

27 May 2022

## Phoenix Global Resources plc

("Phoenix" or the "Company")

### Final Results for the year ended 31 December 2021

Phoenix Global Resources plc (AIM: PGR; BCBA: PGR), the upstream oil and gas company, announces its audited final results for the year ended 31 December 2021.

#### Summary

- Revenue of US\$78.4 million (2020: US\$54.0 million)
- Adjusted EBITDA US\$13.1 million (2020: Adjusted EBITDA loss of US\$7.2 million)<sup>1</sup>
- Cash generated from operations US\$49.6 million (2020: cash used in operations US\$6.3 million)
- Operating loss of US\$58.7 million (2020: loss of US\$219.7 million)
- Average daily sales in 2021 of 4,425 boepd (2020: 3,776 boepd)<sup>2</sup>
- 2P reserves at 54.0MMboe (2020: 18.8MMboe)

#### Outlook

Whilst we have seen Covid-19 restrictions gradually lifting and economic and industrial activity increasing, the conflict in Ukraine has negatively changed the global economic outlook. Argentina continues to experience high inflation and a continuous devaluation of the Peso. The country is in its fourth straight year of recession. However, the action taken by the Company to reduce its costs in all areas of the business is reflected in the significant change in cash generated from operations of US\$49.6 million in 2021 compared to cash used in operations of US\$6.4 million in 2020 and also reflects the more favourable pricing environment. The year end reserves, prepared by independent reservoir engineers, showed a significant increase in 2P reserves compared with prior year, primarily due to a significant increase in the 2P reserves at Mata Mora. The Company is fundamentally focused on unconventional development and has good assets in this space but recognises that significant investment will be required in the coming years to develop these and enhance value and acknowledges this is subject to being able to access funding to support these activities, which may include third party partners and local debt providers in the funding mix.

#### Notes:

<sup>1</sup>Adjusted EBITDA represents earnings before interest, taxes, depreciation, amortisation and non-recurring expenses

<sup>2</sup>Excluding production from non-core assets sold

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#### About Phoenix

Phoenix Global Resources is an independent oil and gas exploration and production company focused on Argentina and listed on both the London Stock Exchange (AIM: PGR) and the Buenos Aires Stock Exchange (BCBA: PGR) and offers its investors an opportunity to invest directly into Argentina's Vaca Muerta shale formation and other unconventional resources. The Company has over 0.8 million licenced working interest acres in Argentina (of which approximately 0.7 million are operated), 54.0 million boe of working interest 2P reserves and average working interest production of 4,553 boepd in 2021. Phoenix has significant exposure to the unconventional opportunity in Argentina through its approximately 0.4 million working interest acres with Vaca Muerta and other unconventional potential.

#### Annual Report

The Company will be posting to shareholders a copy of the audited annual report for the year ended 31 December 2021 on or around 6 June 2022 together with the notice for a General Meeting, to be held at the offices of Phoenix Global Resources at 1<sup>st</sup> Floor, 62 Buckingham Gate, London SW1E 6AJ at 9.00am on 30 June 2021. The annual report will be made available on the Company's website on the day of its posting.

The Company's website is [www.phoenixglobalresources.com](http://www.phoenixglobalresources.com)

#### CHAIRMAN'S STATEMENT

Whilst the environment continues to be challenging, the steps taken by the Company to reduce

whilst the environment continues to be challenging, the steps taken by the Company to reduce its costs has put it in a stronger position to focus on the continued development of its unconventional assets. Our prime focus is Mata Mora, which the board believes is the Company's main driver to unlocking value.

The Company's major shareholder, Mercuria Group Limited ('Mercuria'), continues to be supportive and the directors, whilst exercising a degree of caution, believe the Company has a cost base from which it can leverage its interests in its unconventional assets, whilst appreciating this position could change very quickly in these uncertain times.

### **Overview and current operations**

2020 was dominated by Covid-19 and its rapid development as a life-threatening global pandemic. Globally, respective governments' responses were one of containment through lockdown, social distancing restrictions, quarantine and self-isolation for substantially all citizens, whilst countries rolled out vaccination programs. In 2021 we saw restrictions gradually lifting and economic and industrial activity increasing.

The global economic recovery has progressed more strongly than anticipated a year ago, but it is becoming increasingly imbalanced, as lower income economies struggle to keep up where vaccination rates are low and the conflict in Ukraine has negatively changed the global economy, harming growth and putting upward pressure on inflation when it is already high.

The economic situation in Argentina has deteriorated significantly with the key economic indicators reflecting this situation and whilst the environment continues to be extremely challenging, the Company is in a stronger position to produce proven, developed and producing reserves economically at lower prices with a positive contribution to cash flow and allow it to focus on the continued development of its unconventional assets. The action taken by the Company to reduce its costs in all areas of the business is reflected in the significant change in cash generated from operations of US\$49.6 million in 2021 compared to cash used in operations of US\$6.4 million in 2020 and also reflects the more favourable pricing environment.

However, whilst the economic and political uncertainty in Argentina continues, Argentina held discussions with the International Monetary Fund ('IMF') to restructure the country's US\$45 billion of debt. At the end of January 2022 President Fernandez's government announced that it had reached an "understanding" with the IMF on key policies that would allow the country to reach a new financing agreement to restructure this debt. In April 2022, Argentina's senate approved the agreement reached with the IMF, which has now been approved by the executive board of the IMF, which should help to reduce some of the economic uncertainty.

Furthermore, the strong international economic sanctions on trade with Russia have resulted in a significant escalation in energy prices, with Brent increasing from a year end price of US\$77/bbl to US\$113/bbl at 6 May 2022.

Whilst Argentina uses a locally set oil price to shield local industry from international price swings, which limits the benefit the Company receives from international price increases, the Company, subject to permit approval, is now able to export some of its production to take advantage of the favourable international prices.

During 2021, the Neuquén Province issued a decree granting the Company a 35 year unconventional exploitation concession over approximately 43,372 acres in the northern part of Mata Mora and extending the exploration rights over approximately 11,918 acres in the southern part of Mata Mora for 5 years to April 2026. The Province also issued a decree approving a one year extension of the Company's exploration rights for the Corralera Noreste and Corralera Sur blocks to April 2022. The Company is currently in discussion with the Province to further extend the exploration periods of these licences.

The Mata Mora concession involves a pilot phase with certain works to be completed by March 2026, which includes a capex commitment of US\$110 million, consisting of four pads of three horizontal wells each, with an average lateral length of 2,150 metres. The Corralera exploration commitment includes obligations to execute two horizontal wells by April 2022, which have been completed.

The unconventional work programs for 2022 include the testing and evaluation of the well in Corralera North East, the completion, testing and evaluation of the well in Corralera Sur, the drilling and completion of pads 2 and 3 (each of three wells) and the drilling and completion of three additional wells on pad 1, all in Mata Mora North.

The year end, reserves prepared by independent reservoir engineers, showed a significant increase in 2P reserves compared with prior year. This increase is primarily due to a significant increase in the 2P reserves at Mata Mora that was partly offset by a decrease in the 2P reserves at Puesto Rojas.

