



Challenger Energy Group PLC

**Interim Financial Statements
For the six months ended 30 June 2023**

CHIEF EXECUTIVE OFFICER'S REPORT

Dear fellow Shareholders,

The dominant themes of the first half of 2023 were the technical work program and farm-out process in relation to our AREA OFF-3 licence in Uruguay, ongoing efforts to reshape and improve our oil production business in Trinidad and Tobago, and the implications of these two activities on the financial position of the Company, as reflected in the unaudited interim financial statements for the half year ended 30 June 2023.

Exploration Acreage in Uruguay – primary focus and near-term value driver

Challenger Energy secured the AREA OFF-1 licence, offshore Uruguay, in May 2020. This was in the midst of the Covid-19 pandemic, when Uruguay was not yet on the global industry's radar. At that time, this made us the sole licence holder in Uruguay.

Since the start of 2022, however, Uruguay has rapidly emerged as a global exploration "hotspot". This followed directly as a result of sizeable discoveries made by two global supermajors (TotalEnergies and Shell) from respective "wildcat" exploration wells drilled offshore Namibia. Those successful Namibian wells greatly de-risked the presence of a high-quality, oil-prone source rock and charge, not just in Namibia but on the other side of the South Atlantic conjugate margin, and in particular in Uruguay's offshore area, which is the geological "mirror" of where these Namibian discoveries were made.

As a result, and immediately following these Namibian discoveries, the industry view on Uruguay changed dramatically. Thus, in the first Uruguayan bidding round after the Namibian discoveries (May 2022), three licences were bid on and awarded to majors Shell and APA Corporation (formerly, Apache). Then, in November 2022, a further two licences were bid on and awarded, one to a consortium of Shell and APA, and the other to YPF, the Argentinian national oil company. The new entrants offered significant work program to secure their licences (as compared to the very modest work program we had bid to secure AREA OFF-1), and a number of other energy majors also registered to bid in the two Uruguayan open rounds held in 2022, but were unsuccessful.

These industry developments – globally significant discoveries offshore Namibia, interest from several majors in Uruguayan offshore acreage, and a resulting surge in Uruguayan licensing activity – validated our first-mover, low-cost entry into Uruguay, and confirmed that we had secured highly prospective frontier acreage, on advantageous terms, and with potential for considerable near-term value uplift. We thus rapidly moved to prioritise our Uruguay business through the first half of 2023, and achieved the following:

- First, we undertook an accelerated work program on the Area OFF-1 block (over and above the minimum work obligations), with a view to generating proprietary intellectual property and upgrading technical knowledge of the area, specifically in light of the new conjugate margin discoveries. The program of work included reprocessing of legacy 2D seismic data, advanced attribute variation with offset (AVO) analysis, seabed geochemical and satellite seep studies, full reinterpretation and remapping of all data, and an initial volumetric assessment. This work was largely completed during the period under review (January – June 2023), and was a resounding success, in that we have identified three technically robust primary prospects in the AREA OFF-1 licence area, that in aggregate represent a prospect inventory of approximately 2 billion barrels (Pmean) and up to 5 billion barrels (P10) – thus establishing that AREA OFF-1 is a material, world-class asset.
- Second, in view of the fact that taking AREA OFF-1 forward to 3D seismic acquisition and ultimately exploration well drilling, especially on an expedited basis, will be a technically demanding and capital-intensive undertaking, we resolved to seek an industry and funding partner. Thus, through the first half of 2023, we began preparing for a farm-out process, and commenced a formal, adviser-led process in June 2023. Since then, this process has proceeded well, and we have seen a high level of interest from a wide variety of industry participants. We remain confident that we will succeed in our effort to secure an industry partner by the end of 2023.
- Finally, we sought ways to expand our presence in Uruguay, given our developing knowledge base and energy understanding, the excellent working relationship established with ANCAP, and the attractive conditions in that country for hydrocarbon industry activity. In furtherance of this objective, in April 2023 we made an application for another shallow water offshore exploration block in Uruguay, AREA OFF-3, and in June 2023, we were awarded the block. AREA OFF-3 was the last available offshore acreage in Uruguay, and were able to secure it on attractive terms. The block has existing 2D and 3D seismic coverage, and based on initial assessment an estimated resource potential of up to ~500 million barrels of oil equivalent ("mmboe") and up to ~9 trillion cubic feet gas ("TCF"), from multiple exploration plays. Formal signing of the licence is expected by the end of 2023, and once formalised, our Company will be the second largest acreage holder in Uruguay, with two high-quality assets in what has fast become a global exploration focus area.

In summary, therefore, the first half of 2023 represented a period of exciting progress for our operations in Uruguay. We undertook excellent technical work on AREA OFF-1 that firmly established the block's prospectivity, we moved into a formal farm-out process for that block which we hope to conclude in the coming months, and we secured a second high quality block, AREA OFF-3, thus cementing our long-term position in Uruguay.

Focused Production onshore Trinidad and Portfolio Rationalisation

In August 2020, the Company completed the acquisition of Columbus Energy Resources Plc ("Columbus"), which significantly expanded the Company's business through the addition of a portfolio of assets in Trinidad and Tobago and Suriname, including oil fields in active production.

During 2021 and 2022, work focussed on the task of integrating and operating those assets, "cleaning up" various legacy issues, and seeking to achieve organic growth in production from the existing onshore fields. However, as I observed in our last Annual Report, while we have been reasonably successful on the first two items, we struggled to achieve our objective of organic production growth. This was because our oil fields are mature, and having produced oil for many decades they are characterised by depressurised reservoirs, where the rate at which the remaining resource is produced cannot easily be increased. Thus, despite our efforts – which have ranged from application of efficient mature oilfield management practices and field improvements to enhanced oil recovery (EOR) initiatives and targeted production enhancement activities - production growth has proved elusive.

