ARADEL HOLDINGS PLC

RC: 191616

LISTING BY INTRODUCTION

ON THE MAIN BOARD OF THE NIGERIAN EXCHANGE LIMITED OF

4,344,844,360 ORDINARY SHARES OF 50 KOBO EACH

AT

₦702.69 PER SHARE

Financial Advisers

CHAPEL HILL DENHAM Advisory RC 1381308

Stanbic IBTC Capital RC 1031358

Stockbroker:

CARDINALSTONE RC 739857

THIS LISTING MEMORANDUM (HEREINAFTER REFERRED TO AS THE "MEMORANDUM") HAS BEEN PREPARED BY OR ON BEHALF OF ARADEL HOLDINGS PLC ("ARADEL HOLDINGS", "ARADEL" OR THE "COMPANY") SOLELY IN CONNECTION WITH THE LISTING OF THE COMPANY'S SHARES ON THE MAIN BOARD OF NIGERIAN EXCHANGE LIMITED ("NGX") (THE "LISTING"). IN PARTICULAR, IT HAS NOT BEEN PREPARED AND PUBLISHED IN RELATION TO ANY OFFER TO SELL NEW OR EXISTING SHARES OF THE COMPANY. THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SUBSCRIBE FOR, OR A SOLICITATION OF AN OFFER TO SUBSCRIBE FOR, SHARES BY PERSONS IN ANY JURISDICTION. NO PUBLIC OFFERING OF THE SHARES IS BEING CONDUCTED ON THE BASIS OF THIS MEMORANDUM IN ANY JURISDICTION.

This Listing Memorandum is dated October 11, 2024

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1 IMPORTANT NOTICE

The information contained in this Listing Memorandum (hereinafter referred to as the "Memorandum") has been prepared by or on behalf of Aradel Holdings Plc (hereinafter referred to as "Aradel" or the "Company"). Aradel has engaged Chapel Hill Denham Advisory Limited and Stanbic IBTC Capital Limited as joint financial advisers, Templars as solicitors and CardinalStone Securities Limited as sponsoring broker (the solicitors, the joint financial advisers, and the sponsoring stockbroker are collectively referred to as the "Advisers") in connection with the listing of the Company's shares on the Main Board of NGX (the "Listing").

The sole purpose of this Memorandum is to support the Company's application to NGX in connection with the Listing. It is not intended to provide the basis of any investment decision, credit or any other evaluation and is not to be considered as a recommendation by the Advisers or Aradel or any of their respective subsidiaries, affiliates, directors, partners, officers, employees, representatives, managers, advisers or agents (the "Affiliates") that any person invests in the Company.

This Memorandum does not constitute or form part of, and should not be construed as, an offer, solicitation or invitation to purchase, subscribe for, or otherwise acquire, any securities of the Company, its Affiliates and/or any of its joint venture partnerships nor shall it or any part of it nor the fact of its distribution form the basis of or be relied on in connection with any contract or commitment whatsoever. This Memorandum is not a prospectus or an offering document.

The Directors of the company individually and collectively shall take full responsibility of the information contained in this Memorandum. The Advisers and their respective Affiliates are acting exclusively for the Company and no one else in connection with the matters referred to in this Memorandum and will not regard any other person (whether or not a recipient of this Memorandum) as their respective clients in relation to such matters or any transaction, arrangement or other matter referred to in this Memorandum and will not be responsible to any other person for providing the protections afforded to their respective clients, or for providing advice in relation to such matters.

The contents of this Memorandum are confidential and must not be copied, published, reproduced, distributed, or passed on in whole or in part to any other person at any time. This Memorandum has not been issued for circulation to the public. The distribution of this Memorandum in certain jurisdictions may be restricted by law, and therefore persons into whose possession this Memorandum comes should inform themselves about and observe any such restrictions.

This Memorandum contains "forward-looking statements," which are all statements other than statements of historical facts. Such forward-looking statements include statements regarding the Company's intentions, beliefs, current expectations, and projections about future events concerning, among other things, the Company's results of operations, financial condition, prospects, growth, strategies and the markets in which the Company will operate. Such forward-looking statements involve known and unknown risks; and factors beyond the Company's control could cause the actual results, performance, or achievements of the Company to be materially different from the projected results, performance or achievements expressed or implied by such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The Company cautions that forward-looking statements are not guarantees of future performance and that its actual results of operations, financial condition, prospects, growth, strategies, and the development of the markets in which the Company will operate may differ materially from those made in or suggested by the forward-looking statements contained in this Memorandum. Such forward-looking statements speak only as at the date as of which they are made, and none of the Company, the Advisers or their respective Affiliates, undertakes

to review, update or confirm expectations or estimates or to release any revisions to any forward-looking statements to reflect events that occur or circumstances that arise after the date of this Memorandum. Accordingly, any reliance placed on such forward-looking statements will be at the sole risk of such reliant party.

2 Definitions of Key Terms & Abbreviations

In this document, unless otherwise stated or clearly indicated by the context, the following words have the meanings stated opposite them below.