### **Funding**

Our major shareholder, Mercuria, continues to be supportive of the Company's plans and has extended short-term debt facilities to fund operations. At the year end, the Company had drawn down US\$348.0 million under these facilities and US\$45.4 million of interest had been capitalised. Mercuria has written to the Company stating its intention to continue to provide financial support to the Company in order that it may continue to operate and service its liabilities as they fall due in the period to 30 June 2023 and fund the planned work programs. Mercuria has also specifically agreed to not demand repayment of the existing loans (principal and interest) during this period. This letter, which by its nature is not legally binding, represents a letter of comfort stating Mercuria's current intention to continue to provide financial support.

Whilst it has taken more time than anticipated, the Company and Mercuria are still seeking to restructure the existing facilities, but do not expect this to be completed until later in the year. The directors still believe they will be able to agree the renegotiation of the existing debt with Mercuria and formalise an agreement for new funding and that the Group and Company can continue as a going concern for the foreseeable future. The application of the going concern basis of preparation of the financial statements included in the Company's Annual Report is based on the letter that has been received from Mercuria and the ongoing discussion with the Mercuria principals. Accordingly, the directors continue to adopt the going concern basis for

Mercuria principal responsibility, and directors continue to accept the going concern basis for accounting in preparing the 2021 financial statements.

However, the directors recognise that if financial support over the period to 30 June 2023 was not to be available and the Company is unable to restructure the existing loan agreements from Mercuria or obtain funding from alternative sources, this gives rise to a material uncertainty that may cast significant doubt on the Group's and Company's ability to continue as a going concern.

### Summary

Whilst we have seen Covid-19 restrictions gradually lifting and economic and industrial activity increasing, the conflict in Ukraine has negatively changed the global economic outlook.

Argentina continues to experience high inflation and a continuous devaluation of the Peso. The country is in its fourth straight year of recession. Whilst agreement has been reached between the Argentine government and the IMF to restructure the country's US\$45 billion of debt, the underlying economic indicators are not encouraging. Notwithstanding, the current administration continues its intent to provide economic and regulatory support to four key sectors of the economy: agriculture; oil and gas; mining; and intellectual services.

The Company is also conscious of its environmental, social governance responsibilities and developing policies and procedures to reduce emissions and establish goals that minimise the impact on the environment and our stakeholders.

The Company is fundamentally focused on unconventional development and has good assets in this space but recognises that significant investment will be required in the coming years to develop these and enhance value and acknowledges this is subject to being able to access funding to support these activities, which may include third-party partners and local debt providers in the funding mix.

**Sir Michael Rake**  
Non-executive chairman  
27 May 2022

## OPERATING REVIEW

### Overview

Phoenix Global Resources seeks to add value to its operation by optimising the use of deployed capital, continuously looking for new profitable opportunities and achieving levels of operative excellence in a friendly and harmonious way taking into account personnel, local communities and the environment.

The Company is focused on reducing the production decline of mature fields and generating new development opportunities, whilst delivering profitable growth combined with our expanding unconventional exploration and development projects.

The operations team has extensive experience in conventional and unconventional oil and gas operations with a continuing focus on delivering safe, ethical and reliable operations.

During the first and second quarter the Company focused on the planning for the 2021 and 2022 work programs and in the third quarter, the Company began exploration activities in Vaca Muerta, in the Corralera areas, in the northern part of the Neuquén basin. Two horizontal and multi-fractured wells with a branch length of 2,000 metres and 2,130 metres respectively were drilled and completed. The initial results from these activities are currently under evaluation.

The drilling rig was then moved to the Mata Mora field, located in the central part of the Neuquén basin close to the hot shale developments, to start drilling the 12 well program pursuant to the pilot plan commitment under the unconventional exploitation concession awarded in 2021.

In late 2021, the Company also drilled the Picunche vertical exploratory well in the Rio Atuel field, Malargüe, which will be completed in Q2 2022.

In all cases, the targeted operating metrics were achieved in the drilling and completion activities, which were completed on time and in line with budget.

Our growth plan is based on the development of an inventory of approximately 170 wells in Mata Mora Norte, our flagship project in Vaca Muerta, whilst maintaining the highest efficiency and safety standards.

The Company has also carried out work to optimise production from our conventional fields. Production decline was reduced in the Tupungato and Atamisqui fields, whilst maintaining operating cost levels and high HSE standards.

During the year the Company also developed an export channel for some of our production, allowing us to take advantage of higher international prices.

Our health, safety and environment policy demonstrates our commitment to personnel and the environment, which we consider to be an integral part of our operations. The Company embraces the communities in which we operate and as part of our ongoing commitment to sustainable development, we encourage local involvement and seek to create significant long-term benefits in the communities close to our operations. Our main initiatives include institutional support, education, training, welfare and emergency aid. These activities are part of an approach that defines the way in which we interact with our various stakeholders.

Total proven reserves as of 31 December 2021 reached 26.4 MMboe, an increase of 210% compared with 31 December 2020. The proven reserves replacement ratio was 882%, whilst the replacement ratio of total oil reserves was 950%. The increase was driven primarily by the addition of new unconventional well locations at Mata Mora and secondary recovery programs at Chachahuen. 2C contingent resources fell by 81% partly due to the migration of resources into

reserves and partly due to the removal of 2C contingent resources associated with the negative assessment of unconventional prospectivity at Puesto Rojas and the reclassification of contingent resources at Corralera from 2C to 3C.

Production in 2021 was at a level consistent with 2020, reflecting the benefits of the work undertaken to reduce the production decline of mature fields, particularly given no new production was included.

During 2021, operating costs were 4% lower than 2020, despite the extra work carried out to maximise assets lives, which included the review of more than 15 field service contracts leading to a restructured and more flexible cost base.

## **NEUQUÉN BASIN**

In the Neuquén basin, the Company has interests in 11 operated assets and 4 non-operated assets including Mata Mora and Corralera.

### **Operated Assets**

#### **Mata Mora**

During the year the Neuquén Province issued a decree granting the Company a 35 year unconventional exploitation concession over approximately 43,372 acres in the northern part of Mata Mora and extending the exploration rights over approximately 11,918 acres in the southern part of Mata Mora for 5 years to April 2026.

The Mata Mora exploitation concession involves a pilot phase with certain works to be completed by March 2026, which includes a capex commitment of US\$110 million, consisting of four pads of three horizontal wells each, with an average lateral length of 2,150 metres.

The Company commenced the drilling activity for pad 2 during the year, which consists of three wells with 2,600 metre horizontal lateral lengths and 37 frac stages and has, after the year end, finished drilling three vertical sections, to depths of 2,314 metres, 2,280 metres and 2,316 metres and three horizontal branches navigating the Vaca Muerta formation. Completion activities have commenced and are due to be finished at the end of May 2022 with flowback testing due to start soon thereafter.

The Company has now started the pad 3 drilling program.

The early production facilities are under construction and works are being carried out on the oil and gas treatment and measurement stations and flowline tie-ins to oil and gas evacuation pipelines are being installed. This will enable the Company to avoid flaring in line with the Company's sustainability goals.

The Mata Mora exploration concession (Mata Mora Sur) covers a region that involves agricultural activity and the San Patricio del Chañar town and will remain in the exploration phase for a further five years with a 3D seismic acquisition commitment.

#### **Corralera**

The primary unconventional target has changed from the Agrio to the Vaca Muerta formation based on revised expectation of fluid type given the contrasting thermal maturity, neighbouring well results and better understanding of landing zone alternatives for the Vaca Muerta formation.

