

Annual Report

For the year ended
31 December 2022

Conrad Asia Energy Ltd
and Controlled Entities
ARBN 656 246 678

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Chairman's Letter

Dear Investor,

This is my first Chairman's letter for Conrad since listing on the Australian Securities Exchange in October 2022. On behalf of the Board of Conrad, I welcome you to our shareholder group.

At the time of the listing, we were one of the largest IPOs in the Australian market in a challenging business environment. The listing was an exciting milestone and an important step in the evolution of Conrad, as we secured the necessary funds to advance our major projects.

Within Asia, the macro conditions for energy, and in particular natural gas, have continued to improve. The world has now recognised the importance of natural gas as the transition fuel in the energy market. Conrad intends to play a significant role in that transition. Currently, our primary focus will be on Indonesia, the fourth most populous nation on earth and a country that is heavily dependent on affordable and secure energy sources. As it moves towards developing a more sustainable energy base, Indonesia aims to double its gas production by 2030. Conrad's projects will be important in achieving that goal.

Since listing in October last year, Conrad has made several important announcements.

The most important update was the Indonesian Government's approval of the revised Plan of Development (**POD**) for the Mako gas field, the Company's flagship asset in the Duyung PSC. We have a 76.5% operated participating interest in one of the largest undeveloped gas fields in the prolific West Natuna Basin, offshore Indonesia. With the approval of the POD, Conrad can now further mature a heads of agreement to supply gas to Singapore into a binding gas sales agreement (**GSA**). The negotiation of the GSA is on track, and we hope to complete this in the first half of 2023.

The Mako gas field has estimated 2C Contingent Resources of 413 Bcf (100%) of which 215 Bcf¹ are net attributable to Conrad, capable of supplying gas to Singapore for twelve years commencing in 2025 at a rate of 120 million cubic feet of gas per day. Mako gas will be an important energy source for Singapore as natural gas has accounted for 95% of the country's power generation since 2014. Energy security is an important consideration in Singapore's energy transition. Mako will provide secure, reliable and a lower carbon emitting energy source than imported LNG. The West Natuna Basin has been supplying a secure and uninterrupted energy source to Singapore for over two decades.

The other major announcement was the signing of two new Production Sharing Contracts (**PSCs**) within the offshore waters of the Province of Aceh, Indonesia. Conrad holds a 100% operated participating interest in each block.

1. Net attributable Contingent Resources represent WNEL's actual net entitlement, within the PSC boundaries (assuming 88% of GIIP within Duyung PSC), under the terms of the PSC that governs the asset and reflective of WNEL's Participating Interest).

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The Mako gas field has estimated 2C Contingent Resources of 413 Bcf (100%) of which 215 Bcf¹ are net attributable to Conrad, capable of supplying gas to Singapore for twelve years commencing in 2025 at a rate of 120 million cubic feet of gas per day.



For personal

The blocks contain known gas discoveries (contingent resources) in shallow water and at shallow reservoir depths, as well as additional prospectivity in both the shallow and deeper-water areas of the PSCs. Over the past four years, Conrad conducted joint technical studies under Joint Study Area (JSA) arrangements over the blocks, which have now been converted to PSCs with a 30-year tenure. Thus, Conrad can seek to develop existing discoveries and explore for additional resources.

The gas discoveries in the shallow water that were made in the 1970s have all been successfully flow tested. Due to prevailing low gas prices and undeveloped local markets during that time, further work was not pursued. Today, the deep-water areas have several large structures with undrilled multi-trillion cubic feet exploration potential. These features also display technical evidence of the potential presence of hydrocarbons. The Aceh PSCs provide near-term opportunities to develop the shallow-water gas discoveries for the local markets. Further, in the event of exploratory success, the PSCs may provide the scope to develop large gas resources not just for the rest of Indonesia, but also for other energy hungry international markets.

As mentioned previously, the gas outlook in Asia is particularly strong. The regional breakdown of primary energy demand shows that the Asia Pacific region will account for 1,955 million tonnes of oil equivalent, or 60% of the global increase of hydrocarbon use from 2021 to 2050, with gas consumption set to grow 78% to 1,620 billion cubic metres².

These are impressive numbers and with our asset-base and track record, Conrad is strongly positioned in this rapidly developing market. We will continue to build our portfolio and maximise our advantage of being one of the few listed pure-play gas companies.

In closing, I would like to thank all our stakeholders for their continued support during Conrad's initial public listing on the ASX. Throughout this busy period, our team successfully advanced both our key projects and added high-value new initiatives in the offshore waters of Aceh. I would also like to thank our management team and staff for all their work and contribution to Conrad in 2022.

As we look ahead, we remain focused on achieving our business goals. We are, fortunately, operating within some of the strongest macro-economic conditions in history for our industry, as the world transitions to lower emission energy sources. We look forward to delivering transformational value during an exhilarating period for the Company and the industry.

Yours sincerely

Peter Botten CBE AC
Chairman

2. Global Gas Outlook 2050 Synopsis, Gas Exporting Countries Forum, 2022 Edition (pages 49 & 54) (https://www.gecf.org/_resources/files/pages/gecf-global-gas-outlook-2050/gecf-gas-outlook-2022.pdf)

Corporate Governance Statement

Conrad Asia Energy Ltd (the **Company** or **Conrad**) has adopted the fourth edition of the Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council. The Company's Annual Corporate Governance Statement for the financial year ending 31 December 2022 has been approved by the Board and is publicly available on the Company's website at <https://conradasia.com/about/#corporate-governance>. This was released to the ASX at the same time as this Annual Report.

Environmental, Social and Governance

Energy is essential to improving human lives. As the Southeast Asia region transitions to higher living standards and cleaner energy, Conrad's expertise enables us to work with partners to balance energy security, energy affordability and energy sustainability. While aiming for positive social impact and business profitability, Conrad recognises and strives to deliver:

- strong and transparent corporate governance;
- active emissions and waste management;
- optimised energy usage and material consumption; and
- reduced environmental footprint.

Specifically with regards to the Mako gas field, the project will:

- provide a secure gas supply with high deliverability;
- deliver high quality gas, consisting of 98% methane with no mercury and no heavy metals;
- share the use of pre-existing pipeline infrastructure and low-cost receiving facilities;
- avoid LNG refrigeration, a process which results in large emissions and energy consumption; and
- provide minimal transportation losses and no requirement for regasification.



Operating and Financial Review

Highlights



- **Conrad Asia Energy (ASX:CRD)** commenced trading on the ASX on 27 October 2022, following a A\$45 million IPO.



- **The Mako gas sales negotiations** with a Singapore gas buyer and SKK Migas (the Indonesian regulator) are nearing completion. Mako represents an important strategic gas asset for both countries.

Energy is essential to improving human lives



- **Conrad anticipates a pipeline of strong news flow** as its flagship project, the Mako Gas Project, progresses towards development, delivering natural gas primarily into Singapore, an attractive market with high prices and reliable buyers.

Highlights



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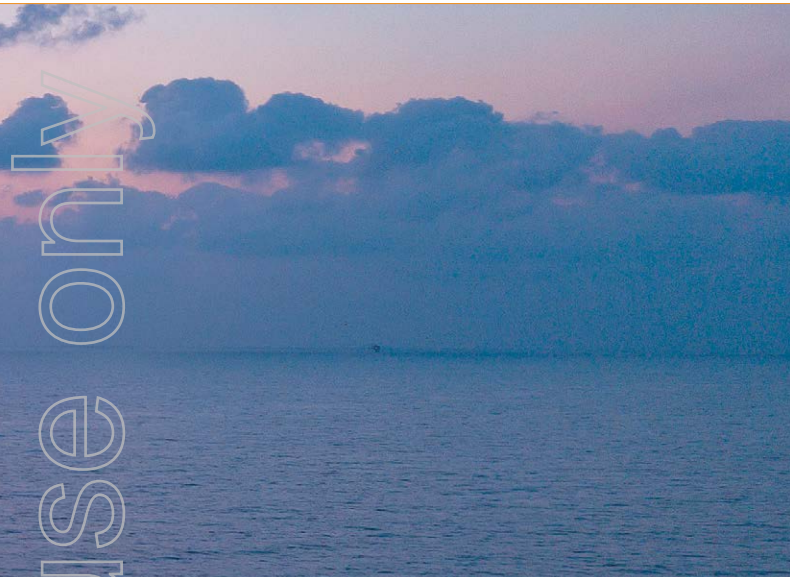


Conrad Managing Director and Chief Executive Officer, Miltos Xynogalas, commented:

“Conrad achieved several major milestones last year, with the highlight being the successful capital raising and listing on the ASX.

We are growing from strength to strength as we pursue the development of the Mako gas project and continue to mature other gas projects in the region. The award of the revised POD is particularly important as we move forward in formalising gas sales agreements in Singapore. Market conditions to sell gas in our region continue to improve, and we are well positioned to accomplish a higher gas price formulation than contemplated in the GaffneyCline & Associates Competent Persons Report, 26 August 2022 (Annexure D of the Conrad IPO prospectus).

The award of the two Aceh PSCs is transformational for Conrad as these contain proven gas discoveries that will markedly augment our gas resources, enhance our medium-term production growth, and add a huge quantum of exploratory upside as we have identified multiple structures with multi trillion cubic feet (Tcf) prospective potential. The Company is confident of commercialising the low-cost shallow-water gas accumulations.”



→ **The Indonesian Government approved a revised plan of development POD** for the Mako gas field, with consent for a production rate of 120 million cubic feet per day, consistent with the GaffneyCline & Associates Competent Persons Report dated 26 August 2022.



→ **The shallow-water areas of the Aceh PSCs contain numerous gas discoveries that have been flow tested.** A Competent Persons Report to independently assess and value these resources has been commissioned.

The Company is confident of commercialising the low-cost shallow-water gas accumulations



→ **Two new PSCs, within the province of Aceh, Indonesia** were awarded to Conrad with an expanse of over 22,000 square kilometres in both shallow- and deep-water areas.



→ **The deep-water areas of the Aceh PSCs hold multi Tcf exploration potential** and the Company has identified several large structures and has initiated a more detailed mapping exercise and leads and prospect inventory for the two PSC's.

Review of Operations

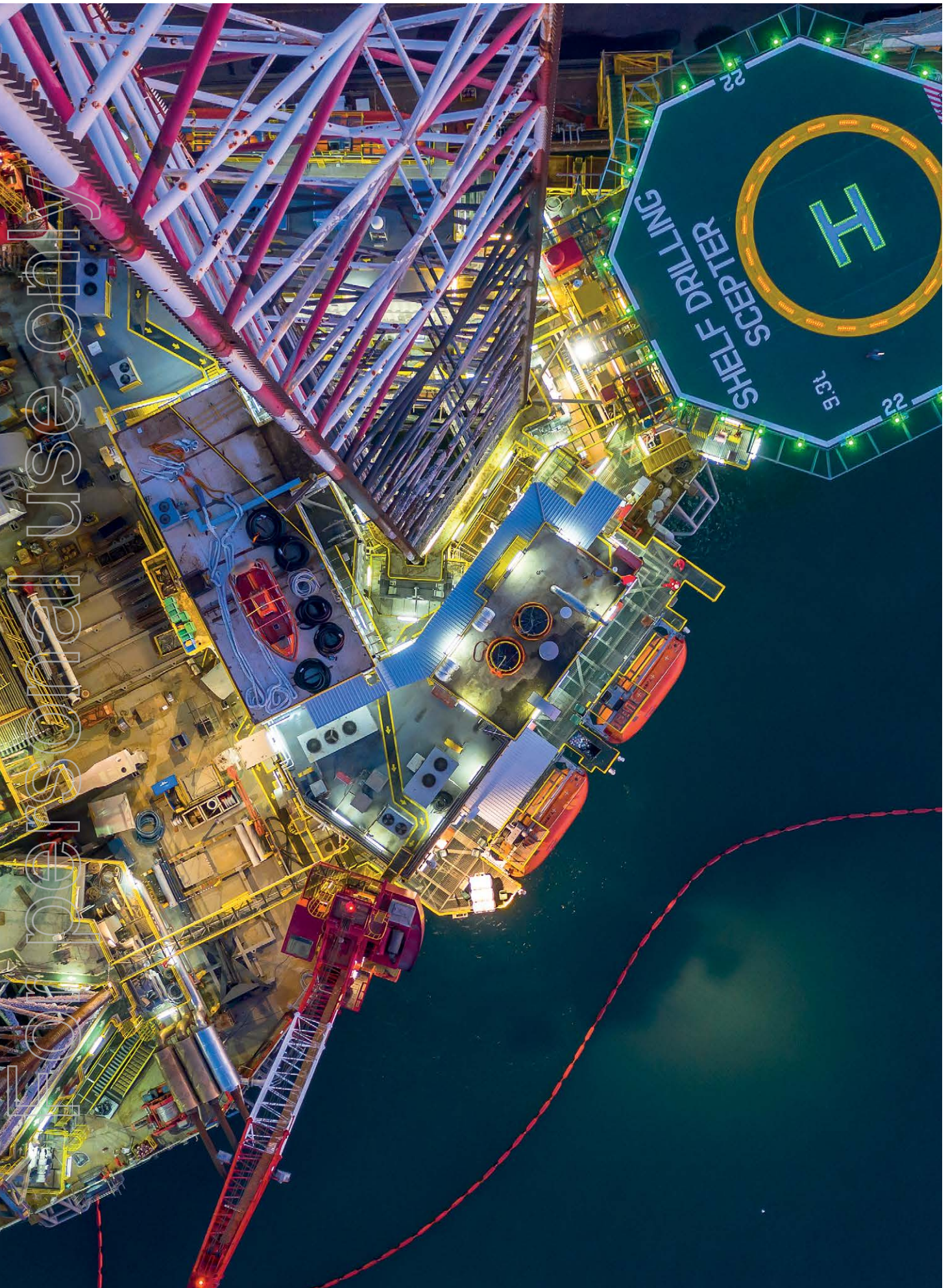
During the December 2022 financial year, the Company listed on the Australian Securities Exchange (**ASX**) while continuing to advance its projects.

Through its wholly owned subsidiaries, Conrad is the holder of several operated tenements in the form of production sharing contracts (**PSCs**) offshore Indonesia.

The Company's flagship project is the development of the Mako Gas field (**Mako**) located in the Natuna Sea, Indonesia. Mako, one of the largest gas discoveries in the region, lies along a large natural gas pipeline which supplies high-value natural gas into Singapore.

The Company specialises in the identification and acquisition of undervalued, overlooked, and/or technically misunderstood gas assets. Conrad has developed expertise in maturing such assets through subsurface technical work, appraisal drilling and a pragmatic approach to low-cost field development.

The Board and management team have a proven track record of value creation and deep industry experience with oil majors, mid-cap E&P and the upstream investment community, as well as successfully moving exploration and development projects into production. Conrad's Chairman, Peter Botten was previously the Managing Director of Oil Search and adds enormous depth and experience to the company.



Oil & Gas
Drilling
Operations

Review of Operations



Duyung PSC – Mako Gas Field

76.5% Participating Interest, Operator

Conrad has a 76.5% operated Participating Interest in the Duyung PSC, which is located in the Riau Islands Province, Indonesian waters in the West Natuna area, via its wholly owned subsidiary, West Natuna Exploration Limited (**WNEL**). Duyung is located approximately 400 kilometres northeast of Singapore. The Duyung PSC contains the Mako, one of the largest undeveloped gas fields in the West Natuna Sea.

Gas sales agreement (**GSA**) negotiations have been a priority of Conrad's board and management, with tripartite engagement between Conrad, a Singapore gas buyer, and SKK Migas (the Indonesian regulator). The Company expects any GSA to include a favourable price formula, given the positive pricing environment for natural gas worldwide (with low supply and high demand).

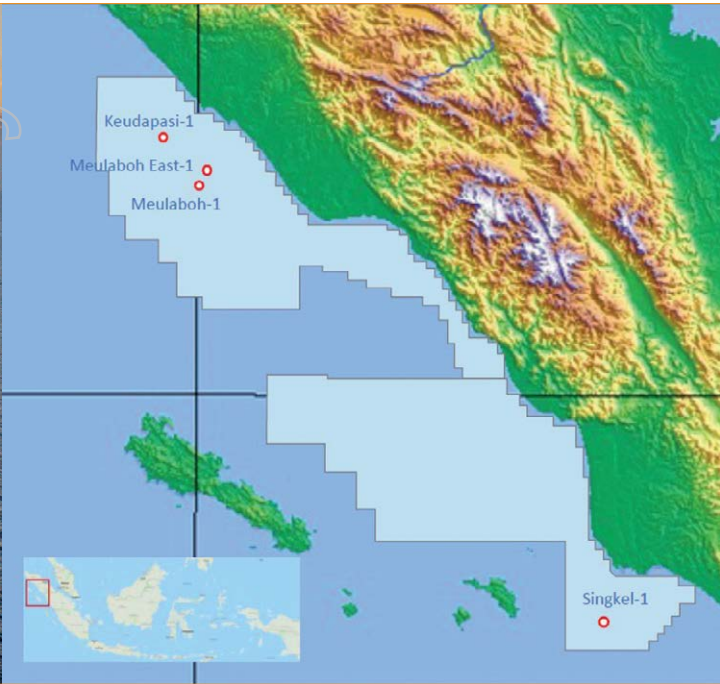
The Indonesian Ministry of Energy and Mineral Resources approved a revised POD for Mako in November 2022. The revision allows Conrad to produce gas at a rate of 120 mmscfd. The field contains gross 2C Contingent Resources of 413 Bcf (100%) of which 215³ Bcf are net attributable to Conrad as noted in the GaffneyCline & Associates Competent Persons Report, 26 August 2022 (Annexure D of the Conrad IPO prospectus) (**CPR**).