"ACE"	Alternative Crude Evacuation
"AGO"	Automotive Gas Oil
"Authority Fund"	The fund established under section 47 of the PIA 2021.
"Board" or "Directors"	The board of directors of the Company, whose names are set out on page 9 of this Listing Memorandum
"Bpd"	Barrels of Oil per Day
"Bscf"	Billion Standard Cubic Feet
"CAC"	Corporate Affairs Commission, being the companies' registry in Nigeria established and operated pursuant to CAMA
"CAMA"	Companies and Allied Matters Act 2020 (as amended)
"CBN"	Central Bank of Nigeria
"CITA"	Companies Income Tax Act Chapter C21 LFN, 2004 (as amended by Finance Act 2019, Finance Act 2020, Finance Act 2021, and Finance Act 2023)
"Company" or "Aradel Holdings" or "Aradel"	Aradel Holdings Plc, a company registered in the Federal Republic of Nigeria with RC number 191616
"Director"	A director of the Company
"Dollars", "USD", "US$" and/or "$"	United States Dollars or such lawful currency of the United States of America from time to time
"DPK"	Dual Purpose Kerosene
"EBITDA"	Earnings Before Interest, Tax, Depreciation, and Amortisation
"FX"	Foreign Exchange
"Federal Government"	Federal Government of the Federal Republic of Nigeria
"GDP"	Gross Domestic Product
"Group"	The Company and its subsidiaries
"HFO"	Heavy Fuel Oil
"HHK"	Household Kerosene
"IAS"	International Accounting Standards

"IFRIC"	International Financial Reporting Interpretations Committee
"JV"	Joint Venture
"JOA"	Joint Operating Agreement
"Kbbls/d"	Thousand Barrels per Day
"Kboe"	Thousand Barrels of Oil Equivalent
"LPG"	Liquefied Petroleum Gas
"ISA"	The Investments and Securities Act No. 29 of 2007
"LFN"	Laws of the Federation of Nigeria
"Listing"	The listing of the entire 4,344,844,360 Ordinary Shares of ₦0.50 each of Aradel on the Main Board of NGX
"Listing Memorandum" or "Memorandum"	This Listing Memorandum dated October 11, 2024
"MDO"	Marine Diesel Oil
"Midstream and Downstream Gas Infrastructure Fund"	The fund established under section 52 of the PIA 2021
"Mmboe"	Million Barrels of Oil Equivalent
"Mmltrs"	Million Litres
"Mmscf/d"	Million Standard Cubic Feet per Day
"Naira" or "₦"	Naira, or such lawful currency of the Federal Republic of Nigeria from time to time
"NBS"	National Bureau of Statistics
"NEPL"	NNPC Exploration and Production Limited
"NGX" or the "Exchange"	Nigerian Exchange Limited
"Nigeria" or the "Nation"	Federal Republic of Nigeria
"Nigerian Content Act"	Nigerian Oil and Gas Industry Content Development Act, 2010
"NIPCO"	Nigerian independent Petroleum Company
"NMDPRA" or "Authority"	Nigerian Midstream and Downstream Petroleum Regulatory Authority

“NNPC” or “NNPC Limited”	Nigerian National Petroleum Corporation
“NPSC”	NNPC Pipelines & Storage Company
“NUPRC”	Nigerian Upstream Petroleum Regulatory Commission
“OML”	Oil Mining Lease
“OPEC”	Organisation of Petroleum Exporting Countries
“Ordinary Shares”	Ordinary shares of ₦0.50 each in the share capital of the Company
“PAT”	Profit After Tax
“PBT”	Profit Before Tax
“PIA 2021” or “PIA”	Petroleum Industry Act, 2021
“PLC” or “Plc”	Public Limited Liability Company
“PMS”	Premium Motor Spirit
“PPMC”	Pipelines & Products Marketing Company Limited
“PPPRA”	Petroleum Products Pricing Regulatory Authority
“PPTA”	Petroleum Profits Tax Act, Cap P13, Laws of the Federation, 2004
“PSC”	Production Sharing Contract
“SEC”	Securities and Exchange Commission, Nigeria
“YoY”	Year-on-Year

3 Corporate Directory of the Company

Head Office

15 Babatunde Jose Road
Victoria Island
Lagos

Regional Offices

44 East-West Road
Romoudara
Port Harcourt
Rivers State

Website
https://www.aradel.com

Contact Telephone Number

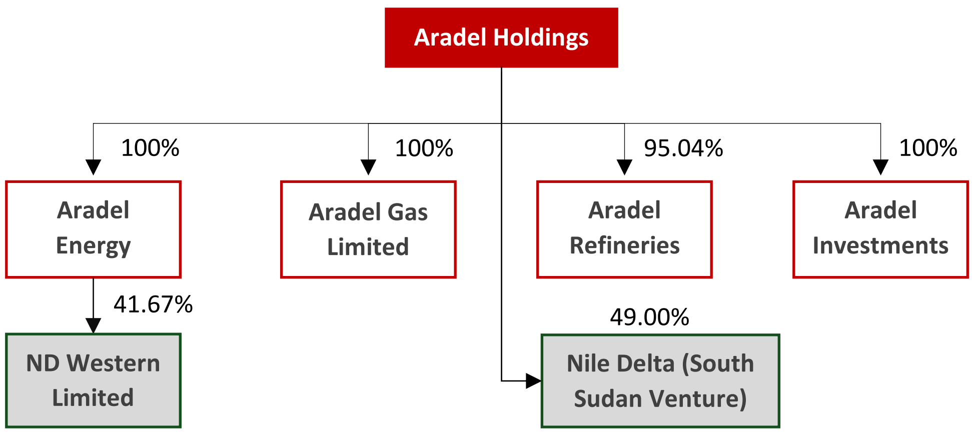
+234 (0) 816188 2332

4 SUMMARY OF THE LISTING APPLICATION

This summary draws attention to information contained elsewhere in this Listing Memorandum. It does not contain all of the information to be considered in approving the Company's application. You should therefore read this summary together with the more detailed information, including the financial statements elsewhere in this Listing Memorandum.