During the year, the Province issued a decree approving a one year extension of the Company's exploration rights for the Corralera Noreste and Corralera Sur blocks to April 2022. The Company is currently in discussions with the Province to further extend the exploration periods of these licences.

In Corralera Noreste, the Company has finished the drilling of a vertical exploration well to a depth of 2,970 metres and its horizontal branch with a 2,000 metre lateral length and 29 frac stages, navigating the Vaca Muerta formation. The initial flowback testing has been completed, which produced high volumes of water and low volumes of oil with a high presence of CO<sub>2</sub>. The well is currently shut in for well testing with pressure build up, isotope sampling and tracer analysis currently being carried out.

In Corralera Sur, the Company has completed the drilling of a vertical exploration well to a depth of 3,639 metres and its horizontal branch with a 2,134 metre lateral length and 30 frac stages, navigating the Vaca Muerta formation. The initial flowback testing has been completed, which produced high volumes of water and low volumes of oil with a high presence of CO<sub>2</sub>. Water and gas samples have been taken to run laboratory analysis to understand their origins.

#### **Rio Atuel**

The Company has executed the drilling and completion activities of a conventional vertical exploration well. The well was drilled to a depth of 2,131 metres penetrating the Huitrin and Chachao formations. After stimulating the well, oil in the two formations has been tested. Initial flow rates are in line with expectations with a low water cut. The well is currently in production and under initial evaluation, which is expected to be completed in Q2 2022.

#### **La Paloma - Cerro Alquitran**

In 2019, the LP-9 and LP-7 wells were drilled in the La Paloma/Cerro Alquitran area targeting the Grupo Neuquén formation. The Company has decided to not complete these wells and is currently evaluating its options.

#### **Puesto Rojas - Cerro Mollar - La Brea**

The drop in production primarily relates to a higher rate of decline from the wells producing from the Agrio and Vaca Muerta formations, with only 5 wells currently producing from the 12 wells drilled in the last campaign. Based on the variable results from these Agrio and Vaca Muerta vertical wells and following a detailed evaluation carried out by management, it has concluded that the unconventional prospectivity in this area has a "high risk/low reward" and management

that the unconventional prospectivity in this area has a "high risk/low reward" and management is currently evaluating its options.

#### **Cerro Doña Juana-Loma Cortaderal**

Due to the Covid-19 pandemic, the Company was granted an extension to August 2022 to fulfil its commitments. The Company is currently seeking approval from the Mendoza Province to perform an expanded geochemical sampling to satisfy the pending commitments. A decision from the Province is still pending.

#### **El Manzano**

A local company, Venoil, has now been appointed the operator for this field and it plans to restart production from several wells in Q2 2022.

#### **La Tropilla - Santo Domingo - Aguada de Castro**

A detailed evaluation has been carried out by the sub-surface team and it has concluded that the unconventional prospectivity in this area has a "high risk/low reward" and management is currently evaluating its options.

### **Non-operated assets**

#### **Chachahuen - Cerro Morado Este**

In the Chachahuen Sur area, the focus in 2021 has been to improve the water flooding projects and start a polymer pilot project. A plan to reduce production losses has also been prepared, which will require the building of a gas and oil pipeline from Chachahuen to the Puesto Hernandez field. Injection water quality issues have been identified and the operator is currently preparing a plan that will be implemented before the tertiary recovery pilot project begins.

At Cerro Morado Este, we have focused on the reduction of production losses. This will require an alternative route for fluid evacuation due to flooding of current routes when it rains. A remediation of "Bateria 1" at the Chachahuen field is also being carried out and a tertiary recovery pilot project is planned for 2022.

Nine vertical pilot wells have been drilled, which are planned to be connected in Q2 2022 as part of the delineation program for this large area.

The Chachahuen licence is operated by YPF.

#### **Cajon de los Caballos**

A detailed evaluation has been carried out by the sub-surface team and it has concluded that the unconventional prospectivity in this area has a "high risk/low reward" and management is currently evaluating its options.

The licence is operated by Roch.

### **CUYANA BASIN**

In the Mendoza Province, the Company has interests in two operated assets in the Cuyana basin. A brief summary of these assets is provided below.

#### **Operated assets**

##### **Tupungato - Atamisqui**

In the first half of the year 13 pulling interventions were completed with results exceeding expectations. The production during Q1 was below budget but since April 2021 oil production has been above budget. General maintenance work and some minor jobs were also carried out at the Tupungato water injection plant.

A well risk analysis was performed on well T-48 and management concluded that the well should be abandoned. Due to the condition of the wellhead a specialised team was hired to perform remediation jobs. The well is now in a secure condition and the abandonment is planned for later this year. A critical tanks inspection and reparation campaign was started in May 2021 and a well swabbing campaign was started in September 2021. Sub-surface modelling was started in June 2021, as no comprehensive modelling has been carried out for over 40 years. A static model has been completed and some opportunities for implementing secondary recovery have been identified and the possibility of tertiary recovery is under analysis. A dynamic model is now being developed with the support of an external consultant.

### **AUSTRAL BASIN**

In the Terra del Fuego Province the Company has interests in three non-operated assets in the Austral basin in a joint venture with Roch S.A. and others.

#### **Non-operated assets**

##### **Rio Cullen - Angostura - Las Violetas**

The San Martin wells continue to produce with the water cut rate in line with expectations. The operator has proposed the drilling of an extra well in an independent reservoir compartment. Alternatives for production evacuation are also being analysed in the event delivery through the YPF buoy is disrupted and Total's facilities have been identified as a possible option.

### **FINANCIAL REVIEW**

#### **Revenue and gross margin**

Revenue for the year was US\$78.4 million (2020: US\$54.0 million), comprising revenue from oil sales of US\$76.0 million (2020: US\$52.2 million) and revenue from gas sales of US\$2.4 million (2020: US\$1.8 million).

The increase in oil revenue year-on-year resulted primarily from an increase in the average realised oil price per barrel and higher sale volumes.

The average realised oil sales price in 2021 was US\$51.26/bbl, a 36% increase on the average price of US\$37.74/bbl in 2020. Realised prices achieved by the Company are indirectly linked to Brent.

Crude oil prices increased during the year with the average Brent crude price increasing year-on-year by 42%, from an average of US\$43/bbl in 2020 to an average of US\$61/bbl in 2021. Local

Argentine oil prices do not fully track international prices as local price controls limit the benefit of rising international prices. However, the Company in the future expects a gradual increase in local prices, reducing the gap between local and international prices.

Average daily oil sales in the year were 4,062 bopd compared with 3,776 bopd in 2020.

Gas revenues arise primarily in the non-operated segment and increased by US\$0.5 million in the year compared with 2020, mainly due to an increase of 51% in the realised price from an average of US\$1.98/Mcf in 2020 to an average of US\$2.99/Mcf in 2021. This increase was partially offset by a 15% reduction in sales volumes from 930 MMcf in 2020 to 794 MMcf in 2021.

#### **Operating costs**

Average operating costs (excluding depreciation) were 4% lower than 2020 at US\$17.9/boe.

Depreciation decreased by US\$1.7 million in the year from US\$41.3 million in 2020 to US\$39.6 million in 2021, primarily due to the revised year end reserves estimates and the 2021 capex program.