In the CPR, GaffneyCline estimate (Best Case) that Mako will generate gas sales of approximately US\$4.5 billion (100%), of which US\$2.4 billion would be attributable to Conrad. The Contingent Resources reported in this report remain unchanged from those reported in the Company's recent IPO prospectus dated 9 September 2022.

Since the approval of the revision to the POD, several studies, including Front End Engineering Design (**FEED**) studies, have been initiated. FEED has commenced for the Mobile Offshore Production Unit (**MOPU**) process facilities; the Subsea Umbilicals, Risers and Flowlines (**SURF**) and for the Conductor Support Frame (**CSF**). A contract has also been awarded for the geophysical pipeline route survey.

Conrad is seeking to sell some of its 76.5% Participating Interest in the Duyung PSC and has progressed in its engagement of an advisory firm to conduct the sale process. After announcing the approval of the POD revision, Conrad has received several unsolicited expressions of interest to acquire a participating interest in the project.

3. Net attributable Contingent Resources represent WNEL's actual net entitlement, within the PSC boundaries (assuming 88% of GIIP within Duyung PSC), under the terms of the PSC that governs the asset and reflective of WNEL's Participating Interest).



Conrad signed two new PSCs, Offshore North West Aceh (Meulaboh) and Offshore South West Aceh (Singkil).

Aceh PSCs

100% Participating Interest, Operator

On 5 January 2023, Conrad signed two new PSCs, Offshore North West Aceh (**Meulaboh**) and Offshore South West Aceh (**Singkil**).

Conrad is operator of both PSCs and holds operated, 100% Participating Interests in each block. Each PSC has a 30-year tenure. Further details on the award of the PSCs can be found in the Company’s announcement dated 6 January 2023.

Both PSCs contain flow-tested gas discoveries in shallow-water made in the 1970s. Upon the award of the PSCs, the Company engaged an independent reserve engineering firm to produce a Competent Persons Report to determine potential Contingent Resources and the valuation for these discoveries. This work is ongoing, and a report will be issued in the near future.

Furthermore, available seismic data reveals that both PSCs contain structures that suggest undrilled, multi Tcf gas prospectivity (with gas chimneys and flat spots displayed on seismic data) in the deeper water areas of the blocks.

The total committed work program for each PSC is US\$15 million and includes geological studies for CY2023, 500 square kilometres of 3D seismic acquisition for 2024 and the drilling of a well in 2025. The costs of the CY2023 commitments are fully funded from the Company’s recent IPO on the ASX. The costs for subsequent activities will be funded from various sources including potential farm-in partners as the PSCs are matured as well as the commencement of cash flow from Mako.

Conrad has been evaluating this area for several years under a joint study arrangement, during which it has identified its large exploratory potential. The Company is currently working on further delineation of the large structures where it aims to quantify the size of these structures. Several large companies have approached Conrad and expressed interest in evaluating the data compiled on the blocks.

Review of Operations

Offshore Mangkalihat PSC

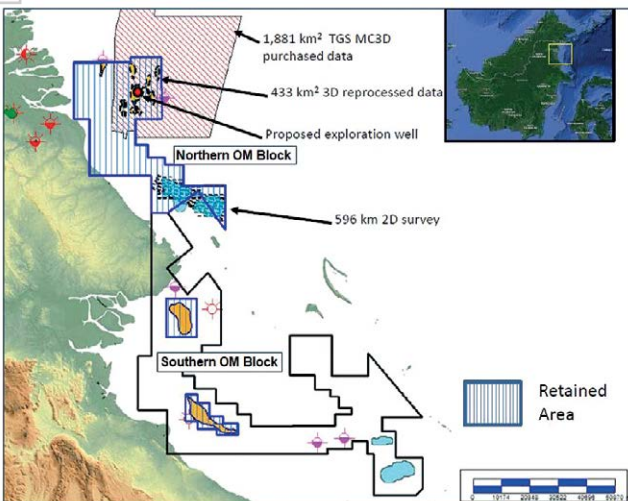
100% Participating Interest, Operator

Conrad has a 100% operated Participating Interest in Offshore Mangkalihat PSC (**OM**) via its wholly owned subsidiary, Conrad Petroleum OM Pte Ltd (**CPOM**), an entity incorporated in Singapore. OM is currently in the exploration extension period of the PSC which runs until 4 July 2023.

During the exploration extension period, CPOM must complete the drilling for one (1) exploratory well. The PSC will be terminated if at the end of this period CPOM has not completed drilling of the exploration well or no commercial discovery is found.

Through its exploration activities, Conrad has identified several leads and prospects in OM. The estimated oil and gas resources of the working areas in OM were independently assessed by GaffneyCline and were reported in the Company's recent IPO prospectus dated 9 September 2022. The prospective resources have not changed since that period.

Following the conclusion of the IPO, CPOM's technical team has revisited the leads and prospects as outlined in the recent IPO prospectus to identify a prospect that could be technically, commercially, and economically matured to drillable status. Given the attractive prospects in its other assets and the potential impending expiration of the OM PSC in July 2023, the Board has decided to pause activities in OM. This will likely result in the release of OM in July 2023 whereupon Conrad is responsible for returning all the working area to the Government with no further financial commitments.



Safety, Environment and Sustainability

In 2022, Conrad maintained a strong Health, Safety, Security and Environmental (HSSE) record. The Company recorded no fatalities, no lost time incidents, no recordable or first aid cases. No spills were recorded.

The HSSE risk profile of the Company will change as execution of the Mako Gas Project matures, and the Company has established plans to manage this evolution of such activities.

Independent external consultants have commenced the formulation of an Environmental Impact Assessment (termed an AMDAL in Indonesia) for the Mako project. Constructive engagements with local communities and stakeholders have commenced with the support of SKK Migas and will continue through to award of the AMDAL.

Conrad is also aiming to have the Mako project comply with other international standards (e.g. Equator Principles IV, IFC Performance Standards and World Bank

Group's Environment, Health, Safety (EHS) Guidelines for "Non-Designated Countries" including Indonesia).

In addition, Conrad has concluded an initial study with ERM International Group Limited to examine the potential unmitigated Scope 1 & 2 greenhouse gas emissions (GHG) that may arise from the development of Mako over its planned productive life. If unmitigated, total Scope 1 & 2 GHG emissions from this development may amount to 1.3 million tCO₂e (100%) – mostly from emissions generated via gas compression. The study has identified several measures by which this emissions profile could potentially be significantly reduced. Conrad will evaluate the viability of adopting such measures during FEED.

The Company's Annual Corporate Governance Statement for the financial year ending 31 December 2022 has been approved by the Board and is publicly available on the Company's website at <https://conradasia.com/about/#corporate-governance>. It was released to the ASX at the same time as this Annual Report.

Petroleum Tenement Holdings

As of 31 December 2022, Conrad's petroleum tenement holdings were:

Tenement and Location	Beneficial Interest at IPO	Beneficial Interest Acquired/Disposed	Beneficial Interest at 31 December 2022
Duyung PSC West Natuna Basin, Indonesia	76.50%	nil	76.50%
Offshore Mangkalihat PSC Tarakan Basin, Indonesia	100%	nil	100%
Offshore North West Aceh PSC Offshore Aceh Province, Indonesia	0%	nil	0%
Offshore South West Aceh PSC Offshore Aceh Province, Indonesia	0%	nil	0%

Review of Operations

Reserves and Resources Statement

As of 31 December 2022, and based upon the CPR GaffneyCline & Associates CPR (16th August 2022), Conrad's petroleum Reserves and Contingent Resources were as follows:

Conrad currently holds no reserves.

2C Contingent Resources of 215 Bcf net attributable to Conrad (within the life of the PSC) are reported for the first time as independently assessed by GaffneyCline & Associates dated 26 August 2022.

Reserves and 2C Contingent Resources (Conrad Share)

	Unit	2021	2022	% Change
2C Contingent Resources	Bcf	n/a	215	n/a

n/a = not applicable

Reserves and 2C Contingent Resources by Product (Conrad Share)

	Sales Gas Bcf	Condensate mmbbl	LPG tonnes	Total mmboe
2C Contingent Resources	215	0	0	37

2C Contingent Resources (Conrad Share)

Asset	Sales Gas Bcf	Oil mmbbl	Condensate mmbbl	LPG tonnes	All Products mmboe
Duyung PSC	215	0	0	0	37
Total 2C	215	0	0	0	37

Notes:

- This statement:
 - is based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of, the qualified petroleum reserves and resources evaluators listed in note 14 of this reserves statement. Details of each qualified petroleum reserves and resources evaluator's employment and professional organisation membership are set out in note 14 of this reserves statement;
 - as a whole, has been approved by Syed Amir Mahmud, a qualified petroleum reserves and resources evaluator and whose employment and professional organisation membership details are detailed in note 14 of this reserves statement; and
 - is issued with the prior written consent of Syed Amir Mahmoud as to the form and context in which the estimated petroleum reserves and contingent resources and the supporting information are presented.
- The estimates of petroleum reserves and contingent resources contained in this reserves statement are as per the GaffneyCline Associates CPR of 26 August 2022.

3. Conrad prepares its petroleum reserves and contingent resources estimates in accordance with the 2018 Petroleum Resources Management System (PRMS) sponsored by the Society of Petroleum Engineers (SPE).
4. Only volumes producible within the current life of the pertinent PSC are reported.
5. This reserves and resources statement is subject to risk factors associated with the oil and gas industry. It is believed that the expectations of petroleum Reserves and Contingent Resources reflected in this statement are reasonable, but they may be affected by a range of variables which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, geotechnical factors, drilling and production results, gas commercialisation, development progress, operating results, engineering estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial markets conditions in various countries, approvals and cost estimates.
6. All estimates of petroleum Reserves and Contingent Resources reported by Conrad are prepared by, or under the supervision of, a qualified petroleum reserves and resources evaluator or evaluators. Processes are documented in the Conrad Reserves Policy which is overseen by the Audit Committee. The frequency of reviews is dependent on the magnitude of the petroleum reserves and contingent resources and changes indicated by new data. If the changes are material, they are reviewed by the Conrad internal technical leaders or externally audited.
7. Unless otherwise stated, all references to petroleum Reserves and Contingent Resources in this statement are Conrad's net entitlement share.
8. Reference points for Conrad's petroleum Reserves and Contingent Resources and production are defined points within Conrad's operations where normal exploration and production business ceases, and quantities of produced product are measured under defined conditions prior to custody transfer. Fuel, flare and vent consumed to the reference points are excluded.
9. Petroleum Reserves and Contingent Resources are aggregated by arithmetic summation by category and as a result, proved reserves may be a very conservative estimate due to the portfolio effects of arithmetic summation.
10. Petroleum Reserves and Contingent Resources are typically prepared by deterministic methods with support from probabilistic methods.
11. Petroleum reserves replacement ratio is the ratio of the change in petroleum reserves (excluding production) divided by production. Organic reserves replacement ratio excludes net acquisitions and divestments.
12. Information on petroleum Reserves and Contingent Resources quoted in this reserves statement is rounded to the nearest whole number. Some totals in the tables may not add due to rounding. Items that round to zero are represented by the number 0, while items that are actually zero are represented with a dash.
13. Qualified Petroleum Reserves and Resources Evaluators:

Name	Employer	Professional Organisation
S A Mahmud	Conrad	AAPG

AAPG: American Association of Petroleum Geologists.

Review of Operations

14. Abbreviations:

1P	proved reserves
2P	proved plus probable reserves
2C	Best Case Contingent Resources ^(a)
Bcf	billion cubic feet
LPG	liquefied petroleum gas
mmbbl	million barrels
mmboe	million barrels of oil equivalent

(a) As defined in the SPE PRMS (2018 v.1.01), being the most realistic assessment of recoverable quantities if only a single result were reported. If probabilistic methods are used, there should be at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate.

15. Conversion Factors:

Sales gas and ethane, 1 Bcf	5.8 boe
Crude oil, 1 barrel	1 boe
Condensate, 1 barrel	0.935 boe
LPG, 1 tonne	8.458 boe

Financial Results Summary

In accordance with Listing Rule 4.10.19, as this is the Company's first annual report since the Company was admitted to ASX, Conrad confirms that it has used cash and assets in a way consistent with its business objectives, as set out in the Company's Prospectus dated 9 September 2022.

The consolidated loss after income tax of the Group for the year ended 31 December 2022 is \$18,091,726 (2021: \$11,240,038). During the year, the Company raised a total of US\$28.7 million (A\$45.0 million) through its IPO. As outlined in its prospectus, the Company converted US\$5 million of its pre-IPO shareholder Simple Agreement for Future Equity (Safe) to equity, and during November 2022, fully repaid the shareholder loan, including interest, of US\$5.7 million. The Company paid transactions cost of US\$1.33 million during the year related to the IPO.

During FY22 and directly related to the Company's initial public listing, there were significant one-off costs including costs of listing on the ASX of \$1.58 million; non-cash employee benefits of \$1.08 million and loss on extinguishment of convertible notes of \$0.92 million.

Due to the ongoing development work in Mako there was an associated increase in development costs, including professional fees increased by 240% to \$0.83 million; wages and salaries increased by 25% to \$1.41 million and total labour costs increased by 30% to \$3.03 million.

General and administration increased by 183% to \$1.15 million, reflecting the additional compliance cost of listing on the ASX and expanded operations overall. Cash and cash equivalents improved significantly, as a result of the recent IPO and was \$18.96 million as at 31 December 2022, leaving the Company in a very strong position to fund working capital and investment in FY23. Trade and other payables at year end increased by 37% to \$0.69 million as a result of higher costs, with net cash used in operating activities totalling \$9.74 million for FY22, a 156% increase from the prior year and largely attributable to costs of the IPO and expanded development costs.

Directors' Report

Your directors submit the financial report of the consolidated entity (referred to hereafter as the Group or Consolidated Entity) consisting of Conrad Asia Energy Ltd (referred to hereafter as the Company or Conrad) and the entities controlled at the end of and during the year to 31 December 2022.

Directors

The names of directors who held office during the year and up to the date of this report are:

Director & Experience



Peter Botten

Non-Executive Chairman

Peter has extensive worldwide experience in the oil and gas industry, having held various senior technical, managerial and board positions in a number of listed and government-owned bodies. Peter is currently the Chairman of AGL Energy Limited (ASX: AGL), Australia's largest energy retailer. Previously, Peter was Managing Director of Oil Search Limited, overseeing its development into a major ASX-listed company from 1994 until 2020.

Peter's current directorships include: Director of Karoon Energy Limited (ASX: KAR) (commenced 1 October 2020), Non-Executive Director of Aurelia Minerals Limited (ASX: AMI) (commenced 13 September 2021), Council Member of the Australia PNG Business Council, Chairman of the Oil Search Foundation, Hela Provincial Health Authority, and the National Football Stadium Trust in Papua New Guinea.



Miltos Xynogalas

Managing Director and CEO

Miltos is a Geoscientist with over 30 years of upstream experience with at least half of it gained in Indonesia. Prior to founding Conrad, Miltos worked for Shell International, Premier Oil and Transworld Oil in various roles ranging from technical and operational to supervisory and managerial.

The main focus of his career has been exploration and development projects and more recently business development, particularly in Indonesia. During his career, Miltos has been involved in major discoveries in Southeast and West Africa.



David Johnson

Executive Director and COO

David is a Geoscientist and General Manager with 41 years E&P experience in international oil & gas and across the full spectrum of upstream activities: exploration, development, production, business development & decommissioning.

David has worked in Australia, the Asia-Pacific and the Middle East with BP, Shell, Woodside, Mubadala Petroleum & Ophir Energy/Medco Energi and a decommissioning consultancy. His career has focused on project appraisal, development and production.

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Directors' Report

(Continued)

Director & Experience



Jeremy Brest

Non-Executive Director

Jeremy has been the managing director of Framework Capital Solutions, a Singapore boutique corporate finance advisory focused on structured private transactions, for more than 15 years. Since founding Framework Capital Solutions, Jeremy has served as sole financial advisor on debt restructurings, private credit transactions, and M&A transactions around the world. In addition to serving on the board of Conrad, Jeremy is a director of Pantheon Resources Plc, an AIM-listed company with 100% working interests in several oil projects on the Alaskan North Slope.

Prior to founding Framework Capital Solutions, Jeremy worked at Goldman Sachs in New York, Hong Kong, and Tokyo, and led the Indonesian credit structuring team for Credit Suisse in the wake of the Asian financial crisis.



Paul Bernard

Non-Executive Director

Paul is a retired Goldman Sachs partner and private investor. During his 19-year career at Goldman Sachs, Paul was a top-rated Asian energy and chemicals analyst as well as co-Director of Asia Pacific Investment Research. He is a CFA charter holder. Paul was a member of the firm's Asia Management Committee and its first Chairman of Diversity for Asia. Since retiring from Goldman Sachs, Paul has been an early-stage investor in and advisor to a number of companies.

Paul's current directorships include Biotech Acquisition Co, Sandbox International Holdings Ltd, Sandbox Edutainment Holdings Ltd, Carbon Recycled Energy and TTS Advisors Pte Ltd.



Mario Traviati

Non-Executive Director

Mario has close to four decades of experience in working, analysing and investing in energy projects around the world. He currently holds the role of Advisor to the Board – Corporate Development at Pantheon Resources (London AIM listed company). Previously, he was the Founding Partner and Vice President of Business Development for Great Bear Petroleum which operates oil and gas properties on the North Slope of Alaska.