<table>
<tr><td>Company</td><td>Aradel Holdings Plc</td></tr>
<tr><td>Joint Financial Advisers</td><td>Chapel Hill Denham Advisory Limited; and
Stanbic IBTC Capital Limited</td></tr>
<tr><td>Stockbroker</td><td>CardinalStone Securities Limited</td></tr>
<tr><td>Share Capital (As at the date of this Listing Memorandum)</td><td>Issued and Fully Paid:
₦ 2,172,422,180 divided into 4,344,844,360 Ordinary Shares of ₦0.50 each</td></tr>
<tr><td>Mode of Listing</td><td>Listing by Introduction (of all issued and fully paid-up Ordinary Shares)</td></tr>
<tr><td>Purpose</td><td>Aradel Holdings Plc is undertaking a Listing by Introduction of its entire issued share capital on the Main Board of the NGX to enhance the liquidity of its Ordinary Shares in the secondary market and facilitate access to a platform for raising long-term capital from a wider base of domestic and international investors (when required)</td></tr>
<tr><td>Listing price</td><td>₦702.69 per Ordinary Share</td></tr>
<tr><td>Market Capitalisation at Listing</td><td>₦3,053,078,683,328.40</td></tr>
<tr><td>Current operations and principal activities</td><td>Aradel Holdings is the foremost fully integrated, independent energy company in Nigeria. The Company's business operations include production of oil and gas, gas processing, and crude oil refining and sales</td></tr>
<tr><td>Shareholding Structure</td><td>As of the date of this Listing Memorandum, the 4,344,844,360 Ordinary Shares in the share capital of the Company, are beneficially held as follows:
<table>
<tr><th>SHAREHOLDER</th><th>NO OF SHARES HELD</th><th>%</th></tr>
<tr><td>Capital Alliance Private Equity IV Limited</td><td>716,675,360</td><td>16.49%</td></tr>
<tr><td>Petrolin Ocean Limited</td><td>352,182,760</td><td>8.11%</td></tr>
<tr><td>Afolabi Tajudeen Adeola</td><td>256,529,580</td><td>5.90%</td></tr>
<tr><td>Badagry Creek FZ</td><td>225,078,060</td><td>5.18%</td></tr>
<tr><td>Others</td><td>2,794,378,600</td><td>64.32%</td></tr>
<tr><td>Total</td><td>4,344,844,360</td><td>100.00%</td></tr>
</table></td></tr>
<tr><td>Indebtedness</td><td>As of June 30, 2024, the Company's total indebtedness stood at ₦80,540,184,000.00 (Eighty Billion, Five Hundred and Forty Million, One Hundred and Eighty-Four Thousand Naira Only). Apart from the foregoing, the Company had no outstanding debenture, mortgage, charges, or other similar indebtedness other than in the ordinary course of business</td></tr>
</table>

Group Structure



Consolidated Financial Summary

Extracted from the Company's Audited Financial Statements

Figures in ₦'billion, except EPS	30 June	31 December			
	H1 2024	2023	2022	2021	2020
Revenue	268.31	221.14	66.11	51.57	32.53
Profit before taxation	162.28	112.16	33.26	20.18	16.75
Profit after taxation	104.43	53.74	15.14	29.40	16.80
Total assets	1,591.64	923.44	473.38	377.43	302.98
Net cash generated from operating activities	165.43	139.00	32.43	34.64	24.80
Basic earnings per share	₦480.69	₦247.36	₦69.69	₦135.35	₦77.31

Claims and Litigations:

As of August 22, 2024, the Company is currently involved in three (3) litigation proceedings. The total amount, including general damages, claimed against Aradel Holdings is estimated at USD9,890,555.51 (Nine Million, Eight Hundred and Ninety Thousand, Five Hundred and Fifty-Five United Dollars and Fifty-One Cents) and ₦202,000,000 (Two Hundred and Two Million Naira).

The Solicitors are of the opinion that the outcome of the proceedings against Aradel Holdings Plc is not likely to have any material adverse effect on the Transaction or on the business and operations of the Company. *Please refer to pages 95- 96 for the Extract of the Solicitors Opinion.*

5 Directors, Company Secretary And Professional Parties To The Listing

BOARD OF DIRECTORS	
CHAIRMAN	**Ladi Jadesimi** 15 Babatunde Jose Road Victoria Island Lagos
CHIEF EXECUTIVE OFFICER/ MANAGING DIRECTOR	**Adegbite Falade** 15 Babatunde Jose Road Victoria Island Lagos
NON-EXECUTIVE DIRECTOR	**Osten A.O. Olorunsola** 15 Babatunde Jose Road Victoria Island Lagos
NON-EXECUTIVE DIRECTOR	**Thierry Georger** 15 Babatunde Jose Road Victoria Island Lagos
NON-EXECUTIVE DIRECTOR	**Ede Osayande** 15 Babatunde Jose Road Victoria Island Lagos
NON-EXECUTIVE DIRECTOR	**Afolabi Oladele** 15 Babatunde Jose Road Victoria Island Lagos
NON-EXECUTIVE DIRECTOR	**Gbenga Adetoro** 15 Babatunde Jose Road Victoria Island Lagos
CHIEF FINANCIAL OFFICER/FINANCE DIRECTOR	**Adegbola Adesina** 15 Babatunde Jose Road Victoria Island Lagos
INDEPENDENT NON-EXECUTIVE DIRECTOR	**Patricia Simon-Hart** 15 Babatunde Jose Road Victoria Island Lagos
COMPANY SECRETARY/GROUP GENERAL COUNSEL	**Titi Omisore** 15 Babatunde Jose Road Victoria Island Lagos