#### **Other costs**

At the year end, management's impairment assessment considers potential triggers for impairment including, inter-alia, adverse results from drilling programs, changes in oil and gas prices and other market conditions, cost of future development and licence periods.

Potential triggers were identified, leading to an impairment assessment, which was primarily based on the revised year end reserves estimates resulting in an impairment charge of US\$28.9 million. Impairment charges have been recognised in respect of Puesto Rojas, La Brea, La Paloma, Cerro Alquitran and Atamisqui, which were partially offset by the partial reversal of impairment charges recognised in prior years at Chachahuen. Furthermore, an additional US\$3.7 million charge has been recognised in relation to the reclassification of an asset previously held for sale. See note 4.

#### **Finance income and costs**

In the current year the Group recognised net finance income of US\$29.4 million compared to net finance costs of US\$15.4 million in 2020. In 2021 this was primarily driven by the benefit on transfers of US Dollars into Argentina under the 'contado con liquidacion' mechanism.

#### **Taxation**

A US\$4.3 million tax credit was recognised in 2021, compared with a US\$38.0 million tax credit in 2020. This resulted primarily from deferred tax adjustments relating to additions and impairment provisions and the deferred tax benefit of the increase in net operating losses, which the respective companies expect to recover in future periods.

#### **Balance sheet**

At 31 December 2021, the Group had net assets of US\$1.1 million, a decrease of US\$25.1 million compared with 31 December 2020.

During the year, intangible assets and property, plant and equipment decreased by US\$7.7 million primarily due to charges for impairment of US\$28.9 million, DD&A of US\$39.6 million offset by US\$52.4 million of additions and the reclassification of assets held for sale of US\$8.6 million.

Current and non-current trade and other receivables increased from US\$29.5 million to US\$41.9 million at 31 December 2021 primarily due to the increase in advance payments for capex programs. Inventories increased from US\$18.3 million to US\$20.1 million at 31 December 2021. Net deferred tax liabilities decreased from US\$33.6 million to US\$28.3 million at 31 December 2021 primarily due to an increase in deferred tax assets associated with tax losses. Trade and other payables increased from US\$26.2 million to US\$39.2 million at 31 December 2021 due to the increase in creditors associated with the ongoing capex programs.

#### **Funding status and going concern**

Total borrowings in the year increased by US\$67.6 million, from US\$332.2 million at 31 December 2020 to US\$399.8 million at 31 December 2021. The increase resulted primarily from the drawdown of an additional US\$55.7 million of funds from the revolving convertible credit facility and bridging facility with Mercuria and an increase in accrued interest of US\$14.7 million. Funds advanced under the credit facilities have been used to fund the ongoing work programs. This increase in funding was partially offset by the part repayment of local Argentine debt.

Our major shareholder, Mercuria, continues to be supportive of the Company's plans and has extended short-term debt facilities to fund operations. At the year end, the Company had drawn down US\$348.0 million under these facilities and US\$45.4 million of interest had been capitalised. Mercuria has written to the Company stating its intention to continue to provide financial support to the Company in order that it may continue to operate and service its liabilities as they fall due in the period to 30 June 2023 and fund the planned work programs. Mercuria has also specifically agreed to not demand repayment of the existing loans (principal and interest) during this period. This letter, which by its nature is not legally binding, represents a letter of comfort stating Mercuria's current intention to continue to provide financial support.

Whilst it has taken more time than anticipated, the Company and Mercuria are still seeking to restructure the existing facilities, but do not expect this to be completed until later in the year. The directors still believe they will be able to agree the renegotiation of the existing debt with Mercuria and formalise an agreement for new funding and that the Group and Company can continue as a going concern for the foreseeable future. The application of the going concern basis of preparation of the financial statements included in the Company's Annual Report is based on the letter that has been received from Mercuria and the ongoing discussion with the Mercuria principals. Accordingly, the directors continue to adopt the going concern basis for accounting in preparing the 2021 financial statements.

However, the directors recognise that if financial support over the period to 30 June 2023 was not to be available and the Company is unable to restructure the existing loan agreements with Mercuria or obtain funding from alternative sources, this gives rise to a material uncertainty that may cast significant doubt on the Group's and Company's ability to continue as a going concern.

At 31 December 2021, the Group had cash and cash equivalents of US\$66.3 million (2020: US\$5.4

million).

### Consolidated income statement

For the year ended 31 December 2021

	Note	2021 US\$'000	2020 US\$'000
Revenue	3	78,370	54,001
Cost of sales		(81,472)	(81,401)
<b>Gross loss</b>		<b>(3,102)</b>	(27,400)
Selling and distribution expenses		(3,840)	(1,958)
Exploration expenses		(704)	(2,746)
Impairment charges	4,5	(28,882)	(171,129)
Gain/(loss) on sale of non-current assets		350	(6)
Administrative expenses		(16,967)	(14,892)
Loss on the reclassification of assets held for sale	4	(3,653)	-
Other operating expenses		(1,917)	(1,527)
<b>Operating loss</b>		<b>(58,715)</b>	(219,658)
Finance income		54,816	6,905
Finance costs		(25,378)	(22,276)
<b>Loss before taxation</b>		<b>(29,277)</b>	(235,029)
Taxation		4,256	38,005
<b>Loss for the year</b>		<b>(25,021)</b>	(197,024)
<b>Loss per ordinary share</b>			
Basic and diluted loss per share	7	(0.01)	(0.07)

The above consolidated income statement should be read in conjunction with the accompanying notes.

### Consolidated statement of comprehensive income

For the year ended 31 December 2021

	2021 US\$'000	2020 US\$'000
Loss for the year	(25,021)	(197,024)
Translation differences	-	-
<b>Total comprehensive loss for the year</b>	<b>(25,021)</b>	(197,024)

There are no impairment losses on revalued assets recognised directly in equity.

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

### Consolidated statement of financial position

At 31 December 2021

	Note	2021 US\$'000	2020 US\$'000
<b>Non-current assets</b>			
Property, plant and equipment	4	154,227	158,357
Intangible assets and goodwill	5	208,438	211,974
Other receivables		6,698	4,124
Deferred tax assets		25,777	20,116
<b>Total non-current assets</b>		<b>395,140</b>	394,571
<b>Current assets</b>			
Assets held for sale	4	-	11,065

Assets held for sale		-	11,200
Inventories		20,112	18,349
Trade and other receivables		35,245	25,399
Cash and cash equivalents		66,265	5,386
<b>Total current assets</b>		<b>121,622</b>	<b>61,099</b>
<b>Total assets</b>		<b>516,762</b>	<b>455,670</b>
<b>Non-current liabilities</b>			
Trade and other payables		381	299
Borrowings	6	-	6,641
Deferred tax liabilities		54,117	53,682
Provisions		19,286	15,965
<b>Total non-current liabilities</b>		<b>73,784</b>	<b>76,587</b>
<b>Current liabilities</b>			
Liabilities held for sale		-	447
Trade and other payables		38,817	25,909
Income tax liability		2,217	920
Borrowings	6	399,759	325,592
Provisions		1,138	121
<b>Total current liabilities</b>		<b>441,931</b>	<b>352,989</b>
<b>Total liabilities</b>		<b>515,715</b>	<b>429,576</b>
<b>Net assets</b>		<b>1,047</b>	<b>26,094</b>
<b>Equity</b>			
Share capital and share premium		457,194	457,183
Other reserves		(112,150)	(112,150)
Retained deficit		(343,997)	(318,939)
<b>Total equity</b>		<b>1,047</b>	<b>26,094</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