On the other hand, what we did observe is that notwithstanding field maturity, our production performance is reasonably consistent and predictable. And consequently, in late 2022 we reassessed our Trinidad operations and decided to focus on areas where we have a competitive advantage. This meant dividing our Trinidad portfolio in two parts, being "core" - consisting of the Goudron and Inniss-Trinity fields in south-east Trinidad, which represented about 85% of our production along with vast majority of resource allocation (manpower, rigs and so on), and "non-core" – consisting of our assets in central and south-west Trinidad, and our appraisal block in Suriname.

In relation to those assets considered "core", we continued our focus on stabilising production, while at the same time looking for ways to increase production from "new oil" opportunities in and around our core area of operations in south-east Trinidad, with the following results during 1H 2023:

- core production from the Goudron and Inniss-Trinity fields averaged approximately 300 barrels of oil per day through the period, almost exactly the same as in the same period in 2022, and
- With a view to growing production in our primary geographical area of focus, we bid for the Guayaguayare block, one of the largest onshore exploration and production blocks in Trinidad (c. 306 km²). Our bid for this block was premised on (i) the fact that it is strategically and operationally synergistic with the Company's existing presence in south-east Trinidad, (ii) we see good prospectivity in the block, it being amongst the largest remaining underexplored / undrained contiguous onshore areas in Trinidad, and (iii) the block contains approximately 65 historic wells, many of which the Company believes can be reactivated and serviced from existing operations, thus offering the opportunity for near-term production uplift at minimal incremental cost. In May 2023 we were notified that the Government of Trinidad has authorised the Trinidadian Ministry of Energy and Energy Industries to enter into negotiations for the potential award of the licence to the Company - these discussions are ongoing, and we will advise further on completion of negotiations with MEEI.

In relation to those assets considered "non-core", we began a process to either monetise or exit from the assets, and made considerable progress during the first half of 2023. Thus, in Q1 2023 we completed the sale of South Erin asset, and through the period we continued to advance discussions with the Trinidadian Ministry of Energy and Energy Industries in relation to the proposed sale of Cory Moruga asset, which we hope to be able to complete in the coming months. We also continued to work on similar exit options for the remaining non-core assets we hold and most recently, in August 2023, we exited the Weg Naar Zee ("WNZ") block onshore Suriname. The rationalisation of our portfolio is allowing us to focus fully on those assets of much higher potential impact, that offer greater scale and opportunity for near-term value creation from deployment of the same capital.

It is worth noting that our HSE&S performance in this period remained exemplary with zero LTI or reportable incidents. Following extensive preparatory work and audit, the Company achieved a two-year STOW-TT ("Safe to Work in Trinidad & Tobago") certification in 3Q 2021, and through the first half of 2023 we prepared for the recertification process and audit, which has now commenced. STOW certification provides a standardised, independent system for certifying operators and contractors with respect to Health, Safety and Environmental delivery, which Heritage Petroleum Company Limited (the state-owned entity) requires of all contractors/operators, and is a central component of our "licence to operate" in Trinidad.

Therefore, in relation to our Trinidadian operations, the first half of 2023 represented a period of measured progress: core business production was constant and consistent, we began the process of monetising or exiting from non-core assets, we were

able to advance new business opportunities in support of growing core business production, and we maintained our excellent performance track record when it comes to HSE&S. Overall, we continue to believe that an opportunity exists to create a profitable and growing production business in Trinidad, but to do this we need to be able to access "new oil" - that is, either finding places within our existing fields that have not been drained effectively and drilling new wells, or by getting new licences, and we saw the first successes in this journey during the first half of 2023.

Financial Review

The unaudited interim financial statements for the half year ended 30 June 2023 present details on the financial performance of the Company for the period, to which I add the following commentary, so that shareholders may better be able to contextualise the figures presented:

- The Company sold approximately 58,000 barrels ("bbls") of oil during 1H 2023 (1H 2022: approximately 60,900 bbls), equating to approximately 320 barrels of oil per day ("bopd") (1H 2022: 336 bopd). However, the Company divested its South Erin field in February 2023, resulting in lower oil sales during 1H 2023 as compared to 1H 2022. Oil sales from the Company's fields excluding the South Erin field were approximately 56,000 bbls during 1H 2023 – in comparison, 1H 2022 oil sales excluding the South Erin Field were approximately 53,800 bbls. In other words, on a like-for-like basis, there was a 4% increase in barrels of oil sold, reflecting operational efficiencies achieved as a consequence of the Company's strategy to focus on core assets.
- The Company's revenue for the period was \$1.9 million (1H 2022: \$2.7 million). All revenue is attributable to oil sales in Trinidad, net of Government-take and other deductions and therefore reflect the Company's cash revenue entitlement from oil sales. This represents a decrease of 30% as compared to the comparable period in 2022. Again, on a like for like basis (i.e., excluding the South Erin field), 1H 2023 revenue was approximately \$1.8 million compared to \$2.3 million in 1H 2022 representing a decrease of approximately 22% compared to 1H 2022. The reduction in revenue is largely attributable to approximately 30% lower average realised oil prices in 1H 2023 (of \$63.52 per barrel) as compared to \$90.50 per barrel in 1H 2022. Oil prices have since risen in 2H 2023, and we thus expect higher realised oil prices and revenues during 2H 2023.
- Through the period, the Company's Trinidad business operated on a roughly "break-even" basis, in that total cash revenues met total cash costs, which ranged between \$275,000 - \$325,000 per month, the variance depending on field activity and the level of workovers, repairs and maintenance required in response to field performance each month. In an accounting sense however, certain non-cash charges (including depreciation, abandonment provisions and accrued interest on outstanding taxes (which the Company does not expect to crystallise in cash, in view of submissions made during Trinidadian Tax Amnesty period to offset against refunds due to the Company) are reflected in the income statement, which give rise to the reported operating loss.
- Excluding Trinidad, the Company's net cash spend during 1H 2023 was approximately \$2.3 million. Of this, approximately \$1.2 million was in relation to the Company's AREA OFF-1 licence in Uruguay (\$0.5 million retained as restricted cash collateral for the work program performance bond, and the balance of \$0.7 million spent on accelerated and expanded technical work program as described earlier in this report). The remainder \$1.1 million largely reflects the Company's corporate overheads and miscellaneous expenses, reflecting a corporate overhead run rate ranging between \$175,000 and \$200,000 per month.