PROFESSIONAL PARTIES		
FINANCIAL ADVISERS	**Chapel Hill Denham Advisory Limited** 10 Bankole Oki Street Ikoyi Lagos	'Kemi Awodein
	Stanbic IBTC Capital Limited 9th Floor Stanbic IBTC Towers Walter Carrington Crescent Victoria Island Lagos	OLADELE SOTUBO
STOCKBROKERS	**CardinalStone Securities Limited** 5 Okotie Eboh Street Ikoyi Lagos	Peter Omoregie
SOLICITORS TO THE LISTING	**Templars** 5th Floor, The Octagon 13A A.J. Marinho Drive Victoria Island Lagos	Zelda Akindele Partner
AUDITORS	**Deloitte & Touche** Civic Towers Ozumba Mbadiwe Victoria Island Lagos	Abraham Udenani
REGISTRARS	**Coronation Registrars Limited** 9 Amodu Ojikutu Street Victoria Island Lagos +234 (01) 2272570 www.coronationregistrars.com	Chiamaka Ugo-Obidike

The following information relating to Nigeria and its oil and gas industry has been extracted from a variety of sources released by public and private organisations. The information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. Investors should read this section in conjunction with the more detailed information contained elsewhere in this Listing Memorandum.

Introduction

The Federal Republic of Nigeria is in the West African Sub-region of Africa, occupying a land area of c. 923,768 square kilometres. The country shares land border with the Republic of Niger to the North, the Republic of Chad and the Republic of Cameroon to the East, the Republic of Benin to the West and the Atlantic Ocean to the South. According to the World Bank, Nigeria has an estimated population of over 220 million people as of December 2023. Nigeria is the most populous country in Africa and ranks 6th in the world by population size as of 2023, according to the World Bank. The World Bank forecasts that Nigeria's population is to grow at an average of 2.50% annually, with the total population expected to reach 263 million by 2030. As of 2023, Nigeria has an estimated labour force of 75.72 million people. The average life expectancy of 55 years for males and 57 years for females as of 2022, according to NBS.

According to the NBS, as of 2023, the country has a nominal GDP of approximately ₦229.91 trillion. Nigeria has the tenth (10th) largest proven crude oil reserves in the world (as of 2022 according to OPEC) and consequently relies heavily on oil as its main source of government revenues and foreign exchange earnings. Nigeria is also a significant exporter of cocoa, rubber and cassava, in addition to other significant natural resources.

Following the coronavirus disease (COVID-19) induced slowdown in 2020, Nigeria's economy has recovered markedly. According to the NBS, post-Covid, the Nigerian economy experienced real GDP growth of 3.40% YoY 2021, 5.32 percentage points ahead of the slowdown of 1.92% YoY reported in 2020. The economic growth recorded in 2021 broadly reflects the strong support of the non-oil sector. In 2022, growth slowed slightly by 30 basis points (bps) to 3.10% YoY and further slowed to 2.74% in 2023.

The table below provides a summary of Nigeria's key economic indicators:

Economic Indicators	2017	2018	2019	2020	2021	2022	2023	H1 2024
Nominal GDP (NGN, trillion)	114	128	144	152	174	199	230	120
Real GDP growth (YoY, %)	0.82	1.91	2.27	-1.92	3.40	3.10	2.74	3.19
Population (million)	193	198	203	208	213	219	223	231
Inflation (YoY average)	16.50	12.10	11.40	13.21	16.98	18.77	24.52	32.77
Exchange rate (USD/NGN), average	305	305	306	356	399	423	645	1,364

Source: *Central Bank of Nigeria (CBN), Nigeria Bureau of Statistics (NBS), International Monetary Fund (IMF), World Bank, Bloomberg, Nigeria National Petroleum Corporation (NNPC)*

Current Macroeconomic Environment

During the first quarter of 2024, the nation faced challenges from a rising interest rate environment, inflationary pressures, and crucial economic policy decisions, all while adapting to significant global and domestic changes.

Gross Domestic Product

According to the Q1 2024 GDP data released by the National Bureau of Statistics, the economy showed a 2.98% YoY growth in real terms, marking a modest improvement from Q1 2023, which recorded 2.31% YoY growth, but a slowdown compared to the 3.46% YoY growth in Q4 2023. The primary driver of the growth was the non-oil sector, particularly the services sector, which recorded a growth of 4.32% and contributed 58.04% to the overall GDP. The oil sector reversed its trend of consistent contraction and recorded growth for the second consecutive period in Q1 2024, with a 5.70% YoY. This improvement can be attributed to intensified government efforts to increase production by addressing security challenges in the sector.

According to the NBS, Nigeria's economy grew by 3.19% YoY in Q2 2024 in real terms. This marks an improvement from the 2.51% YoY growth recorded in Q2 2023, and the 2.98% YoY growth reported in Q1 2024. The non-oil sector continues to be the main driver of economic growth, contributing c. 94%.

The services sector recorded a growth rate of 3.79% YoY and contributed 58.76% to the Q2 2024 GDP. The increase in economic output was driven by several sectors: finance and insurance (47.48%), information and communication (27.17%), mining and quarrying (13.61%), agriculture (10.15%), and manufacturing (3.45%).

