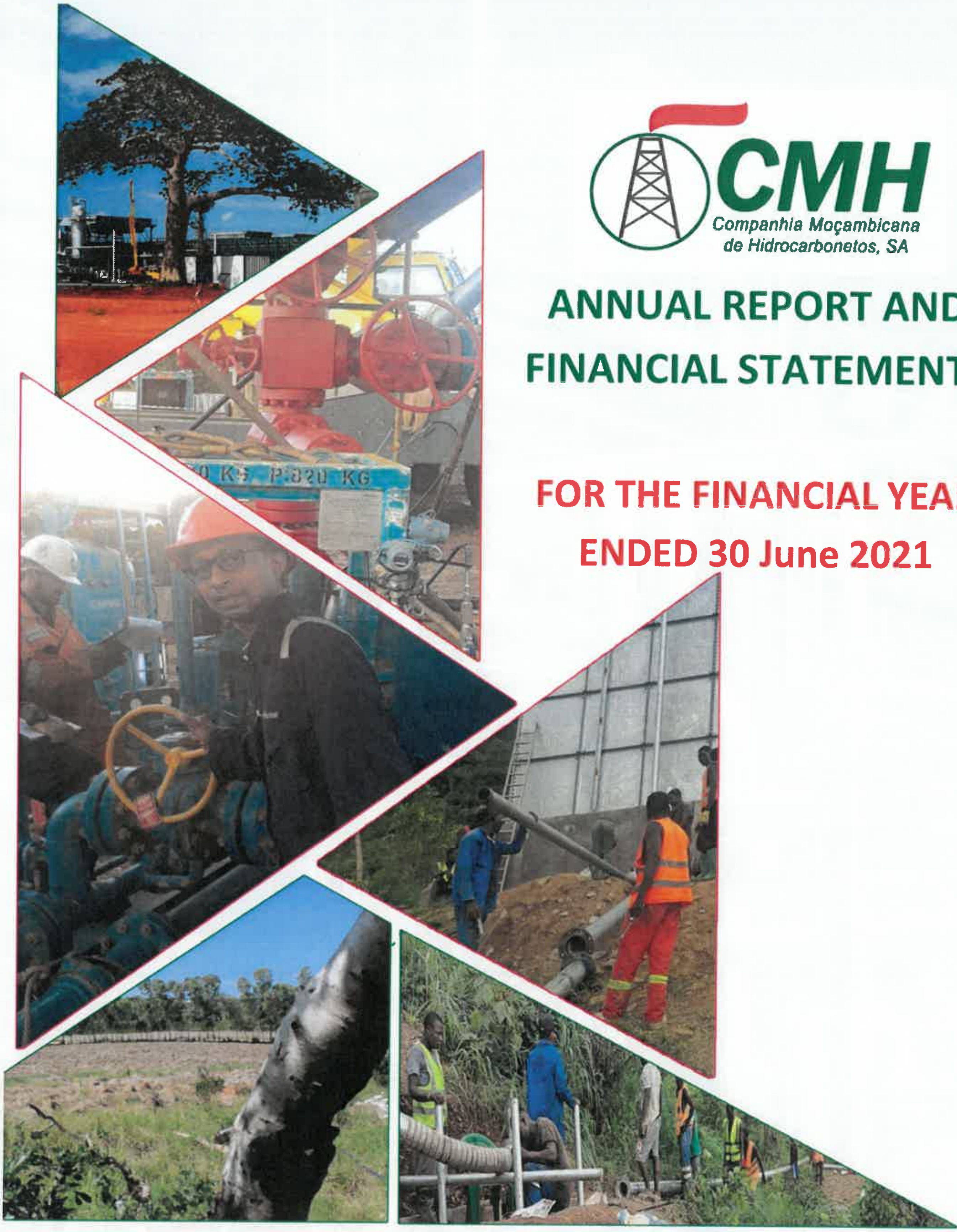
ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 June 2021



Companhia Moçambicana de Hidrocarbonetos, SA
Av. Julius Nyerere, nº4003
Tel. 21 498257, 21 498260 – Fax: 21 498262
www.cmh.co.mz
Maputo, Moçambique

Financial Statements

For the year ended 30 June 2021

Companhia Moçambicana de Hidrocarbonetos, SA

CONTENTS

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:
- Arsénio Mabote (Chairman)
- Fernando Faustino (Board Director)
- Fahim Mahomed (Board Director)

Fiscal Council:
- Miquelina Menezes (President)
- Bruno Munguambe (First Voter)
- Filipe Masquil (Second Voter)

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

Chief Executive Officer: Joaquim Veríssimo

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, ABSA Mozambique Lda and FNB Moçambique

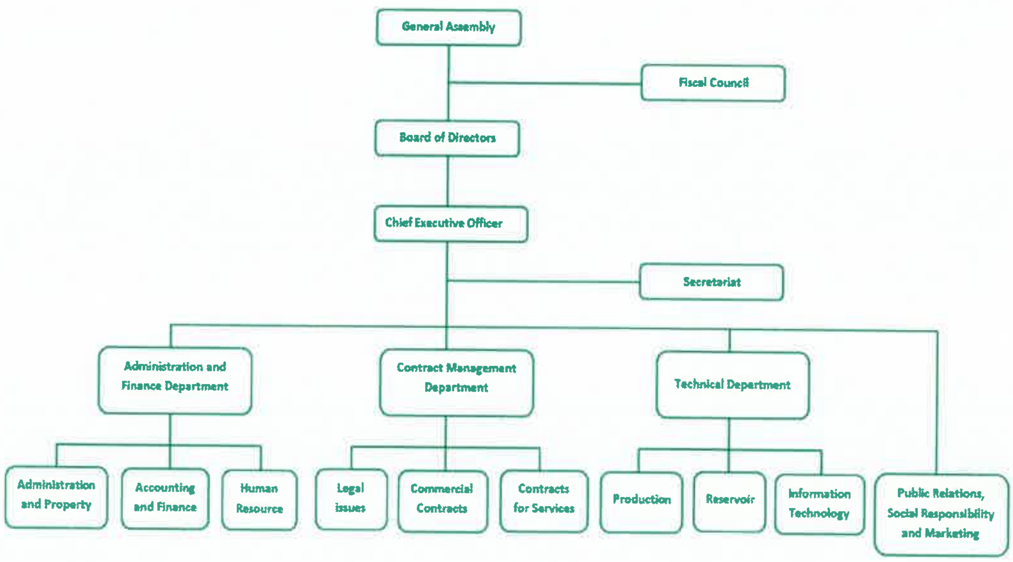
Address: Av. Julius Nyerere, n° 4003, Bairro da Polana Caniço "A"
Maputo – Moçambique

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 are pleased to present the Audited Financial Statements for the year ended 30 June 2021.

This financial year was characterized by low oil prices in the international market as result of outbreak of the Covid-19 pandemic which affected negatively our revenues.

We can see from our financial statements that CMH has a total comprehensive income (net profit) of USD 11 410 927, which represents a sharp decrease of about 54% when compared to the results of the financial year 2020.

One of the main challenges is the availability of proven reserves to ensure the supply of gas under the signed contracts. We urgently need to invest in additional gas compression projects and additional wells to recover more gas from the Pande and Temane reservoirs in order to increase the volumes to be supplied to cover the total contracted quantity, thus mitigating the reserves deficit.

It is important to mention that the company is facing some technical and operational challenges, namely investment in new wells to sustain the plateau and restore production wells which have experienced integrity issues, in order to maintain current gas production capacity, to meet the signed contracts. Notwithstanding the reported constraints, we remain committed to pay satisfactory levels of dividends to our shareholders and all declared dividends were already paid.

On 29 September 2020, an Ordinary General Assembly took place in which the CMH's shareholders approved the distribution of 75% of the profits for financial year 2020. CMH paid a total amount of USD 18 578 217 of dividends to its shareholders, being USD 11 181 425 on 27 October 2020 and USD 7 396 792 on 13 April 2021.

During this financial year, CMH paid in taxes and contribution a total amount of USD 25 974 153 to the Government, of which 94% represent corporate income tax (IRPC), 5% of withholding taxes (IRPS) and 1% of contribution to the social security (INSS).

During the financial year, CMH continued with the short-term investment policy of the standing balance in onshore and offshore reserve accounts, generating therefore a reasonable interest that improved the net financial cost when compared to financial year 2020.

Regarding Corporate Social Responsibility (CSR), CMH continues to provide its contribution to the social projects with the Joint Operations as well as CMH's direct contribution. Under the Joint Operations CMH has contributed to the joint account an amount of USD 635 679 and directly with a total amount of USD 660 123 aimed to complement the Government's effort in promoting the development and well-being of the mozambican communities. It should be noted that the Covid-19 pandemic had a negative impact on social responsibility. However, efforts are being made to ensure the return of our interventions safely.

Under the joint operation, with regard to local content, we are committed to continuing to implement initiatives that guarantee participation and local development, offering business opportunities to mozambican shareholder entities in a privileged manner.

Our shares in the securities market - Mozambique Stock Exchange (BVM) continued to be traded. During this financial year, there was a variation in CMH share value from 2 750 to 3 500 Meticais. It should be noted that the value of CMH shares reached 4 600 Meticais in December 2020.

CMH continues to strengthen its organizational structure, and in this context a new Executive Director was appointed.

In terms of professional training, we continue to pay close attention to the needs of our employees. Due to the Covid-19 pandemic, in person lectures were suspended and replaced by virtual ones.

In compliance with the health protocol and within the scope of the public calamity decreed by the Government, CMH continued to develop a set of actions aimed at reducing the risk of contamination in the workplace, encouraging employees to strictly adhere to measures, to prevent and combat this pandemic, having provided appropriate work condition.

In terms of safety, health and environment, we are happy to continue to report satisfactory level of performance by the operator.

We continued to honor all our commitments by exercising best practices of management for the company regarding dividends, taxation and other commitments on a regular basis.

We remain committed to transparency, integrity and striving to eliminate any type of negligence, fraud or corruption in our business. All our annual reports are published through the largest circulation newspaper published in the country and on our website.

In conclusion, we want to extend our sincere gratitude and appreciation to all those who trust us and who have been supporting our company during these hard times, especially members of the mozambican Government, our shareholders, 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 2021

Arsénio Mabote

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 2021.

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 and beneficial operation were achieved at the end of September 2018.

Low Pressure Compression (LPC) phase 3, the project RFC (Ready for commissioning) and 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 197 MGJ/year.

In FY20, has started MERIC (Mozambique Exploration Restauration & Infill Campaign) aim to solve the well integrity issues and drill new infill wells. The well Integrity Restoration project is to repair certain production wells via workover and to permanently abandon (P&A) other production wells that cannot be worked over and safely restored to production. The infill wells project aims to improve recovery of existing reserves to assist in meeting the PPA Contractual obligations in the GSA's. However, the Operations were suspended due to Covid-19 restrictions, whereby the restart of operations is expected to commence in August 2021.

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 51 431 967 for the financial year ended 30 June 2021, for its 25% participation in Pande and Temane Joint Operations:

(USD)

Income Statement - CMH 25%	FY21	FY20
	01 July to 30 June	01 July to 30 June
Turnover	66 513 342	88 405 223
Sales: Natural Gas	64 826 911	86 659 892
Sales: Condensate	1 686 431	1 745 331
Royalties (Natural Gas and Condensate)	(1 120 555)	(991 267)
Net revenue after royalties	65 392 787	87 413 956
Operating expenditures relating to JO	(13 960 800)	(14 435 388)
Results from JO prior to CMH expenses	**51 431 987**	**72 978 568**

The results from the JO, decreased in 30% compared to the Financial Year 2020 (FY20). The decrease is mainly due to lower prices in the international market, impacted negatively by Covid-19 pandemic.

