Company Registration No. 13947643 (England and Wales)

Azule Energy Holdings Limited

Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2024

Azule Energy Holdings Limited
125 Old Broad Street
London
England
EC2N 1AR

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AZULE ENERGY HOLDINGS LIMITED

Directors' Responsibilities Statement
For the nine months ended 30 September 2024

The Directors of Azule Energy Holdings Limited confirm, to the best of their knowledge:

- That the interim condensed consolidated financial statements for the nine-month period ended 30 September 2024 have been prepared in accordance with UK adopted International Accounting Standard 34 "Interim Financial Reporting";
- In preparing the interim condensed consolidated financial statements for the nine-month period ended 30 September 2024, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Approved by the board of Directors on 28th November 2024 and signed on its behalf by:

DocuSigned by:
Jennie Burton
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J Burton

Director

125 Old Broad Street
London
England
EC2N 1AR

AZULE ENERGY HOLDINGS LIMITED

Independent Auditor's Review Report to the Members of Azule Energy Holdings Limited
For the nine months ended 30 September 2024

INDEPENDENT REVIEW REPORT TO AZULE ENERGY HOLDINGS LIMITED

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Condensed Financial Statements for the nine months ended 30 September 2024 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34: Interim Financial Reporting.

We have been engaged by the company to review the Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2024 which comprises Interim Condensed Consolidated Statement of Comprehensive Income, Interim Condensed Consolidated Statement of Financial Position, Interim Condensed Consolidated Statement of Changes in Equity, Interim Condensed Consolidated Cash Flow Statement and the Notes to the Interim Condensed Consolidated Financial Statements.

Basis for conclusion

We conducted our review in accordance with Revised International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE (UK) 2410 (Revised)"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. As disclosed in note 2, the annual financial statements of the company are prepared in accordance with UK adopted international accounting standards. The Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2024 have been prepared in accordance with UK adopted International Accounting Standard 34: Interim Financial Reporting.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.
This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410 (Revised), however future events or conditions may cause the company to cease to continue as a going concern.

Responsibilities of directors

The directors are responsible for preparing the Interim Condensed Consolidated Financial Statements in accordance with UK adopted International Accounting Standard 34: Interim Financial Reporting. In preparing the Interim Condensed Consolidated Financial Statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the review of the financial information

In reviewing the Interim Condensed Consolidated Financial Statements, we are responsible for expressing to the Company a conclusion on Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2024. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

DocuSigned by:
BDO LLP
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BDO LLP
Chartered Accountants
London, UK
Date: 28 November 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Azule Energy Holdings Limited

Interim Condensed Consolidated Statement of Comprehensive Income
For the nine months ended 30 September 2024

	Notes	Nine months ended 30 September 2024 (Unaudited) $'000	Nine months ended 30 September 2023 (Unaudited) $'000
Revenue	4	**3,682,622**	**3,315,885**
Cost of Sales:			
Production costs		(906,217)	(484,044)
Depletion, depreciation and amortization on property, plant, and equipment and right of use assets		(1,904,579)	(1,822,901)
Gross profit		**871,826**	**1,008,940**
Other operating income	5	382,397	270,114
Exploration costs		(28,595)	(19,326)
Administration costs		(41,130)	(12,894)
Share of post-tax profits of equity accounted associates & joint ventures		133,746	261,045
Operating profit		**1,318,244**	**1,507,879**
Finance income		31,710	48,550
Finance costs		(394,651)	(411,415)
Profit before taxation		**955,303**	**1,145,014**
Corporation tax	6	(194,218)	(498,033)
Profit for the period		**761,085**	**646,981**
Other comprehensive income			
Items that will or may be reclassified subsequently to profit & loss:			
Cash flow hedge		(45,405)	-
Foreign currency translation		(482)	-
Other comprehensive income for the period		**(45,887)**	**-**
Total comprehensive income for the period		**715,198**	**646,981**

The above results were derived from continuing operations. The notes on pages 10 to 23 form an integral part of these interim condensed consolidated financial statements.