Cash Position & Funding

In March 2022, in conjunction with completion of a comprehensive corporate restructuring, the Company raised approximately US\$10 million, which was at that time "sized" for approximately 12 months of future operations. However, as a result of prudent management of capital, a significant reduction in corporate overheads, and the sale of identified non-core assets, the Company did not require any additional external funding during the first half of 2023, and ended the period with available cash of \$1.6 million.

Subsequently, in August 2023, the Company established a £3.3 million unsecured convertible loan note funding facility (the "Facility") to provide financing flexibility for various initiatives being pursued by the Company as well as to bridge working capital needs through to delivery of a number of cash generative options in the near-term, including those that may result from a successful Area OFF-1 farm-out process, and those anticipated from completion of the sale of the Cory Moruga asset in Trinidad.

In addition, the Company has approximately \$0.8 million in restricted cash, being cash held as collateral in support of performance bonds for the various assets – notably, this includes \$0.5 million in support of minimum work obligations for the Company's AREA OFF-1 licence offshore Uruguay which have largely been satisfied.

Strategic Direction

In Uruguay, our early entry has transformed from being little more than "option value" to being a near-term opportunity for substantial value-creation. Looking ahead, the focus for the balance of 2023 in Uruguay is unambiguously on securing a farm-out

partner for the AREA OFF-1 block, such that we can expedite future technical work program on the block and in particular a 3D seismic acquisition - we see this as the path to significant near-term value creation for shareholders.

In Trinidad the focus for the remainder of 2023 will be to continue the work of the last two years: maintain current production, drive improved financial performance, dispose of remaining non-core assets, and seek to strategically access "new oil" opportunities so as to expand the production base and create a bigger, more sustainable business.

As a significant shareholder myself – I now hold over 6% of the Company – I am fully aligned with all shareholders, and I remain optimistic about the prospects of Challenger Energy. We will continue to work diligently towards delivering on our objectives, and I am confident that eventually the equity market will pay attention and reward the value we are creating.

Eytan Uliel
Chief Executive Officer
29 September 2023

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Six months ended 30 June 2023 (Unaudited) \$000's	Six months ended 30 June 2022 (Unaudited) \$ 000's	Year ended 31 December 2022 (Audited) \$ 000's
Net petroleum revenue		1,884	2,680	4,266
Cost of sales*		(2,343)	(2,522)	(4,737)
Gross profit/(loss)		(459)	158	(471)
Administrative expenses**		(2,141)	(4,720)	(8,027)
Impairment charges		-	-	(2,201)
Operating foreign exchange gains/ (losses)		(1,528)	(1,378)	6,458
Operating loss		(4,128)	(5,940)	(4,241)
Other income	2	26	8,567	8,743
Finance income/ (costs), net	2	(88)	1,652	1,675
Profit/(loss) before taxation		(4,190)	4,279	6,177
Income tax expense		-	-	(28)
Profit/(loss) from continuing operations		(4,190)	4,279	6,149
Discontinued operations				
Gain/loss after tax for the year from discontinued operations	7	1,934	-	(1,767)
Profit/(loss) for the year attributable to equity holders of the parent company		(2,256)	4,279	4,382
Other comprehensive income/(expense)				
Items to be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations		958	1,105	(5,742)
Other comprehensive income/(expense) for the period net of taxation		958	1,105	(5,742)
Total comprehensive income/(expense) for the period attributable to equity holders of the parent company		(1,298)	5,384	(1,360)
Earnings/(loss) per share (cents)				
Basic loss (earnings) per share				
-From continuing operations		(0.04)	0.07	0.08
-From discontinued operations		0.02	-	(0.03)
Total		(0.02)	0.07	0.05
Diluted earnings (loss) per share				
-From continuing operations		-	0.06	0.07
-From discontinued operations		-	-	(0.02)
Total		-	0.06	0.05

The accompanying accounting policies and notes form an integral part of these financial statements.

*Cost of sales includes amortisation and depreciation of oil and gas assets of \$632,000 (2022 half year: \$859,000; 2022 full year: \$1,720,000)

** Administrative expenses include various non-cash items including depreciation charges of \$222,000 (2022 half year: \$234,000; 2022 full year: \$542,000) and interest on taxes owed in Trinidad of \$176,000 (2022 half year: \$528,000; 2022 full year: \$908,000) which the Company does not expect to crystallise in cash in view of submissions made during Trinidadian Tax Amnesty for the offset of taxes owed against refunds due to the Group (see Note 8)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