2.1 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 2021 (FY21) ended 30 June 2021, are as follows:

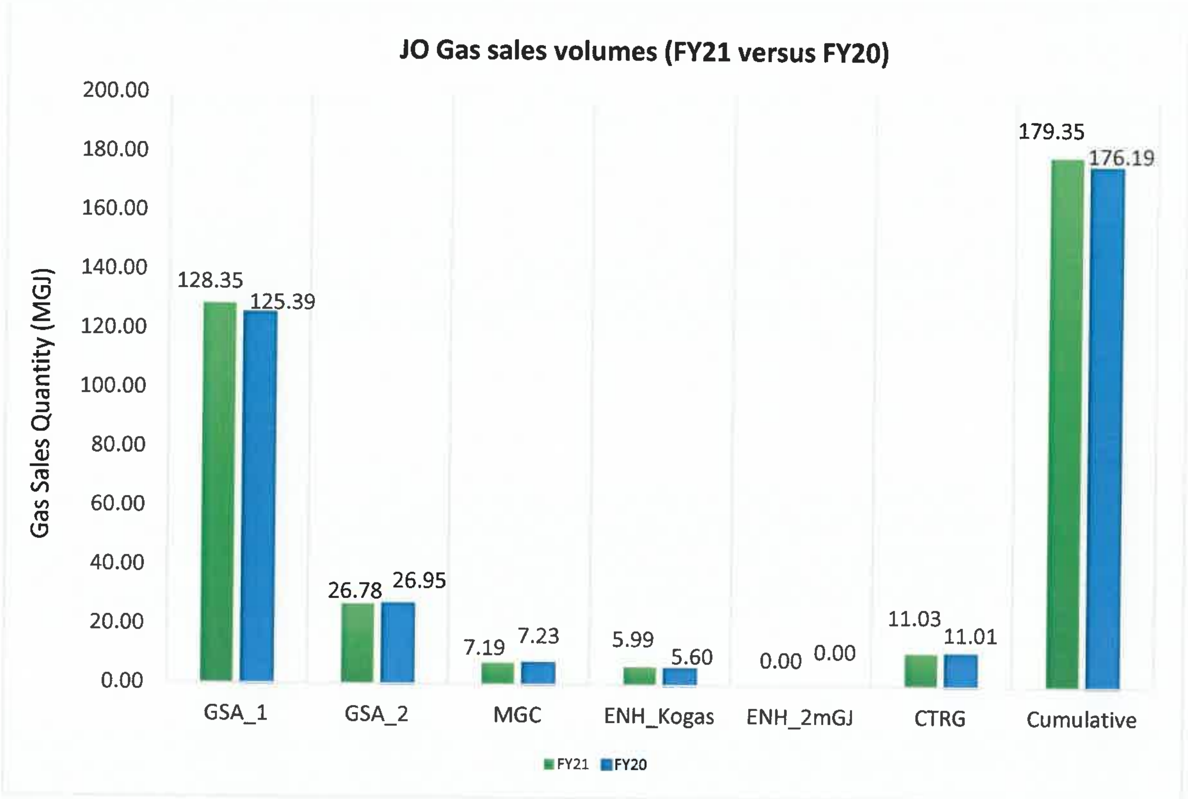
JO Sales Volumes (100%)	Unit	FY21 1 July to 30 June	FY20 1 July to 30 June	Variance (%)
Natural Gas - GSA 1	MGJ	128.35	125.39	2.36
Natural Gas - GSA 2	MGJ	26.78	26.95	-0.63
ENH-kogas	MGJ	5.99	5.60	7.02
MGC	MGJ	7.19	7.23	-0.62
CTRG	MGJ	11.03	11.01	0.19
GSA ENH 2mGj	MGJ	[redacted]		
Cumulative gas sales volume	**MGJ**	**179.35**	**176.19**	**1.80**
Condensate	Bbl	281,456.84	295,621.14	-4.79

Royalty	Unit	FY21 1 July to 30 June	FY20 1 July to 30 June	Variance (%)
Gas Taken in Kind	MGJ	5.05	6.23	-18.94

Average Selling Price	Unit	FY21 1 July to 30 June	FY20 1 July to 30 June	Variance (%)
Natural Gas - GSA 1 (a)	USD/GJ	1.54	2.16	-28.70
Natural Gas - GSA 2	USD/GJ	1.35	1.92	-29.69
ENH-kogas	USD/GJ	1.92	1.92	0.00
MGC	USD/GJ	1.35	1.92	-29.69
CTRG	USD/GJ	2.58	2.59	-0.39
GSA ENH 2mGj	USD/GJ	[redacted]		
Condensate	USD/Bbl	23.97	21.64	10.77

(a) Including excess gas

The chart below visualizes the figures from the previous table in terms of sales volumes (FY21 versus FY20).

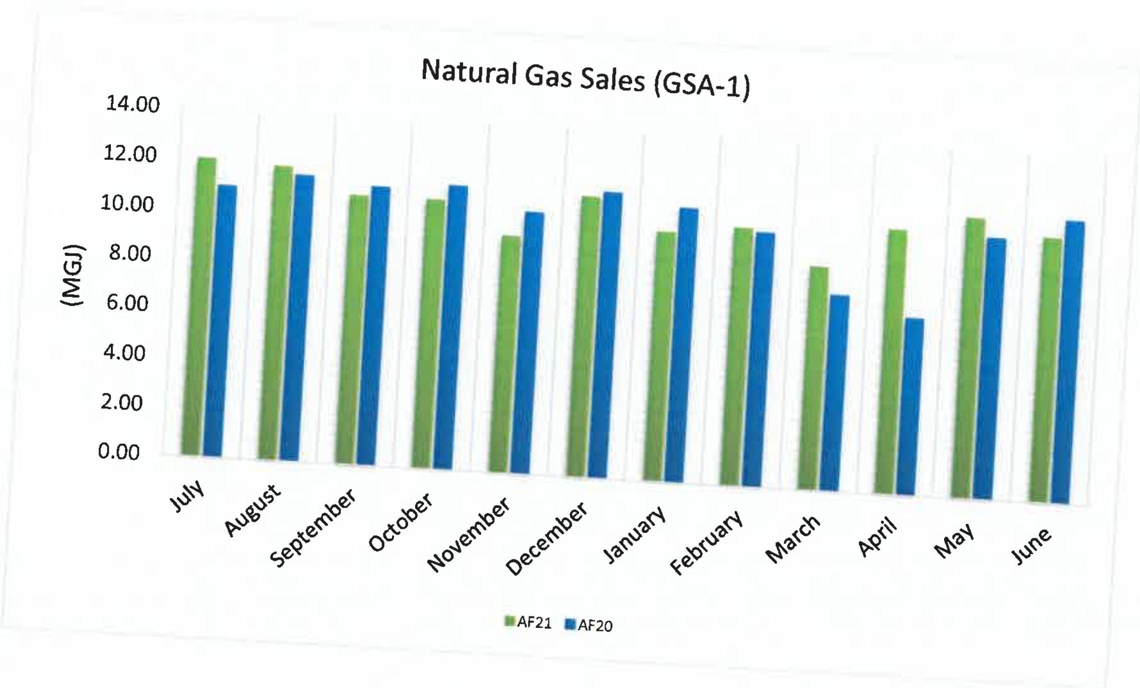


As we can see from the above table, total natural gas sales volumes for FY21 are 1.80% higher than sales volumes for the same period of FY20, due to the following reasons:

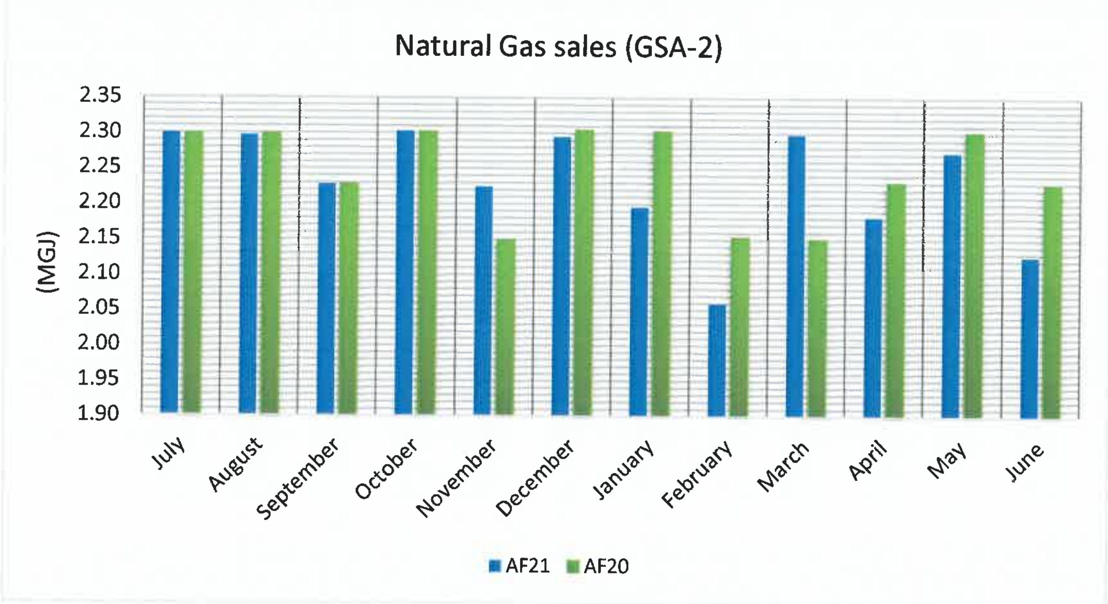
- Higher nominations by Sasol Gas under GSA 1 and some domestic agreements (ENH KOGAS & CTRG). However, in overall, the sales volumes were lower when it compared to the budget (181.32 MGJ) during the period under review, due to the fact that the CPF has experienced several operational issues on the key units as well as supply limitations from the fields as a result of wells shut-in with some delays on wells concessions renewal. In addition to that, there were well capacity constrains due to the delay in MERIC Rig campaign restart, caused by covid-19 restrictions, which also has contributed for lower total sales volumes and in some period of the year, the JO partners has experienced shortfall gas supply penalties.

- No gas has been nominated under GSA ENH-2mGJ since September 2017, due to the fact that ENH Agreement remains suspended, and this has negatively impacted the total nominations.
- 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 result in losses of production in the Central Processing Facility (CPF) as described further in section 2.4.2 (Plant operations).

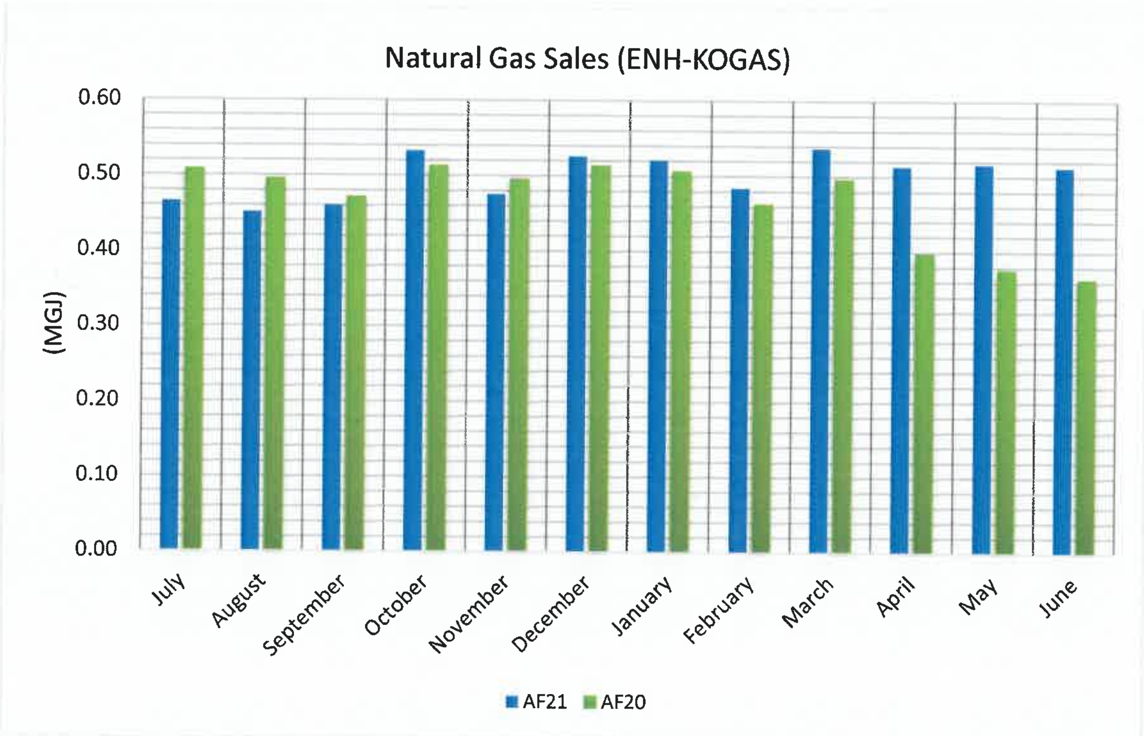
The following charts show gas production and price evolution for each contract, during the FY21 compared to the FY20 for both natural gas and condensate.