Azule Energy Holdings Limited
Registered number: 13947643

Interim Condensed Consolidated Statement of Financial Position
As at 30 September 2024

	Notes	30 September 2024 (Unaudited) $'000	31 December 2023 (Audited) $'000
Assets			
Non-current assets			
Intangible assets - goodwill		2,420,560	2,420,560
Other Intangible assets		465,250	437,217
Property, plant, and equipment including right of use assets	7, 8	14,280,641	14,334,194
Investments in associates and joint ventures	9	3,475,538	3,589,462
Taxation		60,657	60,657
Deferred tax		927,743	927,743
Trade and other receivables	10	1,817,651	1,825,680
Derivative financial assets		-	10,407
Total non-current assets		**23,448,040**	**23,605,920**
Current assets			
Inventories		723,650	597,423
Trade and other receivables	10	1,964,884	2,079,450
Taxation		22,912	24,933
Derivative financial assets	16	4,959	38,545
Short-term financial instruments		-	10,000
Cash and cash equivalents		833,865	603,749
Total current assets		**3,550,270**	**3,354,100**
Total assets		**26,998,310**	**26,960,020**

Azule Energy Holdings Limited
Registered number: 13947643

Interim Condensed Consolidated Statement of Financial Position (continued)
As at 30 September 2024

	Notes	30 September 2024 (Unaudited) $'000	31 December 2023 (Audited) $'000
Equity			
Share capital		1,000	1,000
Share premium		7,921,009	7,921,009
Other reserves		1,559,498	1,559,498
Hedging reserve		3,387	48,792
Retained earnings		3,898,188	3,812,585
Total equity		**13,383,082**	**13,342,884**
Non-current liabilities			
Loans and borrowings	12	2,268,677	2,144,975
Lease liabilities		1,368,636	1,471,566
Provisions for liabilities and charges	13	3,313,656	3,201,181
Deferred tax		3,248,588	3,593,819
Total non-current liabilities		**10,199,557**	**10,411,541**
Current liabilities			
Trade and other payables	11	2,289,820	2,029,921
Lease liabilities		797,840	696,807
Loans and borrowings		195,232	311,224
Taxation		132,779	167,643
Total current liabilities		**3,415,671**	**3,205,595**
Total liabilities		**13,615,228**	**13,617,136**
Total equity and liabilities		**26,998,310**	**26,960,020**

The interim condensed consolidated financial statements on pages 5 to 23 were approved and authorized for issue by the Board of Directors and were signed on its behalf on 28th November 2024 by:

DocuSigned by:
Jennie Burton
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J Burton
Director

The notes on pages 10 to 23 form an integral part of these interim condensed consolidated financial statements.

Azule Energy Holdings Limited
Registered number: 13947643

Interim Condensed Consolidated Statement of Changes in Equity
For the nine months ended 30 September 2024

Consolidated	**Share capital**	**Share premium**	**Shares to be issued**	**Other Reserves**	**Hedging Reserves**	**Retained earnings**	**Total equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 January 2023	1,000	7,543,000	378,009	1,559,498	-	4,881,570	14,363,077
Issue of share capital	-	378,009	(378,009)	-	-	-	-
	1,000	7,921,009	-	1,559,498	-	4,881,570	14,363,077
Profit for the period	-	-	-	-	-	646,981	646,981
Dividends paid	-	-	-	-	-	(1,293,009)	(1,293,009)
As at 30 September 2023	**1,000**	**7,921,009**	**-**	**1,559,498**	**-**	**4,235,542**	**13,717,049**
Profit for the period						72,505	72,505
Other comprehensive income for the period	-	-	-	-	48,792	4,538	53,330
Dividends paid	-	-	-	-	-	(500,000)	(500,000)
As at 31 December 2023	**1000**	**7,921,009**	**-**	**1,559,498**	**48,792**	**3,812,585**	**13,342,884**
Profit for the period						761,085	761,085
Other comprehensive income for the period	-	-	-	-	(45,405)	(482)	(45,887)
Dividends paid	-	-	-	-	-	(675,000)	(675,000)
As at 30 September 2024	**1000**	**7,921,009**	**-**	**1,559,498**	**3,387**	**3,898,188**	**13,383,082**

The notes on pages 10 to 23 form an integral part of these interim condensed consolidated financial statements.