Mario was the first Vice President – Head of Energy Research Asia-Pacific at Merrill Lynch Inc., where he supervised Merrill Lynch's research efforts throughout 10 countries in Asia-Pacific covering the oil and gas; utilities; refining and marketing and petrochemicals sectors.

Prior to Merrill Lynch, Mario served as Director of Energy Research at HSBC Securities, and as a Senior Energy Analyst with ANZ Securities.

Mario began his oil and gas career working in exploration with Woodside Petroleum.

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Directors' Report

(Continued)

Principal Activities

Conrad is an energy company currently focused on the exploration, appraisal, and development of natural gas projects in Southeast Asia and particularly in the offshore waters.

Currency in this Report

All financial amounts contained in this report are expressed in United States dollars (US \$ or \$) unless otherwise stated. Some numerical figures included in this report have been subject to rounding adjustments. Any discrepancies between totals and sums of components in tables contained in this report are due to rounding.

Company Financial Year

The financial year reporting period of the Company is the year ending 31 December each year.

CHESS Depository Interests (CDIs)

Conrad is incorporated in Singapore. To enable companies such as Conrad to have their securities cleared and settled electronically through CHESS, the electronic settlement system of ASX, depository instruments called CDIs are issued to and may be traded by investors. Pursuant to the ASX Settlement Operating Rules, CDI holders receive the economic benefits of actual ownership of the underlying Shares. CDIs are traded in a manner similar to shares of Australian companies listed on ASX.

All references to CDIs throughout this report represent shares on issue in the Company. Further details on CDIs can be found in section 8.11 of the Company's prospectus dated 9 September 2022 and lodged with the ASX on 25 October 2022.

Dividends

During the year no dividends were paid or declared.

Matters Subsequent to the End of the Year

There are no matters subsequent to the end of the year.

Likely Development and Expected Results of Operations

The Company intends to continue the development of Mako by securing long lead items and signing the GSA with a Singapore Buyer. As part of its Mako funding, Conrad is seeking to sell down its interest in Mako from its current Working Interest of 76.5%. In Aceh, the Company will progress the technical evaluation of both the shallow water gas discoveries and also the much larger, deeper water exploration targets throughout the year.

Environmental Regulation

The Group is subject to and is compliant with all aspects of environmental regulation of its exploration and mining activities. The directors are not aware of any environmental law that is not being complied with.

Directors' Report

(Continued)

Shares Under Option

The below shares under option as of 31 December 2022 include options and share rights under the Company's Employee Share and Option Plan (ESOP) and warrants on issue prior to the year from a shareholder loan and warrants issued during the year from a Safe investment.

Description	Grant date	Expiry date	Exercise price	Number
ESOP Options	25 September 2022	25 September 2027	US\$0.81	2,080,000
ESOP Rights	25 September 2022	NA	Nil	3,844,616
Loan Warrants	14 June 2021	14 June 2026	US\$0.81	6,769,232
Safe Warrants	20 October 2022	20 October 2024	US\$1.22	3,076,942

Shares Issued on the Exercise of Options

No shares have been issued on exercise of options during the period.

Indemnity and Insurance of Officers

The Company has Directors and Officers and Prospectus liability insurance in place (Policy). The Policy is valid from 3 October 2022. The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

Indemnity and insurance of auditor

The Company has not, during or since the end of the year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

Proceedings on Behalf of the Company

No proceedings have been brought or intervened in on behalf of the Company.

This report is signed in accordance with a resolution of the Board of Directors.



Peter Botten
Chairman

30 March 2023

Remuneration Report

The Company is committed to attracting and retaining the best people to work in the organisation, including directors and senior management. A key element in achieving that objective is to ensure that the Company is able to appropriately remunerate its key people.

Remuneration for executive directors and senior executives may incorporate fixed and variable pay performance elements with both a short-term and long-term focus. Remuneration packages may contain any or all the following:

- (a) annual base salary – reflecting the value of the individuals' personal performance, their ability and experience, as well as the Company's obligations at law and labour market conditions and should be relative to the scale of the business of the Company.
- (b) performance based remuneration – rewards, bonuses, special payments and other measures available to reward individuals and teams following a particular outstanding business contribution having regard to clearly specified performance targets and to the Company's circumstances, values and risk appetite.
- (c) the deferral of performance-based remuneration and the reduction, cancellation or clawback of a performance-based remuneration in the event of serious misconduct or a material misstatement in the entity's financial statements.
- (d) equity based remuneration – share participation via employee share and option schemes, reflecting the Company's short-, medium- and long-term performance objectives.
- (e) other benefits – such as holidays, sickness benefits, superannuation payments and long service benefits.
- (f) expense reimbursement – for any expenses incurred in the course of the personnel's duties.
- (g) termination payments – any termination payments should reflect contractual and legal obligations and will not be made, unless required under local laws, when an executive is removed for misconduct.

Remuneration for non-executive directors may contain any or all of the following:

- (a) annual fees – reflecting the value of the individuals' personal performance, time commitment and responsibilities of the role.
- (b) equity based remuneration – issues of shares or securities, reflecting the contribution of the Director towards the Company's medium- and long-term performance objectives.
- (c) other benefits – superannuation payments, but not including retirement benefits that are additional to the individual's superannuation.

Details of the remuneration of key management personnel of Conrad are set out in the following tables. The key management personnel of the Group consisted of the following directors of Conrad:

- Peter Robert Botten, Non-Executive Chairman
- Miltiadis Xynogalas, Managing Director and CEO
- David Antony Johnson, Executive Director and COO
- Paul Bernard, Non-Executive Director
- Jeremy Leonard Brest, Non-Executive Director
- Mario Domenic Traviati, Non-Executive Director

Remuneration Report

(Continued)

	Short-term benefits	Fees	Share-based payments		Total \$
	Cash salary and fees \$	Other Fees \$	Equity-settled shares \$	Equity-settled options \$	
Peter Robert Botten	201,923	–	–	–	201,923
Miltiadis Xynogalas	453,855	26,106	–	–	479,961
David Antony Johnson	396,884	–	–	–	396,884
Paul Bernard	54,000	–	–	–	54,000
Jeremy Leonard Brest	54,000	74,260*	–	–	128,260
Mario Domenic Traviati	54,000	296,000*	–	–	350,000
	1,214,662	396,366	–	–	1,611,028

*The amounts paid to Jeremy Brest and Mario Traviati include irregular, once off payments associated with additional work outside of non-executive duties which include work associated with the IPO during the year of \$74,260 and \$296,000 respectively

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreement are as follows:

Name: J.S.T Services Co Ltd (David Antony Johnson)

Title: Executive Director/Chief Operating Officer

Agreement commenced: 1 March 2022

- Work with board to deliver Conrad’s mission through programmes, strategic planning and operational delivery.
- Work with board in the provision of sufficient resources to safeguard the financial performance and health of the organisation.
- Lead the operational functions of Conrad’s business in Southeast Asia, Drive the efficient and cost-effective planning and execution of all development and production programs, meeting all business performance.

Name: Framework Capital Solutions Pte Ltd (Jeremy Leonard Brest)

Title: Non-Executive Director

Agreement commenced: 18 October 2016

- Provide general advisory, fundraising, structuring, and execution services to Conrad.

Remuneration Report

(Continued)

Share-based compensation

ESOP granted to directors or other key management personnel during the year ended 31 December 2022:

	Employee Rights Plan No.	Employee Options Plan No.
Peter Robert Botten	480,000	–
Miltiadis Xynogalas	160,000	400,000
David Antony Johnson	560,000	400,000
Paul Bernard	663,848	320,000
Jeremy Leonard Brest	663,848	320,000
Mario Domenic Traviati	476,920	320,000
	3,004,616	1,760,000

Share holdings

The number of shares in the company held during the year ended 31 December 2022 by each director and other key management personnel of the Consolidated Entity, including their personally related parties, is set out below:

	Balance at the start of the year No.	ESOP No.	Additions No.	Disposals No.	Balance at end of the year No.
Peter Robert Botten	–	480,000	648,556	–	1,128,556
Miltiadis Xynogalas	15,322,288	160,000	–	–	15,482,288
David Antony Johnson	1,081,840	560,000	–	–	1,641,840
Paul Bernard	4,400,624	663,848	–	–	5,064,472
Jeremy Leonard Brest	4,073,072	663,848	204,741	–	4,941,661
Mario Domenic Traviati	11,459,256	476,920	127,751	–	12,063,927
	36,337,080	3,004,616	981,048		40,322,744

Warrant holding

The number of shares in the company held during the year ended 31 December 2022 by each director and other key management personnel of the Consolidated Entity, including their personally related parties, is set out below:

	Balance at the start of the year No.	ESOP No.	Additions No.	Disposals No.	Balance at end of the year No.
Peter Robert Botten	–	–	221,539	–	221,539
Miltiadis Xynogalas	135,384	400,000	–	–	535,384
David Antony Johnson	–	400,000	–	–	400,000
Paul Bernard	643,448	320,000	–	–	963,448
Jeremy Leonard Brest	595,552	320,000	102,371	–	1,017,923
Mario Domenic Traviati	769,008	320,000	63,876	–	1,152,884
	2,143,392	1,760,000	387,786	–	4,291,178

Directors' Statement

For the financial year ended 31 December 2022

The directors present their report to the members together with the audited consolidated financial statements of Conrad Asia Energy Ltd (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2022, and the statement of financial position of the Company as at 31 December 2022, and the statement of changes in equity of the Company for the year then ended.

In the opinion of the directors,

- the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and of the financial performance of the business and cash flows of the Group and changes in equity of the Group and of the Company for the year ended on that date; and
- at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

1. Directors

The directors of the Company in office at the date of this statement are:

Peter Robert Botten	(Non-Executive Chairman)
Miltiadis Xynogalas	(Managing Director and CEO)
David Antony Johnson	(Executive Director and COO)
Paul Daniel Bernard	(Non-Executive Director)
Jeremy Leonard Brest	(Non-Executive Director)
Mario Domenic Traviati	(Non-Executive Director)

2. Arrangements to Enable the Directors to Acquire Shares or Debentures

Neither at the end of nor at any time during the financial year was, the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than as disclosed under "Share Rights and Options" in this report.

3. Directors' Interests in Shares or Debentures

According to the register kept by the Company for the purposes of Section 164 of the *Singapore Companies Act 1967*, the following directors who held office at the end of the financial year were interested in shares and warrants of the Company as follows:

Name of Directors	Holdings registered in the name of director		Holdings in which a director is deemed to have an interest	
	At 01 January 2022	At 31 December 2022	At 01 January 2022	At 31 December 2022
	No. of ordinary shares and warrants			
The Company				
Miltiadis Xynogalas	1,057,672	1,057,672	14,400,000	14,400,000
Mario Domenic Traviati	9,300,656	9,300,656	2,927,608	3,119,235
David Antony Johnson	1,081,840	1,081,840	–	–
Paul Daniel Bernard	–	–	5,044,072	5,044,072
Jeremy Leonard Brest	–	–	4,668,624	4,975,736
Peter Robert Botten	–	–	–	870,095

There was no change in any of the above-mentioned interests between the end of the financial year and report date.

Directors' Statement

(Continued)

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment, if later or at the end of the financial year.

4. Share Rights and Options

The Conrad Incentive Plan for key management personnel and employees of the Group was approved and adopted by shareholders through the shareholders' resolution in writing on 23 May 2022.

During the current financial year, the Group has granted 3,844,616 share rights and 2,080,000 options to key management personnel and employees.

The information on the directors of the Company participating in the Incentive Plan is as follows:

Name of Director	Number of share rights granted during the financial year	Number of options granted during the financial year
Miltiadis Xynogalas	160,000	400,000
Mario Domenic Traviati	476,920	320,000
David Antony Johnson	560,000	400,000
Paul Daniel Bernard	663,848	320,000
Jeremy Leonard Brest	663,848	320,000
Peter Robert Botten	480,000	–

Share rights

Vesting conditions of share rights are not the same, depending on the recipient. There are four (4) different sets of vesting conditions in total.

Vesting conditions set 1:

- (a) on 25 September 2023, which is 1 year from the date of grant of the share rights; or
- (b) 100% at such time as Conrad farms down or sells down to a Participating Interest of 20% or less in the Duyung Production Sharing Contract.

Vesting conditions set 2:

- (a) on 25 September 2024, which is 2 years from the date of grant of the share rights.

Vesting conditions set 3:

- (a) in four equal tranches annually over 4 years from grant date; or
- (b) 100% at such time as Conrad farms down or sells down to a Participating Interest of 20% or less in the Duyung Production Sharing Contract.

Vesting conditions set 4:

- (a) on 25 September 2024, which is 2 years from the date of grant of the share rights; or
- (b) 100% at such time as Conrad farms down or sells down to a Participating Interest of 20% or less in the Duyung Production Sharing Contract.

The share rights will lapse and expire if the vesting conditions are not met.

Directors' Statement

(Continued)

Options

Vesting conditions of options are not the same, depending on the recipient. There are three (3) different sets of vesting conditions in total.

Vesting conditions set 1:

- (a) in three equal tranches annually over 3 years from grant date; or
- (b) 100% at such time as Conrad farms down or sells down to a Participating Interest of 20% or less in the Duyung Production Sharing Contract.

Vesting conditions set 2:

- (a) on 25 September 2023, which is 1 year from the date of grant of the options; or
- (b) 100% at such time as Conrad farms down or sells down to a Participating Interest of 20% or less in the Duyung Production Sharing Contract.

Vesting conditions set 3:

- (a) on 25 September 2024, which is 2 years from the date of grant of the options and only once the following performance-based vesting conditions being met:
 - one-third of the options will vest through Conrad (or through West Natuna Exploration Limited ("WNEL")) signing a binding gas sales agreement in respect of the Mako project.
 - one-third of the options will vest upon the final investment decision in respect of the Mako project.
 - one-third of the options will vest upon first production of gas from Mako Gas Field and supplied at the daily contract quality specified in any gas sales agreement executed by Conrad.

The options will expire at 5.00 pm (Singapore time) on 25 September 2027, the date which is the fifth anniversary of the grant date.

The details of outstanding share rights and options to subscribe for ordinary shares of the Group pursuant to the Conrad Incentive Plan are as follows:

Date of grant	Exercise price	Balance at the beginning of the financial year	Number of share rights granted during the financial year	Number of share rights exercised during the financial year	Number of share rights granted as at the end of the financial year
25 September 2022	–	–	3,844,616	–	3,844,616

Date of grant	Exercise price	Balance at the beginning of the financial year	Number of options granted during the financial year	Number of options exercised during the financial year	Number of options granted as at the end of the financial year
25 September 2022	U\$0.81	–	2,080,000	–	2,080,000

Directors' Statement

(Continued)

5. Audit Committee

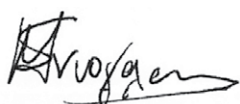
The Audit Committee performs the functions specified by the Listing Rules of the Australian Securities Exchange ("ASX"), the Code of Corporate Governance and Section 201B(5) of the *Singapore Companies Act 1967*.

The nature and extent of the functions performed by the Audit Committee are detailed in the Report on Corporate Governance set out in the Annual Report of the Company.

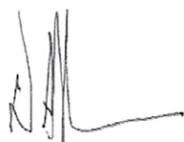
6. Independent Auditors

The independent auditors, Moore Stephens LLP, Public Accountants and Chartered Accountants, have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of Directors,



Miltiadis Xynogalas



David Antony Johnson

Singapore

30 March 2023

Independent Auditor's Report

To the members of Conrad Asia Energy Ltd.



MOORE STEPHENS LLP
CHARTERED ACCOUNTANTS OF SINGAPORE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

CONRAD ASIA ENERGY LTD
(Incorporated in Singapore)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Conrad Asia Energy Ltd (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2022, and the consolidated statement of comprehensive income and the consolidated statement of cash flows of the Group and statements of changes in equity of the Group and the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2022 and of the consolidated financial performance and consolidated cash flows of the Group and changes in equity of the Group and the Company for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA 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.