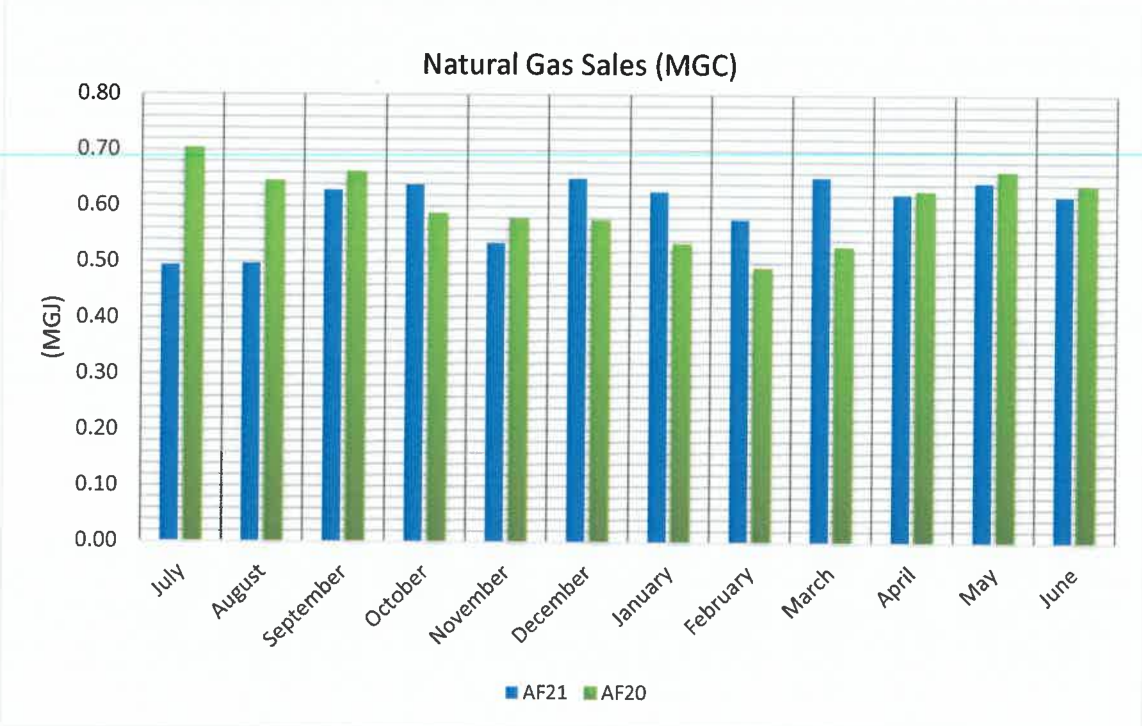
During the FY21, there were 2.36% higher gas sales volumes under the GSA1 than sales volumes for the same period of FY20, due to higher gas nominations by Sasol under GSA1.



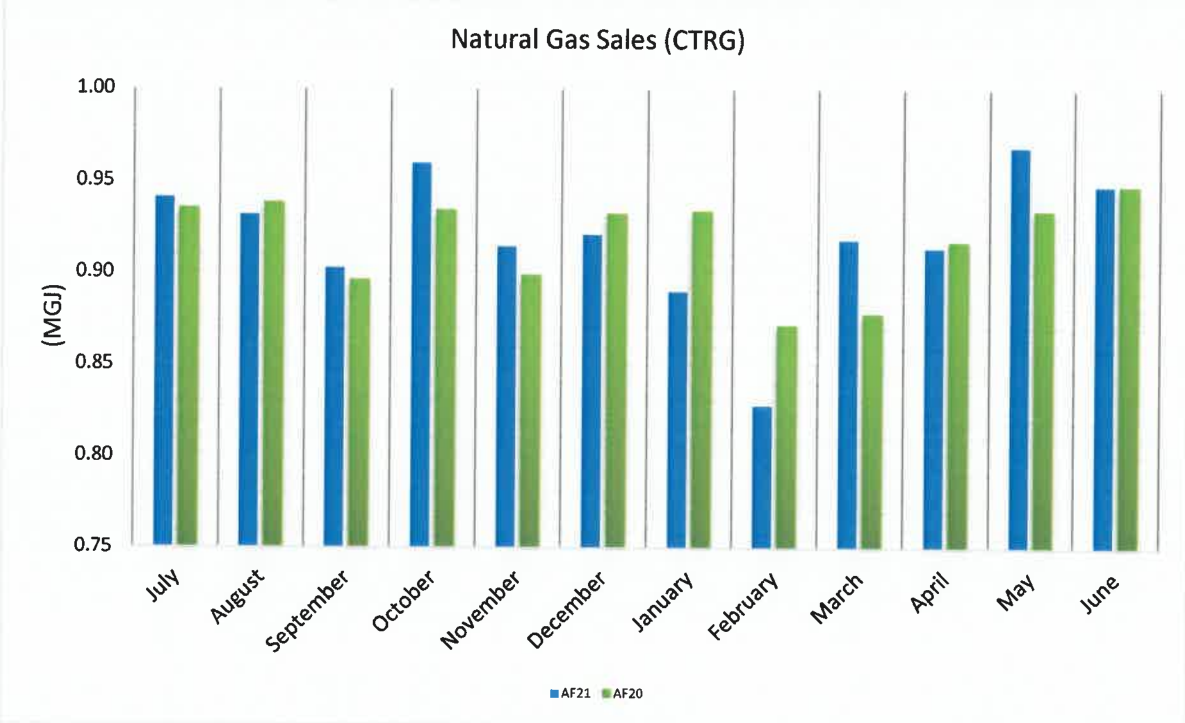
Gas sales volumes under GSA2 for FY21 were 0.63% lower than sales volumes for FY20, due to lower nominations by Sasol Gas under GSA 2.



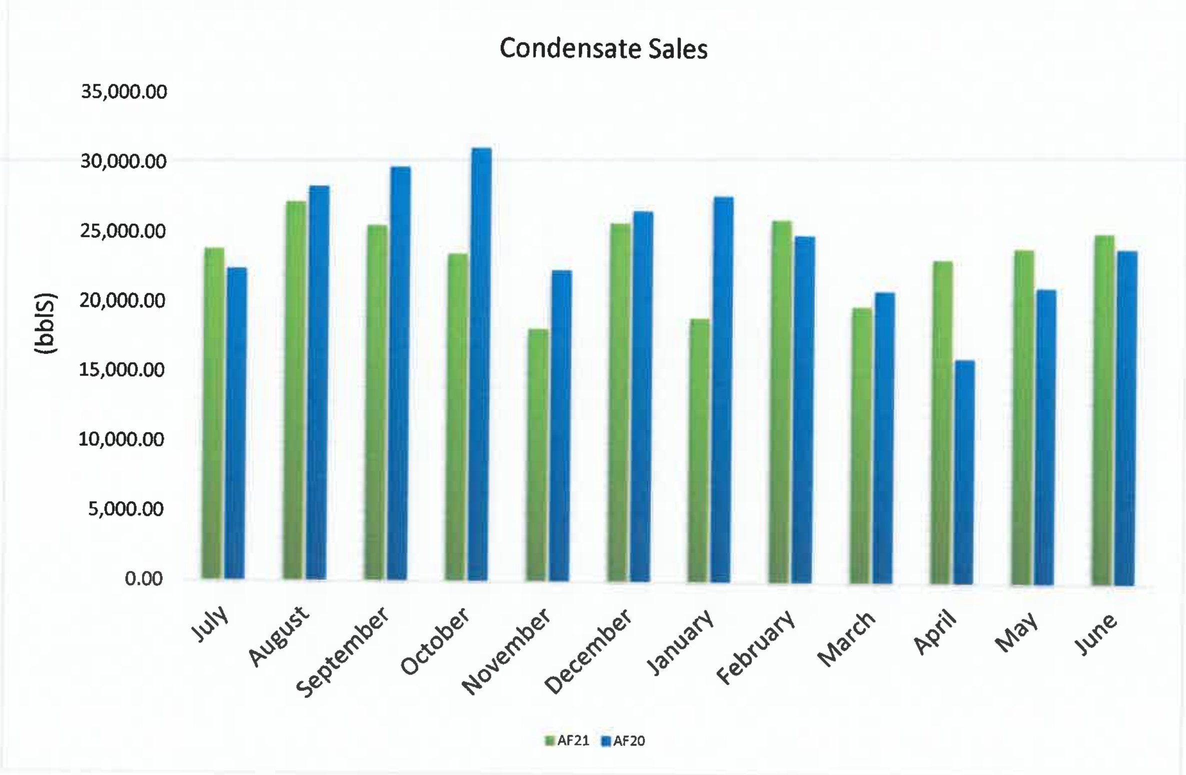
Gas sales volumes under ENH_KOGAS for FY21 were 7.02% higher than sales volumes for the same period of FY20, due to higher nominations over the reporting period.



Gas sales volumes under MGC for FY21 were 0.62% lower than sales volumes for the same period of FY20, due to lower nominations over the reporting period.



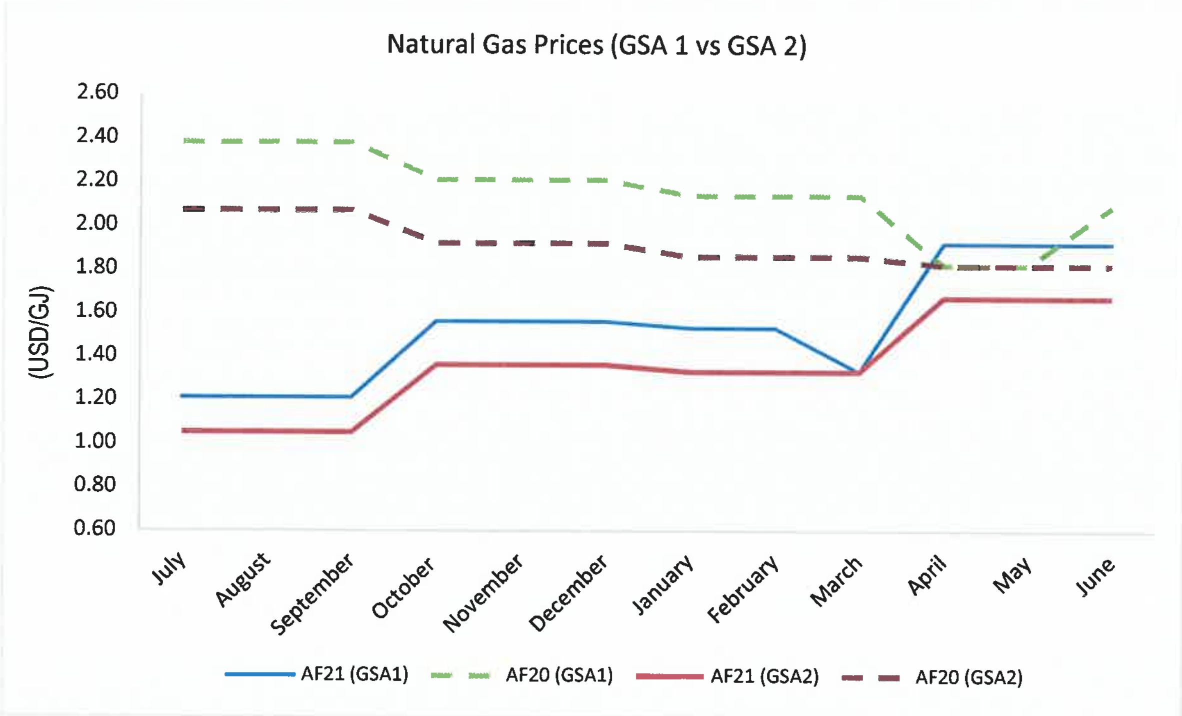
Gas sales volumes under CTRG for FY21 were 0.19% higher than sales volumes for FY20, due to higher nominations over the reporting period.



Condensate sales volumes for FY21 were 4.79% lower than sales volumes for FY20 due to the fact that most production comes from Pande wells which have less liquids than Temane. 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.

2.2.1 Natural Gas and Condensate Price

In overall, gas sales prices for the 12 months ended 30 June 2021 were lower compared to the previous year (FY20) due to negative variance on price drivers during the reporting period. The condensate price for the 12 months ended 30 June 2021 was higher when compared to the previous year (FY20) due to the increase of Brent in the international market under the reporting period.



- The weighted average gas price for GSA 1 (including excess gas) was USD 1.54 per GJ which is 28.70% lower than the previous year's gas price of USD 2,16 per GJ, due to negative variance on price drivers during the reporting period.
- The weighted average gas price for GSA2 was USD 1,35 per GJ which is 29.69% lower than the previous year's gas price of USD 1,92 per GJ, due to negative variance on price drivers during the reporting period.

Regarding the domestic sales agreements the variance are the following:

- The weighted average gas price for ENH-KOGAS was USD 1,92 per GJ which is in line with the previous year's gas price of USD 1,92 per GJ.
- The weighted average gas price for the MGC was USD 1.35 per GJ which is 29.69% lower than the previous year's gas price of USD 1,92 per GJ, due to negative variance on price drivers during the reporting period.
- The weighted average gas price for CTRG in FY21 was USD 2,58 per GJ which is 0,39% lower than the previous year's gas price of USD 2,59 per GJ, due to negative variance on USA PPI.