Azule Energy Holdings Limited

Interim Condensed Consolidated Cash Flow Statement
For the nine-months ended 30 September 2024

Group	Notes	Nine months ended 30 September 2024 (Unaudited) $'000	Nine months ended 30 September 2023 (Unaudited) $'000
Cash inflow generated from operations	14	**3,064,283**	**2,379,939**
Interest received		32,661	48,599
Interest paid		(190,676)	(181,694)
Income taxes paid		(572,212)	(380,658)
Net cash generated from operating activities		**2,334,056**	**1,866,186**
Investing activities			
Net proceeds from disposals of assets		28,428	-
Purchase of Joint Venture		-	(20,860)
Purchase of Property, Plant, and Equipment and Intangibles		(1,022,340)	(1,156,181)
Proceeds from/(purchases) of other financial assets		10,000	(7,500)
Additions to escrow		(64,274)	(80,392)
Dividends received from Associates		247,669	408,060
Net cash used in investing activities		**(800,517)**	**(856,873)**
Financing activities			
Proceeds from capital increase		-	378,009
Proceeds from loan drawdown		34,500	-
Repayments of loan		(34,500)	-
Dividends paid to shareholders		(675,000)	(1,293,009)
Payment of lease liability obligations		(630,088)	(521,372)
Net cash used in financing activities		**(1,305,088)**	**(1,436,372)**
Net increase/(decrease) in cash and cash equivalents		228,452	(427,059)
Cash and cash equivalents at start of year/period		603,749	1,030,863
Exchange gains on cash and cash equivalents		1,664	7,130
Cash and cash equivalents at end of year/period		**833,865**	**610,934**

The notes on pages 10 to 23 form an integral part of these interim condensed consolidated financial statements.

1. Company information

Azule Energy Holdings Limited (13947643) is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is 125 Old Broad Street, London, EC2N 1AR, United Kingdom.

The interim condensed consolidated financial statements of the company and all its subsidiaries (the Group) for the nine months ended 30 September 2024 were authorised for issuance by the board of directors on 28th November 2024.This is the first interim report issued by the company.

The principal activity of the Company is that of a holding company while the main activities of the subsidiary undertakings during the year and therefore the Group, were that of being engaged in the exploration, production, and selling of hydrocarbons produced in Angola.

The interim condensed consolidated financial information contained in this report is unaudited. The interim condensed consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the nine months to 30 September 2024, and the consolidated statement of financial position as at 30 September 2024 and related notes, have been reviewed by the auditors.

2. Material accounting policies

Basis of preparation

These interim condensed consolidated financial statements for the nine months ended 30 September 2024 have been prepared in accordance with UK-adopted IAS 34 Interim Financial Reporting. These interim condensed consolidated financial statements are to be read in conjunction with Azule Energy's Annual Report and Financial Statements for the year ended 31 December 2023, which contains additional accounting policy disclosures and information as required in a set of annual financial statements.

These interim condensed consolidated financial statements do not include all the information required for a full annual report and do not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006. The financial information for the year ended 31 December 2023 has been extracted from the consolidated financial statements of Azule Energy Holdings Limited for the year ended 31 December 2023 which were approved by the directors on 28 August 2024 and were delivered to the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

The interim condensed consolidated financial statements have been prepared on the going concern basis under historical cost convention, except for derivative financial instruments that have been measured at fair value through profit or loss.

These interim condensed consolidated financial statements are presented in dollars ($). All financial information presented has been rounded to the nearest thousands, unless otherwise stated.

Going concern

These interim condensed consolidated financial statements have been prepared on a going concern basis. In assessing the appropriateness of the going concern assumptions management needs to consider atleast a 12 months' period from the date of approval of these interim condensed consolidated financial statements. Management has considered current economic and geopolitical environment, covenant compliance requirements by performing various sensitivity analysis over Group's most recent financial projections. For the purpose of assessing going concern the Directors have reviewed forecasts to end December 2026.

As part of risk management, management has assessed that existing funding and liquidity arrangements are expected to be maintained throughout the going concern period. To manage principal risks, the Group notes the following items:

a) The Group successfully negotiated an amendment to the existing Pre-Export Finance (PXF) facility under which the moratorium period of the PXF was increased by one year and scheduled repayments which were due to commence in September 2024 will instead begin in September 2025. This enabled the Group further liquidity for additional, non-planned activities whilst preserving its overall financial plan.

b) The Group benefits from a $345 million Revolving Credit Facility (RCF) held for liquidity purposes and performed a successful 10% test withdrawal ($34.5 million) to ensure operational robustness and readiness. At this time the facility remains undrawn, and plans are underway to expand it further utilising an accordion provision to add further participants and increase the contribution from some existing participants.

c) A hedging programme is in place for 2024 consisting of a Zero Cost Collar for 80% of forecast production. Proactive management of the hedging programme by regular monitoring and recalibration of hedged profile when required is in place and further hedging is being considered for the next budget year of 2025.

d) The Group utilises detailed cash forecasting techniques to ensure the group is adequately funded considering performance, investment and dividend plans.

e) The Group executed a factoring agreement which it has effectively utilised to manage short term liquidity requirements

f) The Group is developing its financing strategy and as part of this it is exploring an unsecured bond issuance for general purposes including amounts due under the existing.