		At 30 June 2023 (Unaudited) \$000's	At 30 June 2022 (Unaudited) \$ 000's	At 31 December 2022 (Audited) \$ 000's
Assets				
Non-current assets				
Intangible exploration and evaluation assets	4	95,231	94,389	94,660
Goodwill	4	4,610	4,610	4,610
Tangible assets	5	18,777	21,874	19,556
Right of use assets	6	-	6	-
Escrow and abandonment funds		1,575	1,601	1,532
Deferred tax asset		7,418	6,998	7,375
Total non-current assets		127,611	129,478	127,733
Current assets				
Trade and other receivables		2,755	5,428	2,721
Inventories		221	270	165
Restricted cash		827	434	824
Cash and cash equivalents		1,645	5,308	2,453
Total current assets		5,448	11,440	6,163
Assets held for sale	7	1,114	-	2,591
Total assets		134,173	140,918	136,487
Liabilities				
Current liabilities				
Trade and other payables	8	(8,300)	(11,985)	(8,099)
Lease liabilities		-	(27)	(22)
Borrowings		-	(77)	-
Total current liabilities		(8,300)	(12,089)	(8,121)
Non-current liabilities				
Borrowings		-	(147)	-
Provisions		(5,657)	(6,164)	(5,545)
Deferred tax liability		(7,459)	(7,009)	(7,415)
Total non-current liabilities		(13,116)	(13,320)	(12,960)
Liabilities directly associated with the assets held for sale	7	(4,364)	-	(6,449)
Total liabilities		(25,780)	(25,409)	(27,530)
Net assets		108,393	115,509	108,957
Shareholders' equity				
Called-up share capital	9	2,540	2,540	2,540
Share premium reserve	9	180,240	180,272	180,240
Share based payments reserve		5,635	5,411	5,635
Retained deficit		(98,521)	(97,102)	(96,999)
Foreign exchange reserve		(4,785)	1,104	(5,743)
Convertible debt option reserve		-	-	-
Other reserves		23,284	23,284	23,284
Total equity attributable to equity holders of the parent company		108,393	115,509	108,957

The accompanying accounting policies and notes form an integral part of these financial statements.

These Interim Financial Statements were approved and authorised for issue by the Board of Directors on 29 September 2023 and signed on its behalf by:

Eytan Uliel
Director

Simon Potter
Director

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

	Six months Ended 30 June 2023 (Unaudited) \$000's	Six months ended 30 June 2022 (Unaudited) \$ 000's	Year ended 31 December 2022 (Audited) \$ 000's
Cash flows from operating activities			
Profit/(loss) before taxation	(4,190)	4,279	6,177
(Increase)/decrease in trade and other receivables	(77)	(539)	658
(Decrease) in trade and other payables	201	(1,188)	(2,176)
(Increase) in inventories	(56)	(11)	(13)
Impairment of tangible and intangible assets	-	-	2,201
Depreciation of property, plant and equipment	841	1,077	1,784
Depreciation of right of use asset	-	9	14
Loss on disposal of property, plant and equipment	-	10	78
Amortisation	13	16	27
Share settled payments	-	1,113	1,266
Other income	(26)	(8,567)	(8,743)
Finance income/ (costs), net	88	(1,652)	(1,675)
Share based payments	-	99	323
Income tax received/(paid)	-	-	-
Foreign exchange (gain)/loss on operating activities	1,528	1,378	(6,458)
Net cash outflow from operating activities	(1,678)	(3,976)	(6,537)
Cash flows from investing activities			
Purchase of property, plant and equipment	(37)	(212)	(626)
Proceeds from sale of property, plant and equipment	-	5	57
Payments for exploration and evaluation assets	(583)	-	(282)
(Increase)/Decrease in restricted cash	(2)	125	(354)
Proceeds from sale of subsidiaries, net of cash sold	1,194	-	-
Other income received	26	-	18
Net cash outflow from investing activities	598	(82)	(1,187)
Cash flows from financing activities			
Issue of ordinary share capital	-	8,508	9,114
Share issue costs	-	-	-
Principal elements of lease payments	(22)	(9)	(14)
Finance costs	(9)	(265)	(46)
Repayment of borrowings	-	(144)	(181)
Net cash inflow from financing activities	(31)	8,090	8,873
Net increase in cash and cash equivalents	(1,111)	4,032	1,149
Effects of exchange rate changes on cash and cash equivalents	303	(279)	(252)
Cash and cash equivalents at beginning of period	2,453	1,555	1,555
Cash and cash equivalents included in disposal group	-	-	1
Cash and cash equivalents at end of period	1,645	5,308	2,453

The accompanying accounting policies and notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Called up share capital	Share premium reserve	Share based payments reserve	Retained deficit	Foreign exchange reserve	Convertible debt option reserve	Other reserves	Total Equity
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Group								
At 1 January 2023	2,540	180,240	5,635	(96,999)	(5,743)	-	23,284	108,957
Loss for the period	-	-	-	(2,256)	-	-	-	(2,256)
Currency translation differences	-	-	-	734	958	-	-	1,692
Total comprehensive expense	-	-	-	(1,522)	958	-	-	(564)
Total contributions by and distributions to owners of the Company	-	-	-	-	-	-	-	-
Balance at 30 June 2023	2,540	180,240	5,635	(98,521)	(4,785)	-	23,284	108,393

	Called up share capital	Share premium reserve	Share based payments reserve	Retained deficit	Foreign exchange reserve	Convertible debt option reserve	Other reserves	Total Equity
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Group								
At 1 January 2022	218	171,734	5,312	(101,381)	(1)	114	23,284	99,280
Loss for the period	-	-	-	4,279	-	-	-	4,279
Currency translation differences	-	-	-	-	1,105	-	-	1,105
Total comprehensive expense	-	-	-	4,279	1,105	-	-	5,384
Issue of ordinary shares	2,322	8,538	-	-	-	-	-	10,860
Realisation of conversion feature	-	-	-	-	-	(114)	-	(114)
Share based payments	-	-	99	-	-	-	-	99
Total contributions by and distributions to owners of the Company	2,322	8,538	99	-	-	(114)	-	10,845
Balance at 30 June 2022	2,540	180,272	5,411	(97,102)	1,104	-	23,284	115,509

STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Called up share capital	Share premium reserve	Share based payments reserve	Retained deficit	Foreign exchange reserve	Convertible debt option reserve	Other reserves	Total Equity
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Group								
As at 31 December 2020	123	152,717	5,228	(77,684)	147	396	23,284	104,211
Loss for the year	-	-	-	(23,697)	-	-	-	(23,697)
Currency translation differences	-	-	-	-	(148)	-	-	(148)
Total comprehensive expense	-	-	-	(23,697)	(148)	-	-	(23,845)
Share capital issued	95	19,017	-	-	-	-	-	19,112
Recognition of conversion feature	-	-	-	-	-	505	-	505
Realisation of conversion feature	-	-	-	-	-	(787)	-	(787)
Share based payments	-	-	84	-	-	-	-	84
Total contributions by and distributions to owners of the Company	95	19,017	84	-	-	(282)	-	18,914
As at 31 December 2021	218	171,734	5,312	(101,381)	(1)	114	23,284	99,280
Profit for the year	-	-	-	4,382	-	-	-	4,382
Currency translation differences	-	-	-	-	(5,742)	-	-	(5,742)
Total comprehensive Income	-	-	-	4,382	(5,742)	-	-	(1,360)
Share capital issued	2,322	8,506	-	-	-	-	-	10,828
Realisation of conversion feature	-	-	-	-	-	(114)	-	(114)
Shared based payments	-	-	323	-	-	-	-	323
Total contribution by and distributions to owners of the Company	2,322	8,506	323	-	-	(114)	-	11,037
At as 31 December 2022	2,540	180,240	5,635	(96,999)	(5,743)	-	23,284	108,957

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2023**1 Basis of preparation**

The financial statements have been prepared on the historical cost basis, except for the measurement of certain assets and financial instruments at fair value as described in the accounting policies below.

The financial statements have been prepared on a going concern basis, refer to the Going Concern section below for more details.

The financial statements are presented in United States dollars (\$) and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

Basis of consolidation

The financial statements incorporate the results of the Company and its subsidiaries (the "Group") using the acquisition method. Control is achieved where the Company 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.

Inter-company transactions and balances between Group companies are eliminated in full.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

Going Concern

The Group had incurred a comprehensive loss of \$1.3 million for the half year ended 30 June 2023 and the Group's current liabilities exceeded current assets by approximately \$2.9 million as of 30 June 2023. At 30 June 2023 the CEG Group had approximately \$1.6 million in unrestricted cash funding and approximately a further \$0.8 million in restricted cash holdings in support of performance guarantees for the various licences including the minimum work obligations in Uruguay (\$0.5 million) for which the work has been substantially completed as at the date of this report.

On 30 August 2023 the Group announced establishment of a £3.3 million convertible loan note funding facility of which £0.55 million has initially been drawn down, with future drawdown of the remainder at the Group's option, subject to certain drawdown conditions. This facility provides the Group with cash resources to cover the funding requirements of the Group and bridge any funding gaps over the course of the next 12 months.

In addition, The Group has several high-probability sources of cash inflows expected over the next 12 months to enable the Group to continue as a going concern for the foreseeable future. These include:

1. Contracted proceeds from sale of Cory Moruga licence in Trinidad.

In December 2022, the Group announced the sale of Cory Moruga licence onshore Trinidad and Tobago for a consideration of up to US\$3 million of which US\$1 million is payable upon completion, US\$1 million in six months from completion and a further US\$1 million contingent upon Cory Moruga field achieving 100 barrels of oil per day production. Cory Moruga licence is presently a dormant licence with previously discovered and tested oil resource. The sale is fully documented and not subject to any conditions to completion other than consent from the Trinidadian Ministry of Energy and Energy Industries ("MEEI"), which remains outstanding. The Group, in conjunction with the acquirer, have been in discussions with MEEI and anticipates consent being obtained and completion of the sale transaction by the end of 2023. A successful completion would result in the Group receiving US\$2 million in cash consideration within six months from completion.

2. Potential inflows from successful farm-out of the AREA OFF-1 licence in Uruguay.

The Group has been in discussions with various industry participants in relation to potential farm-out / partnership options for the AREA OFF-1 licence in Uruguay. In June 2023, a formal adviser-led process was commenced with the objective of securing an industry partner to farm-out the AREA OFF-1 licence by the end of 2023. In the event of a successful farm-out, the Group expects certain upfront cash consideration, consistent with typical transactions of this nature in the international oil and gas industry. The Group is confident that a farm-out transaction can be successfully achieved in this timeframe, because (i) multiple high-quality energy majors are presently engaged in the farm-out process, undertaking due diligence as at the date of this report; (ii) the Group's technical work to-date has resulted in identification and definition of three prospects with an estimated recoverable resource of approximately 2 billion barrels (Pmean) and up to 5 billion barrels in an upside case (P10) establishing that AREA OFF-1 is a high-quality asset of scale, material to any player in the global industry, and (iii) the Directors consider successful completion of the farm-out process to be highly probable in light of the recent industry developments – namely significant offshore discoveries in Namibia (Uruguay is considered to be geological mirror of the offshore Namibia basins), and substantial industry interest in offshore Uruguay acreage in the past 12 months, evidenced by licencing activity in the recent Uruguayan licencing rounds that has resulted in all available acreage now having been awarded to industry majors (Shell, APA Corporation and YPF) along with several other interested global oil majors not securing any acreage.

3. Sale of other non-core assets

The Group is also in discussions in relation to the potential sale of other non-core assets in its portfolio. A successful completion of any transaction of this nature would result in the Group receiving cash consideration, thus increasing its available cash resources.

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2023 (CONTINUED)

1 Basis of preparation (continued)**Going Concern (continued)**

In addition to the above, the Director notes that the Group is a publicly listed company on a recognised stock exchange, thus affording the ability to raise capital equity, debt and/or hybrid financing alternatives as and when the need arises. The Group has a robust track record in this regard, having raised in excess of US\$100 million in equity and alternative financing in the past five years. Based on the Group's attractive asset portfolio and history of capital raising, the Directors are of the view that if required (i.e., in the event sources of cash inflows discussed above do not materialise as and when expected) the Group will be able to source fresh capital on short notice. As such, the Director has prepared the financial statements on a going concern basis and consider it to be reasonable.