- The weighted average netback price for Liquid Hydrocarbon Sales was USD 23,97 per bbl which is 10,77% higher than the previous year's condensate price of USD 21.64 per bbl for FY20, mainly due to increase of Brent price in the international market.

2.3 Royalty Tax

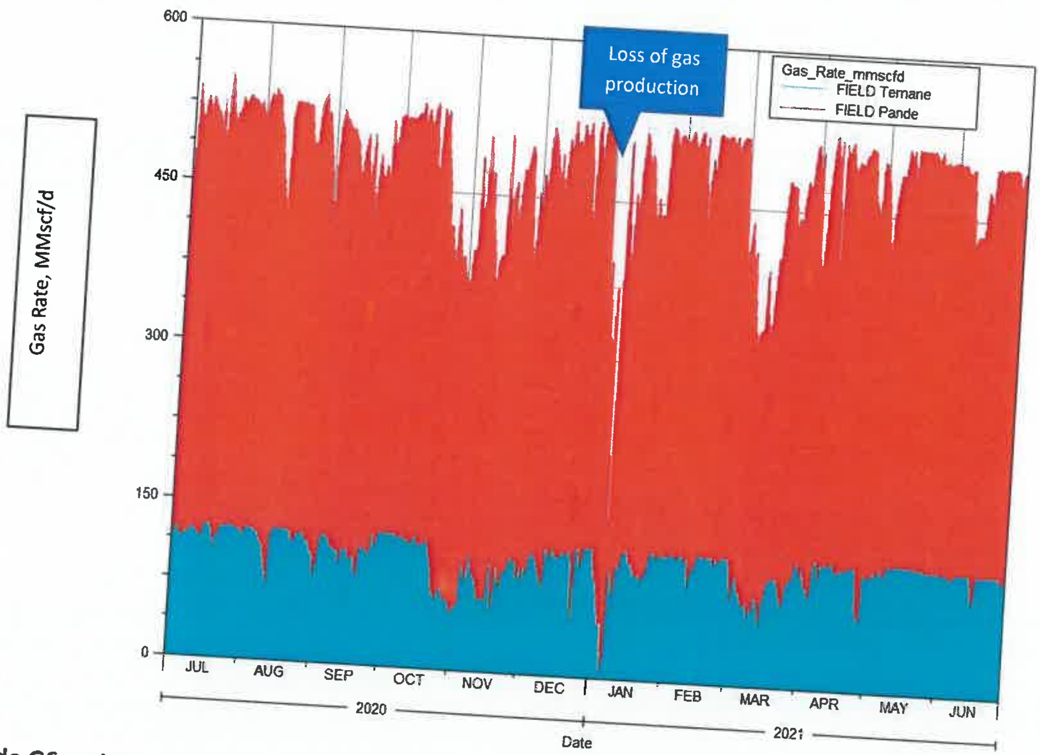
The royalty gas taken in kind by Matola Gas Company (MGC), Empresa Nacional de Hidrocarbonetos (ENH) and Kuvaninga from July 2020 to June 2021 was 18.94% lower than what was taken during the FY20. This was due to decrease in the domestic gas consumption under the reporting period.

2.4 Review of Operations

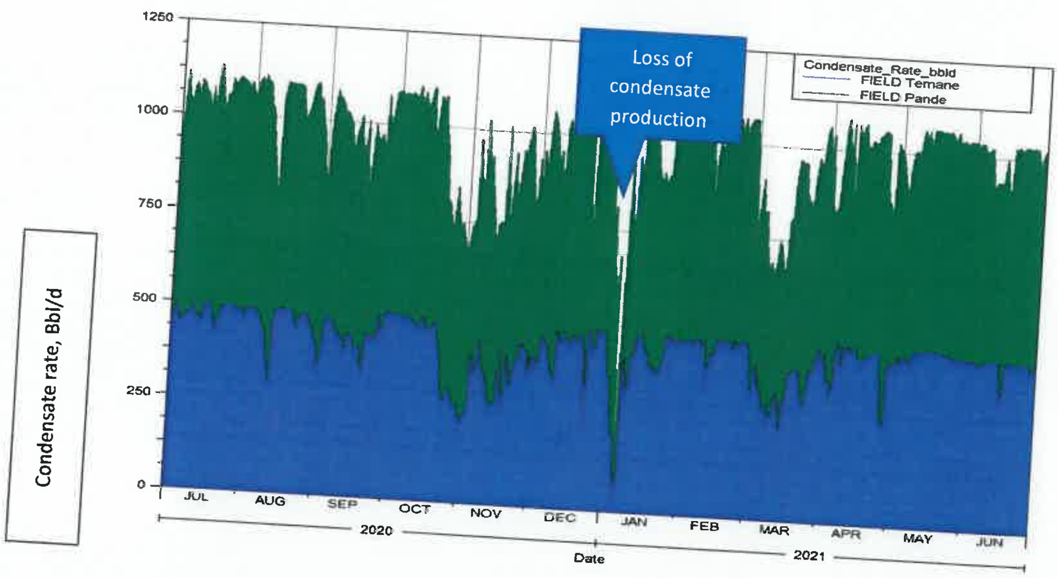
2.4.1 Operations on the Gas Field

Charts below visualize the average daily Gas and Condensate production profile for FY21

Pande G6 and Temane G9, average daily Gas Production rate from 1 July 2020 to 30 June 2021



Pande G6 and Temane G9, average daily condensate Production rate from 1 July 2020 to 30 June 2021



- Average gas production from the PPA assets in FY21 was 479 MMscf/d (Million standard cubic feet per day) which is 2% higher than the previous year (FY20). There was an increase by 8 MMscf/d with an average contribution ratio of 22% and 78% for Temane and Pande fields, respectively.
- Total average condensate production in FY21 was 770 Bbl /d (Barrel per day) which is 6% lower than the previous year.
- Condensate production decreased by 46 Bbl/d compared to the same period of FY20, due to condensate gas ratio (CGR) that 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 6th and 7th January 2021, there were losses of gas production, due to CPF unexpected shutdown caused by the operation issues in the plant.

Reservoir surveillance and Production & field Performance

As mentioned in our previous reports, most of Pande and Temane wells are still experiencing integrity issues and there was a need to undertake drilling activities in this FY21 on some of the wells as stated below. Under reservoir surveillance activities and production & field performance, the following operation has been done, namely:

- Removal of the fragments of the safety valve *(flapper Valve)* which was broken inside the well during the upper well completion operation. This operation had a positive result by reducing a pressure drop of about 15psi. The performance of Pande-27 well has been improved, with an increase in production of about 2MMscf/d.
- 10 producer's wells were producing under concession, 6 wells were shut in and suspended for long term due to well integrity issues, low productivity and water encroachment.
- 2 producer wells were plug and abandoned (P&A). T-14 was completed in February 2020, followed by T-9 which was not completed its P&A due to the suspension of the drilling operations as a result of a negative impact of Covid-19.

- Static Gradient Survey (SGS) and Flow After Flow Build Up (FAF-BU) were completed in 3 out of 5 flowing wells (T-03, T-07 and T-10). P-27 and T-06 are pending its interventions to offset nominations when the other wells were offline.
- T-03: Nitrogen pressure test has been conducted between 15 to 17 June 2021 to investigate a suspected leak of the production tubing.
- SGS were completed for suspended wells: T-04, T-11, T-13, AD1 and T-15,
- SONAR metering Survey for V-cone verification was conducted in all Pande and Temane flowing wells.
- Temane-23 is a condensate reinjection well. Emergency disposal of condensate rarely occurs, the most reason occurred such re-injection was due to political instability which prevented transport of the condensate to Beira or Maputo, this has occurred in 2013 and 2014.

In November 2019, following an investigation of risk, the operation of the Temane-23 condensate reinjection well was suspended due to operational issues, and this led to conducting some studies in order to find alternative solutions for condensate re-injection as stated below:

Licenced Environmental company was awarded a contract to conduct the environmental suitability of two emergency condensate disposal options which are: flaring and proposal of new reinjection well, the outcome of the study conducted indicated that a ground flare was the preferred alternative to reinjection that was selected, amongst others, based on a cost, SHE, ease of implementation and operation point of view.

Flaring will only take place in case of plant upsets and raw un-stabilized condensate cannot be evacuated from the CPF and will not be a continuous operation. The Project's FID (Final Investment Decision) is expected to be April 2022.

As per the above, only 72% of PPA wells production were online and 28% 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. The mitigation plan for FY21 Drilling campaign was delayed due to COVID 19 pandemic.

Still under the reporting period, 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 FY22, FY23 and FY25.

Well Integrity Restoration Project and Drilling Campaign (MERIC)

The drilling activities under MERIC project (Mozambique Exploration Remediation and Infill Campaign) planned for FY20 on some wells were suspended on 16 March 2020 due to Covid 19 restrictions. The expectation is to restart operations in August 2021.

The aim of the Well Integrity Restoration project is to repair certain production wells via workover and to permanently abandon (P&A) other production wells that cannot be worked over and safely restored to production. The Summary of the operation under MERIC are as follows:

- T-9, P&A commenced on 21st February 2020 and rig operations have been suspended on 15th March 2020 due to COVID-19 travel restrictions; The original P&A plan for the well was revised, the rig and well control equipment has been suspended for up to 8 months which means that the restart will require unconventional and challenging fishing operations due to significant uncertainty on down hole condition. However, this operation will require additional costs for the PPA partners. Resume Rig operations on T-9 was assumed to take place on August 2021 (FY22)
- In terms of workover operations, civil works on P-19 and P-15 well pads were 60% complete at time of suspension. The workover operation plan for these wells is expected to take place in September and November 2021, (FY22).
- During the period under review, a risk assessment has been done regarding the workover on well P-15, taking into account that this well are shares common gas flow line with the wells P-20 and P-27, which has showed a challenge in terms of gas supply obligations. However, mitigation measures will be taken to avoid negative impacts on gas production.

Other PPA MERIC project to improve recovery of existing reserves and assist in meeting the PPA Contractual obligations of the GSA's includes a plan to drill 5 new infill-wells (Tranche 1 and tranche 2) as described below:

- PPA Infills Tranche -1 – Consists in drilling 2 new wells in Pande G6, whereby Pande 27 has been drilled already in 2018 and infill Y is expected to be drilled in November 2021 (FY22).
- PPA Infills Tranche-2 - Consists in drilling 3 new wells in Pande-G6 (La, Lb and Lc), the work progress is as follows: well pad and road partially constructed, Manifold tie in has been successfully completed, flow line has arrived and fully inspected at Pande Camp. These wells are expected to be drilled from January 2022. (FY22).

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 January 6&7 2021, the GTG units A, B and C (Gas Turbine Generators) experienced a trip in all three generators at a time, caused by loss of fuel gas pressure and closure of fuel gas control valves resulting in the complete loss of the electrical power (Power blackout) and consequently loss of production. A root cause analysis (RCA) has been conducted and it was identified that there was simultaneous failure of the fuel gas supply pressure control valves (86-PV-006 and 86-PV-006B) common line to the running generators units A, B and C at the time due to water ingress through positioners. In addition to that, there was a delay start-up of the High-Pressure Compressors unit 60s caused by unavailability of Manpower to operate manual valves for pressure equalization due to covid-19 infections which also contributed for loss of production. Recommendations from the RCA indicated that the long-term solutions are being assessed to prevent the reoccurrence of similar event or incident.
- On unit 69 Daniel Metering station, during the 4 & 5 May 2021 has experienced problems on Gas chromatograph which affected gas accuracy figures and consequently were reported wrong production volumes. After exported energy was manually calculated and

were observed that the actual production amounts were lower than the reported figures. The production team corrected the failure.

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

- Annual planned plant shutdown was re-scheduled from the previous maintenance period of March 6 & 7 to October 1,2 & 3, 2021 due to restrictions imposed by the covid-19 pandemic, such as, unavailability of key spares as well as the mobilization of external contractors to the CPF.
- The unit 32 (Low Pressure Compressor) is back in operation after long delays due to travel restrictions. The Solar engineer was finally mobilized to site, the secondary seal was installed and the unit was commissioned successfully.
- Unit 52 (Dew point correction) tripped due to indication of low lube oil level. After investigations, it was found a leak on the impulse line to the motor. The maintenance team has solved the problem and the unit is back in operation.
- Unit 64 (High Pressure Compressor) has been experienced several trips on high discharge temperature. The maintenance team is still investigating the problem. However, the unit was put back in operation as a result of unit 61 long period unavailability which has been offline due to engine vibration.