#### Consolidated statement of changes in equity

For the year ended 31 December 2021

Capital and reserves	Called up share capital US\$'000	Share premium US\$'000	Treasury shares US\$'000	Retained (deficit)/ earnings US\$'000	Other reserves US\$'000	Total equity US\$'000
<b>At 1 January 2020</b>	<b>364,175</b>	<b>93,023</b>	<b>(464)</b>	<b>(121,867)</b>	<b>(112,150)</b>	<b>222,717</b>
Loss for the year	-	-	-	(197,024)	-	(197,024)
Total comprehensive loss for the year	-	-	-	(197,024)	-	(197,024)
Issue of employee vested shares	-	-	449	(449)	-	-
Fair value of share-based payments	-	-	-	401	-	401
<b>At 31 December 2020</b>	<b>364,175</b>	<b>93,023</b>	<b>(15)</b>	<b>(318,939)</b>	<b>(112,150)</b>	<b>26,094</b>
Loss for the year	-	-	-	(25,021)	-	(25,021)
Total comprehensive loss for the year	-	-	-	(25,021)	-	(25,021)
Cash settlement of vested share awards	-	-	-	(165)	-	(165)
Fair value adjustment	-	-	11	-	-	11
Fair value of share-based payments	-	-	-	128	-	128
<b>At 31 December 2021</b>	<b>364,175</b>	<b>93,023</b>	<b>(4)</b>	<b>(343,997)</b>	<b>(112,150)</b>	<b>1,047</b>

Other reserves	Merger <sup>1</sup> reserve US\$'000	Warrant <sup>2</sup> reserve US\$'000	Translation <sup>3</sup> reserve US\$'000	Total other reserves US\$'000
<b>At 1 January 2020</b>	<b>(112,000)</b>	<b>2,105</b>	<b>(2,255)</b>	<b>(112,150)</b>
<b>At 31 December 2020</b>	<b>(112,000)</b>	<b>2,105</b>	<b>(2,255)</b>	<b>(112,150)</b>
<b>At 31 December 2021</b>	<b>(112,000)</b>	<b>2,105</b>	<b>(2,255)</b>	<b>(112,150)</b>

<sup>1</sup>The merger reserve is a non-distributable capital reserve arising from the issue and allotment of shares at a price higher than the nominal value of the shares and issued to satisfy purchase considerations

<sup>2</sup>The warrant reserve results from the valuation attributed to warrants granted

<sup>3</sup>The translation reserve results from exchange differences arising from the translation of the assets and



The translation reserve results from exchange differences arising from the translation of the assets and liabilities of the Group's operations into the presentation currency at exchange rates prevailing on the balance sheet date and income and expense items at the average exchange rates for the year

The above statement of consolidated changes in equity should be read in conjunction with the accompanying.

### Consolidated statement of cash flows

For the year ended 31 December 2021

	2021 US\$'000	2020 US\$'000
<b>Cash flows from operating activities</b>		
Cash generated from/(used in) operations	49,637	(6,318)
Income taxes paid	(84)	(73)
<b>Net cash inflow/(outflow) from operating activities</b>	49,553	(6,391)
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(15,297)	(4,099)
Payments for intangibles	(21,827)	(998)
Payments for held for sale assets	(887)	(371)
Proceeds from sale of non-current assets	401	-
<b>Net cash outflow from investing activities</b>	(37,610)	(5,468)
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	55,740	14,260
Repayment of borrowings	(2,433)	(801)
Interest paid	(1,595)	(709)
Principal lease payments	(198)	(5,327)
<b>Net cash inflow from financing activities</b>	51,514	7,423
Net increase/(decrease) in cash and cash equivalents	63,457	(4,436)
Cash and cash equivalents at the beginning of the year	5,386	11,002
Effects of exchange rates on cash and cash equivalents	(2,578)	(1,180)
<b>Cash and cash equivalents at end of year</b>	66,265	5,386
<b>Non-cash financing activities</b>	15,814	15,867

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

### Notes to the consolidated financial statements

#### 1. General information

The financial information set out in this announcement does not comprise the Group's statutory accounts for the years ended 31 December 2021 or 31 December 2020.

The financial information has been extracted from the audited statutory accounts of the Company for the year ended 31 December 2021, which were approved by the directors and authorised for issue on 27 May 2021. The auditors reported on these accounts; the report was unqualified and did not contain a statement under Section 498(2) or Section 498(3) of the Companies Act 2006.

The statutory accounts for the year ended 31 December 2020 have been delivered to the Registrar of Companies and those for the year ended 31 December 2021 will be delivered to the Registrar of Companies in due course.

#### 2. Basis of preparation

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Company transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in

the period reported as a result of the change in framework. These consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The significant accounting policies applied in preparing these consolidated financial statements are set out below. These policies have been consistently applied throughout the year and to each subsidiary of the Group.

The financial statements have been prepared under the historical cost convention except as where stated.

### Going concern

The Group generates cash from its existing conventional oil and gas production operations. However, it was formed with the stated intention of undertaking a significant exploration, evaluation and development program focused on the Group's unconventional oil and gas assets in Argentina, including the Vaca Muerta formation, which requires significant investment. To date, the funding required to support these activities has been provided by Mercuria.

The Company took significant steps to reduce its costs in all areas of the business. The directors believe these cost reduction actions mean the Company is in a better position to produce oil economically at lower oil prices with a positive contribution to cash flow, which will allow the Company to focus on the continued development of its unconventional assets.

Our major shareholder, Mercuria, continues to be supportive of the Company's plans and continues to extend short-term debt facilities to fund operations. At the year end, the Company had drawn down US\$348.0 million under these facilities and US\$45.4 million of interest had been capitalised. Mercuria has written to the Company stating its intention to continue to provide financial support to the Company in order that it may continue to operate and service its liabilities as they fall due in the period to 30 June 2023 and fund the planned work programs. Mercuria has also specifically agreed not to demand repayment of the existing loans (principal and interest) during this period. This letter, which by its nature is not legally binding, represents a letter of comfort stating Mercuria's intention to continue to provide financial support.

Whilst it has taken more time than anticipated, the Company and Mercuria are still seeking to restructure the existing facilities, but do not expect this to be completed until later in the year.

The directors still believe they will be able to agree the renegotiation of the existing debt with Mercuria and formalise an agreement for new funding and that the Group and Company can continue as a going concern for the foreseeable future. The application of the going concern basis of preparation of the financial statements included in the Company's Annual Report is based on the letter that has been received from Mercuria and the ongoing discussion with the Mercuria principals. Accordingly, the directors continue to adopt the going concern basis for accounting in preparing the 2021 financial statements.

However, the directors recognise that if financial support from Mercuria over the period to 30 June 2023 was not to be available and the Company is unable to restructure the existing loan agreements from Mercuria or obtain funding from alternative sources, this gives rise to a material uncertainty that may cast significant doubt on the Group's and Company's ability to continue as a going concern.

The financial statements do not include any adjustments that would be required if the Group and Company were unable to continue as a going concern.