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Independent Auditor's Report

(Continued)



MOORE STEPHENS LLP
CHARTERED ACCOUNTANTS OF SINGAPORE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

CONRAD ASIA ENERGY LTD (Incorporated in Singapore)

(cont'd)

Key Audit Matters (cont'd)

Key Audit Matter	How our audit addressed the key audit matter
<p><i>Impairment of Exploration and Evaluation Assets</i></p> <p>We refer to Note 2(g), Note 3(a) and Note 12 to the financial statements.</p> <p>As at 31 December 2022, the carrying amount of exploration and evaluation assets amounted to US\$22.4 million.</p> <p>We considered the impairment of exploration and evaluation assets to be a key focus because of its significance and the degree of judgement required in assessing the impairment indicators which include modelling a range of assumptions and estimates that are impacted on by the expected future performance and market conditions.</p> <p>The carrying value of exploration and evaluation assets is subjective based on the Group's ability and intention, to continue to explore the assets. The carrying value may also be impacted by the results of exploration work indicating that the gas resources may not be commercially viable for extraction.</p> <p>In accordance with SFRS(I) 6 <i>Exploration for and Evaluation of Mineral Resources</i>, the Group is required to assess whether facts and circumstances existed to suggest that the carrying amount of exploration and evaluation assets may exceed its recoverable amount. Key assumptions, judgements and estimates used in the impairment indicator assessment can lead to significant changes in respect to whether economic quantities of gas can be commercialised or whether further exploration and evaluation work is underway or planned to support the continued carry forward of capitalised costs.</p> <p>During the current financial year, the Group recognised the write-off of exploration and evaluation assets of US\$2.4 million as the directors of the Company are of the opinion that the assets are not recoverable.</p>	<p><i>Our response</i></p> <p>We designed and performed the following key procedures, among others:</p> <ul style="list-style-type: none"> • We reviewed the Group's accounting policy for exploration and evaluation expenditure against the requirements of SFRS(I) 6; • We assessed whether impairment indicators, as set out in SFRS(I) 6, were present; • We evaluated the valuation methodology and other relevant factors applied in determining the recoverable amount; • We considered the commercial viability of results relating to the exploration and evaluation activities carried out in the relevant licensed areas; • We considered the Group's right to explore in the relevant exploration area and the period in which the Group has the right to explore in the specific area; • We enquired with management and reviewed ASX announcements and minutes of Directors' meetings to ensure that the Group had not decided to discontinue exploration and evaluation in its areas of interest; • We evaluated the Group's intention and capacity to carry out significant exploration and evaluation activities and is consistent with the exploration budget; and • We assessed the ability of the Group to fund the continuation of exploration and evaluation activities in each area of interest. <p><u>Our audit findings:</u> Based on our audit procedures, we found management's assessment of the impairment of exploration and evaluation assets to be reasonable and appropriate.</p>

Independent Auditor's Report

(Continued)



MOORE STEPHENS LLP
CHARTERED ACCOUNTANTS OF SINGAPORE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

CONRAD ASIA ENERGY LTD (Incorporated in Singapore)

(cont'd)

Other Information

Management is responsible for the other information. The other information comprises the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express 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 Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level assurance, but is not a guarantee that an audit conducted in accordance with SSAs 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.

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Independent Auditor's Report

(Continued)



MOORE STEPHENS LLP
CHARTERED ACCOUNTANTS OF SINGAPORE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

CONRAD ASIA ENERGY LTD (Incorporated in Singapore)

(cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with SSAs, 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Independent Auditor's Report

(Continued)



MOORE STEPHENS LLP
CHARTERED ACCOUNTANTS OF SINGAPORE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

CONRAD ASIA ENERGY LTD
(Incorporated in Singapore)

(cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

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 period and are therefore the key audit matters. We describe these matters in our auditor's 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 on our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ms. Michelle Chong Jia Yun.

A handwritten signature in blue ink, appearing to read 'Michelle Chong Jia Yun'.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
30 March 2023

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2022

	Note	Group	
		2022 US\$	2021 US\$
Revenue	4	333,328	189,488
Cost of services		(1,475,144)	(912,665)
Gross loss		(1,141,816)	(723,177)
Other income	5	19,567	–
Other operating expenses		(15,289,396)	(8,906,654)
Finance income	7	43,037	1,227
Finance expense	8	(1,723,118)	(1,611,434)
Loss before income tax	6	(18,091,726)	(11,240,038)
Income tax	9	–	–
Loss after income tax		(18,091,726)	(11,240,038)
Loss attributable to			
Equity holders of the Company		(18,091,726)	(11,240,038)
Non-controlling interest		–	–
		(18,091,726)	(11,240,038)
		cents	cents
Loss per share			
– Basic	17(a)	(0.14)	(0.09)
– Diluted	17(a)	(0.14)	(0.09)
		Group	
		2022 US\$	2021 US\$
Net loss for the year		(18,091,726)	(11,240,038)
Other comprehensive loss, net of income tax		–	–
Total comprehensive loss for the financial year		(18,091,726)	(11,240,038)
Total comprehensive loss attributable to			
Equity holders of the Company		(18,091,726)	(11,240,038)
Non-controlling interest		–	–
		(18,091,726)	(11,240,038)

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Financial Position

As at 31 December 2022

	Note	Group		
		31 December 2022 US\$ Reported under SFRS(I)	31 December 2021 US\$ Reported under SFRS(I)	1 January 2021 US\$ Reported under SFRS(I)
Assets				
Non-current assets				
Plant and equipment	10	379,762	165,450	247,351
Exploration and evaluation assets	12	22,392,713	24,421,450	26,362,514
Other receivables	14	225,000	221,723	149,519
		25,386,693	24,808,623	26,759,384
Current assets				
Financial asset at fair value through profit or loss	13	175,739	237,202	328,444
Other receivables	14	237,627	59,764	19,440,148
Prepayment		177,578	62,035	70,490
Cash and cash equivalents	16	18,961,222	1,442,336	1,404,273
		19,552,166	1,801,337	21,243,355
Total Assets		44,938,859	26,609,960	48,002,739
Equity and Liabilities				
Equity and reserves				
Share capital	17	67,883,357	34,629,209	33,774,209
Employee benefits reserve	18	1,084,089	–	–
Warrants reserve	17	2,958,950	–	–
Accumulated losses		(34,542,663)	(16,450,937)	(6,309,263)
Total attributable to the owners of the Company		39,772,951	18,178,272	27,464,946
Non-controlling interests		–	–	–
		39,772,951	18,178,272	27,464,946
Liabilities				
Non-current liabilities				
Lease liabilities	22	144,393	111,928	195,425
		144,393	111,928	195,425
Current liabilities				
Trade and other payables	19	686,651	500,367	20,284,085
Amount due to shareholders	20	–	4,189,041	–
Warrants	20	4,129,232	3,553,847	–
Lease liabilities	22	205,632	76,505	58,283
		5,021,515	8,319,760	20,342,368
Total Equity And Liabilities		44,938,859	26,609,960	48,002,739

The accompanying notes form an integral part of the financial statements.

Statement of Financial Position

As at 31 December 2022

	Note	Company		
		31 December 2022 US\$ Reported under SFRS(I)	31 December 2021 US\$ Reported under SFRS(I)	1 January 2021 US\$ Reported under SFRS(I)
Assets				
Non-current assets				
Plant and equipment	10	163,367	3,070	11,939
Investments in subsidiaries	11	17,573	17,691	17,931
		180,940	20,761	29,870
Current assets				
Financial asset at fair value through profit or loss	13	175,739	237,202	328,444
Other receivables	14	20,749	2,833	3,810
Contract assets	4	–	–	49,369
Prepayment		122,510	38,891	73,522
Amount due from subsidiaries	15	28,162,869	23,992,038	24,847,326
Cash and cash equivalents	16	15,429,361	1,352,413	1,286,293
		45,987,001	25,623,377	26,588,764
Total Assets		46,167,941	25,644,138	26,618,634
Equity and Liabilities				
Equity and reserves				
Share capital	17	67,883,357	34,629,209	33,774,209
Employee benefits reserve	18	1,084,089	–	–
Warrants reserve	17	2,958,950	–	–
Accumulated losses		(32,568,925)	(16,933,850)	(7,358,504)
Total attributable to the owners of the Company		41,433,244	17,695,359	26,415,705
Liabilities				
Non-current liabilities				
Lease liabilities	22	52,915	–	–
		52,915	–	–
Current liabilities				
Trade and other payables	19	450,790	205,891	202,929
Amount due to shareholders	20	–	4,189,041	–
Warrants	20	4,129,232	3,553,847	–
Lease liabilities	22	101,760	–	–
		4,681,782	7,948,779	202,929
Total Equity and Liabilities		46,167,941	25,644,138	26,618,634

The accompanying notes form an integral part of the financial statements.

Statements of Changes in Equity

For the financial year ended 31 December 2022

	Share capital US\$	Accumulated losses US\$	Warrants reserve US\$	Employee benefits reserve US\$	Total attributable to the owners of the Company US\$
Group					
Balance at 1 January 2022	34,629,209	(16,450,937)	–	–	18,178,272
Loss for the year	–	(18,091,726)	–	–	(18,091,726)
Other comprehensive loss, net of income tax	–	–	–	–	–
Total comprehensive loss for the year		(18,091,726)	–	–	(18,091,726)
Issuance of ordinary shares	34,582,266	–	–	–	34,582,266
Costs of issuing capital	(1,328,118)	–	–	–	(1,328,118)
Issue of warrants	–	–	2,958,950	–	2,958,950
Issue of ordinary shares under Employee Incentive Plan	–	–	–	1,084,089	1,084,089
Balance at 31 December 2022	67,883,357	(34,542,663)	2,958,950	1,084,089	37,383,733
Balance at 1 January 2021	33,774,209	(6,309,263)	–	–	27,464,946
Loss for the year	–	(11,240,038)	–	–	(11,240,038)
Other comprehensive loss, net of income tax	–	–	–	–	–
Total comprehensive loss for the year	–	(11,240,038)	–	–	(11,240,038)
Issuance of shares	855,000	–	–	–	855,000
Adjustment arising from settlement of transfer of PSC interest	–	1,098,364	–	–	1,098,364
Balance at 31 December 2021	34,629,209	(16,450,937)	–	–	18,178,272

The accompanying notes form an integral part of the financial statements.

Statements of Changes in Equity

(Continued)

	Share capital US\$	Accumulated losses US\$	Warrants reserve US\$	Employee benefits reserve US\$	Total US\$
Company					
Balance at 1 January 2022	34,629,209	(16,933,850)	–	–	17,695,359
Loss for the year	–	(15,635,075)	–	–	(15,635,075)
Other comprehensive loss, net of income tax	–	–	–	–	–
Total comprehensive loss for the year	–	(15,635,075)	–	–	(15,635,075)
Issuance of shares	34,582,266	–	–	–	34,582,266
Costs of issuing capital	(1,328,118)	–	–	–	(1,328,118)
Issue of warrants	–	–	2,958,950	–	2,958,950
Issue of ordinary shares under Employee Incentive Plan	–	–	–	1,084,089	1,084,089
Balance at 31 December 2022	67,883,357	(32,568,925)	2,958,950	1,084,089	39,357,471
Balance at 1 January 2021	33,774,209	(7,358,504)	–	–	26,415,705
Loss for the year	–	(9,575,346)	–	–	(9,575,346)
Other comprehensive loss, net of income tax	–	–	–	–	–
Total comprehensive loss for the year	–	(9,575,346)	–	–	(9,575,346)
Issuance of shares	855,000	–	–	–	855,000
Balance at 31 December 2021	34,629,209	(16,933,850)	–	–	17,695,359

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2022

	2022 US\$	2021 US\$
Cash Flows from Operating Activities		
Loss before income tax	(18,091,726)	(11,240,038)
Adjustments for:		
Interest income	(43,037)	(1,227)
Interest expense	1,723,118	1,611,434
Depreciation of plant and equipment	146,227	80,471
Exploration and evaluation assets written off	2,389,218	4,065,219
Plant and equipment written off	–	2,702
Costs of issuing capital	(1,328,118)	–
Loss on extinguishment of convertible loan	917,881	–
Fair value loss on revaluation of financial assets, at FVPL	61,463	91,242
Fair value change of warrants	575,385	1,153,847
Unrealised foreign exchange (gain)/loss	(19,723)	22,099
Warrants expense	2,958,950	–
Employee Incentive Plan expense	1,084,089	–
Issuance of shares to employees	–	315,000
Operating cash flows before working capital changes	(9,626,273)	(3,899,251)
Changes in working capital:		
(Increase)/decrease in other receivables	(181,567)	18,771,658
(Increase)/decrease in prepayment	(115,543)	8,455
Increase/(decrease) in trade and other payables	183,160	(18,688,161)
Cash used in operations	(9,740,223)	(3,807,299)
Interest received	43,037	1,227
Net cash used in operating activities	(9,697,186)	(3,806,072)
Cash Flows from Investing Activities		
Purchase of plant and equipment	(64,775)	(1,272)
Increase in exploration and evaluation assets (Note 12)	(360,481)	(1,055,174)
Net cash used in investing activities	(425,256)	(1,056,446)
Cash Flows from Financing Activities		
Proceeds from issuance of ordinary shares	28,664,385	–
Proceeds from convertible loan	5,000,000	–
(Decrease)/increase in amount due to shareholders	(5,878,816)	5,000,000
Repayment of lease liabilities	(119,594)	(65,275)
Interest paid	(33,343)	(22,393)
Net cash generated from financing activities	27,632,632	4,912,332
Net increase in cash and cash equivalents	17,510,190	49,814
Cash and cash equivalents at the beginning of the financial year	1,442,336	1,404,273
Effect of exchange rate changes on foreign currencies cash and bank balances	8,696	(11,751)
Cash and cash equivalents at the end of the financial year (Note 16)	18,961,222	1,442,336

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

(Continued)

The reconciliation of movements of liabilities to cash flows arising from financing activities is presented below:

	Cash flow			Non-cash changes			31 December US\$
	1 January US\$	(Repayments)/proceeds US\$	Additions US\$	Interest expense US\$	Unrealised foreign exchange gain US\$	Prepaid interest expense in relation to warrants US\$	
2022							
Amount due to shareholders	4,189,041	(5,878,816)	–	1,689,775	–	–	–
Lease liabilities	188,433	(152,937)	295,764	33,343	(14,578)	–	350,025
	4,377,474	(6,031,753)	295,764	1,723,118	(14,578)	–	350,025
2021							
Amount due to shareholders	–	5,000,000	–	273,973	–	(1,084,932)	4,189,041
Lease liabilities	253,708	(87,668)	–	22,393	–	–	188,433
	253,708	4,912,332	–	296,366	–	(1,084,932)	4,377,474

The accompanying notes form an integral part of the financial statements.

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Notes to the Financial Statements

For the financial year ended 31 December 2022

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General Information

Conrad Asia Energy Ltd (the “Company”) is a public limited company incorporated and domiciled in Singapore and is listed on the Australian Securities Exchange (“ASX”).

The principal activities of the Company are oil and gas exploration and development. The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements.

The address of its registered office and principal place of business is located at 84 Amoy Street #03-01 Singapore 069903 and South Quarter Tower A, 15th Floor, Unit H, Jl. R.A. Kartini Kav. 8, Cilandak, Jakarta 12430, Indonesia respectively.

The financial statements were approved and authorised for issue by the Board of Directors in accordance with a resolution of the Directors on the date of the Directors’ Statement.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements have been prepared under the historical cost basis, except as disclosed in the accounting policies below and are drawn up in accordance with the provisions of the *Singapore Companies Act 1967* and Singapore Financial Reporting Standards (International) (“SFRS(I)s”).

The financial statements are presented in United States dollars (“US\$”), which is the functional currency of the Company.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise judgement in the process of applying the Group’s accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions, actual results may ultimately differ from these estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgement or complexity are disclosed in Note 3 to the financial statements.

Adoption of Singapore Financial Reporting Standards (International) (“SFRS(I)s”)

The Group has adopted SFRS(I) on 1 January 2022. These financial statements for the financial year ended 31 December 2022 are the first set of financial statements the Group has prepared in accordance with SFRS(I). The Group’s previously issued financial statements for periods up to and including the financial year ended 31 December 2021 were prepared in accordance with Financial Reporting Standards in Singapore (“FRS”).

In adopting SFRS(I) on 1 January 2022, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International).

Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2022. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

Notes to the Financial Statements

(Continued)

Optional exemptions applied on adoption of SFRS(I)

For first-time adopters, SFRS(I) 1 allows the exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- (a) SFRS(I) 3 *Business Combinations* has not been applied to business combinations that occurred before the date of transition on 1 January 2021. The same classification as in its previous FRS financial statements has been adopted.
- (b) SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I) on 1 January 2021. Such fair value adjustments and goodwill continue to be accounted for using the same basis as under IAS 21.

Under the previous IAS, goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in the annual financial statements.

Goodwill and fair value adjustments which arose on acquisition of foreign operations before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in USD at the rates prevailing at the date of acquisition.

- (c) The Group has not reassessed the determination of whether an arrangement contained a lease in accordance with SFRS(I) 4 *Determining whether an Arrangement contains a Lease*.
- (d) The Group has elected to apply the requirements in the SFRS(I) 1-23 *Borrowing Costs* from the date of transition to SFRS(I) on 1 January 2021. Borrowing costs that were accounted for previously under IFRIC prior to date of transition are not restated.

The Group's opening balance sheet has been prepared as at 1 January 2021, which is the Group's date of transition to SFRS(I) ("date of transition"). An explanation of how the transition to SFRS(I) has affected the reported financial position, financial performance and cash flows are provided in Note 27 of the financial statements.

Adoption of New and Revised Singapore Financial Reporting Standards (International) ("SFRS(I)") issued which are effective

On 1 January 2022, the Group has adopted the new and revised SFRS(I) and SFRS(I) Interpretations ("SFRS(I) INTs") that are mandatory for application for the financial year. The adoption of these new and revised SFRS(I) and SFRS(I) INTs did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

Notes to the Financial Statements

(Continued)

Adoption of New and Revised SFRS(I) issued but not yet effective

At the date of authorisation of these financial statements, the following standards that have been issued and are relevant to the Group and Company but not yet effective:

		Effective for annual financial periods beginning on or after
Amendments to SFRS(I) 1-1	<i>Amendments to SFRS(I) 1-1 Presentation of Financial Statements – Classification of Liabilities as current or non-current and Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to SFRS(I) 16	<i>Amendments to SFRS(I) 16 Lease – Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to SFRS(I) 1-1	<i>Amendments to SFRS(I) 1-1 – Disclosure of Accounting Policies and SFRS(I) Practice Statement 2 Making Materiality Judgements</i>	1 January 2023
Amendments to SFRS(I) 1-8	<i>Amendments to SFRS(I) 1-8 – Definition of Accounting Estimates</i>	1 January 2023
Amendments to SFRS(I) 1-12	<i>Amendments to SFRS(I) 1-12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to SFRS(I) 10 and SFRS(I) 1-28	<i>Amendments to SFRS(I) 10 and SFRS(I) 1-28 Investments in Associates and Joint Ventures – Sale or contribution of assets between an investor and its associate or joint venture</i>	Deferred indefinitely, early application is still permitted

The directors expect that the adoption of the standards above will have no material impact on the consolidated financial statements in the period of initial application.