2.4.3 Sustainment and *plateau* extension Projects

2.4.3.1 Plateau Extension and 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 approvals in Q3 2021 (CY) and a CPF test run has been conducted successfully in January to establish the current baseline performance on the plant.

- The option selection criteria have been completed and economic evaluation is in progress to 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.

All procedures and work instructions demonstrate initiatives aimed to achieve continuous improvement in environmental performance in line with the CPF's ISO 4001:2015 certified Environmental Management System.

Malaria incidence is increasing or decreasing in line with seasonal variation. There were 23 malaria cases during the reported period at the CPF clinic, from SPT employees and service providers. 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.

The first COVID 19 case was reported at CPF on 23 December 2020. Further to the cases reported in December and all the contacted tested, the mass testing has been conducted, the business migrated to a rotational system of 3 weeks in and 3 weeks out and the precondition to get into the site was to present a negative test.

Covid-19 PCR testing facility was installed at CPF and commissioned with license approved by the Ministry of Health. The covid-19 vaccines were acquired and inoculation proceeded,

The summary of reported above for the CPF and Nhamacunda during the reporting period is as follows: 1 active case, 125 recovered cases and 0 deaths case.

i. Environmental Monitoring

The JO complies with the environmental management requirements as stipulated in the Operations Environmental Plan (OEMP). The monitoring plans for this reporting period were impacted by the covid-19 restriction as well as the declared state of emergency in Mozambique and lock down in South Africa which restricted the people movement across the world and most of accredited laboratories were shut in, therefore, SPT was unable to undertake third party monitoring scopes.

I. Ground Water Monitoring

Sampling was conducted at CPF in December 2020. The results of this water surveillance are largely consistent with those recorded in previous years, indicating that many parameters remained steady over time and there is no evidence of recent or significant contamination attributed to the SPT operations. The reoccurrence in exceedances on Chloride and Sodium in some boreholes can be attributed to natural geological changes affecting the aquifer. No deviations and concerns were observed in surface water source points and with Petroleum related pollutants in both surface and ground water.

II. Soil Monitoring

In overall, the activities on site have not been impacted negatively on the soil quality. The results from soil samples collected inside and outside CPF is as follows:

- The PH indicated that the soils was moderately alkaline.
- The Soil Electrical Conductivity measurement indicated that the soils were slightly saline and were good for microbiological activities and growth of crops.
- Chloride was not detected in any of the samples submitted to the laboratory.
- The results showed that the concentration of nutrients and heavy metals for FY21 when compared to the concentrations obtained in FY20 soil monitoring campaign were similar.
- The results of soil sampling performed at Sasol Temane site indicated that the near surface soils are largely free of contamination of organics.

2.5.1 Pande 4 well remediation project

The aims of this project are to assess the appropriate remediation action for the Pande 4 which comprises in 3 components :

i. Surface soil, water and gas monitoring;
ii. Subsurface monitoring; and
iii. Surface Containment.

i. Surface soil, water and gas monitoring

As part of the Pande-4 remediation project, environmental monitoring has been continuously conducted with the aim to build a baseline of environmental data and understand the behaviour of gas, soil, water, ambient air and Hydrocarbon trends over the time. The surface water, soil and gas sampling monitoring take place in a 6 months basis. Geo Pollution Technologies (GPT) completed sampling round in December 2020, this included more sampling points at Pande 4 crater. Results for the monitoring rounds received from GPT main observations indicated Lower Explosive Limit (LEL) reading remained zero in ambient air which means that there is no risk of ignition. None of the inorganic compounds exceeded its screening limit for the samples collected from the community water supply boreholes, which means that there is no evidence of soil contamination that may affect agricultural activities and neither contamination of ground water sources.

ii. **Subsurface monitoring**

The additional subsurface 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 influx. Internal approval for execution of phase-1 (scope of the additional subsurface monitoring program) has been obtained and Ramboll firm was appointed for such execution of that monitoring program,

In January 2021 took place the technical workshop with Ramboll to firm up the phase-1 scope. The progress are as follows:

- Ramboll has completed the review and interpretation of the historical data including 3D seismic data and;

- Completed satellite gas detection of gas over the Pande area.

iii. Pande-4 containment facilities

Decision on the further development on the Containment facilities has been deferred to after the completion of the subsurface monitoring phase-1 scope.

2.5.2 Audits

During the reporting period, internal and external audits have been conducted against the safety, health and environmental management system at the CPF, namely:

- The audit on compliance with standards and other requirements on SHEQ (safety, health, environment and quality) and evaluation of the effectiveness of the management system were conducted from 23rd to 27th of November 2020 by the DQS auditing firm.
- The Second party SHEQ legal audit took place virtually, fewer minor findings were raised, and some opportunities for improvement were identified.
- The Governmental audit was conducted from 8th to 11th December 2020 which was a combined audit with auditors from INP and AQUA firm. The objective of the audit was to verify compliance with the Mozambique Petroleum Regulation and no findings were identified;
- DQS recertification audit report has been received in April 2021. As per the report the overall evaluation of SPT Management System is now effective and fulfils the requirements of the three audited standards ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 and the audit team recommended to the firm, the issuance of the certificates.

2.6 Legal and Commercial Matters

During this year, the JO Partners and Sasol Gas signed the 9th and 7th Amendments to the GSA 1&2, respectively, for supplying excess gas commencing 1st July 2020 with effect until 30th June 2021, seeking to ensure that the JO Partners will not be liable for any shortfall gas liability during the first four years of the reserve deficit.

Considering that the Liquid Hydrocarbon Agreement signed in July 2019 expires on 30 June 2021, the JO Partners started a tender process for selecting an off-taker of the PPA condensate. Unfortunately, the tender was cancelled due to operational safety and mitigation of risk at the CPF and an Amendment to the existing Liquid Hydrocarbon Sales Agreement (LHSA) was signed among the JO Partners and Petromoc, extending the LHSA for 12 months, from 1st July 2021 to 30th June 2022.

With respect to the Buyer Security issued in 2018 by Sasol Gas in terms of the GSA1&2, valid until the end of the referred Contracts (Evergreen Guarantee), the JO Partners and the Buyer have been reviewing such Buyer Security with the aim of adjusting its terms to the GSA1 &2. Presently, the JO Partners are waiting for the Buyer's feedback regarding the proposed changes.

Regarding the Force Majeure (FM) notification issued by the Sellers (SPT, CMH and IFC) and the Buyer (Sasol Gas) due to the COVID-19 situation, it remained in force during the reported year and will remain in force while the State of Public Disaster and Red Alert in Mozambique and the Lockdown in South Africa continue as a response to COVID 19 pandemic in both countries.

Relatively to the Gas Sales Agreement with ENH 2MGJ suspended in 2017, ENH indicated that it continues to seek an off-taker for the 2MGJ allocated to them by the Government, but nothing has materialised up to date. Thus, the resumption of the consumption of such gas waits for action from ENH and for Government approval. Nevertheless, considering that the contract is still in force, for FY21 ENH incurred in take or pay penalties.

During this period, ENH-KOGAS notified the Operator requesting a force majeure due to the demand reduction in off-take, related to Central Térmica de Temane issues, such request was not accepted.

SPM has requested a series of commercial agreements to enable integration of the PSA processing facility with the CPF, under the legal regime of giving third party access as per the Petroleum Law and its Regulation and in this regard, the following agreements were signed: (i) the Short-Term Oil and Condensate Processing and Storage Agreement, (ii) the

Construction, Tie-In and Services Agreement, (iii) the Long-Term Light Oil and Condensate Storage Agreement, (iv) Short Term Gas Storage and Processing Agreement and (v) it was approved the Long-Term Gas Processing Agreement. The Ministry that oversees the petroleum sector approved the tariffs methodology to be applied across the abovementioned agreements.

During the reported period, SPT and Marriot amended the Drilling Contract aiming to agree that the declared FM under the Covid 19 scenario would remain in place until notification by SPT and during this period the Agreement was considered suspended and a special rate was apply regardless as to whether there is FM or Suspension. The Marriot 46 rig resumed drilling campaign on 07 August 2021.

In relation to the reserves deficit solutions and following the GSA1 and 2 Amendments under the PIC in 2018, initially the Sellers had to issue an Additional Delivery Facilities Reserves Report (ADF Report) up to 5 September 2019; however, at Buyer's request the submission of the ADF Report was postponed to 30 June 2020. Nevertheless, with the reassessment of the reserves deficit solutions which resulted in cancellation of the PIC Project, it was replaced by PEDOP Project; consequently the Sellers were not able to deliver, on the agreed date, the ADF Report as per the GSAs 1 and 2. Therefore, SPT has negotiated with the Buyer a further extension of the deadline to deliver the ADF Report, while new Amendments to the GSAs 1 and 2 were being negotiated (10th and 8th Amendment respectively), to formalise and materialise the PEDOP Project as a solution to mitigate the reserves deficit declared in 2018. In this regard, a letter was sent to the Buyer who accepted an extension until 31 March 2021. Taking into account that the negotiation of the said Amendments is not yet concluded, the extension for submitting the ADF Report was successively requested by the JO Partners and approved by Sasol Gas until 31 May 2021, then until 31 July 2021 and lastly until 31 October 2021 or when the GSA 1 and 2 Amendments are concluded and executed by the Parties, whichever comes first.

During the reported year, the JO Partners have reviewed the 10th and 8th Amendment to GSA1&2 respectively, being the outstanding matters the reimbursement by the Buyer of all costs incurred or to be incurred by the Seller for the installation of Additional Delivery

Facilities as part of the Reserves Deficit solution, as well as the amount of the PIC development cost to be recovered from the Buyer.

Due to reserves deficit situation, questions about the priority right were raised. Thus and after alignment on the contractual interpretation of the existing GSAs, the parties to the GSA1&2 accepted that from the PPA License perspective, and in light of the PPA JO commitment to supply the domestic market, the priority rights based on the PPA License should be sequenced as GSA3 – GSA 1 – GSA2 not as agreed in the GSAs to be GSA1 - GSA3 – GSA2. A letter was issued to Sasol Gas articulating the Sellers' position on this matter.

2.6.1. Material changes in legislation

Following the end of the State of Emergency (SoE) declared on 30th March 2020, it was declared the State of Public Disaster and Red Alert (SPD), in August 2020 which sets forth the pandemic COVID 19 response measures and its termination are dependent on the evolution of the pandemic and the level of alert.

During this period, the Petroleum Facilities and Operations Regulations were enacted by Decree number 84/2020, of September 18, which establishes the rules and procedures for the licensing of the construction, installation, modification, substitution, operation, and demobilization of petroleum facilities.

2.6.2. Litigation

During this period, regarding the Sand Miner the General Inspectorate of Mineral Resources and Energy (IGREME) detected that the owner of the Sand Miner was operating outside of the limits of its license, thus suspended the Sand Miner activities. Following the suspension of the activities of the Sand Miner, the Operator requested the cancellation of the case in the Court. Presently, the Operator is waiting for the Court's answer on its request.

Concerning the Vilankulo Municipality claim on Real Estate Tax (IPRA) on the Nhamacunda House Complex, the Operator agreed to pay the IPRA.

Regarding the Tax Ruling, the Tribunal Fiscal da Cidade de Maputo issued a decision invaliding the Tax Ruling Opinion issued by the Mozambique Tax Authority in favor of the operator, SPT appealed and no response has been received, during the reported year.

Following the measures imposed by the Government of Mozambique due to COVID 19 in March 2020, CPF Management implemented a rotation system. SPT Employees requested payment of standby allowance as they believed to be in a standby regime under SPT's 2017 Overtime and Standby Policy. Discussions were held with internal union representatives and employees, without success. On 20 April 2021, a notification from the Labour Court was issued where by in a lawsuit the employees are claiming compensation for work performed. Notwithstanding, extra-judicial negotiations took place but without success so far.

2.7 Corporate Social Responsibility

CMH and its partners in the Consortium continued to honor its commitment to generate sustainable economic and social growth in the communities living around Pande and Temane where operations take place.

For the year ended 30 June 2021, expenses related to social investment amounted to USD 2 542 714, which is 45% below budget; mainly due to non-implementation of the Inhassoro Water System project.

During the period, the following activities should be highlighted:

In the context of emergency relief, support was provided in some communities of the Central Provinces of Mozambique mostly affected by the Cyclone Idai and Eloise. Implemented actions include the rehabilitation and acquisition of desks for four primary schools namely: 12 de Outubro in Beira, Palmeiras in Inhassoro, Chitsecane and Mananisse in Govuro; installation of a water hand pump at Matasse in Govuro; and rehabilitation of three health care centres in Govuro and Inhassoro.