As part of the going concern assessment, management has incorporated sensitivities over a range of potential future outcomes and business risks considering potential downside of Brent Oil and gas prices, reduced production and lifting volumes, higher interest rates and additional costs including capital expenditures. Further scenario analysis was performed over dividend receipts and payments. There was a positive headroom in all the scenarios tested. Azule Energy's dividend policy is to maximise distributions to shareholders subject to (i) compliance with the terms and conditions of any financial debt facility, (ii) any near-term funding requirements in accordance with the business plan, and (iii) the maintenance of a reasonable liquidity buffer with a target level of $600m consisting of cash and undrawn RCF capacity.

As at 30 September 2024, the Group had positive net current assets of $135 million (2023: $149 million) and positive net assets amounting to $13.4 billion (2023: $13.3 billion).

The going concern assessment confirmed that the Group has adequate cash, other liquid resources, and undrawn credit facilities to enable it to meet its obligations as they fall due in order to continue its operations during the going concern period.

Therefore, the Directors consider it appropriate to continue to adopt the going concern basis of accounting in preparing these interim condensed consolidated financial statements.

3. Updates to accounting policies, new standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those adopted and disclosed in Azule Energy's 2023 Annual Report and Financial Statements, except for:
accounting policies applicable for the modification of the loan repayments terms during the period
accounting policies for IFRS 8 – Operating Segments applicable to the group
accounting policies applicable to factoring arrangements under IFRS 9 – Financial Instruments
the adoption of new standards effective as of 1 January 2024 in the UK

Some amendments to existing standards and interpretations were effective from 1 January 2024 but had no impact on the interim condensed consolidated financial statements. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Loans and borrowings

During the period, the group renegotiated the existing PXF facility under which the moratorium period of the PXF was increased by one year. Principal repayments, which were due to commence in September 2024 will instead begin in September 2025. Scheduled repayments which would have been due from September 2024 to July 2025 will be spread over the remaining repayment dates of the facility equally. This change was not considered significant enough to be an extinguishment of the original loan. The group is therefore discounting the cash flows of the debt at a revised effective interest rate, thereby recognising the impact of the change in cash flows over the remaining term of the debt.

Segmental analysis

Operating segments are established on the basis of those components of the group that are evaluated regularly by the Board of Directors, who are Azule Energy's chief operating decision makers, in deciding how to allocate resources and in assessing performance. The accounting policies of the operating segments are the same as the group's accounting policies, except that IFRS requires that the measure of profit or loss disclosed for each operating segment is the measure that is provided regularly to the chief operating decision maker.

For Azule Energy, the Group is considered one operating segment as the Board of Directors (BOD) review key financial information, monitor performance and make strategic decisions on an aggregated group basis. Therefore, these interim condensed consolidated financial statements are considered to be the financial statements of the groups operating segment.

Factoring arrangements

The carrying amounts of the trade receivables include receivables which are subject to a factoring arrangement. Under this arrangement, the Group has transferred the relevant debtors to the factor in exchange for cash. The substantial risks and rewards related to the factored debtors are transferred under the factoring arrangement. The Group therefore has de-recognised the transferred assets from the Statement of Financial Position.

Amendments to existing standards from 1 January 2024

These amendments do not impact the interim condensed consolidated financial statements but may have an impact on the annual financial statements.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments had no impact on the Group's interim condensed consolidated financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current Liabilities with Covenants

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

What is meant by a right to defer settlement
That a right to defer must exist at the end of the reporting period
That classification is unaffected by the likelihood that an entity will exercise its deferral right
That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced whereby an entity must disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments had no impact on the Group's interim condensed consolidated financial statements.

Amendments to IFRS 7 and IAS 7: Supplier Finance Arrangements

In May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to add disclosure requirements, and 'signposts' within existing disclosure requirements, that requires entities to provide qualitative and quantitative information about supplier finance arrangements.

The amendments had no material impact on the Group's interim condensed consolidated financial statements.

4. Revenue

	Nine months ended 30 September 2024 $'000	Nine months ended 30 September 2023 $'000
Oil sales	3,682,622	3,315,885
	3,682,622	**3,315,885**

All revenue for the period was generated from oil sales made to the two shareholder group companies which are based in Europe. The average sale price for the period was $81.25/bbl (period from 1 January 2023 to 30 September 2023: $78.55/bbl).