(b) Foreign Currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

For the purpose of the financial statements, the results and financial position of each entity in the Group are expressed in United States Dollar ("US\$"), which is the functional currency of the Company and the presentation currency for the financial statements.

(ii) Transactions and balances

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss. Monetary items include primarily financial assets (other than equity investments), contract assets and financial liabilities. However, in the consolidated financial statements, currency translation difference arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in the other comprehensive income and accumulated in the exchange translation reserve.

Notes to the Financial Statements

(Continued)

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the net investment.

(iii) Translation of Group entities' financial statements

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing exchange rates at the reporting date;
- income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transactions dates, in which the case income and expenses are translated using the exchange rates at the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income and accumulated in the exchange translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(c) Group Accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Notes to the Financial Statements

(Continued)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual agreements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Group applies the acquisition method to account for business combinations when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether an integrated set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create output. The Group has an option to apply a 'fair value concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test can be applied on a transaction-by-transaction basis. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the test is not met, or if the Group elects not to apply the test, a detailed assessment must be performed applying the normal requirements in SFRS(I) 3.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred assets. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Notes to the Financial Statements

(Continued)

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group loses control of a subsidiary, it:

- derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interest (including any components of other comprehensive income attributable to them);
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained in the former subsidiary at its fair value;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate; and
- recognises any resulting difference as a gain or loss in profit or loss.

Investments in subsidiaries are carried at cost less accumulated impairment losses in the statement of financial position of the Company. On disposal of investment in subsidiaries the difference between the net disposal proceeds and the carrying amount of the investment are recognised in profit or loss.

(d) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks and on hand which are subject to an insignificant risk of changes in value.

(e) Plant and Equipment

All items of plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

	Useful lives
Leased building	Over the remaining lease term till 2024
Computers	3 years
Office renovation	3 years
Furniture and fittings	3 years
Office equipment	3 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The useful lives, residual values and depreciation method are reviewed at the end of each reporting period, and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

Notes to the Financial Statements

(Continued)

(f) Exploration and Evaluation Assets

Exploration and evaluation activity involves the search for oil and gas resources, the determination of technical feasibility and the assessment of the commercial viability of an identified resource. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in profit or loss.

Exploration and evaluation costs are capitalised in respect of each area of interest for which the rights to tenure are current and where:

- (i) the exploration and evaluation costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
- (ii) exploration and evaluation activities in the area of interest have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

Exploration and evaluation assets comprise, among others, costs that are directly attributable to researching and analysing existing exploration data, gathering exploration data through topographical, geochemical and geophysical studies, exploratory drilling, trenching and sampling, determining and examining the volume and grade of the resource, examining and testing extraction and treatment methods, surveying transportation and infrastructure requirements, compiling pre-feasibility and feasibility studies and/or gaining access to areas of interest including occupancy and relocation compensation and other directly attributable costs of exploration and appraisal including technical and administrative costs.

General and administrative costs are allocated to, and included in, the cost of exploration and evaluation asset only to the extent that those costs can be related directly to operational activities in the area of interest to which the exploration and evaluation asset relates. In all other cases, these costs are expensed as incurred.

Exploration and evaluation assets are transferred to development costs, a component of exploration and evaluation assets, when the technical feasibility and commercial viability of extracting the resource are demonstrable and sanctioned by management.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. Where a potential impairment is indicated, assessment is performed for each area of interest in conjunction with the group of operating assets (representing a Cash Generating Unit) to which the exploration and evaluation is attributable. To the extent that capitalised exploration and evaluation is not expected to be recovered, it is charged to profit or loss.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are depreciated over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward cost in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the cost of that stage. Site restoration costs include the dismantling and removal of drilling facilities, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the concession permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on a discounted basis.

Any changes to the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within 1 year of abandoning the concession site.

Notes to the Financial Statements

(Continued)

(g) Impairment of Non-Financial Assets

The Group and the Company assess at the end of each reporting period whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The impairment loss is recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

(h) Financial Instruments

(i) Financial Assets

Classification and Measurement

The Group classifies its financial assets in the following measurement categories:

- amortised cost;
- fair value through other comprehensive income ("FVOCI"); and
- fair value through profit or loss ("FVPL").

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives, if any, are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

Initial recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Notes to the Financial Statements

(Continued)

Subsequent measurement

(i) Debt instruments

Debt instruments mainly comprise trade and other receivables, contract assets, amount due from subsidiaries and cash and cash equivalents.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- **Amortised cost:** Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.
- **FVOCI:** Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income ("OCI") and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "other income/other expenses". Interest income from these financial assets is recognised using the effective interest rate method and presented in "interest income", if any.
- **FVPL:** Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other income/other operating expenses", if any.

(ii) Equity instruments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other income/other operating expenses", except for those equity securities which are not held for trading.

Recognition and Derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income.

(ii) Financial Liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. The Group and the Company determine the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Notes to the Financial Statements

(Continued)

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(i) Impairment of Financial Assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivable and contract assets, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at the end of each reporting period. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment which could affect debtors' ability to pay. For other receivables, the Group and the Company apply a general approach to calculate loss allowance based on a 12-month ECL.

The Group and the Company consider a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(j) Share Capital

Ordinary shares issued by the Group and the Company are classified as equity and recorded at the proceeds received, net of direct issue costs.

(k) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Notes to the Financial Statements

(Continued)

(l) Revenue Recognition

Revenue is measured based on the consideration to which the Group and the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group and the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Revenue from rendering of services is recognised when the services have been performed and rendered.

Interest income is recognised on a time proportion basis using the effective interest method.

(m) Employee Benefits

Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed. The Group has no further payment obligations once the contributions have been paid.

Employee Incentive Plan

The Group operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period.

The total amount to be recognised is determined by reference to the fair value of the shares granted on the date of the grant. These shares are vested immediately upon issue. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date.

At each reporting date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

(n) Leases

As lessee

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

The Group recognises right-of-use assets and lease liabilities at the date which the underlying assets become available for use. Right-of-use assets are measured at cost, which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement dates, plus any initial direct costs incurred and an estimate of restoration costs, less any lease incentives received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

Right-of-use assets are subsequently depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment, over the lease term till 2024. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the corresponding lease liabilities. The Group and the Company present its right-of-use assets and lease liabilities in "Plant and equipment" and "Lease liabilities" in the statements of financial position respectively.

Notes to the Financial Statements

(Continued)

The initial measurement of lease liabilities is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivables;
- variable lease payments that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under residual value guarantees
- the exercise price of a purchase option if it is reasonably certain to exercise the option; and
- payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contracts that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease components. The Group has elected not to separate lease and non-lease components for property leases; instead, these are accounted for as one single lease component.

Lease liabilities are measured at amortised cost, and are remeasured when:

- there is a change in future lease payments arising from changes in an index or rate;
- there is a change in the Group's assessment of whether it will exercise lease extension and termination options;
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a modification to the lease term.

When lease liabilities are remeasured, corresponding adjustments are made against the right-of-use assets. If the carrying amounts of the right-of-use assets have been reduced to zero, the adjustments are recorded in profit or loss. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less, as well as leases of low value assets, except in the case of sub-lease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

Variable lease payments that are based on an index or a rate are included in the measurement of the corresponding right-of-use assets and lease liabilities. Other variable lease payments are recognised in profit or loss when incurred.

Short-term lease and lease of low-value assets

The Group applies the short-term leases recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value.

Lease payment on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

(o) Warrants

The warrants are recognised as financial liabilities and represent the assigned fair value of the warrants issued by the Company, net of issue expenses, if any, at initial recognition.

The warrants liability needs to be fair valued at each subsequent reporting date, with any adjustment to the value recorded being reflected in profit and loss.

Warrants Reserve

The warrants reserve represents the assigned fair value of the warrants issued by the Company, net of issue expenses. Each warrant carries the right to subscribe to a certain number of new ordinary shares at an exercise price. As and when the warrants are exercised, the related balance is transferred to the share capital account. At the expiry of the warrants, the balance in the warrants reserve will be transferred to retained earnings.

Notes to the Financial Statements

(Continued)

(p) Income Tax

(i) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(q) Related Parties

A related party is defined as follows:

A related party is a person or entity that is related to the entity that is preparing its financial statements ("reporting entity").

- (a) A person or a close member of that person's family is related to the Group and Company if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to the Group and the company if any of the following conditions applies:
 - (i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Notes to the Financial Statements

(Continued)

(r) Segment reporting

Operating segment is reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segment. The Group has only one operating segment which is the oil and gas exploration.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(a) Critical Judgements in applying Accounting Policies

Determination of functional currency

In determining the functional currency of the Group, judgment is used by the Group to determine the currency of the primary economic environment in which the Group operates. Consideration factors include the currency that mainly influences sales prices of goods and services and the currency of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services.

Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether it is likely that future economic benefits are likely, either from future exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on how the resources are classified. These estimates directly impact when the Group defers exploration and evaluation expenditure.

The deferral policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in profit or loss in the period when the new information becomes available.

Notes to the Financial Statements

(Continued)

(b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Useful lives of plant and equipment

The useful life of an item of plant and equipment is estimated at the time the asset is acquired and is based on historical experience with similar assets and takes into account anticipated technological or other changes. If changes occur more rapidly than anticipated or the asset experiences unexpected level of wear and tear, the useful life will be adjusted accordingly. The carrying amount of plant and equipment at the end of reporting period is disclosed in Note 10.

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Employee Incentive Plan

During the financial year ended 31 December 2022, the Company established the Employee Incentive Plan for key management personnel of the Group to receive share rights and options of the Company. These shares were granted by the Company under the "Conrad Incentive Plan" as disclosed in Note 18.

During the financial year ended 31 December 2021, the Company established a share option plan for key management personnel of the Group to receive shares of the Company. These shares were granted by the Company under the "Share Award Plan" as disclosed in Note 17.

The Group measures the cost of equity-settled transactions with employees with reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share rights and options, volatility and dividend yield and making assumptions about them.

Warrants

The Group issues warrants to its shareholders.

The Group measures the fair value of warrants with reference to the Binomial valuation model. Estimating the fair value for warrants is dependent on various factors such as the current spot price, exercise price, exercise period, risk-free rate and volatility.

Information on the fair value measurement is disclosed in Note 24.

Notes to the Financial Statements

(Continued)

4. Revenue and Contract Assets

Revenue represents service income recognised at a point in time and derives mainly from Indonesia.

Contract assets

	Company		
	31 December 2022 US\$	31 December 2021 US\$	1 January 2021 US\$
Consultancy services rendered	–	–	49,369
Recognised as at year end	–	–	49,369
Transferred to trade receivable during the year	–	49,369	293,544

Contract assets relate to revenue representing the Company's rights to consideration for work completed but not billed at the reporting date. The contract assets were transferred to trade receivables when the rights became unconditional. This occurred when invoices were billed to the customer, usually within a month.

Management estimated the loss allowance on contract assets at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the industry. None of the contract assets at the end of the reporting year is past due. There had been no change in the estimation techniques or significant assumptions made in assessing the loss allowance for the contract assets.

No allowance for impairment loss on contract assets is required.

5. Other Income

	Group	
	2022 US\$	2021 US\$
Government grants	19,567	–
	19,567	–

Notes to the Financial Statements

(Continued)

6. Loss before Income Tax

	Group	
	2022 US\$	2021 US\$
Consultancy fee under:		
– cost of services	1,475,144	912,665
Depreciation of plant and equipment	146,227	80,471
Plant and equipment written off	–	2,702
Exploration and evaluation assets written off	2,389,218	4,065,219
Foreign exchange (gain)/loss, net	(278,145)	14,207
General expenses	63,194	64,664
Legal and professional fees	1,108,938	245,039
New venture costs	292,500	–
Employee Incentive Plan expense	1,084,089	–
Commission fee	236,952	30,000
Issuance of shares to employees	–	315,000
IPO listing costs	1,581,321	151,959
Audit fees:		
– Company's auditors	59,691	29,342
Audit-related services:		
– Company's auditors	20,070	20,591
Staff costs:		
– Director's remuneration	793,923	353,334
– Fees for professional services	799,250	817,166
– Staff salaries	1,412,830	1,132,520
– Staff benefit	23,855	31,720
– Travelling	220,821	34,540
Fair value loss on revaluation of financial assets, at FVPL	61,463	91,242
Fair value change of warrants	575,385	1,153,847
Loss on extinguishment of convertible loan	917,881	–
Warrants expense	2,958,950	–

7. Finance Income

	Group	
	2022 US\$	2021 US\$
Interest income from cash and cash equivalents	43,037	1,227

Notes to the Financial Statements

(Continued)

8. Finance Expense

	Group	
	2022 US\$	2021 US\$
Interest expense	604,843	273,973
– Amount due to shareholders (Note 20)	43,037	1,227
– Warrants	1,084,932	1,315,068
– Lease liabilities (Note 22)	33,343	22,393
	1,723,118	1,611,434

9. Income Tax

	Group	
	2022 US\$	2021 US\$
Income tax:		
– current year	–	–

The income tax expense varies from the amount of income tax determined by applying the statutory rate of income tax to loss before taxation due to the following factors:

	Group	
	2022 US\$	2021 US\$
Loss before income tax	(18,091,726)	(11,240,038)
Tax calculated at 17%	(3,075,593)	(1,910,806)
Tax effects of:		
– Expenses not deductible	1,426,852	299,271
– Deferred tax assets not recognised	1,648,741	1,611,535
	–	–

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of US\$44,000,000 (2021: US\$34,000,000) at the reporting date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements. The tax losses have no expiry date.

Deferred tax assets not recognised

The components of deferred tax assets not recognised are as follows:

	Group	
	2022 US\$	2021 US\$
Unutilised tax losses	8,000,000	6,000,000

Notes to the Financial Statements

(Continued)

10. Plant and Equipment

	Computers US\$	Office renovation US\$	Furniture and fittings US\$	Office equipment US\$	Leased building ¹ US\$	Total US\$
Group						
2022						
Cost						
Balance at 1 January	91,181	10,710	85,270	79	316,828	504,068
Additions	43,387	5,422	12,009	3,957	295,764	360,539
Balance at 31 December	134,568	16,132	97,279	4,036	612,592	864,607
Accumulated depreciation						
Balance at 1 January	88,111	10,710	85,270	79	154,448	338,618
Depreciation	6,570	754	1,708	526	136,669	146,227
Balance at 31 December	94,681	11,464	86,978	605	291,117	484,845
Net book value						
At 31 December 2022	39,887	4,668	10,301	3,431	321,475	379,762
Group						
2021						
Cost						
Balance at 1 January	92,611	10,710	85,270	79	316,828	505,498
Additions	1,272	–	–	–	–	1,272
Write-off	(2,702)	–	–	–	–	(2,702)
Balance at 31 December	91,181	10,710	85,270	79	316,828	504,068
Accumulated depreciation						
Balance at 1 January	72,973	8,627	83,786	79	92,682	258,147
Depreciation	15,138	2,083	1,484	–	61,766	80,471
Balance at 31 December	88,111	10,710	85,270	79	154,448	338,618
Net book value						
At 31 December 2021	3,070	–	–	–	162,380	165,450
At 31 December 2020	19,638	2,083	1,484	–	224,146	247,351

1. Right-of-use asset arising from leased buildings is recognised in accordance with SFRS(I) 16 Leases. Please see Note 22 for more information.

Notes to the Financial Statements

(Continued)

	Computers US\$	Office renovation US\$	Furniture and fittings US\$	Office equipment US\$	Leased building ² US\$	Total US\$
Company						
2022						
Cost						
Balance at 1 January	69,862	10,710	2,249	79	–	82,900
Additions	4,576	5,422	12,009	3,957	186,680	212,644
Balance at 31 December	74,438	16,132	14,258	4,036	186,680	295,544
Accumulated depreciation						
Balance at 1 January	66,792	10,710	2,249	79	–	79,830
Depreciation	2,689	754	1,708	526	46,670	52,347
Balance at 31 December	69,481	11,464	3,957	605	46,670	132,177
Net book value						
At 31 December 2022	4,957	4,668	10,301	3,431	140,010	163,367
Company						
2021						
Cost						
Balance at 1 January		68,590	10,710	2,249	79	81,628
Additions		1,272	–	–	–	1,272
Balance at 31 December		69,862	10,710	2,249	79	82,900
Accumulated depreciation						
Balance at 1 January		58,734	8,627	2,249	79	69,689
Depreciation		8,058	2,083	–	–	10,141
Balance at 31 December		66,792	10,710	2,249	79	79,830
Net book value						
At 31 December 2021		3,070	–	–	–	3,070
At 31 December 2020		9,856	2,083	–	–	11,939

2. Right-of-use asset arising from leased buildings is recognised in accordance with SFRS(I) 16 Leases. Please see Note 22 for more information.