With regards to Inhassoro´s water system, reviewing and update of the project was completed and contract for its execution was signed. Implementation is expected to take place within next financial year.

As for the LDAs (Local Development Agreements), the following progresses were achieved according to strategic areas:

- Water and Sanitation: In Govuro a total of 14 out of 17 hand pumps and 4 water systems were repaired and in Inhassoro 9 out of 34 hand water pumps and 4 water systems were repaired.
- Economic Development: this strategic area is divided in value chain development, entrepreneurship and employment linkages for Inhassoro Training Center Graduates. For value chain development, business opportunities of pineapple production, crafts, cashew nut and honey and horticulture were evaluated and are currently in design phase; meanwhile egg production was further implemented and selection and training of 45 beneficiaries has been completed and preparation for approval and financing of a complementary project to enable construction of chicken coops and sourcing of inputs is ongoing. For Entrepreneurship, assessment of potential businesses was finalized and selection of beneficiaries is underway as it is expected that a total of 500 beneficiaries will be selected, among women and youth. For employment linkages, short term technical courses (mechanical and industrial eletricity) were delivered to 42 Inhassoro Training Center graduates.
- Electricity: contract with the implementing entity was finalized and the technology for provision of renewable energy to Inhassoro and Govuro communities was identified.
- Standalone LDA projects: under Govuro's urban planning project, nine community maps and land planning equipment were handed over to the District authorities.
- Small-scale LDA projects: the construction of a football field in Cachane and a market in Colonga had significant progress and is at the final stage. The main building of the market including the toilets, the water tower and the fence have all been completed except the borehole. As for the football field, the site has been cleared and leveled and materials have been mobilized.
- Baseline survey: focus group discussion was finalized and the first draft for the resulting M&E plan is under review. The first draft of the final document is expected to be presented to partners in August 2021.

3. CMH Activities

3.1 Legal Activities

According to the Joint Operating Agreement Accounting Procedures, CMH and IFC audited the Joint Account and SPT records for a period from 1st July 2018 to 30th June 2019. In this sense, it was signed an audit agreement between CMH and Ernest & Young, for the undertaking of a financial audit, to the Joint Accounts, to reconcile the revenues and expenditures incurred during the referred period. Parallelly, it was signed a letter agreement between CMH and IFC which establishes that the total audit service cost will be shared porportionaly by IFC and CMH. The final report was shared with SPT.

During this period, CMH has been in the process of reviewing the Internal Regulation, the Staff and Professional Career Qualifier and the Remuneration Regulation, as well as elaborating a proposal of CMH Health Regulation. The process is currently suspended for further alignment with the legal instruments of the parent company (ENH).

3.1.1. Litigation

During this period there was no litigation.

3.2 CMH at Stock Exchange market

During this year, there was a positive variation of CMH shares price from 2 750,00 to 3 500,00 Meticais. It should be noted that the CMH share price reached 4 600 Meticais in December 2020. On 30 June 2021, CMH had 1 334 shareholders, comprising of 1 332 class C shareholders, one class A shareholder (the State) and one class B shareholder (ENH).

3.3 Human Resources

At the end of June 2021, CMH had a total of 22 employees, of which 20 held a university degree. There were no new permanent hires during the period.

In terms of appointments, Mr Joaquim Veríssimo was appointed as the CMH's Chief Executive Officer as from the 8th of July 2020 for a mandate of four years.

CMH continues to empower its staff through continuous professional training. In terms of professional training, we continue to pay close attention to the needs of our employees. Due to the Covid-19 pandemic, in person lectures actions were suspended and replaced by virtual ones.

In order to follow up the activities at the Central Processing Facility in Pande and Temane, in September 2020 the Chairman, a Board of Director member, the CEO and the Technical Manager visited the Central Processing Plant at Temane.

From the 19th to the 30th of October 2020 a technician assigned to the Contract Management Department participated in a virtual course called Contract Administration. From 23 to 27 November 2020, the virtual Leadership & People Management Skills course took place, with the participation of the Director of Contract Management at CMH. However, from 30 November to 4 December, four technical staff participated in the virtual Petroleum Project and Program Management Essentials course, offered by Petroskills.

The mid-financial year physical inventory count scheduled to 29th December 2020, pursuant to JOA, took place without CMH participation due to the Covid19 situation, but not in the initial scheduled date due to positive cases of Covid19 infection at CPF, which imposed site access restrictions.

During the reported period, CMH was also invited by SPT, as Operator, to take part in the annual assets inventories count at the Central Processing Facility, pursuant to JOA. In light of this, CMH's technical team attended the annual inventory on 16th June 2021.

As from 01 August 2020, the medical aid to staff members is now been provided through a health insurance scheme.

In compliance with the Sanitary Protocol under the Public Calamity decreed by the Government, CMH has been taking a series of actions to raise awareness among employees regarding the use of adequate means to prevent the Covid-19 pandemic, namely/for example:

- Work from home policy whenever it was possible, adapting the rotation regime in order to promote social distance with special protection at risk of contagion by Covid-19, namely those with respiratory diseases, pregnant and lactating women;
- Frequent disinfection of office building.
- A COVID-19 management commission has been established at CMH in order to offer couseling to management, monitor implementation and ensure all approved measures against COVID-19 are being strictly followed.
- Moral and psychological support for workers tested positive.

Until the month of June 2021, three workers tested positive for COVID-19, complied with the sanitary protocol and recovered.

3.4 Corporate Social Responsibility

Within the scope of its social responsibility, CMH continues to support the implementation of social projects to benefit local communities in Mozambique.

For the year ended 30 June 2021, a total of USD 660 123 was disbursed in the scope of social responsibility.

Within the period, the following activities should be highlighted:

- Construction of classrooms, administrative block, lavatories, water supply system including a borehole as well as electrification of Magunze Primary school, Province of Gaza were financed. Works are currently in the conclusion phase and inauguration is expected to take place in the next financial year 2022.
- Regarding cabbage and piri-piri cultivation project in Marracuene, Province of Maputo, the following activities were carried out: installation of a borehole with submersible pump, soil preparation, acquisition, mounting of two water reservoirs as well as installation of a drip irrigation system. Implantation of saplings and soil fertilization are the remaining activites for project to be completed.

- Construction works of Metangula water supply system were finalized, however inauguration awaits electrification of the village to be concluded in order to perform function test.
- The 5th phase of natural gas distribution network expansion in the north of Inhambane reached its final stage, with 447 connections having been made and 30.2 km of network built, including installation of pre-paid meters and protection boxes. Inauguration of the project is expected to take place next financial year.
- In the context of emergency relief, Covid-19 prevention materials (such as surgical masks, gloves and alcohol) were delivered and donation of various food products was made to Cabo Delgado Province together with an ENH and other affiliates in response to the humanitarian crisis situation resulting from the insurgents. In addition, CMH employees also donated resources in solidarity to the victims in Cabo Delgado.
- In the scope of sponsorships, CMH financed the following initiatives: 2020 edition of Ngoma Mozambique, publication of a literary and publication of 2 annual brochures on the achievements of the Government of Mozambique, inauguration ceremony of the National Television´s new studios in the Province of Gaza, production and exhibition of editions of a television program and participation of Mozambique in the Tokyo 2020 Olympic Games.
- Internally, actions were carried out to engage employees during Mozambican Women's Day, International Workers' Day, Children's Day. As part of charity actions, donations of foodstuff were made to Infulene Psychiatric Hospital and Casa Mateus 25 during festive season.

3.5 Holding company and ultimate holding entity

CMH is controlled by Empresa Nacional de Hidrocarbonetos, E.P (ENH) public company which holds 70% of the company's shares (Class B), 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) and the remaining 10% of the shares (Class C) are held by Mozambican private entities.

3.6 General Assembly

On September 29th, 2020, an Ordinary General Assembly took place in which the following matters were approved:

- The Financial Statement for the year ended 30 June 2020;
- The distribution of 75% of profit and 25% of profit for accrue;
- A new Chairman of the Board of Directors and one Director were appointed in replacement of the previous ones; and
- The election of a new President of the Fiscal Council and of the 2nd Voters as well as the re-election of the 1st Voter.

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 2021.

3.8 Financial and Economic ratios

Ratios	2021	2020
Liquidity Ratio		
Current Ratio	15.73	10.64
Return on Equity	0.06	0.12
Return on Assets	0.04	0.07

3.9 Short term investment

3.9.1 Off-shore Accounts

During this financial year, CMH continued to invest its reserves on short term fixed deposits for six months in Standard Bank South Africa where two investments were placed and reasonable interest were earned.

3.9.2 On-shore Accounts

In order to earn reasonable interest on the on-shore current accounts, CMH invested on short term fixed deposits in ABSA Mozambique and First National Bank Mozambique.

In March 2021, the current account remuneration interest rate was renegotiated with ABSA Mozambique and First National Bank Mozambique for a period of 12 months.

3.10 Changes in accounting policies

There was no change in accounting policies during the year.

3.11 Dividends Paid and Declared

On 29 September 2020, an Ordinary General Assembly took place in which the CMH Shareholders approved the distribution of 75% the profits. CMH paid a total amount of USD 18 578 217 of dividends to its shareholders, being USD 11 181 425 on 27 October 2020 and USD 7 396 792 on 13 April 2021. These dividends were related to FY20.

	Declared dividends			Dividends paid			
Financial Year	General Assembly date	% dividends on profit	Total declared dividends	Date of payment	Amount paid	Date of payment per FY	Balance
FY06 - FY19			194,778,017		145,471,294	145,471,294	
FY20	29-Sep-20	75%	18,578,217		49,306,723	49,306,723	
FY21				27-Oct-20	11,181,426		
				13-Apr-21	7,396,791	18,578,217	
Total			213,356,234		213,356,234	213,356,234	-

4. Subsequent Events

Subsequent to 30 June 2021 to the date of reporting, there are no significant events that have occurred which might need disclosure or adjustment in the financial statements.

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 2021, 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 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 2021 and are signed on their behalf by:

Maputo, 27 August 2021

Arsénio Mabote
Chairman

V. 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 45 to 90, which comprise the statement of financial position as at 30 June 2021, 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 2021, 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 applicable to performing 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.

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	*How the matter was addressed in our audit*
The Company's exploration and evaluation assets and central processing facility (CPF) constitute a significant portion of property, plant and equipment being USD 126 million of the total property, plant and equipment balance of USD 169 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 and future interest rates.	The audit procedures we performed included the following: • We evaluated management's analysis of the possible internal and external impairment indicators for reasonableness. • We evaluated the design, implementation and operating effectiveness of internal controls applied by management to ensure that its impairment assessments were appropriately performed and reviewed. • We used the work of management's internal and external mineral reserve estimates expert in assessing the remaining mineral reserves. • We assessed the competence, objectivity and independence of the management's expert. • We challenged assumptions made by management's experts and assessed the adequacy of the work performed, considering the extent of management's influence over them and evaluating their professional qualifications and experience. • We tested the reasonableness of oil and gas prices by checking against independent sources. We also assessed the appropriateness of the discount rate applied in terms of the prevailing and future interest rates against independent

sources.

- We compared previous budgets to actual results to assess the accuracy of the budgeting process. We also assessed the current year budgets and inputs for reasonability.
- 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 considered the adequacy of 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 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	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 evaluated the design, implementation and operating effectiveness of internal controls applied by management to ensure that the provision is appropriately calculated and reviewed.

restoration and rehabilitation activity against which to benchmark estimates of future costs, and changes in local laws and regulations. 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.

- We used the work of management's internal and external experts in assessing the site closure and rehabilitation provision. We assessed the competence, objectivity and independence of management's experts.
  - We challenged assumptions made by management's experts and assessed the adequacy of the work performed, 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.