5. Other operating income

	Nine months ended 30 September 2024 $'000	Nine months ended 30 September 2023 $'000
Partner lease contributions	382,397	270,114
	382,397	**270,144**

Partner lease contributions relate to joint operation partner contributions towards lease payments made by the Group.

6. Taxation

The major components of the consolidated tax expense for the period ended 30 September 2024 are:

	Nine months ended 30 September 2024 $'000	**Nine months ended 30 September 2023 $'000**
Total current tax charge	539,371	430,272
Total deferred tax (credit)/charge	(345,153)	67,761
Tax charge per Consolidated Statement of Comprehensive Income	**194,218**	**498,033**

The effective tax rate for the 9 months to 30 September 2024 is 20%. This is lower than the Angolan tax rate of 50% because of an uplift on capital expenditure (-22%) and prior year adjustments (-18%), partially offset by an unrecognised deferred tax asset on interest expense (14%) and other items (-4%).

7. Property, plant, and equipment

	Land and buildings	Oil and gas properties	Fixtures and fittings	Total
	$'000	$'000	$'000	$'000
Cost				
At 1 January 2023	154,640	13,074,474	6,063	13,235,177
Additions*	-	1,697,049	1,199	1,698,248
Adjustments**	-	(78,418)	-	(78,418)
Changes in the decommissioning estimates	-	136,827	-	136,827
At 31 December 2023	154,640	14,829,932	7,262	14,991,834
At 1 January 2024	154,640	14,829,932	7,262	14,991,834
Additions***	173	1,310,329	1,434	1,311,936
Disposals	-	(23,232)	-	(23,232)
Changes in the decommissioning estimates	-	129,518	-	129,518
At 30 September 2024	154,813	16,246,547	8,696	16,410,056
Depreciation and impairment				
At 1 January 2023	10,794	927,600	17	938,411
Impairment	-	22,468	-	22,468
Adjustments**	-	(78,418)	-	(78,418)
Charge for the year*	12,346	1,960,233	1,006	1,973,585
At 31 December 2023	23,140	2,831,883	1,023	2,856,046
At 1 January 2024	23,140	2,831,883	1,023	2,856,046
Charge for the year	9,211	1,550,444	15	1,559,670
At 30 September 2024	32,351	4,382,327	1,038	4,415,716
Net book value				
At 31 December 2023	131,500	11,998,049	6,239	12,135,788
At 30 September 2024	122,462	11,864,220	7,658	11,994,340

Included in Oil and Gas properties are $915 million (2023: $915 million) of assets under construction which are not depreciated.

*In the prior year there were additions and depreciation charge amounting to $160.356 million that were erroneously classified under land and buildings asset class that corresponded to oil and gas properties, this has been corrected in current year. The impact of the correction of the error is a $160.356 million decrease in cost of lands and building and an increase cost of oil and gas properties. The correction of the error also resulted in a $160.356 million decrease in accumulated depreciation of land and buildings and increase in accumulated depreciation of oil and gas properties. The error has no impact on prior year depreciation charge, income statement in prior year as well as the net asset in prior year.

**Adjustments relate to the net-off of historical amounts arising in relation to the accounting of the regularisation of the non-payment of cash calls by the partner Sonangol obtained through the renewal of a temporary agreement that saw Sonangol definitively relinquish part of its share of the 'Cost Recovery Crude Oil' (RASCO) production in Block 15/06 in the prior year. The agreement allowed the recovery by the operator of the amount of unpaid fund calls. On the balance sheet, the RASCO Agreement saw the gross-up adjustment of gross costs and accumulated depreciation for the same amount. This adjustment has no impact on the net book value of the Property, plant & Equipment. The RASCO agreement is no longer active, and arrangements are in place for Sonangol oil liftings to be used to pay cash calls.

***Current period additions mainly pertain to ongoing development projects in the Block 15/06 and the Northern Gas Consortium (NGC) along with well drilling campaign in Block 15. Additions during the period includes capitalised depreciation on Right of Use assets of $99.737 million (Note 8) and movement in trade and other payables amounting to $217.891 million. This reconciles to the purchase of Property, Plant and Equipment and Intangibles of $1,022.3 million per the Cash Flow Statement (Property, Plant and Equipment of $994.308 million and Intangibles of $28.032 million).