### 3. Segment information

The Group's executive management team comprising the chief executive officer, the chief financial officer, the chief operating officer and the business development manager, has been determined collectively as the chief operating decision makers for the Group. The information reported to the Group's executive management team for the purposes of resource allocation and assessment of segment performance is split between those assets which are operated by the Group and those which are not.

The strategy of the Group is focused on the development of its unconventional operated assets in the Vaca Muerta and other unconventional opportunities in Argentina, while optimising its operated conventional production assets. The Group also participates in joint arrangements as a non-operated partner. Operated and non-operated assets of the Group have therefore been determined to represent the reportable segments of the business. The third segment, "corporate", primarily relates to administrative costs, financing costs, taxation incurred in running the business, and other activities which are not directly attributable to one of the identified segments.

The Group's executive management team primarily uses a measure of earnings before interest, tax, depreciation, loss on termination of licences and other impairment charge and loss on sale of non-current assets ('EBITDA') to assess the performance of the operating segments. However, the executive management team also receives information about segment revenue and capital expenditure on a monthly basis.

2021	Operated US\$'000	Non- operated US\$'000	Corporate US\$'000	Total US\$'000
<b>Revenue</b>	35,362	43,008	-	<b>78,370</b>
<b>(Loss)/profit for the year</b>	(54,643)	15,146	14,476	<b>(25,021)</b>
Add: Depreciation, depletion and amortisation	31,708	6,768	1,152	<b>39,628</b>
Less: Finance income	-	-	(54,816)	(54,816)
Add/(less): finance costs	110	(94)	25,362	25,378

Less: taxation	-	-	(4,256)	(4,256)
<b>EBITDA</b>	<b>(22,825)</b>	<b>21,820</b>	<b>(18,082)</b>	<b>(19,087)</b>
<b>Non-recurring expenses</b>				
Add/(less): Impairment charge/(reversal)	33,511	(4,629)	-	<b>28,882</b>
Less: Loss on the reclassification of assets held for sale	-	3,653	-	<b>3,653</b>
Less: Gain on sale of non-current assets	-	-	(350)	<b>(350)</b>
<b>Adjusted EBITDA</b>	<b>10,686</b>	<b>20,844</b>	<b>(18,432)</b>	<b>13,098</b>
<b>Oil revenues</b>	35,362	40,634	-	<b>75,996</b>
bbls sold	713,110	769,563	-	<b>1,482,673</b>
Realised price (US\$/bbl)	49.59	52.80	-	<b>51.26</b>
<b>Gas revenues</b>	-	2,374	-	<b>2,374</b>
MMcf sold	-	794	-	<b>794</b>
Realised price (US\$/Mcf)	-	2.99	-	<b>2.99</b>
<b>Capital expenditure</b>				
Property, plant and equipment	12,748	6,653	1,175	<b>20,576</b>
Intangible exploration and evaluation assets	31,773	51	-	<b>31,824</b>
<b>Total capital expenditure</b>	<b>44,521</b>	<b>6,704</b>	<b>1,175</b>	<b>52,400</b>
<b>Total assets</b>	<b>300,161</b>	<b>66,718</b>	<b>149,883</b>	<b>516,762</b>
<b>Total liabilities</b>	<b>(7,208)</b>	<b>(16,218)</b>	<b>(492,289)</b>	<b>(515,715)</b>

	Operated US\$'000	Non- operated US\$'000	Corporate US\$'000	Total US\$'000
2020				
<b>Revenue</b>	24,132	29,869	-	<b>54,001</b>
<b>Loss/(profit) for the year</b>	(155,759)	(49,054)	7,789	<b>(197,024)</b>
Add: depreciation, depletion and amortisation	27,569	12,149	1,628	<b>41,346</b>
Less: finance income	-	-	(6,905)	<b>(6,905)</b>
Add: finance costs	458	306	21,512	<b>22,276</b>
Less: taxation	-	-	(38,005)	<b>(38,005)</b>
<b>EBITDA</b>	<b>(127,732)</b>	<b>(36,599)</b>	<b>(13,981)</b>	<b>(178,312)</b>
<b>Non-recurring expenses</b>				
Add: Loss on termination of licences and other impairment charge	127,501	43,628	-	<b>171,129</b>
Add: Loss on sale of non-current assets	6	-	-	<b>6</b>
<b>Adjusted EBITDA*</b>	<b>(225)</b>	<b>7,029</b>	<b>(13,981)</b>	<b>(7,177)</b>
<b>Oil revenues</b>	24,130	28,029	-	<b>52,159</b>
bbls sold	605,476	776,435	-	<b>1,381,911</b>
Realised price (US\$/bbl)	39.85	36.10	-	<b>37.74</b>
<b>Gas revenues</b>	2	1,840	-	<b>1,842</b>
MMcf sold	0.90	928.63	-	<b>929.53</b>
Realised price (US\$/Mcf)	2.22	1.98	-	<b>1.98</b>
<b>Capital expenditure</b>				
Property, plant and equipment	2,627	1,475	98	<b>4,200</b>
Intangible exploration and evaluation assets	2,934	1,015	-	<b>3,949</b>
<b>Total capital expenditure</b>	<b>5,561</b>	<b>2,490</b>	<b>98</b>	<b>8,149</b>
<b>Total assets</b>	<b>315,784</b>	<b>60,281</b>	<b>79,605</b>	<b>455,670</b>
<b>Total liabilities</b>	<b>(7,010)</b>	<b>(10,885)</b>	<b>(411,681)</b>	<b>(429,576)</b>

\*Reclassified on basis consistent with 2021 disclosure

There are no intersegment revenues in either year presented. The majority of oil and gas sales are made to the Argentina state-owned oil company, YPF.

#### 4. Property, plant and equipment

Property, plant and equipment	Other assets US\$'000	Development and production assets US\$'000	Assets under construction US\$'000	Total US\$'000
<b>At 1 January 2021</b>				
Cost	13,091	541,489	8,966	563,546
Accumulated depreciation and impairment	(8,796)	(396,393)	-	(405,189)
<b>Net book amount</b>	<b>4,295</b>	<b>145,096</b>	<b>8,966</b>	<b>158,357</b>
<b>Year ended 31 December 2021</b>				
Opening net book amount	4,295	145,096	8,966	158,357
Additions	1,185	11,686	7,705	20,576
Transfers from intangible assets	6,456	32,682	(5,416)	33,722
Transfer from held for sale -cost	-	31,073	-	31,073
Disposal of assets - cost	(878)	-	-	(878)
Impairment reversal	-	4,629	-	4,629
Impairment charge	-	(31,928)	-	(31,928)
Exploration costs written off	-	(30)	-	(30)
Depreciation charge	(1,148)	(38,480)	-	(39,628)
Transfer for held for sale - accumulated DD&A	-	(22,493)	-	(22,493)
Disposal of assets - accumulated DD&A	827	-	-	827
<b>Closing net book amount</b>	<b>10,737</b>	<b>132,235</b>	<b>11,255</b>	<b>154,227</b>
<b>At 31 December 2021</b>				
Cost	19,877	624,354	11,255	655,486
Accumulated depreciation and impairment	(9,140)	(492,119)	-	(501,259)
<b>Net book amount</b>	<b>10,737</b>	<b>132,235</b>	<b>11,255</b>	<b>154,227</b>

##### Additions

Additions to property, plant and equipment in the year ended 31 December 2021 did not include any interest capitalised in respect of qualifying assets (2020:US\$nil). The total amount of interest capitalised within property, plant and equipment at 31 December 2021 is US\$3.1 million (2020: US\$3.1 million).