Other Information

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and 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
1 September 2021

VI. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

(Amounts in USD)	Note	2021	2020
Revenue	6	65 392 787	87 413 956
Other income		37 025	99 058
Cost of sales	7	(39 777 650)	(40 248 338)
Gross profit		25 652 162	47 264 676
Administrative costs	7.1	(6 754 795)	(7 904 680)
		18 897 367	39 359 996
Net finance cost	8	(653 832)	(1 326 803)
Finance income		3 299 050	3 743 235
Finance cost		(3 952 882)	(5 070 038)
Profit before tax		18 243 535	38 033 193
Income tax expense	9	(6 426 277)	(12 697 960)
Profit for the year		**11 817 258**	**25 335 233**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit liability, net of tax	23(b)	(406 331)	(564 278)
Total comprehensive income		**11 410 927**	**24 770 955**
Earnings per share			
Basic earnings per share	10.1	1.99	4.27
Diluted earnings per share	10.1	1.99	4.27

VII. STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

(Amounts in USD)	Note	2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment	11	168 530 472	202 498 386
Intangible assets	12	5 192 826	5 842 562
Net defined benefit assets	23	444 488	826 264
Non-current assets		174 167 786	209 167 212
Current assets			
Inventories	13	990 332	931 135
Trade and other receivables	14	10 264 787	10 030 235
Current income tax receivable	9.4	3 298 784	-
Cash and cash equivalents	15	132 215 938	134 037 852
Current assets		146 769 841	144 999 222
Total assets		**320 937 627**	**354 166 434**
EQUITY			
Share capital	16	25 286 649	25 286 649
Legal reserves	17	5 057 330	5 057 330
Investment reserve	18	14 296 822	14 296 822
Retained earnings		158 899 796	166 067 086
Total equity		**203 540 597**	**210 707 887**
LIABILITIES			
Non-current liabilities			
Provisions	19	62 764 546	77 841 689
Other payables	20	41 802	71 245
Deferred tax liability	9.3	45 261 002	51 914 402
Non-current liabilities		108 067 350	129 827 336
Current liabilities			
Provisions	19	3 012 287	952 608
Trade and other payables	20	6 292 346	4 589 551
Intercompany payable	21	25 047	11 389
Current income tax liability	9.4	-	8 077 663
Current liabilities		9 329 680	13 631 211
Total liabilities		**117 397 030**	**143 458 547**
Total equity and liabilities		**320 937 627**	**354 166 434**

VIII. STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

(Amount in USD)	Share capital	Legal Reserves	Investment Reserves	Retained earnings	Total Equity
Balance at 1 July 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 declared	-	-	-	(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**
Profit for the year	-	-	-	11 817 258	11 817 258
Other comprehensive income for the year	-	-	-	(406 331)	(406 331)
Transactions with owners of the company					
Dividends declared	-	-	-	(18 578 217)	(18 578 217)
Balance at 30 June 2021	**25 286 649**	**5 057 330**	**14 296 822**	**158 899 796**	**203 540 597**

IX. STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

(Amounts in USD)	Note	2021	2020
Cash flows from operating activities			
Profit		11 817 258	25 335 233
Adjustments for:			
Depreciation and amortisation	7	25 816 850	25 812 950
Unrealised foreign exchange differences		(407 099)	527 462
Interest income	8	(1 145 453)	(3 368 295)
Interest expense	8	1 748 493	2 803 498
Income tax expense	9	6 426 277	12 697 960
		44 256 326	63 808 808
Changes in:			
Intercompany payable		13 658	(1 009)
Trade and other receivables		(234 552)	(4 500 687)
Inventories		(59 197)	10 755
Trade and other payables		1 702 795	415 243
Cash generated from operations		45 679 030	59 733 110
Income tax paid	9	(24 456 124)	(21 131 816)
Employee benefit paid		381 776	(382 094)
Net cash generated from operating activities		21 604 682	38 219 200
Cash flows from investing activities			
Interest received (a)	8	1 145 453	3 333 794
Acquisition of property, plant and equipment	11	(5 965 137)	(20 179 068)
Net cash used in investing activities		(4 819 684)	(16 845 274)
Cash flows from financing activities			
Repayment of borrowings		-	(4 562 655)
Dividends paid		(18 578 217)	(49 306 723)
Interest paid		(6 040)	(731 676)
Net cash used in financing activities		(18 584 257)	(54 601 054)
Net decrease in cash and cash equivalents		(1 799 259)	(33 227 128)
Cash and cash equivalents at the beginning of the year		134 037 852	167 364 010
Effects of movements in exchange rate on cash held		(22 655)	(99 030)
Cash and cash equivalents at the end of the year	15	**132 215 938**	**134 037 852**

(a) It was incorrectly presented as a financing activity in the prior year financial statements and should have been classified as an investing activity.

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

At the date of approval of the financial statements of Companhia Moçambicana de Hidrocarbonetos, SA for the year ended 30 June 2021, the following are the Standards and Interpretations relevant to the company which were in issue but not yet effective:

Reference	Name	Issuance date	Effective date
IAS 37 amendment	*Onerous Contracts: Cost of Fulfilling a Contract*	May 2020	1 January 2022
IFRS 1, IFRS 9, IFRS 16 and IAS 41 amendments	*Annual Improvements to IFRS Standards (2018 – 2020)*	May 2020	1 January 2022
IAS 16 amendment	*Property, Plant and Equipment: Proceeds before Intended Use*	May 2020	1 January 2022
IFRS 3 amendment	*Reference to the Conceptual Framework*	May 2020	1 January 2022
IAS 1 amendment	*Classification of liabilities as current or non-current*	January 2020	1 January 2023
IAS 8 amendment	*Definition of Accounting Estimates*	February 2021	1 January 2023
IAS 1 and IFRS Practice Statement 2 amendment	*Disclosure Initiative: Accounting Policies*	February 2021	1 January 2023
IAS 12 amendment	*Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*	May 2021	1 January 2023
IFRS 10 and IAS 28 amendment[1]	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	September 2014	Deferred indefinitely by amendments made in December 2015

All relevant Standards and Interpretations will be adopted at their effective date. Following is the summary of relevant standards and their expected financial impact on the company;

Onerous Contracts: Cost of Fulfilling a Contract (Amendments to IAS 37)

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, issued by the International Accounting Standards Board, clarify that the 'costs of fulfilling a contract' when assessing whether a contract is onerous comprise both:

- the incremental costs – e.g. direct labour and materials; and
- an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments should be recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives should not be restated. Earlier application is permitted. No significant impact is expected in the financial statements of the company due to application of these amendments as there are no such contracts.

Annual Improvements to IFRS Standards 2018-2020

IFRS 1 First-time Adoption of International Financial Reporting Standards	The amendment permits a subsidiary (as a first-time adopter of IFRS that applies IFRS later than its parent) that applies IFRS 1.D16(a) to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
IFRS 9 Financial Instruments	The amendment clarifies that for the purpose of performing the "10 per cent test" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
IFRS 16 Leases	The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 with earlier application permitted. No significant impact is expected in the financial statements of the company due to application of these amendments as there are no significant leases. Rest relates to disclosures.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Proceeds from selling items before the related item of property, plant and equipment is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs.

Companies will therefore need to distinguish between:

- costs associated with producing and selling items before the item of property, plant and equipment is available for use; and
- costs associated with making the item of property, plant and equipment available for its intended use.

Making this allocation of costs may require significant estimation and judgement.

The amendments apply for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments. No significant impact is expected in the financial statements of the company.

Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendment has:

- updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
- added to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination and
- added to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendment is effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier. No significant impact is expected in the financial statements of the company as there are no such business combinations planned.

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 in the financial statements of the company as there are no such liabilities.

Definition of accounting estimates **(Amendments to IAS 8)**

Distinguishing between accounting policies and accounting estimates is important because changes in accounting policies are generally applied retrospectively, while changes in accounting estimates are applied prospectively.

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates.
- Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- The Board clarified that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The effects of changes in inputs and/or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments. No significant impact is expected in the financial statements of the company as there are no significant estimates and company's process of estimation is in line with the amendments.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendment to IAS 12)

The amendment clarifies that the initial recognition exemption does not apply to transactions that give rise to equal and offsetting temporary differences such as leases and decommissioning obligations. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. No significant impact is expected in the financial statements of the company as company considers the decommissioning provision for the deferred tax calculations.

Disclosure Initiative: Accounting Policies **(Amendments to IAS 1 and IFRS Practice Statement 2)**

Making information in financial statements more relevant and less cluttered has been one of the key focus areas for the International Accounting Standards Board (the Board).

The Board has issued amendments to IAS 1 *Presentation of Financial Statements* and an update to IFRS Practice Statement 2 *Making Materiality Judgements* to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed;
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements;
- accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are consistent with the refined definition of material. The amendments are effective from 1 January 2023 but may be applied earlier. No significant impact is expected in the financial statements of the company as company presents its accounting policies disclosure in detail and additional requirements aim at further improving the disclosures for better understanding of the readers.

3. Summary of significant Accounting Policies

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

3.1. Joint 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 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 receivables (resulting from transactions in scope of IFRS 15) and "cash and cash equivalents" in the financial statements. These assets are subsequently measured at amortised cost using the effective interest method. The gross carrying amount is reduced by ECL allowance. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.

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

For other assets 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.

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 proprieties 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.

3.6. Intangible Assets

Intangible assets are initially recognized at cost and subsequently stated at cost less accumulated amortisation 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. 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 allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost;. The Company measures loss allowances at an amount equal to lifetime ECL.

The company calculates life time expected credit losses for all trade receivables without a significant financing component. For all other financial assets measured at amortised cost, the entity uses the general approach to determining expected credit losses and assesses whether the increase in credit risk from initial recognition is significant or not.

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 30 days past due or 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 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.

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 Cash Generating Unit (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.

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 the contributions which are based on a percentage of salaries and are recorded as expenses in the period in which they are incurred.

Defined benefit Plan

Defined benefit fund was created in 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 other comprehensive income (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 benefits

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 is the amount of consideration to which the company expects to be entitled to in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. 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.

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

3.13. Operating costs

Operating costs include personnel expenses, depreciation, amortisation, 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.

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) and in the assessment of the impairment property, plant and equipment,
- in estimating the funds requirements for the site restoration obligation; and

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 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.

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

There was no change in the accounting policies during the year.

6. Revenue

	2021 USD	2020 USD
Natural Gas	63 790 677	85 854 950
Condensate	1 602 110	1 559 006
	65 392 787	87 413 956

7. Cost of sales

	Note	2021 USD	2020 USD
Salary and related costs (a)		2 056 666	2 134 643
Contribution to INSS (a)		55 900	63 028
Operating costs JO (a)		11 848 234	12 237 717
Depreciation and amortisation expense	11 & 12	25 816 850	25 812 950
		39 777 650	40 248 338

(a) This relates to the company's share from the operational costs incurred on the joint operations by operator. These amount includes engineering costs, maintenance costs, employee related costs and routine expenses in the gas field and CPF.

7.1 Administrative costs

	2021 USD	2020 USD
Supplies and services	1 474 767	873 740
Audit fee	33 492	34 372
Consultancy fee	723 260	51 879
Social development program	660 123	404 861
Other expenses	57 892	382 628
Personnel Expenses	5 280 028	7 030 940
Empoyee remuneration	3 872 853	4 293 230
Directors remuneration	621 137	1 486 971
Social security	90 987	77 911
Training	15 941	152 268
Complementary Social Security	679 110	1 020 560
	6 754 795	7 904 680

8. Net finance cost

	Note	2021 USD	2020 USD
Finance income		3 299 050	3 743 235
Interest income		1 145 453	3 368 295
Foreign exchange gains		2 153 597	374 940
Finance cost		(3 952 882)	(5 070 038)
Interest on borrowings		-	(150 147)
Notional interest on unwinding of environmental provisions	19	(1 748 493)	(2 647 939)
Foreign exchange losses		(2 198 350)	(2 266 540)
Bank charges		(6 039)	(5 412)
Net finance cost		(653 832)	(1 326 803)

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 0.74% (2020: 2.63%).

9. Income Tax

	2021 USD	2020 USD
9.1 Amounts recognised in profit or loss		
Current tax expense		
Current year	13 079 677	20 988 482
Deferred tax expense		
Origination and reversal of temporary differences [2]	(6 653 400)	(8 290 522)
	6 426 277	12 697 960

9.2 Reconciliation of effective tax rate

		2021 USD		2020 USD
Profit before tax		18 243 535		38 033 193
Tax using the company's tax rate	32%	5 837 931	32%	12 170 622
Expenses not deductible	0.35%	65 099	0.1%	40 884
Depreciation not deductible (9.2a)	39%	7 176 647	23.08%	8 776 976
	71.35%	13 079 677	55.18%	20 988 482

(9.2a) These costs relate to the non-deductible depreciation expense. It arises due to difference in the depreciation rates for the mineral asset.

9.3 Deferred tax liability

2021	Net Balance 30 June 2021	Recognised in profit or loss	Net Balance 30 June 2020
Property, plant and equipment	43 480 638	(6 038 599)	49 519 237
Intangible assets	1 661 615	(207 702)	1 869 317
Unrealised exchange gains	118 749	(407 099)	525 848
	45 261 002	(6 653 400)	51 914 402

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	525 848	527 462	(1 614)
	51 914 402	(8 290 522)	60 204 925

9.4 Income tax (receivable)/payable

	2021 USD	2020 USD
Opening balance	8 077 663	8 220 997
Payments during the year	(24 456 124)	(21 131 816)
Current tax expense	13 079 677	20 988 482
Closing balance	(3 298 784)	8 077 663

[2] 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 11 817 258 (June 2020: USD 25 335 233) divided by the average number of shares outstanding of 5 934 115 (June 2020: 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.