Notes to the Financial Statements

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11. Investments in Subsidiaries

	Company		
	31 December 2022 US\$	31 December 2021 US\$	1 January 2021 US\$
Unquoted equity investments, at cost:			
Balance at the beginning of the year	17,691	17,931	16,179
Additions during the year	2	–	1,752
Write off of a subsidiary	(120)	–	–
Winding up of subsidiaries	–	(240)	–
Balance at the end of the year	17,573	17,691	17,931

The details of subsidiaries as at 31 December are as follows:

Name of subsidiaries and country of incorporation	Principal activities	Effective equity interest		
		31 December 2022 %	31 December 2021 %	1 January 2021 %
Conrad Petroleum (V) Limited ^{##} Seychelles	International oil and gas exploration, appraisal development and production	100	100	100
West Natuna Exploration Ltd. ^{##} British Virgin Islands	International oil and gas exploration, appraisal development and production	100	100	90
Conrad Petroleum OM Pte. Ltd. [#] Singapore	International oil and gas extraction	100	100	100
ONWA Pte. Ltd. [#] Singapore	International oil and gas extraction	100	–	–
OSWA Pte. Ltd. [#] Singapore	International oil and gas extraction	100	–	–
Frontier Point Limited* British Virgin Islands	International oil and gas extraction	100	100	100
Ace Concept Limited British Virgin Islands	International oil and gas extraction	–	–	100
Sealine Fortune Limited British Virgin Islands	International oil and gas extraction	–	–	100

Audited by Moore Stephens LLP.

Audited by Moore Stephens LLP for consolidation purposes.

* Write off during the year.

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12. Exploration and Evaluation Assets

	Group		
	31 December 2022 US\$	31 December 2021 US\$	1 January 2021 US\$
Balance at the beginning of the financial year	24,421,450	26,362,514	29,798,598
Reclassified from VAT receivables (Note 14)	–	528,981	–
Additions during the year	360,481	1,595,174	260,938
Exploration and evaluation assets written off	(2,389,218)	(4,065,219)	–
Allocation to PSC partners	–	–	(3,697,022)
Balance at the end of the financial year	22,392,713	24,421,450	26,362,514

During the financial year, the Group acquired exploration and evaluation assets by means of:

	Group		
	31 December 2022 US\$	31 December 2021 US\$	1 January 2021 US\$
Cash	360,481	1,055,174	203,158
Accrued expenses	–	–	57,780
Shares consideration ^(a)	–	540,000	–
	360,481	1,595,174	260,938

(a) On 10 May 2020, the Company entered into a Farmout Agreement with SDA Mangkalihat Pte. Ltd. and Samudra Energy Mangkalihat Limited (“Farmors”) to acquire 100% of the Participating Interests in Offshore Mangkalihat Production Sharing Agreement. As at 31 December 2020, the Participating Interests was transferred to its subsidiary, Conrad Petroleum OM Pte. Ltd., and accounted for as exploration and evaluation assets of the Group.

On 24 February 2021, the Company issued 90,000 new ordinary shares in the share capital of the Company (equivalent to US\$540,000) and allotted to Jusuf Handri Rachmatio or his nominee pursuant to the amended and restated Shareholders Agreement and the Farmout Agreement between the Company, Jusuf Handri Rachmatio, SDA Mangkalihat Pte. Ltd. and Samudra Energy Mangkalihat Limited as a consideration for the transfer of 100% ownership interest in the Offshore Mangkalihat.

During the current financial year ended 31 December 2022, the Group recognised the write-off of exploration and evaluation assets of US\$2,389,218 (2021: US\$4,065,219) as the directors of the Company are of the opinion that the assets are not recoverable.

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13. Financial Asset at Fair Value through Profit or Loss

	Group and Company		
	31 December 2022 US\$	31 December 2021 US\$	1 January 2021 US\$
Investment in quoted shares	175,739	237,202	328,444

Movements in financial asset, at fair value through profit or loss are as follows:

	Group and Company		
	31 December 2022 US\$	31 December 2021 US\$	1 January 2021 US\$
At the beginning of the financial year	237,202	328,444	1,287,665
Fair value loss	(61,463)	(91,242)	(959,221)
At the end of the financial year	175,739	237,202	328,444

Investment in quoted shares pertains to the share consideration received from the disposal of a production sharing contract interest in a subsidiary, West Natuna Exploration Limited. The quoted shares are listed on the London Stock Exchange and denominated in British Pound Sterling. The investment has no fixed maturity term and held for trading and is designated to be measured at FVPL. The share price indication of the investment is based on an active market price, which is a level 1 of the fair value hierarchy.

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Notes to the Financial Statements

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14. Other Receivables

	Group		
	31 December 2022 US\$	31 December 2021 US\$	1 January 2021 US\$
Other receivables and deposits:			
Production Sharing Contract partners ^(a)	184,016	23,734	18,775,798
Deposits ^(b)	266,573	245,417	171,107
VAT receivables	–	–	580,312
Other receivables	12,038	12,336	62,450
	462,627	281,487	19,589,667
Non-current	225,000	221,723	149,519
Current	237,627	59,764	19,440,148
	462,627	281,487	19,589,667
	Company		
	31 December 2022 US\$	31 December 2021 US\$	1 January 2021 US\$
Other receivables and deposits:			
Other receivables	–	598	3,810
Deposits	20,749	2,235	–
	20,749	2,833	3,810

(a) On 21 May 2020, the Company completed the transfer of interest in the Duyung production sharing contract (“PSC”) from West Natuna Exploration Limited (“WNEL”) to Coro Energy Plc (“Coro”) and Emphyrean Energy Plc (“Emphyrean”) respectively and WNEL, Coro and Emphyrean own 76.5%, 15% and 8.5% interest in the PSC respectively.

The amount pertains to the 100% operating cost that is charged back to the two partners in the PSC Scheme, Coro and Emphyrean. The operating costs in relation to drilling and exploration costs incurred on the approved gas field which will be reimbursed from the cash carry and cash call paid by Coro and Emphyrean as disclosed in Note 19.

As at 31 December 2022 and 2021, the PSC partners agreed to offset the receivables and payables and presented a net asset under “Production Sharing Contract partners”.

(b) The amount pertains mainly to the working advance placed as deposit to Skkmigas and will be refunded upon the termination of the contract.

Other receivables

Other receivables are considered to have a low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for non-trade receivables.

Accordingly, for the purpose of impairment assessment for non-trade receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses (“ECL”).

Please refer to Note 23(b) for ageing analysis of other receivables of the Group and the Company.

Based on historical default rates, the Group and the Company believe that no impairment allowance is necessary in respect of other receivables.

Notes to the Financial Statements

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15. Amount due from Subsidiaries

Amount due from subsidiaries is non-trade in nature, unsecured, interest-free, repayable on demand and denominated in United States Dollar.

For the purpose of impairment assessment, the amount due from subsidiaries (except subsidiaries with impairment losses) are considered to have a low credit risk as the timing of payment is controlled by the Company taking into account cash flow management within the Group and there has been no significant increase in risk of default from the subsidiaries since initial recognition. Accordingly, the loss allowance measured at an amount equal to the 12-month expected credit loss is not material, except for amounts due from certain subsidiaries of US\$3,449,067 (2021: amount due from a subsidiary of US\$4,574,684). The subsidiaries reported net liability positions as at 31 December 2022 (2021: net liability position). The directors of the Company have assessed the amounts not to be recoverable.

16. Cash and Cash Equivalents

	Group		
	31 December 2022 US\$	31 December 2021 US\$	1 January 2021 US\$
Cash on hand and at bank	18,961,222	1,442,336	1,404,273

	Company		
	31 December 2022 US\$	31 December 2021 US\$	1 January 2021 US\$
Cash on hand and at bank	15,429,361	1,352,413	1,286,293

Notes to the Financial Statements

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17. Share Capital

Group and Company	31 December 2022		31 December 2021		1 January 2021	
	No. of shares	US\$	No. of shares	US\$	No. of shares	US\$
Issued and fully paid:						
At the beginning of the year	15,302,901	34,629,209	15,160,401	33,774,209	15,160,401	33,774,209
Effect of share split ^(a)	107,120,307	–	–	–	–	–
Issue of ordinary shares ^(b)	30,821,919	28,664,385	90,000	540,000	–	–
Conversion of equity loan into ordinary shares ^(d)	6,153,863	5,917,881	–	–	–	–
	36,975,782	34,582,266	90,000	540,000	–	–
Issue of ordinary shares under Share Award Plan ^(c)	–	–	52,500	315,000	–	–
Costs of issuing capital	–	(1,328,118)	–	–	–	–
At the end of the year	159,398,990	67,883,357	15,302,901	34,629,209	15,160,401	33,774,209

- (a) On 8 April 2022, the Company sub-divided all the ordinary shares in the capital of the Company comprising 15,302,901 shares, on the basis of one (1) ordinary share for eight (8) ordinary shares into 122,423,208 new ordinary shares.
- (b) On 24 February 2021, the Company issued 90,000 new ordinary shares in the share capital of the Company (equivalent to US\$540,000) and allotted to Jusuf Handri Rachmatio or his nominee pursuant to the amended and restated Shareholders Agreement and the Farmout Agreement between the Company, Jusuf Handri Rachmatio, SDA Mangkalihat Pte. Ltd. and Samudra Energy Mangkalihat Limited as consideration for the transfer of 100% ownership interest in the Offshore Mangkalihat.
- On 27 October 2022, the Company issued 30,821,919 new ordinary shares upon successful IPO listing of the Company on the ASX with IPO funds of US\$28,664,385 raised.
- (c) The Company granted 52,500 shares during the financial year ended 31 December 2021 to its key management personnel of the Group under a Share Award Plan ("Plan"). The Plan was approved by the shareholders of the Company on 24 February 2021.
- (d) In the current financial year ended 31 December 2022, the Company entered into a convertible loan agreement with its shareholders for US\$5.0 million. The shareholders may convert the convertible loan into ordinary shares being the lower of, a discount rate of 90% (10% discount) to the value per ordinary share in any IPO or US\$0.81 per share. Below are the events in relation to the conversion of the convertible loan into ordinary shares:
- If there is an Equity Financing before the termination of the convertible loan, the shareholder may elect, not later than seven (7) days prior to the initial closing of such Equity Financing, to convert the convertible loan into the number of Ordinary Shares equal to the Purchase Amount divided by the Conversion Price.
 - If there is an Initial Public Offering before the termination of the convertible loan, immediately prior to the consummation of such Initial Public Offering, the convertible loan will automatically convert into the number of Ordinary Shares (or depository receipts or depository interests (including CHESS Depository Interests) equal to the Purchase Amount divided by the Conversion Price.
 - If there is a liquidity event before the termination of the convertible loan, the shareholder may elect to convert the convertible loan into Ordinary Shares equal to the Purchase amount divided by the Conversion Price or be automatically entitled to receive a portion of Proceeds, due and payable to the shareholder immediately equal to the greater of (i) the Purchase Amount ("the Cash-Out Amount") or (ii) the amount payable on the number of Ordinary Shares equal to the Purchase Amount divided by the Liquidity Price ("the Conversion Amount").
 - If there is a Dissolution Event before the termination of the convertible loan, the shareholder will automatically be entitled to receive a portion of Proceeds equal to the Cash-Out Amount, due and payable to the shareholder immediately prior to the consummation of the Dissolution Event.

As at 31 December 2022, the convertible loan was converted into 6,153,863 new ordinary shares to extinguish the financial liability of US\$5.0 million.

In connection with the convertible loan, the Company shall allot and issue to each shareholder one warrant for every two ordinary shares issued upon the conversion of the convertible loan into ordinary shares. Consecutively, upon the successful IPO listing of the Company, the Company has issued 3,076,942 warrants to the shareholders amounting to US\$2,958,950 at the fair value of US\$0.96 per warrant based on the share price of the Company at the date of issue. The new ordinary shares ranked pari-passu with the existing ordinary shares. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

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17(a) Loss Per Share

Basic loss per share is calculated by dividing the Group's net results attributable to ordinary equity holders for the financial year by the weighted average number of ordinary shares issued.

	Group	
	2022	2021
Loss attributable to the owners of the Company (US\$)	(18,091,726)	(11,240,038)
Weighted average number of ordinary shares issued		
– Basic	129,717,061	122,248,304
– Diluted	131,291,548	122,248,304
Loss per ordinary share (US\$ cents)		
– Basic	(0.14)	(0.09)
– Diluted	(0.14)	(0.09)

Basic loss per share is calculated by dividing the consolidated loss after tax attributable to the equity holders of the Company, by the weighted average number of ordinary shares outstanding during the financial year.

As at 31 December 2022, the diluted loss per share includes the effect of unissued ordinary shares granted under the Conrad Incentive Plan due to the vesting conditions are likely to be met (2021: Nil). The effect of the inclusion is dilutive. The diluted loss per share does not include the effect of warrants as the effect of the inclusion is anti-dilutive.

18. Employee Benefits Reserve

The Conrad Incentive Plan for key management personnel and employees of the Group was approved and adopted by shareholders through the shareholders' resolution in writing on 23 May 2022.

During the current financial year, the Group has granted 3,844,616 share rights and 2,080,000 options to key management personnel and employees.

Share rights

Vesting conditions of share rights are not the same, depending on the recipient. There are four (4) different sets of vesting conditions in total.

Vesting conditions set 1:

- (a) on 25 September 2023, which is 1 year from the date of grant of the share rights; or
- (b) 100% at such time as Conrad farms down or sells down to a Participating Interest of 20% or less in the Duyung Production Sharing Contract.

Vesting conditions set 2:

- (a) on 25 September 2024, which is 2 years from the date of grant of the share rights.

Vesting conditions set 3:

- (a) in four equal tranches annually over 4 years from grant date; or
- (b) 100% at such time as Conrad farms down or sells down to a Participating Interest of 20% or less in the Duyung Production Sharing Contract.

Vesting conditions set 4:

- (a) on 25 September 2024, which is 2 years from the date of grant of the share rights; or
- (b) 100% at such time as Conrad farms down or sells down to a Participating Interest of 20% or less in the Duyung Production Sharing Contract.

The share rights will lapse and expire if the vesting conditions are not met.

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Options

Vesting conditions of options are not the same, depending on the recipient. There are three (3) different sets of vesting conditions in total.

Vesting conditions set 1:

- (a) in three equal tranches annually over 3 years from grant date; or
- (b) 100% at such time as Conrad farms down or sells down to a Participating Interest of 20% or less in the Duyung Production Sharing Contract.

Vesting conditions set 2:

- (a) on 25 September 2023, which is 1 year from the date of grant of the options; or
- (b) 100% at such time as Conrad farms down or sells down to a Participating Interest of 20% or less in the Duyung Production Sharing Contract.

Vesting conditions set 3:

- (a) on 25 September 2024, which is 2 years from the date of grant of the options and only once the following performance-based vesting conditions being met:
 - one-third of the options will vest through Conrad (or through West Natuna Exploration Limited (“WNEL”)) signing a binding gas sales agreement in respect of the Mako project.
 - one-third of the options will vest upon the final investment decision in respect of the Mako project.
 - one-third of the options will vest upon first production of gas from Mako Gas Field and supplied at the daily contract quality specified in any gas sales agreement executed by Conrad.

The options will expire at 5.00 pm (Singapore time) on 25 September 2027, the date which is the fifth anniversary of the grant date.

The details of outstanding share rights and options to subscribe for ordinary shares of the Group pursuant to the Conrad Incentive Plan are as follows:

Date of grant	Exercise price	Balance at the beginning of the financial year	Number of share rights granted during the financial year	Number of share rights exercised during the financial year	Number of share rights granted as at the end of the financial year
25 September 2022	–	–	3,844,616	–	3,844,616

Date of grant	Exercise price	Balance at the beginning of the financial year	Number of options granted during the financial year	Number of options exercised during the financial year	Number of options granted as at the end of the financial year
25 September 2022	US\$0.81	–	2,080,000	–	2,080,000

Fair value of share rights and options awarded

The fair value of each share granted under the Employee Incentive Plan at the date of grant is based on the share price of the Company of US\$0.96 given that the Company’s shares are publicly traded on the ASX.

The fair value of the share rights and options granted to employees is deemed to represent the value of the employee services received over the vesting period.

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19. Trade and Other Payables

	Group		
	31 December 2022 US\$	31 December 2021 US\$	1 January 2021 US\$
Trade payables			
– third parties	189,703	–	124,816
– related parties	–	–	30,773
	189,703	–	155,589
VAT payables	–	–	387
Other payables	175,043	250,425	77,360
Production Sharing Contract partners ^(a)	–	–	19,888,986
Accrued income/expenses ^(b)	321,905	249,942	161,763
	686,651	500,367	20,284,085
		Company	
	31 December 2022 US\$	31 December 2021 US\$	1 January 2021 US\$
Trade payables			
– third parties	186,255	142,893	71,413
– related parties	–	2,145	35,258
	186,255	145,038	106,671
Other payables	158,762	–	4,000
Accrued expenses	105,773	60,853	92,258
	450,790	205,891	202,929

(a) According to the agreement between the Company and the PSC partners, the PSC partners contributed cash carry and cash call amounts. The operation costs are split according to the PSC interest held by the PSC partners upon the full utilisation of the cash carry and cash call. The cash carry and cash call amounts will be utilised against the operating expenses incurred on the approved gas field as disclosed in Note 14.

As at 31 December 2022 and 2021, the PSC partners agreed to offset the receivables and payables and presented a net asset under "Production Sharing Contract partners" in Note 14.

(b) Accrued expenses mainly comprise the exploration cost for the appraisal wells. Accrued income pertains to the working advance placed as a deposit by SDA Mangkalihat Pte. Ltd. and Samudra Energy Mangkalihat Limited (ex-operator) of Offshore Mangkalihat to Skkmigas and will be recognised as income when the deposit is refunded upon the termination of the contract. According to the contract, the Group does not need to repay the working advance to SDA Mangkalihat Pte. Ltd. and Samudra Energy Mangkalihat Limited (ex-operator) of Offshore Mangkalihat.