2 Other income and Finance income

Other income and Finance income predominantly comprise discounts secured from the Group's historical creditors and a secured financier, as part of negotiated settlements agreed pursuant to the Group's restructuring and recapitalisation exercise.

3 Turnover and segmental analysis

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Board has determined there is a single operating segment: oil and gas exploration, development and production. However, there are four geographical segments: Trinidad & Tobago & Suriname including a single operating segment and a separate disposal group for the period ended 30 June 2023 (refer to note 7), The Bahamas (operating), Uruguay (operating) and The Isle of Man, UK, Spain, Saint Lucia, Cyprus, Netherlands & USA (all non-operating).

The segment including Trinidad & Tobago has been reported as the Group's direct oil and gas producing and revenue generating operating segment. The Bahamas segment includes the Bahamian exploration licences on which drilling activities were conducted in 2020 and 2021. The Uruguay segment includes the exploration licences and appraisal works which have commenced in 2022. The non-operating segment including the Isle of Man (the Group's parent), which provides management service to the Group and entities in Saint Lucia, Cyprus, Spain, the Netherlands, and the U.S.A. all of which are non-operating in that they either hold investments, or are dormant. Their results are consolidated and reported on together as a single segment. As part of an ongoing group wide rationalisation plan there is an ongoing process to wind up a number of companies in the Group in Spain, Cyprus and the USA.

Six months to 30 June 2023	Trinidad & Suriname Operating \$'000	Trinidad & St Lucia Disposal group \$'000	Bahamas Operating \$'000	Uruguay Operating \$'000	Non-Operating Entities (*) \$'000	Total \$'000
Operating profit/(loss) by geographical area						
Net petroleum revenue (**)	1,884	-	-	-	-	1,884
Operating profit/(loss)	(2,319)	-	(32)	(3)	(1,774)	(4,128)
Other income	5	-	21	-	-	26
Finance (costs) / income, net	(85)	-	-	-	(3)	(88)
Profit/(loss) before taxation	(2,399)	-	(11)	(3)	(1,777)	(4,190)
Other information						
Loss after tax for the year from discontinued operations	-	1,934	-	-	-	1,934
Depreciation, amortisation and impairment	(828)	-	(1)	-	(24)	(853)
Capital additions	32	-	-	583	5	620
Segment assets						
Tangible and intangible assets	18,734	-	93,964	798	5,122	118,618
Deferred tax asset	7,418	-	-	-	-	7,418
Escrow and abandonment funds	1,575	-	-	-	-	1,575
Trade and other receivables	2,192	-	500	-	63	2,755
Inventories	221	-	-	-	-	221
Restricted cash	301	-	-	-	526	827
Cash	638	-	2	-	1,005	1,645
Assets held for sale	-	1,114	-	-	-	1,114
Consolidated total assets	31,079	1,114	94,466	798	6,716	134,173
Segment liabilities						
Trade and other payables	(6,385)	-	(1,051)	-	(864)	(8,300)
Deferred tax liability	(7,459)	-	-	-	-	(7,459)
Lease liabilities	-	-	-	-	-	-
Provisions	(3,224)	-	-	-	(2,433)	(5,657)
Liabilities directly associated with the assets held for sale	-	(4,364)	-	-	-	(4,364)
Consolidated total liabilities	(17,068)	(4,364)	(1,051)	-	(3,297)	(25,780)

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2023 (CONTINUED)

3 Turnover and segmental analysis (continued)

Six months to 30 June 2022

	Operating Trinidad & Suriname \$'000	Operating Bahamas \$'000	Non-Operating Entities (*) \$'000	Total \$'000
Operating profit/(loss) by geographical area				
Net petroleum revenue (**)	2,680	-	-	2,680
Operating profit/(loss)	(1,316)	(127)	(4,497)	(5,940)
Other income	1,937	-	6,630	8,567
Finance (charges)	(86)	-	(189)	(275)
Finance income	1	-	1,926	1,927
Profit/(loss) before taxation	536	(127)	3,870	4,279
Other information				
Depreciation, amortisation and impairment	1,079	5	18	1,102
Capital additions	203	-	8	211
Segment assets				
Tangible and intangible assets	22,196	93,971	4,712	120,879
Deferred tax asset	6,998	-	-	6,998
Abandonment fund	1,601	-	-	1,601
Trade and other receivables	3,860	516	1,052	5,428
Inventories	270	-	-	270
Restricted cash	380	-	54	434
Cash	986	4	4,318	5,308
Consolidated total assets	36,291	94,491	10,136	140,918
Segment liabilities				
Trade and other payables	(9,704)	(1,049)	(1,232)	(11,985)
Borrowings	(224)	-	-	(224)
Deferred tax liability	(7,009)	-	-	(7,009)
Lease liabilities	-	(21)	(6)	(27)
Provisions	(3,825)	-	(2,339)	(6,164)
Consolidated total liabilities	(20,762)	(1,070)	(3,577)	(25,409)

(*) Intercompany balances and transactions between Group entities have been eliminated.

(**) Sales revenues were derived from a single customer within each of these operating countries.