An impairment test must be performed if there are indicators of impairment identified during the period. An impairment loss is recognised if the recoverable amount has declined below the carrying amount i.e. net book value (NBV). During the period, the company performed pilot drilling as part of the Agogo project for Block 15/06. Unfavourable pilot results for two wells led to a reduction in oil in the area where those wells were drilled and consequently resulted in an internal reassessment of the reserves balances. Block 15/06 was tested for impairment and the recoverable amount of the cash generating unit (CGU) was determined based on a value-in-use (VIU) calculation, consistent with methods used as at 31 December 2024.

The recoverable amount of the Block 15/06 CGU exceeded the carrying amount of the CGU by $751 million at 30 September 2024 based on cash flows discounted at post-tax WACC of 10% determined as part of impairment assessment performed at December 31, 2023. No impairment was therefore required for this CGU. The recoverable amount was based on forecast cash flows associated with proved, probable and 50% of possible reserves.

Since there were no indicators of indicators for impairment of any other CGUs, management has not updated any of the other impairment calculations.

The forward prices at 30 September 2024, used to determine future cash flows from crude oil:

	2024	2025	2026	2027	2028	2029	2030	Avg. escalation thereafter
Brent (US$/bbl)	80.7	81.4	81.0	82.1	84.5	86.5	88.3	1.6%

Sensitivities

Three sensitivities have been performed to this assessment and it was determined that individually none would result in an impairment:

- An increase in post-tax WACC by 2.5% percentage points to 12.5%;
- A five percent decrease in forward prices;
- A reduction in production volumes from proved, probable and 50% possible reserves to proved and probable reserves; the contribution to the recoverable amount associated with the inclusion of 50% of possible reserves is $634 million.

8. Right of Use assets

	Land and buildings	Plant and machinery	Oil and gas properties	Total
	$'000	$'000	$'000	$'000
Cost				
At 1 January 2023	40,260	471,775	2,029,459	2,541,494
Transfers between categories	(22,986)	57,130	(34,144)	-
Additions	1,450	398,228	-	399,678
Decrease in scope	-	(11,315)	-	(11,315)
At 31 December 2023	18,724	915,818	1,995,315	2,929,857
At 1 January 2024	18,724	915,818	1,995,315	2,929,857
Additions	271	-	532,270	532,541
At 30 September 2024	18,995	915,818	2,527,585	3,462,398
Amortization				
At 1 January 2023	4,972	149,415	77,004	231,391
Charge for the year	7,090	318,889	184,760	510,739
Decrease in scope	-	(10,679)	-	(10,679)
At 31 December 2023	12,062	457 625	261,764	731,451
At 1 January 2024	12,062	457,625	261,764	731,451
Charge for the year	4,313	223,093	217,240*	444,646
At 30 September 2024	16,375	680,718	479,004	1,176,097
Net book value				
At 31 December 2023	6,662	458,193	1,733,551	2,198,406
At 30 September 2024	2,620	235,100	2,048,581	2,286,301

*Includes depreciation of $99.737 million which has been capitalised to Property, Plant and Equipment (Note 7).

9. Investments

	Investment in associates and joint ventures
	$'000
At 31 December 2023	3,589,462
At 1 January 2024	3,589,462
Dividends received	(247,669)
Share of post-tax profits of equity accounted associates & joint ventures	133,745
At 30 September 2024	3,475,538
Net book value	
At 31 December 2023	3,589,462
At 30 September 2024	3,475,538

The investments in associates are presented under the equity accounting method.
The investments in associates are unlisted.

10. Trade and other receivables

Current	30 September 2024 $'000	31 December 2023 $'000
Trade debtors	1,639,599	1,673,796
Amounts owed by related parties	202,655	323,171
Other debtors	122,630	82,483
	1,964,884	2,079,450

Non-Current	30 September 2024 $'000	31 December 2023 $'000
Decommissioning escrow balances	1,803,993	1,812,023
Prepayments	8,469	8,468
Surplus of pension plans	5,189	5,189
	1,817,651	1,825,680

The Group sold part of its trade receivables to a bank for cash proceeds as part of a non-recourse trade receivable factoring arrangement. These trade receivables have been derecognised from the statement of financial position, because the substantial risks and rewards related to factored trade receivables are transferred to the bank under the factoring arrangement.