##### Assets held for sale

Assets held for sale were related to certain non-core development and production assets in the non-operated segment with a net book value of US\$11.5 million.

In 2021, management suspended the process for the active sale of this asset and as a consequence the criteria for classification as an asset held for sale are no longer met. At the year end, this asset is recognised in development and production assets at its carrying amount adjusted for any depreciation that would have been recognised if the asset had not been classified as a held for sale asset. The Group has recognised in the income statement a loss of US\$3.7 million on the reclassification of the asset held for sale.

Property, plant and equipment	Other assets US\$'000	Development and production assets US\$'000	Assets under construction US\$'000	Total US\$'000
<b>At 1 January 2020</b>				
Cost	13,072	539,100	7,290	559,462
Accumulated depreciation and impairment	(7,159)	(228,054)	-	(235,213)
<b>Net book amount</b>	<b>5,913</b>	<b>311,046</b>	<b>7,290</b>	<b>324,249</b>
<b>Year ended 31 December 2020</b>				
Opening net book amount	5,913	311,046	7,290	324,249
Additions	19	2,398	1,783	4,200
Transfers	-	107	(107)	-
Exploration costs written off	-	(116)	-	(116)
Depreciation charge	(1,637)	(39,709)	-	(41,346)
Impairment charge	-	(128,630)	-	(128,630)
<b>Closing net book amount</b>	<b>4,295</b>	<b>145,096</b>	<b>8,966</b>	<b>158,357</b>
<b>At 31 December 2020</b>				

At 31 December 2020				
Cost		541,489	8,966	
	13,091			563,546
Accumulated depreciation and impairment	(8,796)	(396,393)	-	(405,189)
<b>Net book amount</b>	<b>4,295</b>	<b>145,096</b>	<b>8,966</b>	<b>158,357</b>

#### Impairment

The Company defines the key indicators of impairment in relation to its oil and gas assets within its accounting policies. When a specific impairment trigger is identified during a period, the Company will complete an impairment review of the associated CGU. There has been no change in the CGU asset classification year-on-year. The Group's accounting policy for long-lived assets gives examples of potential triggers for impairment that management will consider when assessing if a particular asset may be impaired. Climate change is another factor to be considered and this is reflected in the assumptions used to calculate the discount factor, in particular the beta factor and the country risk.

These include:

- exploration drilling that has not resulted in the discovery of reserves in potentially commercial quantities;
- changes in oil and gas prices or other market conditions that indicate discoveries may not be commercial;
- the anticipated cost of development indicates that it is unlikely the carrying value of the exploration and evaluation asset will be recovered in full;
- there are no plans to conduct further exploration activities in an area; or
- the exploration licence or concession period has expired or is due to expire.

In 2021, the primary method used in assessing impairment triggers for producing assets was an economic evaluation based on fair values (Level 3) less costs of disposal using the NPV15.5 (2020: NPV15) of post-tax cash flows generated from the 2P reserves of producing assets of the associated CGU over the life of the concession. Factors considered in this evaluation include:

- historical and expected production
- EUR and type curve analysis
- capex
- opex
- discount factors
- price deck

For exploration assets, management considered risked fair values based on post-tax NPV15.5 of P3 reserves and contingent resources in conjunction with fair values assessed on a per acreage basis (in 2020 impairment was assessed by comparing book value to its respective post-tax NPV15 value). Fair values attributed on a per acreage basis have been assessed by reference to values attributed to precedent transactions by comparing the following characteristics of the Company's licences with comparable characteristics of licences the subject of precedent transactions:

- °API
- %TOC
- landing zones
- formation depth
- DFIT (Psi)
- pressure gradient (Psi/ft)
- geohazards

Where the calculated fair values are less than the carrying values an impairment test is performed.

Prices used in the assessment were based on an average of prices sourced from various banks and analysts at the year end, increasing from a forecast Brent price of US\$72.23/bbl in 2022 to US\$80.00/bbl in 2034 and thereafter (2020: US\$50.16/bbl in 2021 to US\$66.38/bbl in 2030 and thereafter).

In addition, where management believes a reversal of the conditions that gave rise to the impairment has arisen, an evaluation will be carried out on the same basis described above to assess whether a potential reversal of the impairment charge recognised in prior periods should be recorded.

This assessment identified impairment triggers primarily due to the revised year end reserves estimates resulting in an impairment charge of US\$28.9 million in respect of property, plant and equipment and intangible assets (see note 5 below) (2020: US\$164.5 million). Impairment charges have been recognised in respect of Puesto Rojas, La Brea, La Paloma, Cerro Alquitrán and Atamisqui, which were partially offset by the partial reversal of impairment charges recognised in prior years at Chachahuen.

Management also carried out sensitivity analysis to determine the impact of changes in the price and discount factor assumptions. A summary of this sensitivity analysis is included at the end of note 5 below.

#### 5. Intangible assets and goodwill

Exploration and evaluation assets are primarily the Group's licence interests in exploration and evaluation assets located in Argentina. The exploration and evaluation assets consist of both conventional and unconventional oil and gas properties.

		Exploration and evaluation	
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Intangible assets	Goodwill US\$'000	assets US\$'000	Total US\$'000
<b>At 1 January 2021</b>			
Cost	260,007	217,078	477,085
Accumulated amortisation and impairment charges	(239,392)	(25,719)	(265,111)
<b>Net book amount</b>	<b>20,615</b>	<b>191,359</b>	<b>211,974</b>
<b>Year ended 31 December 2021</b>			
Opening net book amount	20,615	191,359	211,974
Additions	-	31,824	31,824
Transfer to property, plant and equipment	-	(33,722)	(33,722)
Exploration cost written off	-	(55)	(55)
Impairment charge	-	(1,583)	(1,583)
<b>Closing net book amount</b>	<b>20,615</b>	<b>187,823</b>	<b>208,438</b>
<b>At 31 December 2021</b>			
Cost	260,007	215,125	475,132
Accumulated amortisation and impairment charges	(239,392)	(27,302)	(266,694)
<b>Net book amount</b>	<b>20,615</b>	<b>187,823</b>	<b>208,438</b>

#### Additions

Additions to intangible assets during the year relate primarily to work programs carried out on the Corralera concessions.

Intangible assets	Goodwill US\$'000	Exploration and evaluation assets US\$'000	Total US\$'000
<b>At 1 January 2020</b>			
Cost	260,007	215,759	475,766
Accumulated amortisation and impairment charges	(224,169)	(5,057)	(229,226)
<b>Net book amount</b>	<b>35,838</b>	<b>210,702</b>	<b>246,540</b>
<b>Year ended 31 December 2020</b>			
Opening net book amount	35,838	210,702	246,540
Additions	-	3,949	3,949
Exploration cost written off	-	(2,630)	(2,630)
Impairment charge	(15,223)	(20,662)	(35,885)
<b>Closing net book amount</b>	<b>20,615</b>	<b>191,359</b>	<b>211,974</b>
<b>At 31 December 2020</b>			
Cost	260,007	217,078	477,085
Accumulated amortisation and impairment charges	(239,392)	(25,719)	(265,111)
<b>Net book amount</b>	<b>20,615</b>	<b>191,359</b>	<b>211,974</b>

#### Impairment tests for exploration and evaluation assets

Exploration and evaluation assets are subject to impairment testing prior to reclassification as tangible fixed assets where commercially viable reserves are confirmed. Where commercially viable reserves are not encountered at the end of the exploration phase for an area the accumulated exploration costs are written off in the income statement. See note 4 above.