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2023 (CONTINUED)

4 Intangible assets – Group

	Goodwill	Exploration & evaluation assets
	\$ 000's	\$ 000's
<u>Cost</u>		
As at 1 January 2022	7,045	96,832
Additions	-	282
Reclassifications	-	2,924
As at 31 December 2022	7,045	100,038
Additions	-	583
Foreign exchange difference on translation	-	3
As at 30 June 2023	7,045	100,624
<u>Accumulated amortisation and impairment</u>		
As at 1 January 2022	2,435	2,427
Amortisation	-	27
Reclassifications	-	2,924
As at 31 December 2022	2,435	5,378
Amortisation	-	13
Foreign exchange difference on translation	-	2
As at 30 June 2023	2,345	5,393
<u>Net book value</u>		
As at 30 June 2023	4,610	95,231
As at 31 December 2022	4,610	94,660
As at 31 December 2021	4,610	94,405

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2023 (CONTINUED)

5 Tangible assets

	Oil and gas assets	Property, plant and equipment (*)	Decommissioning costs	Total
	\$ 000's	\$ 000's	\$ 000's	\$ 000's
<u>Cost or Valuation</u>				
As at 1 January 2022	28,303	2,013	2,225	32,541
Additions	128	498	1,307	1,933
Disposals	(133)	(400)	-	(533)
Assets held for sale	(7,013)	-	(844)	(7,857)
Reclassifications	15,563	5,404	226	21,193
Foreign exchange difference on translation	-	(146)	-	(146)
As at 31 December 2022	36,848	7,369	2,914	47,131
Additions	9	28	-	37
Reclassifications	-	(201)	-	(201)
Foreign exchange difference on translation	15	36	2	53
As at 30 June 2023	36,872	7,232	2,916	47,020
<u>Accumulated depreciation and impairment</u>				
At 1 January 2022	7,294	751	1,748	9,793
Depreciation	1,720	285	230	2,335
Disposals	(88)	(286)	-	(374)
Impairment	2,201	-	88	2,289
Assets held for sale	(6,679)	-	(738)	(7,417)
Reclassifications	15,563	5,404	226	21,193
Foreign exchange difference on translation	-	(145)	1	(144)
At 31 December 2022	20,011	6,009	1,555	27,575
Depreciation	632	149	60	841
Reclassifications	-	(201)	-	(201)
Foreign exchange difference on translation	(6)	34	-	28
As at 30 June 2023	20,637	5,991	1,615	28,243
<u>Net book value</u>				
As at 30 June 2023	16,235	1,241	1,301	18,777
As at 31 December 2022	16,837	1,360	1,359	19,556
As at 31 December 2021	21,009	1,262	477	22,748

(*) Property, plant and equipment includes leasehold improvements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2023 (CONTINUED)

6 Right of use assets

	Group leased properties	Group motor vehicles	Total Group
	\$ 000's	\$ 000's	\$ 000's
<u>Cost</u>			
As at 1 January 2022	484	32	516
Disposals	(406)	-	(406)
Reclassifications	60	-	60
As at 31 December 2022	138	32	170
Reclassifications	(59)	-	(59)
Foreign exchange difference on translation	-	-	-
As at 30 June 2023	79	32	111
<u>Accumulated depreciation</u>			
As at 1 January 2022	470	32	502
Depreciation	14	-	14
Disposals	(406)	-	(406)
Reclassifications	60	-	60
As at 31 December 2022	138	32	170
Reclassifications	(59)	-	(59)
Foreign exchange difference on translation	-	-	-
As at 30 June 2023	79	32	111
<u>Net book value</u>			
As at 30 June 2023	-	-	-
As at 31 December 2022	-	-	-
As at 31 December 2021	14	-	14

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

7 Discontinued operations

At balance sheet date the following asset sale is considered to be active and highly probable of taking place:

Sale of T-Rex (Cory Moruga asset):

On 20 December 2022 the Company announced that it had entered into a binding heads of terms with Predator Oil & Gas Holdings Plc, providing for the conditional sale of the Company's interest in the non-producing Cory Moruga licence in Trinidad though the sale of 100% of the share capital in T-Rex Resources (Trinidad) Limited (T-Rex), with retention of 25% future back-in right (at the Company's option) based on the outcomes of future drilling / EOR activity and associated future production.

Subsequently, on 8 March 2023 confirmed that the confirmatory due diligence process was finalised and both parties had entered into fully termed long form legal documentation.

The completion of the Transaction is conditional on consent of the Trinidadian Ministry of Energy and Energy Industries ("MEEI") to a revised work programme for the Cory Moruga licence and restructuring of certain licence terms. The parties have agreed to work together to secure the required consents and agreements with MEEI and thus achieve completion of the Transaction as soon as reasonably practicable.

Accordingly, T-Rex Resources (Trinidad) Limited continues to form a separate disposal group and has been classified as assets held of sale at 30 June 2023.

The results for this disposal group are presented below:

Income statement	\$ 000's
Administration expenses	(262)
Operating foreign exchange gains/(losses)	(2)
Finance costs	(6)
	(270)

The major classes of assets and liabilities of the combined disposal group classified as held for sale at 31 December are presented below:

Assets	\$ 000's
Trade and other receivables	1,114
	1,114
Liabilities	
Trade and other payables	(3,162)
Provisions	(1,202)
	(4,364)

Sale of CREX:

During the reporting period an asset sale took place resulting in the loss of control over CREX.

On 14 February 2023 the Company announced publicly (via RNS) it had entered into and completed a transaction for the sale of its St Lucia domiciled subsidiary company, Caribbean Rex Limited (CREX) which included its associated assets and subsidiary entities. This includes (via interposed subsidiaries) CEG South Erin Trinidad Limited ("CSETL" a Trinidadian company that is party to a farm-out agreement for, and is the operator of, the South Erin field, onshore Trinidad) and West Indian Energy Group Limited (a Trinidadian service company).

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

7 Discontinued operations (continued)

Consideration was received in cash during the period. At the date of the disposal the carrying amounts of CREX net assets were as follows:

Assets	\$ 000's
Cash and cash equivalents	6
Restricted cash	89
Trade and other receivables	115
Property, plant and equipment and decommissioning costs	402
Abandonment fund	106
Deferred Tax Asset	201
Total assets	919
Liabilities	
Trade and other payables	(989)
Provisions	(808)
Borrowings	(181)
Deferred tax liability	(201)
Total liabilities	(2,179)
Total net liability	(1,260)
Total consideration received in cash	1,200
Less cash and cash equivalents disposed of	(6)
Net cash received	1,194
Gain on disposal*	2,454

Reconciliation to gain from discontinued operations:

Gain on disposal (as above)	2,454
Less losses resulting from T-Rex Resources (Trinidad) Limited for the period	(270)
Less losses resulting from CREX and subsidiaries for the period up to disposal date	(250)
Gain after tax for the year from discontinued operations	1,934

*The gain on disposal is included in the loss for the year from discontinued operations in the consolidated statement of profit or loss.