11. Trade and other payables

	30 September 2024 $'000	31 December 2023 $'000
Current		
Trade payables	1,768,636	1,635,461
Other payables	466,872	276,498
Amounts due to related parties	54,312	117,962
	2,289,820	2,029,921

12. Loans and borrowings

Non-current	30 September 2024 $'000	31 December 2023 $'000
Long term borrowings	2,500,000	2,500,000
Loan fees adjustment	(50,349)	(50,349)
Accumulated amortization of loan fees	14,258	6,548
Borrowings- current portion	(195,232)	(311,224)
	2,268,677	2,144,975

Analysis of debt principal maturity	30 September 2024 $'000	31 December 2023 $'000
Due within one year	195,232	311,224
In more than one year but less than five years	2,304,768	2,188,776
	2,500,000	2,500,000

The above loan has been adjusted by the initial fees of $50 million charged as part of the loan arrangement (PXF and RCF) which has subsequently been amortized in accordance with the term of the loan i.e. 7 years.
A fixed and floating charge was registered with Companies House on the 5th of August 2022 in favour of SMBC Bank International PLC in respect of all borrowings to the bank.
The interest rate contains a fixed and floating element. The floating element amount is based on the daily SOFR (Secured Overnight Financing Rate), and the fixed margin is 4.5%.
The debt service obligations under the PXF are covered using a portion of the company's oil revenues arising from the crude allocated under dedicated PXF Offtake Contracts (the "Designated Crude").

13. Provisions for liabilities and charges – Group

	Decommissioning $'000	Other $'000	Total $'000
As at 1 Jan 2024	2,956,577	244,604	3,201,181
Recognised within PPE	129,518	-	129,518
Disposals	(48,511)	-	(48,511)
Unwinding of discount	89,050		89,050
Paid	-	(56,262)	(56,262)
Exchange (gain)	-	(1,320)	(1,320)
As at 30 September 2024	3,126,634	187,022	3,313,656

Increase of decommissioning provision is mainly driven by the cost of additional wells infrastructure which has been drilled during the period. Other provisions relate to social, fiscal, and other provisions.

14. Cash flows from operating activities

Group	Nine months ended 30 September 2024	Nine months ended 30 September 2023
	$'000	$'000
Profit for the period	761,085	646,981
Adjustments for:		
Income tax expense	194,218	498,032
Finance income	(31,710)	(48,550)
Finance expenses	394,651	411,415
Share of post-tax profits of equity accounted associates & joint ventures	(133,745)	(261,045)
Depreciation and amortization	1,559,670	1,461,877
Amortization of right of use assets	344,909	361,024
Amortization of borrowing costs	7,710	7,710
Non-cash movement in provisions	1,814	8,302
Loss on sale of assets	6,362	-
Payments for liabilities and charges	(56,262)	(4,188)
Changes in inventories	(135,639)	(5,332)
Changes in trade and other receivables	143,383	(367,103)
Changes in trade and other payables	7,838	(329,184)
Cash inflow generated from operations	3,064,283	2,379,939

15. Related parties

Ultimate controlling party

There is no ultimate controlling party.

Directors' transactions

No directors' transactions took place in the financial period.

Related party transactions

Key management personnel are the Directors, and none received emoluments from the Group.

Transactions with related parties were approved and at arm's length during the financial period.

During the reporting period from 1 January 2024 to 30 September 2024 the Group entered into transactions, in the ordinary course of business, with other related parties.

Transactions entered into with related parties and trading balances outstanding at 30 September 2024 and the relevant comparative periods are as follows:

Related party	Sales to related party	Purchases from related party	Amounts owed from related party	Amounts owed to related party
	$'000	**$'000**	**$'000**	**$'000**
BP Group - shareholder				
2023	1,676,882	84,053	80,000	2,482
2024	1,792,253	50,808	66,874	25,808
Eni Group - shareholder				
2023	1,513,181	427,560	243,177	115,480
2024	1,816,776	421,728	135,781	28,504

Related parties are relationships due to common shareholdings/ownerships.
Transactions are in the ordinary course of business of an oil exploration and production group.

16. Financial risk management

The carrying amount of financial instruments are shown at their fair value including accrued interest which is shown within accounts payable/receivable. Fair value estimates of derivatives are based on relevant market information and information about the financial instruments which are subjective in nature. The fair value of these financial instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves, spot and forward rates, as well as option volatility.