#### Impairment tests for goodwill

Goodwill is monitored by management at the level of the operating segments identified in note 3. A segment level summary of goodwill allocation is presented below.

	Operated US\$'000	Non-operated US\$'000	Corporate US\$'000	Total US\$'000
At December 2021				
Corralera	16,780	-	-	16,780
Mata Mora	3,835	-	-	3,835
<b>Total goodwill</b>	<b>20,615</b>	<b>-</b>	<b>-</b>	<b>20,615</b>

No goodwill was recognised prior to 2017. All goodwill presented relates to the allocation of technical goodwill arising as a result of accounting for deferred tax on the business combination on 10 August 2017. Goodwill of US\$224.2 million that was related to the excess of the purchase consideration given over the fair value of assets acquired and liabilities assumed at the

acquisition date was impaired in full on completion of the business combination in 2017.

#### Impairment

The carrying value of goodwill has been assessed for impairment at the year end on the basis detailed in note 4. Where the calculated fair values are less than the carrying values an impairment test is performed.

The impairment assessment review resulted in no impairment charge (2020: US\$15.2 million) in respect of goodwill.

Management carried out a sensitivity analysis to determine the impact of changes in the price and discount factor assumptions on the impairment charge recognised on property, plant and equipment (see note 4 above) and intangible assets. A +US\$5/bbl/-US\$5/bbl per annum price change reduced/increased the total impairment charge by approximately US\$4.2 million and US\$4.2 million respectively and -5%/+5% per annum change in the discount rate reduced/increased the total impairment charge by approximately US\$15.5 million and US\$11.2 million respectively.

#### 6. Borrowings

	2021			2020		
	Current US\$'000	Non- current US\$'000	Total US\$'000	Current US\$'000	Non- current US\$'000	Total US\$'000
<b>Secured</b>						
Bank loans	6,289	-	<b>6,289</b>	2,598	6,641	9,239
<b>Total secured borrowings</b>	<b>6,289</b>	-	<b>6,289</b>	2,598	6,641	9,239
<b>Unsecured</b>						
Loans from related parties	393,452	-	<b>393,452</b>	322,973	-	322,973
Other loans	18	-	<b>18</b>	21	-	21
<b>Total unsecured borrowings</b>	<b>393,470</b>	-	<b>393,470</b>	322,994	-	322,994
<b>Total borrowings</b>	<b>399,759</b>	-	<b>399,759</b>	325,592	6,641	332,233

#### Secured liabilities and assets pledged as security

Secured liabilities relate to US Dollar denominated loans at an interest rate of LIBOR + 700 points for Dollar loans, subject to a minimum rate of 8% per annum and BADLAR + 700 points for Peso loans (2020: interest rate of LIBOR + 700 points for Dollar loans with no minimum and BADLAR + 700 points for Peso loans). At 31 December 2021 the Group held US\$1.7 million loans in Argentine Peso (2020: US\$2.7 million).

#### Loans from related parties

The related party loan at 31 December 2021 relates to a convertible rolling credit facility ('RCF') and non-convertible bridging facility ("BF") provided to the Group by Mercuria Energy Netherlands B.V., a subsidiary of the Mercuria group.

As part of the business combination in 2017, Mercuria advanced a bridging and working capital facility to the Group for the amount of US\$160.0 million. In February 2018, US\$100.0 million of the facility was converted to equity of the Company at a price of £0.37 per share. At the same time the facility was restructured as a new convertible RCF in the amount of US\$160.0 million (Facility A) with an additional US\$100.0 million of new funds made available to the Company. In December 2018, Mercuria made available an additional US\$25.0 million under Facility B, which in February 2019 was increased to US\$75.0 million. In May 2019, Mercuria made available an additional US\$40.0 million under Facility C, which in November 2019 was increased to US\$50.0 million and in March 2020 to US\$56.0 million.

At 31 December 2021, a total facility of US\$291.0 million was available to the Company under the RCF, with a total of US\$281.0 million drawn down under the facility, with the undrawn balance of US\$10.0 million made available through the BF, which was subsequently increased to US\$67.5 million, with US\$67.0 million drawn down at the year end.

All funds drawn down under the RCF and BF bear interest at US\$ LIBOR + 4%. The RCF provides for an interest payment grace period from 1 January 2019 to 30 September 2022 with a first repayment and maturity date of 31 December 2022. The BF provides for a repayment date (principal and interest) and maturity date of 31 December 2022. At the year end US\$45.4 million of interest had been capitalised.

Mercuria has the right to convert all or part of the outstanding principal of Facility A, Facility B and Facility C into additional new ordinary shares of the Company at a price of £0.45, £0.28 and £0.23 per share respectively. These conversion rights can be exercised at any time up to 10 business days prior to the maturity date.

#### Fair value

Differences identified between the fair values and carrying amounts of borrowings are as follows:

	2021		2020	
	Carrying amount US\$'000	Fair value US\$'000	Carrying amount US\$'000	Fair value US\$'000
Bank loans	6,289	6,199	9,239	8,981
Other loans	18	18	21	21
Loans from related parties	393,452	382,528	322,973	301,844
<b>Total</b>	<b>399,759</b>	<b>388,745</b>	332,233	310,846

The fair values of non-current borrowings are based on discounted cash flows using a current

borrowing rate. They are classified as Level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

## 7. Loss per share

	2021 US\$	2020 US\$
Basic and diluted loss per share		
From continuing operations attributable to the ordinary equity holders of the Company	(0.01)	(0.07)
Total basic loss per share attributable to the ordinary equity holders of the Company	(0.01)	(0.07)

	2021 US\$'000	2020 US\$'000
Basic and diluted loss per share		
Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	(25,021)	(197,024)
	(25,021)	(197,024)

Weighted average number of shares used as the denominator

	2021 '000	2020 '000
Number of shares		
Adjustments for calculation of diluted earnings per share:		
At 1 January	2,786,571	2,785,024
At 31 December	2,786,571	2,786,571
Potential dilutive ordinary shares	7,435	3,386
Weighted average number of shares used as the denominator in calculating diluted earnings per share	2,794,006	2,788,956

## 8. Post balance sheet events

### Credit facilities

On 9 March 2022, the non-convertible bridging facility provided by Mercuria was increased to US\$97.5 million. The convertible facility grace period was extended to 30 September 2022 and the first repayment date and maturity date extended to 31 December 2022. The non-convertible bridging facility (principal and interest) maturity date was extended to 31 December 2022.

### Licences

On 9 April 2022, the Company, received from Gas y Petróleo del Neuquén S.A. ("GyP") a notice of GyP's willingness to relinquish the licences over the areas La Tropilla, Aguada de Castro I & II and Santo Domingo in which it is the Company's joint venture partner. Management considers that the unconventional prospectivity of these areas has a "high risk/low reward and has agreed to the relinquishment.

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