The net cash flows incurred by the combined disposal group are, as follows:

	\$ 000's
Operating	289
Investing	1,191
Financing	(9)
Net cash (outflow) / inflow	1,471

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2023 (CONTINUED)

8 Trade and other payables

The trade and other payables (including accruals) include dues, amounting to approximately \$2.5 million in aggregate, that are considered to be of a routine working capital nature, and that are being settled in the ordinary course of business and / or under certain agreed payment plans. The remainder of trade and other payables include:

- i) approximately \$3.2 million is in respect of taxes in Trinidad and Tobago that the Group expects to settle by way of offset against tax refunds due to the Group in Trinidad and Tobago (\$1.4 million, included under 'Trade and other receivables'). The balance amount relates to a notional estimate of penalties that apply in accordance with the tax laws in Trinidad and Tobago – as at the date of this report these are notional estimates only and have not been levied or assessed, and the Group does not expect that they will be levied or assessed and that ultimately no cash payment will be required as the Group had claimed the benefit of a tax amnesty during the 2021 tax amnesty period implemented by the Trinidad and Tobago tax authorities, with the final resolution of this matter remaining pending; and
- ii) approximately \$2.6 million is in respect of various other dues comprising, i) \$0.5 million is in respect of potential insurance "top-up" exposure, due to the ultimate cost of the Perseverance-1 well in The Bahamas exceeding the initial estimated cost – however, as at the date of this report, the matter remains pending resolution with the insurers, ii) \$0.6 million is in respect of accrued licence fee which the Group expects to offset against \$0.5 million refundable advances (included in trade and other receivables) resulting in no material incremental cash exposure to the Group, iii) \$0.4 million in advances towards a work programme undertaken by a third-party for which a settlement agreement has been reached as part of the sale of Cory Moruga asset (pending completion) resulting in no cash exposure to the Group, and iv) \$1.1 million in relation to legacy accruals recognised in the financial statements which the Group does not expect to crystallise for a foreseeable future and expects to be written-back following lapse of the relevant statute of limitation period.

9 Share capital – Group & Company

Called up, allotted, issued and fully paid ordinary shares of 0.0002p each	Number of shares	Nominal value \$ 000's	Share premium \$ 000's
At 1 January 2022	796,522,914	218	171,734
Shares issued at average price of 0.1p per share	691,401,490	185	739
Shares issued at average price of 0.1p per share	3,480,645,475	919	3,366
Shares issued at average price of 0.1p per share	4,651,629,600	1,218	4,433
At 31 December 2022	9,620,199,479	2,540	180,240
At 1 January 2023	9,620,199,479	2,540	180,240
At 30 June 2023	9,620,199,479	2,540	180,240
	Number of shares	Nominal value \$ 000's	Share premium \$ 000's
At 31 December 2021	796,522,914	218	171,734
As 31 December 2022	9,620,199,279	2,450	180,240
At 30 June 2023	9,620,199,479	2,540	180,240

At the end of the period, the number of shares in issue comprised 9,620 million ordinary shares (2022: 9,620million). During the prior period, transaction costs for issued share capital totalled \$748,777, these amounts were allocated to share premium.

The total authorised number of ordinary shares at 30 June 2023 was 50,000,000,000 shares with a par value of 0.02 pence per share (2022: 50,000,000,000 shares of 0.02 pence per share). All issued shares of 0.02 pence are fully paid.

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2023 (CONTINUED)

10 Share based payments reserve**Options and warrants**

Share options have been granted to Directors, selected employees and consultants to the Company.

The Group had no legal or constructive obligation to repurchase or settle any options in cash. Movements in the number of share options and warrants outstanding during the year are as follows:

	Average exercise price per share	No. Options & Warrants
At 1 January 2023	0.24p	1,388,473,911
Expired	-	-
Cancelled	0.19p	(136,000,000)
Granted	-	-
Exercised	-	-
As at 30 June 2023	0.25p	1,252,473,911
Exercisable at end of period	-	-

The fair value of the warrants and options granted in the period was estimated using the Black Scholes model.

11 Events after reporting date

On 30 August 2023 the Company announced:

- i) the establishment of a £3.3 million convertible loan note funding facility of which £0.55 million has initially been drawn down, with future drawdown of the remainder at the Group's option;
- ii) a mutually agreed extension to the long stop date for the completion of the sale of T-Rex Resources (Trinidad) Limited (Cory Moruga asset) to 30 November 2023 to allow the parties to continue ongoing discussions with the Trinidadian Ministry of Energy and Energy Industries ("MEEI") with a view to securing MEEI's consent required for the completion of the transaction; and
- iii) the relinquishment of the Group's Weg Naar Zee block onshore Suriname by way of an agreement with Hydrocarbon Institute, the Surinamese hydrocarbons industry regulator ("SHI"), to terminate the Suriname Weg Naar Zee Production Sharing Contract ("WNZ PSC") between Columbus Energy Resources South America B.V., a wholly-owned subsidiary of the Company and Staatsolie Maatschappij Suriname N.V., the Surinamese state-owned oil & gas company ("Staatsolie").

12 Other Information

The comparative financial information set out in this report does not constitute the Group's statutory accounts for the period ended 31 December 2022 but is derived from those accounts.

A copy of this interim statement is available on the Company's website: www.cegplc.com