To comply with the provisions of IFRS 13, the Company incorporates credit valuation adjustments to appropriately reflect both its own non-performance risk and the respective counterparty's non-performance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of non-performance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilise Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of 30 September 2024, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The table below presents the Company's derivative assets and liabilities measured at fair value on a recurring basis as of 30 September 2024, aggregated by the level in the fair value hierarchy within which those measurements fall. The following amounts are a reasonable approximation of the fair value:

	Quotes prices in active markets (Level 1) $'000	Significant other observable inputs $'000	Significant unobservable inputs (Level 3) $'000	Carrying value at period end $'000
Assets				
Derivative financial instruments	-	4,959	-	4,959
Liabilities				
Derivative financial instruments	-	22	-	22

17. Guarantees

The Azule Group subsidiaries namely Azule Energy Angola S.p.A (Guarantee limited to the Block 15/06 Revenues) and Azule Energy Exploration (Angola) Limited (Guarantee limited to the Block 17 & 31 Revenues) are Guarantors to the loan facility (PXF) that was signed on 29 July 2022. The maximum aggregate liability of the PXF Guarantors (on a joint and several basis) is 110% of the outstanding loan amount (together with any accrued interest thereon). The group has a number of guarantees with the shareholders along with guarantees issued by Azule Energy under a cash-backed facility, for which the Group is liable:

- $2,981 million in favour of CONSORZIO ARMADA CABACA LTD. - ANGOIL BUMI JV LIMITADA in respect of leasing contracts (chartering, operation, and maintenance) of FPSO vessels to be used in the context of development projects.
- $52 million – work obligations under Block 28. (beneficiary AGÊNCIA NACIONAL DE PETRÓLEO, GÁS E BIOCOMBUSTÍVEIS (ANPG)).
- $26 million – work obligations under the Block 1/14 RSC (beneficiary ANPG).
- $19 million in favour of ADMINISTRACÃO GERAL TRIBUTARIA.
- $5 million – work obligations under the Cabinda Centro RSC (beneficiary ANPG).
- $7 million – work obligations under Block 29 (beneficiary ANPG).
- $4 million – Gas transportation services (beneficiary Florida Gas Transmission Company).
- $1 million - work obligations under Block 46 (beneficiary ANPG).
- $20 million - work obligations under Block 47 (beneficiary ANPG).
- $3 million - work obligations under Block 18/15 (beneficiary ANPG).
- $18 million - work obligations under Block 31/21 (beneficiary ANPG).

18. Significant events during the period

- On 12 January 2024, Azule Energy Angola B.V. signed a Sale and Purchase Agreement with Acrep Exploração Petrolífera, S.A., to transfer Azule Energy's working interest and operatorship in the onshore Cabinda North Block. The Sale and Purchase agreement is subject to fulfilment of all precedent conditions.
- On 3 May 2024, Azule Energy and Rhino Resources announced a strategic Farm-In agreement for Block 2914A(PEL85), offshore Namibia which will grant the Group a 42.5% interest in Block 2914A located in the offshore Namibian Orange basin.
- On 17 May 2024, Azule Energy Holdings Limited agreed an amendment to the existing PXF Facility agreement with Lenders whereby payment of the first instalment has been deferred from September 2024 to September 2025. This deferment has no impact on the interest amount being charged or maturity date.
- On 22 May 2024, the Group completed the transfer of its participating interest in Blocks 3/05 & 3/05A to Afentra. The initial SPA was signed on 19 July 2023.
- During the period ended 30 September 2024, the Group paid dividends amounting to $675 million.
- The Group undertook factoring to transfer its receivables for lifting cargoes during the period.

19. Events after reporting date

On 18 November 2024, Azule Energy signed the Head of Agreement (HoA) for the extension of Block 15 with ANPG (Concessionaire), Exxon (Operator) Sonangol and Equinor. The agreement extends all production licences in the block. This extension has been achieved as it is in line with the objectives set out in Azule Energy's business plan for the next 10 years. The signing of this agreement provides the basis for a significant investment campaign for the Saxi-batuque, Mondo, Kizomba A and B FPSOs to extend the life of these facilities on the block.

At the time of issuing these interim condensed consolidated financial statements for the period ended 30 September 2024, there were no other subsequent events to report.

20. New and revised IFRSs in issue but not yet effective

At the date of authorisation of these interim condensed consolidated financial statements, the Group has not applied the following new and revised IFRS that has been issued but is not yet effective:

- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28.
- Amendments to IAS 21 to clarify the accounting when there is a lack of exchangeability.
- IFRS 18 - Presentation and Disclosure of Financial Statements.

The directors do not expect that the adoption of the amendments to the existing standards listed above will have a material impact on the consolidated financial statements of the Group in future periods.