Interestingly, the oil sector further strengthened in Q2 2024 and recorded YoY growth for the third consecutive period, with a 10.15% YoY increase in Q2 2024, higher than the 5.70% YoY growth recorded in Q1 2024.

For context, crude oil production increased by an average of 7.43% YoY to 1.30 million barrels per day (mbpd) in H1 2024, according to NUPRC. While this is an improvement, there is still room for further growth to achieve the 1.50 mbpd production quota set for Nigeria by OPEC.

Public Debt

According to the DMO, Nigeria's total public debt was $91.46 billion equivalent (₦121.67 trillion or 51% of GDP) as of March 31, 2024. Of the public debt outstanding, the external component was $42.11 billion as of March 2024, having increased from $41.69 billion as of December 2022 (incl. securitised CBN ways and means advances). This notable surge is primarily attributed to the depreciation of the Naira and the inclusion of ways and means advances amounting to ₦23 trillion in the debt profile for 2023. Also, both domestic and external debt grew significantly by 115% and 104% to ₦59.12 trillion and ₦38.22 trillion respectively. Consequently, the nation's debt-to-GDP ratio climbed to 42.3%, up from 23.2% in 2022. Furthermore, the continued depreciation of the naira in Q1 2024 placed more pressure on the external component of Nigeria's public debt, resulting in an increase to ₦121.67 trillion and 52.9% for the public debt and debt-to-GDP ratio, respectively, as of Q1 2024.

Inflation, Interest Rate, and Exchange Rate

The impact of the Naira's devaluation and the cessation of fuel subsidies continue to wield significant influence over macroeconomic indicators, with inflation surging to unprecedented levels. As of June 2024, the headline inflation rate reached an all-time high of 34.15% (vs. 33.95% in May 2024 and 22.79% in the corresponding period of 2023). Inflation eased to 33.40% in July from 34.19% in June, the lowest in the past four months. Inflationary pressure slightly reduced on the back of a reduction in food inflation. The high inflationary environment is attributed primarily to domestic factors such as the Naira depreciation, insecurity in food-producing regions, inadequate infrastructure stock to support economic activities, and escalating money supply.

In response to inflationary pressures and with the aim of preserving exchange rate stability, the Monetary Policy Rate (MPR) was elevated by 50 basis points to 26.75% in July 2024. Looking ahead, inflationary pressures are anticipated to persist in the forthcoming months but at a decreasing rate. CBN's efforts to ensure price stability and augment foreign exchange inflows offer prospects for a moderation in inflation in the second half of 2024.

In Q1 2024, the FX market demonstrated a degree of stability, attributed to sustained interventions by the Central Bank of Nigeria (CBN) and the appeal of high interest rates, which attracted foreign portfolio investments. These factors bolstered liquidity in the market, consequently leading to the appreciation of the Naira against the USD. To provide context, the Naira appreciated by 11.03% to N1,482.72 on June 14, 2024, from its Q1 2024 peak of N1,666.5 at the NAFEM window, and by 23.30% to N1,465.00 from N1,900.00 at the parallel market. Importantly, the spread between the exchange rates at the NAFEM window and the parallel market has narrowed significantly.

The Nigerian Oil and Gas Industry

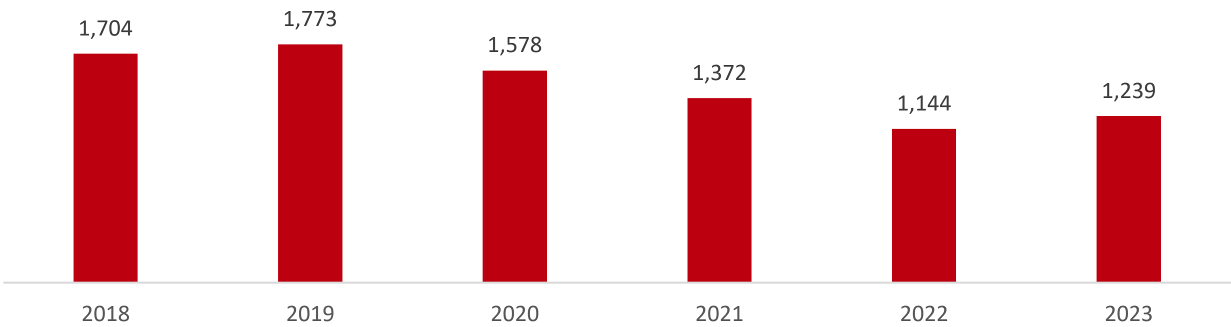
Nigeria's oil and gas sector is a critical component of the country's economy, accounting for a significant portion of government revenue and export earnings. The sector plays a significant role in the Nigerian economy, despite declining output in recent years, crude oil and gas exports still generated about 90% of export earnings and nearly 30% of federal government receipts in 2023.

Nigeria possesses substantial proven oil reserves, predominantly located in the Niger Delta region and offshore in the Gulf of Guinea. The country's oil reserves are primarily composed of light crude oil and associated natural gas. According to OPEC's 2023 Annual Statistical Bulletin, the country's proven crude oil reserves stood at 37 billion barrels at the end of 2022, the second highest in Africa after Libya.