There was no change in the number of shares during the year. The earning per share amounted to USD 1.99 (2020: USD 4.27).

10.2 Dividend per share

The dividend per share amounted to USD 3.13 (2020: USD 8.31).

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 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
Balance at 1 July 2020	2 024 101	951 479	336 255 235	34 885 271	374 116 086
Additions	-	279 091	61 017	5 625 029	5 965 137
Adjustment in site closure and rehabilitation cost (a)	-	-	(14 765 957)	-	(14 765 957)
Disposal/transfer	-	221 119	(442 237)	160 308	(60 810)
Balance at 30 June 2021	2 024 101	1 451 689	321 108 058	40 670 608	365 254 456
Accumulated depreciation					
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
Balance at 1 July 2020	364 460	701 181	170 552 059	-	171 617 700
Charge for the year	40 664	379 177	24 747 253	-	25 167 144
Disposal	-	(60 810)	-	-	(60 810)
Balance at 30 June 2021	405 124	1 019 548	195 299 312	-	196 723 984
Carrying amounts					
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
At 30 June 2021	1 618 977	432 141	125 808 746	40 670 608	168 530 472

(a) This represents a decrease in the estimate for the site closure and rehabilitation costs.

11. Property, plant and equipment (continued)

The decrease in the site restoration and rehabilitation asset is a 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

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

12. Intangible assets

	Concession Rights
	USD
Cost	
At 1 July 2019	19 234 335
Additions	-
At 30 June 2020	19 234 335
At 1 July 2020	19 234 335
Additions	-
At 30 June 2021	19 234 335
Accumulated amortisation	
At 1 July 2019	12 742 037
Charge for the year	649 736
At 30 June 2020	13 391 773
At 1 July 2020	13 391 773
Charge for the year	649 736
At 30 June 2021	14 041 509
Carrying amounts	
At 1 July 2019	6 492 298
At 30 June 2020	5 842 562
At 30 June 2021	5 192 826

Intangible assets consist of licence fee/costs passed on from parent company ENH, for the gas project (Pande and Temane fields). Initially the concessionary rights were in the name of ENH which were transferred to CMH on its incorporation and these costs are being amortised over the life of the concession.

13. Inventories

	2021 USD	2020 USD
Maintenance materials	990 332	931 135
	990 332	931 135

14. Trade and other receivables

	2021 USD	2020 USD
Interest in current assets of the Joint Operations	8 635 471	8 818 851
Trade receivables (Note 26.2)	8 635 471	8 818 851
Other receivables	1 629 316	1 211 384
Value added tax	685 444	518 739
Prepayments	378 489	127 532
Tax reimbursement – prior year	565 383	565 383
	10 264 787	10 030 235

15. Cash and cash equivalents

Cash on hand	430	390
Cash at bank	132 215 508	134 037 462
CMH Onshore Accounts (i)	16 038 688	12 217 968
Proceeds Account (ii)	57 778 035	9 663 683
Capex Reserve Account (iii)	58 371 398	5 837 139
Off-Shore Operating Account (iv)	24 898	25 002
Debt Service Reserve Account	2 489	2 489
Fixed rate deposit	-	106 291 181
	132 215 938	134 037 852

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; since January 2021 the revenues received in Meticais are deposited in the onshore account and part of the cash calls are paid in Meticais through this account.

ii. The Proceeds Account –All revenues received in USD are deposited in this account and part of the cash calls are paid in USD through this account. Any excess amounts in the Capex Reserve Account are transferred to the Proceeds 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 deposits.

iv. The Off Shore Operating Account – This account is for settling dues and payables against project operating costs (denominated in American Dollars) and CMH's administrative costs which are payable outside of Mozambique.

As at 30 June 2021 all amounts were kept in current accounts which do not bear interest.

16. Share capital

	%	2021 USD	%	2020 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 1292 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 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 (2020: USD 5 057 330).

18. 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 (2020: USD 14 296 822).

19. Provisions

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

	2021 USD	2020 USD
Long Term		
Opening balance	77 841 689	70 489 806
Notional Interest	1 743 984	2 183 004
Capitalised in property plant and equipment	(16 821 127)	5 168 879
Closing balance	62 764 546	77 841 689
Short Term		
Opening balance	952 608	13 353 052
Notional Interest	4 502	464 935
Change in amount, capitalised in property plant and equipment	2 055 170	(12 865 379)
Closing balance	3 012 287	952 608
Total	65 776 833	78 794 297
Expected timing of future cash flows		
Within one year	3 012 287	952 608
1 - 5 years	25 034 429	22 678 520
More than five years	37 730 117	55 163 169
Total	65 776 833	78 794 297

The short term portion of the provision relates to the projects which will be ending within 12 months.

20. Trade and other payables

	2021 USD	2020 USD
Non-current		
	41 802	71 245
Current		
Interest in current liabilities of the JO	5 956 385	4 318 116
Trade payables	1 697 118	2 257 595
Accruals	4 259 267	2 060 521
Other payables	335 961	271 435
Suppliers	59 156	36 899
Withholding tax, employee tax and social security	229 082	184 190
Accruals and other payables	47 723	50 346
	6 292 346	4 589 551

21. Intercompany payable

	2021 USD	2020 USD
Empresa Nacional de Hidrocarbonetos (ENH)	25 047	11 389
	25 047	11 389

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, which resulted in the mentioned closing balances with the related parties:

Related party relationship	Type of transaction	Volume of Transactions 2021 (USD)	Volume of Transactions 2020 (USD)	Balance owed 2021 (USD)	Balance owed 2020 (USD)
Empresa Nacional de Hidrocarbonetos, EP	Technical service	110 212	116 623	25 047	(11 389)

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)	
	2021 (USD)	2020 (USD)	2021 (USD)	2020 (USD)	2021 (USD)	2020 (USD)
Sasol Gas, Petromoc, ENH Kogas, ENH through joint operations.	65 392 788	87 413 956	-	-	-	-
Joint Operations (JO)	-	-	65 056 517	88 337 980	5 956 385	(4 318 116)

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

Related party relationship	Type of transaction	Transaction amount 2021 (USD)	Transaction amount 2020 (USD)
Joint Operations (JO)	Cash calls for expenses	15 882 036	39 167 628

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 2021 (USD)	2020 (USD)	Balance owed 2021 (USD)	2020 (USD)
Key management	Remuneration	621 137	1 486 971	-	-

The short term key management remuneration amounts to USD 621 137 (2020: USD 1 486 971) while post-employment benefits amounts to USD 41 450 (2020: USD 40 061). There was neither any payment for the termination cost nor share based payments.

23. Employee benefits

	2021 USD	2020 USD
Defined benefit asset	3 463 542	3 142 000
Defined benefit liability	(3 019 054)	(2 315 736)
Net defined benefit asset	444 488	826 264

Defined benefit asset is classified as non-current asset, but it was classified as current asset in 2020 financial statements due management's misinterpretation. Comparatives have been reclassified in 2021 financial statements.

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	
	2021 (USD)	2020 (USD)	2021 (USD)	2020 (USD)	2021 (USD)	2020 (USD)
Balance at 1 July	2 315 736	1 784 891	(3 142 000)	(2 229 061)	(826 264)	(444 170)
Included in profit or loss	368 398	269 625	(369 459)	(346 432)	(1 061)	(76 807)
Current service cost	156 399	40 061	-	-	156 399	40 061
Interest cost (income)	297 680	229 564	(369 459)	(346 432)	(71 779)	(116 868)
Included in OCI						
Actuarial gain	172 747	564 278	233 584	-	406 331	564 278
Other						
Net foreign exchange difference	240 455	(254 799)	(326 251)	305 554	(85 796)	50 755
Contributions paid by members & employer	48 257	35 115	(168 055)	(1 046 653)	(119 798)	(1 011 538)
Benefits paid	(212 220)	(83 374)	212 220	83 374	-	-
Expenses paid		-	(96 419)	91 218	96 419	91 218
	3 019 054	2 315 736	(3 462 542)	(3 142 000)	(444 488)	(826 264)

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

Defined benefit obligation

i. Actuarial assumptions

	2021	2020
Discount rate	12.02%	12.02%
Future salary growth	6.5%	4.5%
Future pension growth	5.5%	9.5%
Inflation rate	5.5%	2.7%

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	2	-
55-60	-	-

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

Age band (Years)	No. of employees
58-63	2

ii. Sensitivity analysis

	Liability (USDm)	Service cost (USDm)	Percentage change in Liability
Salary growth 1% Increase	3.23	0.11	5.29%
Salary growth 1% decrease	2.93	0.09	-4.54%
Valuation interest rate 1% increase	2.74	0.08	-10.65%
Valuation interest rate 1% decrease	3.46	0.12	12.91%
Pension 1% increase	3.36	0.11	9.43%
Pension 1% decrease	2.82	0.09	-8.24%
Post retirement mortality (2 years younger)	3.07	0.10	0.06%

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 2021

Financial instruments not measured at fair value

	Note	Carrying amount (USD)		Fair Value (USD)			
		Financial assets at amortised cost	Total	Level 1	Level 2	Level 3	Total
Trade receivables	14	8 635 471	8 635 471	-	8 635 471	-	8 635 471
Cash and cash equivalents	15	132 215 938	132 215 938	-	132 215 938	-	132 215 938
		140 851 409	140 851 409	-	140 851 409	-	140 851 409

30 June 2020

Financial instruments not measured at fair value

	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

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	2021 USD	2020 USD
Within one year	20 832 106	8 662 679
2 - 5 years	18 400 271	23 576 509
	39 232 377	32 239 188

June 2021

	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	7 346 417	2 140 234	5 206 183
PPA – PPA Infill Wells (Tranche 2)	19 928 613	821 923	19 106 690
Meric Drilling Campaign	5 447 017	1 174 558	4 272 459
PPA Water Disposal	327 221	-	327 221
Other projects	5 064 443	174 878	4 889 565
CMH administrative costs	1 118 666	173 054	945 612
Under the acquisition of property, plant and equipment			
	39 232 377	4 484 647	34 747 730

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

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 notional amounts:

	2021 MT	2020 MT
Trade and other payables	(3 252 357)	(806 265)
Cash and cash equivalents	958 127 776	41 567 958
	954 875 419	40 761 693

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

	Average rate		Spot rate	
Reporting Date	30 June 2021	30 June 2020	30 June 2021	30 June 2020
MT per USD	70.02	65.31	64.14	70.80

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 148 874 (2020: USD 5 758). 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 fixed term deposits. Management adopts a policy of ensuring that its fixed term deposits is at market-related rates to address its interest rate risk.

	Carrying Amount	
	2021	2020
	USD	USD
Fixed rate instruments		
Fixed term deposit	-	106 291 181

Sensitivity analysis

A 1% decrease or increase in the interest rate would have the effect of increasing or decreasing the shareholder's equity and profit after tax by USD Nil (2020: USD 27 955). 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 65 393 (2020: USD 84 414). 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:

	2021 USD	2020 USD
Trade receivables (Note 14)	8 635 471	8 818 851
Cash and cash equivalents (Note 15)	132 215 938	134 037 852
Total exposure	140 851 409	142 856 703

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:

	2021 USD	2020 USD
Neither past due nor impaired	8 635 471	8 818 581

Based on historic default rates, the company believes impairment allowance is insignificant in respect of trade receivables. Sasol Gas Limited represents 79% (2020: 86%) of the Company's total turnover and 65% (2020: 79%) of trade receivables at 30 June 2021. 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. The forward looking information is considered based on the economic analysis and forecasts.

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 2021						
Non-derivative financial liabilities						
Secured bank loans	-	-	-	-	-	-
Trade and other payables	(6 292 346)	(6 292 346)	(6 292 346)	-	-	-
	(6 292 346)	(6 292 346)	(6 292 346)	-	-	-

	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)	-	-	-

27. Subsequent Events

Subsequent to 30 June 2021 to the date of reporting, there are no significant events that have occurred which might need disclosure or adjustment in the financial statements.

28. Impact of CoVid-19

The CoVid-19 global pandemic that began during 2019 has and continues to have an adverse impact on the Global economy, as well as on the operations of some companies. Mozambique is taking strict measures to curb the spread of the virus, including demanding self-isolation, implementing social distancing measures and limiting international or regional travel. During the financial statement finalization data exercise, the Company was not significantly affected. Prospects also look brighter with the approval of a number of vaccines around the world. The impact of the coronavirus is being closely monitored and necessary precautionary measures have been implemented to comply with government instruments in order to mitigate any possible negative impact of the coronavirus pandemic on the company's operations.

29. Approval of the financial statements

These financial statements were approved by board of directors' on 27 August 2021.