Trade payables to related parties were non-interest bearing, unsecured and were repayable within the normal credit terms.

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20. Amount due to Shareholders and Warrants

	Group and Company		
	31 December 2022 US\$	31 December 2021 US\$	1 January 2021 US\$
Current			
Shareholders' loan	5,000,000	5,000,000	–
Add: interest expense	878,816	273,973	–
Less: prepaid interest expense in relation to warrants	–	(1,084,932)	–
Less: repayment made to shareholders	(5,878,816)	–	–
	–	4,189,041	–
Warrants, at beginning of the year/initial recognition	3,553,847	2,400,000	–
Fair value change during the year	575,385	1,153,847	–
Warrants, at the end of the year	4,129,232	3,553,847	–

Shareholders' loan was non-trade in nature, unsecured and carried fixed interest at 10% per annum. The shareholders' loan was fully repaid as at 31 December 2022.

In relation to the shareholders' loan, the Company issued 6,769,232 warrants (sub-divided from 846,154 warrants on the basis of one (1) warrant for eight (8) warrants) to its shareholders to be exercisable any time within the five-year period from the date of issue in June 2021. The cost of debt relating to the warrants is amortised over the term of the shareholders' loan of 18 months which was extended by 6 months in the current financial period (from 12 months to 18 months).

The fair value of the warrants has been derived using the Binomial valuation model and is classified under Level 3 of the fair value hierarchy as at 31 December 2022. The key inputs applied in the estimation of warrants is volatility, risk-free rate of return and binomial steps.

Valuation technique used to derive Level 3 fair value

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2022:

Description	Fair value as at 31 December 2022 US\$	Valuation technique	Unobservable inputs	Inputs
Warrants	4,129,232	Binomial valuation model	Volatility	102.64%
			Risk free rate of return	3.51%
			Number of binomial steps	70 steps

A significant increase (decrease) in unobservable inputs based on management's estimates would result in a significantly higher (lower) fair value measurement.

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21. Significant Related Party Transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions with related parties on terms mutually agreed during the financial year are as follows:

	Group	
	2022 US\$	2021 US\$
Compensation of key management personnel		
Issuance of shares and warrants	2,400,432	315,000
Directors' remuneration	793,923	353,334
Staff benefit	23,855	31,720
Fees for professional services ^(a)	799,250	817,166

(a) Fees received or receivable by a firm in which the director is a member or with a company in which the director has a substantial financial interest for professional services rendered to the Company or management and other fees for the year end.

22. Lease Liabilities

The Group and the Company as Lessees

The Group and the Company entered into lease contracts for its office premises. The Group and the Company have the option to terminate the lease contract but are unlikely to exercise the option. The right-of-use asset is recognised within plant and equipment (Note 10). The effective interest rate used is between 5.25% and 10.03%.

Extension option

The office premises include term extension options as per below of which the Group has the rights and expects to exercise this option.

The lease of South Quarter Tower A (Unit H) includes a term extension option for 3 years till 2024.

The lease of South Quarter Tower A (Unit A) includes a term extension option for 1 year till 2025.

Accordingly, lease payments in the extension period have been capitalised in the Group's right-of-use assets and lease liabilities.

(a) Carrying amount of right-of-use asset classified within plant and equipment

	Group		
	31 December 2022 US\$	31 December 2021 US\$	1 January 2021 US\$
Leased building	321,475	162,380	224,146

	Company		
	31 December 2022 US\$	31 December 2021 US\$	1 January 2021 US\$
Leased building	140,010	–	–

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(b) Amounts recognised in profit or loss

	Group	
	2022 US\$	2021 US\$
Depreciation of right-of-use asset	136,669	61,766
Interest expense on lease liabilities (Note 8)	33,343	22,393
Total amount recognised in profit or loss	170,012	84,159

(c) Other disclosures

	Group		
	31 December 2022 US\$	31 December 2021 US\$	1 January 2021 US\$
Total cash outflow for lease	152,937	87,668	82,024

(d) Rent concession

	Group		
	31 December 2022 US\$	31 December 2021 US\$	1 January 2021 US\$
Adjustment to right-of-use assets	–	–	26,421
Adjustment to lease liabilities	–	–	30,753
Rent concession	–	–	4,332

(e) Carrying amount of lease liabilities

	Group		
	31 December 2022 US\$	31 December 2021 US\$	1 January 2021 US\$
Minimum lease payments due:			
– Not later than 1 year	225,034	81,650	78,169
– Later than 1 year but within 5 years	149,071	133,947	222,435
	374,105	215,597	300,604
Less:			
Future finance charges	(24,080)	(27,164)	(46,896)
Present value of financial lease liabilities	350,025	188,433	253,708

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The present value of lease liabilities is analysed as follows:

	Group		
	31 December 2022 US\$	31 December 2021 US\$	1 January 2021 US\$
Not later than 1 year	205,632	76,505	58,283
Later than 1 year but within 5 years	144,393	111,928	195,425
	350,025	188,433	253,708
	Company		
	31 December 2022 US\$	31 December 2021 US\$	1 January 2021 US\$
Minimum lease payments due:			
– Not later than 1 year	107,455	–	–
– Later than 1 year but within 5 years	53,727	–	–
	161,182	–	–
Less:			
Future finance charges	(6,507)	–	–
Present value of financial lease liabilities	154,675	–	–

The present value of lease liabilities is analysed as follows:

	Company		
	31 December 2022 US\$	31 December 2021 US\$	1 January 2021 US\$
Not later than 1 year	101,760	–	–
Later than 1 year but within 5 years	52,915	–	–
	154,675	–	–

23. Financial Risk Management Objectives and Policies

The Group's and the Company's activities expose it to a variety of financial risks from its operations. The key financial risks include market risk (including currency risk, interest rate risk and commodity price risk), credit risk and liquidity risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management team. It is, and has been throughout the current and previous financial years, the Group's and the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks. There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risks.

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(a) Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's and the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Currency risk

The Group's and the Company's foreign exchange risk arise mainly from cash flows from transactions denominated in foreign currencies. At present, the Group and the Company do not have any formal policy for hedging against currency risk. The Group and the Company ensure that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates, where necessary, to address short-term imbalances.

The Group and the Company have transactional currency exposures arising from transactions that are denominated in a currency other than the functional currency of the Group and the Company, primarily Indonesian Rupiah ("IDR"), Singapore Dollar ("SGD"), Australian Dollar ("AUD") and British Pound Sterling ("GBP").

The Group's and the Company's currency exposures to the IDR, SGD, AUD and GBP at the reporting date are as follows:

	SGD US\$	IDR US\$	AUD US\$	GBP US\$
31 December 2022				
Group				
Financial assets				
Other receivables	-	34,788	-	-
Cash and cash equivalents	27,393	9,697	744,597	-
Financial asset at fair value through profit or loss	-	-	-	175,739
	27,393	44,485	744,597	175,739
Financial liabilities				
Trade and other payables	(87,590)	(89,352)	(27,188)	-
Lease liabilities	(154,675)	(195,350)	-	-
	(242,265)	(284,702)	(27,188)	-
Net currency exposures	(214,872)	(240,217)	717,409	175,739
31 December 2021				
Group				
Financial assets				
Other receivables	-	30,304	-	-
Cash and cash equivalents	23,115	27,098	-	-
Financial asset at fair value through profit or loss	-	-	-	237,202
	23,115	57,402	-	237,202
Financial liabilities				
Trade and other payables	(33,132)	(155,418)	-	-
Lease liabilities	-	(188,433)	-	-
	(33,132)	(343,851)	-	-
Net currency exposures	(10,017)	(286,449)	-	237,202

Notes to the Financial Statements

(Continued)

31 December 2022	SGD US\$	IDR US\$	AUD US\$	GBP US\$
Company				
Financial assets				
Other receivables	–	1,926	–	–
Cash and cash equivalents	27,393	1,080	744,597	–
Financial asset at fair value through profit or loss	–	–	–	175,739
	27,393	3,006	744,597	175,739
Financial liabilities				
Trade and other payables	(87,590)	–	(27,188)	–
Lease liabilities	(154,675)	–	–	–
	(242,265)	–	(27,188)	–
Net currency exposures	(214,872)	3,006	717,409	175,739
31 December 2021				
Company				
Financial assets				
Other receivables	–	–	–	–
Cash and cash equivalents	23,115	5,343	–	–
Financial asset at fair value through profit or loss	–	–	–	237,202
	23,115	5,343	–	237,202
Financial liabilities				
Trade and other payables	(33,132)	–	–	–
Lease liabilities	–	–	–	–
	(33,132)	–	–	–
Net currency exposures	(10,017)	5,343	–	237,202

Notes to the Financial Statements

(Continued)

1 January 2021	SGD US\$	IDR US\$	AUD US\$	GBP US\$
Group				
Financial assets				
Other receivables	-	61,409	-	-
Cash and cash equivalents	16,047	28,588	-	-
Financial asset at fair value through profit or loss	-	-	-	328,444
	16,047	89,997	-	328,444
Financial liabilities				
Trade and other payables	(19,501)	(69,571)	-	-
Lease liabilities	-	(253,708)	-	-
	(19,501)	(323,279)	-	-
Net currency exposures	(3,454)	(233,282)	-	328,444
Company				
Financial assets				
Cash and cash equivalents	16,047	3,467	-	-
Financial asset at fair value through profit or loss	-	-	-	328,444
	16,047	3,467	-	328,444
Financial liabilities				
Trade and other payables	(19,501)	-	-	-
	(19,501)	-	-	-
Net currency exposures	(3,454)	3,467	-	328,444

A 10% strengthening of United States dollar against the foreign currencies denominated balances as at the reporting date would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Group Loss before income tax			Company Loss before income tax		
	31 December 2022 US\$	31 December 2021 US\$	1 January 2021 US\$	31 December 2022 US\$	31 December 2021 US\$	1 January 2021 US\$
Singapore Dollar	21,487	1,001	346	21,487	1,001	346
Indonesian Rupiah	24,022	28,645	23,328	(301)	(534)	(347)
Australian Dollar	(71,741)	-	-	(71,741)	-	-
British Pound Sterling	(17,574)	(23,720)	(32,845)	(17,574)	(23,720)	(32,845)

A 10% weakening of United States dollar against the above currencies would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Notes to the Financial Statements

(Continued)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rate. The Group's exposure to interest rates arises primarily from interest-earning financial assets and interest-bearing financial liabilities.

The Group is not exposed to any significant interest-bearing financial liabilities as at year end except for shareholders' loan and lease liabilities.

The table below sets out the Group's exposure to interest rate risk. Included in the tables are the financial assets and financial liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates:

	Interest bearing at variable rates		Interest bearing at fixed rates		Non-interest bearing US\$	Total US\$
	Within 1 year US\$	Within 2-5 years US\$	Within 1 year US\$	Within 2-5 years US\$		
Group						
31 December 2022						
Financial assets						
Other receivables and deposits (exclude PSC partners)	-	-	-	-	278,611	278,611
Cash and bank balances	18,960,149	-	-	-	1,073	18,961,222
Financial asset at fair value through profit or loss	-	-	-	-	175,739	175,739
	18,960,149	-	-	-	455,423	19,415,572
Financial liabilities						
Trade and other payables	-	-	-	-	686,651	686,651
Warrants	-	-	4,129,232	-	-	4,129,232
Lease liabilities	-	-	205,632	144,393	-	350,025
	-	-	4,334,864	144,393	686,651	5,165,908

Notes to the Financial Statements

(Continued)

	Interest bearing at variable rates		Interest bearing at fixed rates		Non-interest bearing US\$	Total US\$
	Within 1 year US\$	Within 2-5 years US\$	Within 1 year US\$	Within 2-5 years US\$		
Group						
31 December 2021						
Financial assets						
Other receivables and deposits	-	-	-	-	257,753	257,753
Cash and bank balances	1,440,857	-	-	-	1,479	1,442,336
Financial asset at fair value through profit or loss	-	-	-	-	237,202	237,202
	1,440,857	-	-	-	496,434	1,937,291
Financial liabilities						
Trade and other payables	-	-	-	-	500,367	500,367
Amount due to shareholders	-	-	4,189,041	-	-	4,189,041
Warrants	-	-	3,553,847	-	-	3,553,847
Lease liabilities	-	-	76,505	111,928	-	188,433
	-	-	7,819,393	111,928	500,367	8,431,688
1 January 2021						
Financial assets						
Other receivables and deposits	-	-	-	-	233,557	233,557
Cash and bank balances	1,402,762	-	-	-	1,511	1,404,273
Financial asset at fair value through profit or loss	-	-	-	-	328,444	328,444
	1,402,762	-	-	-	563,512	1,966,274
Financial liabilities						
Trade and other payables (excluding VAT payables and PSC partners)	-	-	-	-	394,712	394,712
Lease liabilities	-	-	58,283	195,425	-	253,708
	-	-	58,283	195,425	394,712	648,420

Notes to the Financial Statements

(Continued)

	Interest bearing at variable rates		Interest bearing at fixed rates		Non-interest bearing US\$	Total US\$
	Within 1 year US\$	Within 2-5 years US\$	Within 1 year US\$	Within 2-5 years US\$		
Company						
31 December 2022						
Financial assets						
Other receivables and deposits	-	-	-	-	20,749	20,749
Amount due from subsidiaries	-	-	-	-	28,162,869	28,162,869
Cash and bank balances	15,429,361	-	-	-	-	15,429,361
Financial asset at fair value through profit or loss	-	-	-	-	175,739	175,739
	15,429,361	-	-	-	28,359,357	43,788,718
Financial liabilities						
Trade and other payables	-	-	-	-	450,790	450,790
Warrants	-	-	4,129,232	-	-	4,129,232
Lease liabilities	-	-	101,760	52,915	-	154,675
	-	-	4,230,992	52,915	450,790	4,734,697
Company						
31 December 2021						
Financial assets						
Other receivables and deposits	-	-	-	-	2,833	2,833
Amount due from subsidiaries	-	-	-	-	23,992,038	23,992,038
Cash and bank balances	1,352,150	-	-	-	263	1,352,413
Financial asset at fair value through profit or loss	-	-	-	-	237,202	237,202
	1,352,150	-	-	-	24,232,336	25,584,486
Financial liabilities						
Trade and other payables	-	-	-	-	205,891	205,891
Amount due to shareholders	-	-	4,189,041	-	-	4,189,041
Warrants	-	-	3,553,847	-	-	3,553,847
	-	-	7,742,888	-	205,891	7,948,779

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Notes to the Financial Statements

(Continued)

	Interest bearing at variable rates		Interest bearing at fixed rates		Non-interest bearing US\$	Total US\$
	Within 1 year US\$	Within 2-5 years US\$	Within 1 year US\$	Within 2-5 years US\$		
Company						
1 Jan 2021						
Financial assets						
Other receivables and deposits	-	-	-	-	3,810	3,810
Amount due from subsidiaries	-	-	-	-	24,847,326	24,847,326
Cash and bank balances	1,286,293	-	-	-	-	1,286,293
Financial asset at fair value through profit or loss	-	-	-	-	328,444	328,444
	1,286,293	-	-	-	25,179,580	26,465,873
Financial liabilities						
Trade and other payables	-	-	-	-	202,929	202,929
	-	-	-	-	202,929	202,929

A 3% increase in the interest rates as at the end of reporting period, with all variables including tax rate being held constant, would result in a corresponding increase/(decrease) in loss before tax as follows:

	Group		
	31 December 2022 US\$	31 December 2021 US\$	1 January 2021 US\$
Loss before tax	(568,804)	(43,226)	(42,083)

	Company		
	31 December 2022 US\$	31 December 2021 US\$	1 January 2021 US\$
Loss before tax	(462,881)	(40,565)	(38,589)

(iii) Sensitivity analysis on financial asset at fair value through profit or loss

The sensitivity analysis has been determined based on the exposure to equity price risk at the end of the reporting period.

The Group's quoted equity investment is listed on the London Stock Exchange. If equity price for the investment increased/(decreased) by 5% with all other variables being held constant, the Group's net loss for the year and total comprehensive loss would have decreased/(increased) by US\$9,000 (31 December 2021: US\$12,000 and 1 January 2021: US\$16,000). There has been no change to the Group's exposure to equity price or the manner in which this risk is managed and measured.

(iv) Commodity price risk

Commodities that the Group ultimately hopes to produce are subject to fluctuations due to a number of factors that result in price risk. For the type of pre-production assets that the Group owns, price risk may impact the valuation of those assets. There is little the Group can do to manage or mitigate such impacts. When production does begin, the Group may have the ability to hedge some of the price risk, but the attractiveness of such strategies can only be measured at the time.

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(Continued)

(b) Credit Risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group and the Company. The Group's and the Company's exposure to credit risk arise primarily from other receivables, contract assets and amount due from subsidiaries. For other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group and the Company have adopted a policy of only dealing with creditworthy counterparties. The Group and the Company perform ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group and the Company have determined the default event on a financial asset to be high when internal and/or external information indicates that the financial asset is unlikely to be received, which could include default of contractual payments due for more than 60 days, default of interest due for more than 30 days or there is significant difficulty of the counterparty.

To minimise credit risk, the Group and the Company have developed and maintained the Group's and the Company's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by publicly available financial information and the Group's and the Company's own trading records to rate its other debtors.