Oil Production

According to the NUPRC[1], Nigeria's daily average crude oil production was 1.27 mbpd in H1 2024, a 6.98% production growth compared to the same period in 2023. This demonstrates a sustained growth since 2023, when the total average production was at 1.23 mbpd, 7.9% higher than in 2022. However, output in 2022 was over 43% lower than it was in 2021. Nigeria's oil production has been low in recent years due to several factors, including technical and maintenance problems associated with the country's ageing oil infrastructure. Furthermore, losses arise because of damage and theft as the security forces struggle to counter the activities of militant groups and criminal networks. Forcados crude, one of the country's top export grades, has faced problems given its heavy reliance on pipelines that remain highly vulnerable to sabotage.

Nigeria Historical Average Daily Crude Oil Production (Mbbls)



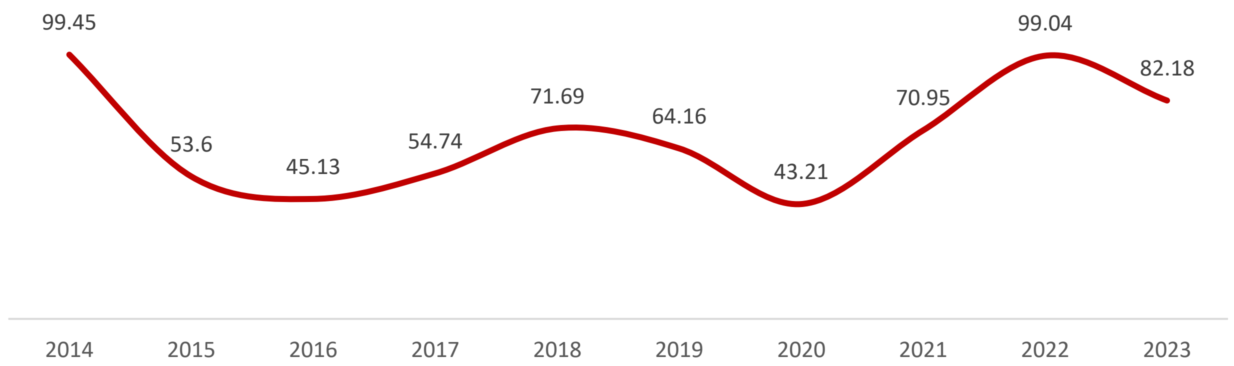
Source: Nigerian Upstream Petroleum Regulatory Commission, National Liquid Hydrocarbon Production Report

[1] *Nigerian Upstream Petroleum Regulatory Commission, National Liquid Hydrocarbon Production Report - https://www.nuprc.gov.ng/wp-content/uploads/2024/07/JAN-TO-DEC-2024-PRODUCTION-2.pdf*

Oil Prices

From 2014 to 2023, global average oil prices exhibited significant volatility, influenced by a variety of economic, geopolitical, and market dynamics. Prices decline from over $100 per barrel in mid-2014 to below $30 per barrel by early 2016, primarily due to a supply glut driven by increased U.S. shale production and OPEC's decision to maintain high output levels. Prices gradually recovered, stabilizing around $60-$70 per barrel between 2017 and 2019. The onset of the COVID-19 pandemic in 2020 caused a historic crash, with prices briefly turning negative in April 2020 due to plummeting demand and storage capacity concerns. However, the market rebounded as economies reopened, with prices surging past pre-pandemic levels, reaching over $80 per barrel by the end of 2021. The upward trend continued into 2022 and 2023, exacerbated by geopolitical tensions, notably the Russia-Ukraine conflict, which disrupted supply chains and contributed to elevated price levels.

Annual Average Brent crude oil price (USD per Barrel)



Source: Bloomberg

Refining Capacity

OPEC reports that Nigeria had nine major oil refineries as at the end of 2023 with a total nameplate capacity of 1,122,000 bpd[2]. However, four of these refineries have suffered from consistently low utilisation rates, obliging Nigeria to rely on imports for virtually all the refined products that it consumes.

In May 2023, the Dangote refinery, a new mega-refinery and petrochemical complex located in Lagos with a capacity of 650,000 bpd, was officially commissioned. The Dangote refinery began local production and sales of AGO (Diesel) and ATK (Aviation Fuel) in April 2024, contributing to increased product availability in the market. Diesel was supplied at a reduced price of N1,200 per litre, marking a significant drop from the previous market price of about N1,600, further decreasing to N1,000 per litre. Marketers acquire products from the refinery using Letters of Credit from approved banks. AGO, ATK, and Naphtha from the refinery are presently exported to West African countries. PMS (Gasoline) produced from the refinery is expected to become available by 2025, eventually reaching the full refining capacity of 650,000 b/d. Marketers await the rollout of PMS with anticipation, expecting enhanced supply security.

Modular refinery operations in Nigeria have increased in recent times, with the country currently hosting 25 licenced modular refineries. Five are operational, producing diesel, kerosene, black oil, and naphtha, while approximately 10 are at various stages of completion. The combined capacity of the 25 licenced modular refineries is 200,000 bpd of crude oil. The proposed modular refinery at the Abia Industrial Innovation Park in Abia State is expected to commence operations by 2025, offering 2,000 direct jobs and utilizing the state's

[2] *OPEC Annual Statistical Bulletin https://asb.opec.org/ASB_PDFDownload.php*

mineral resources. However, modular refineries in Nigeria still face risk of operations being halted due to challenges in accessing foreign exchange to purchase crude oil priced in US dollars. The Federal Government and crude oil producers in Nigeria aim to ensure a sustainable supply of crude oil to local refineries at market-determined prices.

NUPRC has instructed oil refiners to provide monthly price quotes on crude supply, preventing pricing models from impeding domestic refineries based on a recent review of the Framework for Seamless Operationalisation of Domestic Crude Oil Supply Obligation Template.