The Group and the Company consider available reasonable and supportive forward-looking information which includes the following indicators:

- (i) internal credit rating;
- (ii) external credit rating;
- (iii) actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- (iv) actual or expected significant changes in the operating results of the debtor;
- (v) significant increases in credit risk on other financial instruments of the same debtor; and
- (vi) significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the Group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group and the Company determine that its financial assets are credit-impaired when:

- (i) there is significant difficulty of the debtor;
- (ii) a breach of contract, such as a default or past due event;
- (iii) it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- (iv) there is a disappearance of an active market for that financial asset because of financial difficulty.

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The Group and the Company categorise a receivable for potential write-off when a debtor fails to make contractual payments. Financial assets are written off when there is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.

Categories	Description	Basis of recognising expected credit loss (ECL)
i. Performing	Counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
ii. Under-performing	Amount is more than 30 days due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
iii. Non-performing	Amount is more than 60 days past due or there is evidence indicating the asset is credit-impaired (in default).	Lifetime ECL – credit-impaired
iv. Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.	Amount is written off

The table below details the credit quality of the Group's and Company's financial assets, as well as maximum exposure to credit risk by credit risk rating categories:

	Category	12-month or Lifetime ECL	Gross amount US\$	Loss allowance US\$	Net carrying amount US\$
Group					
31 December 2022					
Other receivables (Note 14)	Performing	12-month ECL	278,611	–	278,611
31 December 2021					
Other receivables (Note 14)	Performing	12-month ECL	257,753	–	257,753
1 January 2021					
Other receivables (Note 14)	Performing	12-month ECL	233,557	–	233,557
Company					
31 December 2022					
Other receivables (Note 14)	Performing	12-month ECL	20,749	–	20,749
Amount due from subsidiaries (Note 15)	Performing	12-month ECL	28,162,869	–	28,162,869
Amount due from subsidiaries (Note 15)	Non-performing	Lifetime ECL	8,023,751	(8,023,751)	–
31 December 2021					
Other receivables (Note 14)	Performing	12-month ECL	2,833	–	2,833
Amount due from subsidiaries (Note 15)	Performing	12-month ECL	23,992,038	–	23,992,038
Amount due from subsidiaries (Note 15)	Non-performing	Lifetime ECL	4,574,684	(4,574,684)	–
1 January 2021					
Contract assets (Note 4)	Note 1	Lifetime ECL (simplified)	49,369	–	49,369
Other receivables (Note 14)	Performing	12-month ECL	3,810	–	3,810
Amount due from subsidiaries (Note 15)	Performing	12-month ECL	24,847,326	–	24,847,326

Notes to the Financial Statements

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Contract assets (Note 4)

For contract assets, the Company has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Company determines the ECL by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtor, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of trade receivable is presented based on its past due status in terms of the provision matrix.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's and the Company's performance to developments affecting a particular industry.

Exposure to credit risk

The Group and the Company have no significant exposure to credit risk. The Company has credit policies and procedures in place to minimise and mitigate its credit risk exposure.

Other receivables, deposits and amount due from subsidiaries

The Group and the Company assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Group and the Company measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant except for amounts due from certain subsidiaries which impairment loss has been made.

Notes to the Financial Statements

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(c) Liquidity Risk

Liquidity risk refers to the risk that the Group and the Company will encounter difficulties in meeting its short-term obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities of financial assets and liabilities. It is managed by matching the payment and receipt cycles. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. The Group's and the Company's operations are financed mainly through equity and the continuing financial support from the shareholders. The directors are satisfied that funds are available to finance the operations of the Group and the Company.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations:

	Carrying amount US\$	Contractual cash flows US\$	1 year or less US\$	Within 5 years US\$
Group				
2022				
Financial assets				
Other receivables and deposits	278,611	278,611	278,611	–
Cash and cash equivalents	18,961,222	18,961,222	18,961,222	–
Financial asset at fair value through profit or loss	175,739	175,739	175,739	–
Total undiscounted financial assets	19,415,572	19,415,572	19,415,572	–
Financial liabilities				
Trade and other payables	686,651	686,651	686,651	–
Amount due to shareholders	–	–	–	–
Warrants	4,129,232	4,129,232	4,129,232	–
Lease liabilities	350,025	374,105	225,034	149,071
Total undiscounted financial liabilities	5,165,908	5,189,988	5,040,917	149,071
Total net undiscounted financial assets/(liabilities)	14,249,664	14,225,584	14,374,655	(149,071)
2021				
Financial assets				
Other receivables and deposits	257,753	257,753	257,753	–
Cash and cash equivalents	1,442,336	1,442,336	1,442,336	–
Financial asset at fair value through profit or loss	237,202	237,202	237,202	–
Total undiscounted financial assets	1,937,291	1,937,291	1,937,291	–
Financial liabilities				
Trade and other payables	500,367	500,367	500,367	–
Amount due to shareholders	4,189,041	4,189,041	4,189,041	–
Warrants	3,553,847	3,553,847	3,553,847	–
Lease liabilities	188,433	215,597	81,650	133,947
Total undiscounted financial liabilities	8,431,688	8,458,852	8,324,905	133,947
Total net undiscounted financial liabilities	(6,494,397)	(6,521,561)	(6,387,614)	(133,947)

Notes to the Financial Statements

(Continued)

Analysis of financial instruments by remaining contractual maturities (cont'd)

The table below summarises the maturity profile of the Group's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations: (cont'd)

	Carrying amount US\$	Contractual cash flows US\$	1 year or less US\$	Within 5 years US\$
Group				
1 January 2020				
Financial assets				
Other receivables and deposits	233,557	233,557	233,557	–
Cash and cash equivalents	1,404,273	1,404,273	1,404,273	–
Financial asset at fair value through profit or loss	328,444	328,444	328,444	–
Total undiscounted financial assets	1,966,274	1,966,274	1,966,274	–
Financial liabilities				
Trade and other payables (excluding VAT payables and PSC partners)	394,712	394,712	394,712	–
Lease liabilities	253,708	300,604	78,169	222,435
Total undiscounted financial liabilities	648,420	695,316	472,881	222,435
Total net undiscounted financial assets/(liabilities)	1,317,854	1,270,958	1,493,393	(222,435)

All financial assets and financial liabilities at the Company level are due within one year from the end of the reporting period based on undiscounted contractual cash flows except for lease liabilities which the contractual cash flows is presented in Note 22 to the financial statements.

24. Fair Value Measurements

Fair value is defined as the amount at which the financial instruments could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted prices, discounted cash flow models and option pricing models as appropriate.

The Group presents financial assets measured at fair value and classified by level of the following fair value measurement hierarchy:

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

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Group and Company				
31 December 2022				
Financial asset at fair value through profit or loss	175,739	–	–	175,739
Warrants	–	–	4,129,232	4,129,232
31 December 2021				
Financial asset at fair value through profit or loss	237,202	–	–	237,202
Warrants	–	–	3,553,847	3,553,847
1 January 2021				
Financial asset at fair value through profit or loss	328,444	–	–	328,444

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The table below sets out information about significant unobservable inputs used as at 31 December 2022 measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Description	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair values
Warrants	Binomial valuation model	Volatility	The higher the volatility, the lower the fair value
		Risk-free rate of return	The higher the risk-free rate of return, the lower the fair value

Fair value is defined as the amount at which the financial instruments could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction.

There has been no transfer of financial instruments from Level 1 to Level 3 during the financial years ended 31 December 2022 and 2021.

Fair Value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis.

The carrying amounts of financial assets and liabilities with a maturity of less than one year approximate their fair values due to the relatively short-term maturity of these financial instruments.

The fair value of the non-current lease liabilities is determined by discounted expected cash flows. The discount rate used is based on the market rate for similar instruments as at the statement of financial position date.

The fair value of the warrants is determined with reference to the Binomial valuation model and included in Level 3 of the fair value hierarchy.

25. Financial Instruments by Category

At the reporting date, the aggregate financial assets and financial liabilities carried at amortised cost were as follows:

	Group			Company		
	31 December 2022 US\$	31 December 2021 US\$	1 January 2021 US\$	31 December 2022 US\$	31 December 2021 US\$	1 January 2021 US\$
Financial assets measured at amortised cost						
Other receivables	278,611	257,753	233,557	20,749	2,833	3,810
Contract assets	–	–	–	–	–	49,369
Amount due from subsidiaries	–	–	–	28,162,869	23,992,038	24,847,326
Cash and cash equivalents	18,961,222	1,442,336	1,404,273	15,429,361	1,352,413	1,286,293
	19,239,833	1,700,089	1,637,830	43,612,979	25,347,284	26,186,798
Financial liabilities measured at amortised cost						
Trade and other payables	686,651	500,367	394,712	450,790	205,891	202,929
Amount due to shareholders	–	4,189,041	–	–	4,189,041	–
Lease liabilities	350,025	188,433	253,708	154,675	–	–
	1,036,676	4,877,841	648,420	605,465	4,394,932	202,929

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26. Capital Management

The primary objective of the Group's and Company's capital management is to ensure that it maintains a strong credit rating and net current asset position in order to support its business and maximise shareholders' value. The capital structure of the Group and the Company comprises issued share capital and accumulated losses.

The Group and the Company manage its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group and the Company is not subject to any externally imposed capital requirements.

No changes were made in the objectives, policies or processes during the financial years ended 31 December 2022 and 2021.

The Group and the Company are not subject to any externally imposed capital requirements. The Group's and the Company's overall strategy remains unchanged from 2021.

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern in order to provide returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group and the Company monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including trade and other payables (exclude PSC partners), amount due to shareholders, warrants and lease liabilities) less cash and cash equivalents. Total capital is calculated as total equity plus net debt/(cash).

No specific gearing ratio has been determined by the management with the overall objective to keep the ratio as low as possible and such policy has not been changed since the date of incorporation.

The gearing ratios at 31 December 2022 and 2021 are as follows:

	Group		
	31 December 2022 US\$	31 December 2021 US\$	1 January 2021 US\$
Net (cash)/debt	(13,795,314)	6,989,352	(755,466)
Total equity	37,383,733	18,178,272	27,464,946
Total capital	23,588,419	25,167,624	26,709,480
Gearing ratio	N.M.	0.28	N.M.

N.M. – Not meaningful

27. Transition to SFRS(I)

SFRS(I) 1

In adopting SFRS(I) in 2022, the Group has applied the transition requirements in SFRS(I) 1 with 1 January 2021 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 31 December 2022 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. The application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

Shareholder Information

In accordance with ASX Listing Rule 4.10, the Directors provide the following information as at 6 March 2023.

Stock Exchange Quotation

The Company's shares are quoted on the ASX under the code CRD.

Classes of Securities

Class	Number of Holders
CHESS	535
Loan Warrants	36
Safe Warrants	44
ESOP Options	6
ESOP Rights	9

Voting Rights

One CDI represents a beneficial interest in one share. The rights and interests of a CDI holder are the same as a shareholder with all CDI holders who wish to attend and vote at the Company's general meetings, may do so. Additionally, all CDI holders receive all direct economic benefits and other entitlements in relation to the underlying shares, including dividends and other entitlements which attach to the underlying shares.

As provided under Conrad's Constitution and the Singapore Companies Act, voting at any meeting of shareholders is by show of hands unless a poll has been demanded before or on the declaration of the results of the show of hands as summarized below:

- the chairman of the meeting;
- at least two shareholders in person or by proxy (or in the case of a corporation or other body corporate, by its duly authorised representative or proxy), and entitled to vote thereat;
- any shareholder or shareholders present in person or by proxy (or in the case of a corporation or other body corporate, by its duly authorised representative or proxy) and collectively holding at least five per cent (5%) of the total voting rights of all the shareholders having a right to vote at the meeting; and
- any shareholder or shareholders present in person or by proxy (or in the case of a corporation or other body corporate, by its duly authorised representative or proxy) and collectively holding Shares having a right to vote at the meeting, being Shares on which an aggregate sum has been paid up equal to not less than five per cent (5%) of the total sum paid up on all the Shares conferring that right. Every shareholder entitled to vote who (being an individual) is present in person or by proxy or, if a corporation or other body corporate is present by its duly authorised representative or by proxy, shall on a show of hands have one vote, and on a poll have one vote for every Share of which he is the holder. Proxies need not be shareholders.

No other securities on issue have voting rights.

Shareholder Information

(Continued)

Restricted Securities

Conrad Asia Energy has the following restricted securities on issue:

CDIs	IPO October 22	6 month (voluntary) April 23	12 months (mandatory) October 23	12 months (voluntary) October 23	24 months (mandatory) October 24
Released from escrow					
Directors					37,112,649
Other employees		174,856		524,568	
Other existing shareholders		20,660,010	1,253,353	61,980,030	2,746,664
Balance					
Escrowed securities					
Directors	37,112,649	37,112,649	37,112,649	37,112,649	–
Other employees	699,424	524,568	524,568	–	–
Other existing shareholders	86,640,057	65,980,047	64,726,694	2,746,664	–
Total escrowed	124,452,130	106,617,264	103,363,911	39,859,313	–
Total not escrowed	34,946,858	55,781,724	57,035,077	119,539,675	159,398,988
Total CDIs	159,398,988	159,398,988	159,398,988	159,398,988	159,398,988
Escrowed securities					
Directors	23%	23%	23%	23%	0%
Other employees	0%	0%	0%	0%	0%
Other existing shareholders	54%	41%	41%	2%	0%
Total escrowed	78%	65%	64%	25%	0%
Total not escrowed	22%	35%	36%	75%	100%
Total CDIs	100%	100%	100%	100%	100%

Unmarketable Holders

Conrad Asia Energy has 11 shareholders holding less than a marketable parcel 425 shares each (i.e. less than \$500 per parcel of shares) based on the closing price of AUD \$1.745 on 6 March 2023 representing a total of 564 shares.

On-market Buy-backs

There is no current on-market buy-back of any securities.

Corporate Governance Statement

The Corporate Governance Statement is available on the Company's website at <https://conradasia.com/about/#corporate-governance>

Distribution schedule of the number of holders of ordinary shares

Holdings Ranges	Holders	Total Units	%
1-1,000	50	24,301	0.020
1,001-5,000	140	355,723	0.220
5,001-10,000	72	547,991	0.340
10,001-100,000	167	5,606,832	3.520
100,001-9,999,999,999	106	152,864,143	95.900
Totals	535	159,398,990	100.000

Options

Conrad Asia Energy has 15,770,790 unlisted options and rights over shares on issue held by 95 option holders as outlined on page 20 of the Directors Report.

Shareholder Information

(Continued)

Twenty largest shareholders

	Shareholder	Number of shares held	% of issued capital
1.	INSPIRED INTERNATIONAL LIMITED	18,125,656	11.371%
2.	TRANSWORLD OIL INC	16,591,780	10.409%
3.	GIANT GREEN RESOURCES LTD	14,400,000	9.034%
4.	HCM CONRAD PETRO LIMITED	9,200,000	5.772%
5.	MARIO TRAVIATI	8,813,336	5.529%
6.	PARTNER ELITE INVESTMENTS LIMITED	4,663,938	2.926%
7.	MR PAUL BERNARD & MRS GERALDINE BERG <HOLLAND PARK INVESTMENTS A/C>	4,400,624	2.761%
8.	ADAM JASON LEVINSON	4,301,544	2.699%
9.	WESTMAN MANAGEMENT LIMITED	4,277,813	2.684%
10.	TAN CHIN HWEE	4,030,594	2.529%
11.	LELAND LIM	2,923,750	1.834%
12.	BRYN MAWR TRUST COMPANY OF DELAWARE <GAH 2021 U/A MARCH 2021 A/C>	2,878,194	1.806%
13.	BENJAMIN JOHN FALLOON	2,873,448	1.803%
14.	FARSIGHTED LIMITED	2,575,945	1.616%
15.	PETTETT PTY LTD <PETTETT FAMILY A/C>	2,460,000	1.543%
16.	MARSON PARTNERSHIP	2,407,028	1.510%
17.	SABONA INVESTMENTS LIMITED SA	2,400,000	1.506%
18.	ROBERT LUKE COLLICK	2,185,000	1.371%
19.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,173,150	1.363%
20.	CHATFIELD INVESTMENTS PTY LTD	2,080,032	1.305%
Total Securities of Top 20 Holdings		113,761,832	71.369%
Total Securities		159,398,990	

Substantial shareholders

A substantial shareholder is one who has a relevant interest in 5 per cent or more of the total issued shares in the Company.

Shareholder	Number of shares	% of issued capital
Conrad Asia Energy Ltd*	124,583,290	78.16
Inspired International Limited	18,125,656	11.37
Transworld Oil Inc	16,591,780	10.41
Miltiadis Xynogalas	15,322,288	9.61
Giant Green Resources Ltd	14,400,000	9.03
Mario Traviati	11,389,281	7.15
HMC Conrad Petro Limited	9,200,000	5.77

* Conrad Asia Energy Ltd is a substantial holder of the Company in respect of the relevant interest it has acquired in its own shares pursuant to mandatory and voluntary escrow arrangements in respect of its shares. The Company has no rights to acquire and no rights to control voting of those shares.

Corporate Directory

Directors

Peter Botten	Non-Executive Chairman
Miltos Xynogalas	Managing Director and CEO
David Johnson	Executive Director and COO
Paul Bernard	Non-Executive Director
Jeremy Brest	Non-Executive Director
Mario Traviati	Non-Executive Director

Australian local agent & ASX contact

Elissa Hansen of CoSec Services Pty Ltd

Company Secretary (Singapore)

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