On the back of these developments, crude oil production and refinery in Nigeria is expected to gradually increase, with officials predicting that full output could be achieved by the end of 2024.

Nigerian Refineries

Facility	Region	Capacity (bpd)	Status
Dangote	Lekki Free Trade Zone	650,000	Operating
Port Harcourt (new)	Rivers State	150,000	Operating inconsistently
Warri	Delta State	125,000	Rehabilitation investment completed
Kaduna	Kaduna State	110,000	Rehabilitation investment completed
Port Harcourt (old)	Rivers State	60,000	Rehabilitation investment completed
Escravos GTL	Delta State	33,000	Operating
Zkiel Petroleum	Bayelsa State	12,000	Under construction
Aradel Refineries	Rivers State	11,000	Operating
Waltersmith	Imo State	5,000	Operating
Duport Midstream Company	Edo State	2,500	Under construction
Brass Refinery	Bayelsa State	2,000	Under construction

Source: Fitch Solutions 2023

Operating Framework

Industry Structure

The industry is divided into the upstream, midstream, downstream, and oil servicing sectors. The upstream operations cover the exploration, field development and production operations; the midstream covers the processing, refining, storage & distribution, marketing and transportation of crude oil, gas, gas-to Liquids and liquefied natural gas; while the downstream covers manufacturing, petrochemicals and wholesale and marketing; while oil servicing sub-sector covers service provision such as rig construction, pipe design, technical and mechanical engineering, and construction works and equipment.

Upstream Sector

Companies engaged in the upstream sector are typically engaged in the exploration and production of crude oil, condensates and/or gas. Operators in this sector will now pay royalty as defined in the PIA 2021. They are also subject to tax under the PIA 2021 and the CITA. Upstream companies operate in a licence area under either of four production arrangements:

1. Joint venture
2. Production sharing contract
3. Sole risk/Independent operator

Marginal field operatorMidstream Sector

The Midstream sector is where crude oil, natural gas and gas liquids are transported, processed, and transformed into products for the retail market. In Nigeria, the transportation of oil and gas to the refinery and gas station is carried out via the pipeline network from the terminal to the refinery or plant.

Downstream Sector

Distribution and marketing of refined petroleum products are complementary activities. Distribution involves the transportation of refined petroleum products from the refineries through pipelines, coastal vessels, road trucks, rail wagon to the storage and sale depots. Petroleum products are supplied principally through the NPSC (former PPMC) pipeline system, which links the refineries to the about 21 regional storage/sale depots. Petroleum product marketing involves the procurement and sale of refined petroleum products. Marketers lift products from NPSC depots and deliver to their various retail outlets. They also import refined products from outside of Nigeria to meet the demands of their customers. However, there are guidelines issued by the downstream regulator to prevent importation of substandard products.

The commencement of operations at Dangote refinery has been a welcome development as the major and independent marketers now purchase AGO (diesel) and ATK (jet fuel) directly from the refinery using Letters of credit from approved banks.

NNPC Retail continues to play a dominant role in the supply of PMS, with close to 1,000 filling stations - the highest number of retail stations in the country.

Oil Servicing Sector

The oil servicing sub-sector in Nigeria is vital to the oil and gas industry, providing specialised services like engineering, procurement, construction, installation, fabrication, pipeline laying, manpower, among other services across Upstream, Midstream and Downstream sectors. Government initiatives like the Nigerian Content Development and Monitoring Board aim to enhance local participation for sustainable industry growth.

Regulatory Framework - Recent Developments

Federal Government of Nigeria Executive Orders

In February 2024, President Bola Ahmed Tinubu signed three executive orders to enhance the investment climate and position Nigeria as the leading investment destination for the petroleum sector in Africa. These actions build on the government's efforts to revamp the petroleum industry, following the signing of the Petroleum Industry Act in 2021.

1. **Oil and Gas Companies (Tax Incentives, Exemption, Remission, etc.) Order**, **2024**

   The Oil and Gas Companies (Tax Incentives, Exemption, Remission, etc.) Order (OGCO) introduces tax incentives for various sectors of the Gas sector. The order grants several incentives including:

   a. Non-Associated Gas Greenfield Development Incentives: The OGCO provides gas tax credit and gas tax allowances for non-associated gas greenfield developments in onshore and shallow water locations, where hydrocarbon liquids fall between 0-100 barrels per million standard cubic feet of gas.

   b. Midstream Capital and Gas Utilisation Investment Allowance. Part 2 of the Order introduces a 25% gas utilization investment allowance applicable to qualifying expenditure on plant and equipment incurred by a gas utilization company in respect of any new and ongoing project in the midstream oil and gas industry.

c. Incentives for Deep Water Oil and Gas Projects: The Order also introduced fiscal incentives for deep water oil and gas projects to achieve a competitive internal rate of return and foster investment in that area. In the interim, the Ministry of Finance Incorporated (MOFI) and the Ministry of Petroleum Incorporated (MOPI) are expected to work with NNPC Limited to implement commercial enablers for greenfield and new brownfield investments in deep water projects.

2. **Presidential Directive on Local Content Compliance Requirements, 2024**

The directive is pursuant to Section 100 of the Nigeria Oil and Gas Industry Content Development Act 2010 (the NOGICD Act). The Directive aims to boost industry competitiveness and lessen the adverse effects of local content regulations on investments and operations. It aims to lower the risk of unqualified contractors being approved for projects and implement a system to verify contractors' abilities for the contracts they seek.

3. **Presidential Directive on Reduction of Petroleum Sector Contracting Costs and Timelines, 2024 (DCCT)**

Based on comparative analysis presented in the executive order, the contracting cycle within the Nigerian petroleum sector exceeds global industry standards by 4 to 6 times. Thus, the DCCT is targeted at addressing the following:

a. Shortening the procedure for obtaining approvals for contracts involving private companies and companies controlled by the FGN in the petroleum sector;

b. Reinforcing the provisions of the Business Facilitation (Miscellaneous Provisions) Act 2022 and enhance the ease of doing business in the petroleum sector; and

c. Simplifying the contracting cycle to a period of not more than six months, increase the contract approval threshold and raise the duration of third.

Petroleum Industry Act (PIA) 2021

In 2021, the Petroleum Industry Act (PIA) was signed into law by President Muhammadu Buhari. The legislation represents one of the most ambitious efforts to reform the petroleum sector in Nigeria. The comprehensive legislation aims to establish a robust legal, governance, regulatory, and fiscal framework for the Nigerian petroleum industry.

The PIA repeals ten existing laws, including the Associated Gas Reinjection Act, Hydrocarbon Oil Refineries Act, Motor Spirit Act, NNPC (Projects) Act, PPPRA Act, Petroleum Equalisation Fund Act, PPTA, and Deep Offshore and Inland Basin PSC Act. It also amends the Pre-Shipment Inspection of Oil Exports Act. Provisions of certain laws, such as the Petroleum Act, PPTA, Oil Pipelines Act, and Deep Offshore and Inland Basin PSC Act, are maintained until the expiration of relevant oil prospecting licences and mining leases.

Key Provisions and Benefits of the PIA 2021

- **Regulatory and Governance Overhaul:** The PIA introduces significant changes to the regulation and governance of the oil and gas industry. It establishes two new regulatory agencies: the NUPRC, responsible for the technical and commercial regulation of upstream petroleum operations, and the NMDPRA, overseeing midstream and downstream operations. These agencies are exempt from any enactments relating to the taxation of companies or trust funds**.**
- **Host Community Development:** To address the concerns of host communities, the PIA mandates that existing projects be transferred to the Host Community Development Trust Fund (HCDTF). Each oil licence holder must annually contribute 3% of its operating expenditure from the previous year to this fund, ensuring that host communities benefit directly from petroleum activities.

- **Levy on Petroleum Products:** The PIA imposes a levy of up to 1% on the wholesale price of petroleum products sold in Nigeria. This is divided equally between the Authority Fund and the Midstream and Downstream Gas Infrastructure Fund, supporting regulatory functions and infrastructure development.
- **NNPC Limited**: The PIA restructured the Nigerian National Petroleum Corporation (NNPC) into a commercial and profit-focused entity known as NNPC Limited. Ownership is vested in the Ministry of Finance Incorporated and the Ministry of Petroleum Incorporated on behalf of the Federation. This move aims to eliminate economic distortions and promote a competitive market for petroleum products and natural gas in Nigeria. The Commission must develop a model licence and lease, including a carried interest provision allowing NNPC Limited to participate up to 60% in contracts.
- **New Tax Regime:** The PIA 2021 introduces a new tax regime by replacing the Petroleum Profit Tax with a hydrocarbon tax and a tax on the income of oil companies. Under this regime, hydrocarbons such as crude oil, condensates, and natural gas liquids produced from associated gas are subject to taxation, excluding crude oil from deep offshore operations.

Key Government Institutions in the Oil and Gas Sector

Government Entity	Key Responsibilities
Ministry of Petroleum Resources (MPR)	The MPR has the overall mandate to formulate policies on the oil and gas sector and supervise their implementation. The key functions include: ▪ Coordination and supervision of bilateral and multilateral relations affecting the oil and gas sector ▪ Policy matters relating to research and development in the petroleum and gas sectors of the industry ▪ Formulation of policies to stimulate private industry investment and participation in the oil and gas sector
Nigerian Upstream Petroleum Regulatory Commission (NUPRC)	The NUPRC, also known as the Commission, was established in August 2021 pursuant to the enactment of the PIA and has the statutory responsibility of ensuring compliance to petroleum laws, regulations and guidelines in the upstream Oil and Gas Sector. The discharge of these responsibilities involves monitoring of operations at drilling sites, producing wells, production platforms and flow stations, crude oil export terminals, and all pipelines carrying crude oil, natural gas, while carrying out the following functions, among others
Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA)	The NMDPRA, also known as the Authority, has the mandate to regulate the midstream and downstream petroleum operations including technical, operational and commercial activities.
Nigerian National Petroleum Company Limited (NNPCL)	NNPCL is a limited liability company with its shares held by the Ministry of Finance Incorporated and Ministry of Petroleum Incorporated in equal portions, on behalf of the Federal Government. Thus, NNPCL's shares are fully Federal Government owned until private investors acquire shares in NNPCL.

Government Entity	Key Responsibilities
	NNPCL was formerly a State-Owned Enterprise of Nigeria and was converted into a limited liability company in July 2022, following the enactment of the PIA. NNPCL carries out exploratory activities and operational functions such as production, trading, refining, transportation and marketing of crude oil. NNPCL also manages the interests/assets of the government in the industry.
Nigerian Content Development and Monitoring Board (NCDMB)	NCDMB is vested with the mandate to make procedures that will guide, monitor, coordinate and implement the provisions of the Nigerian Content Act which is summarily to promote the development and utilization of in-country capacities for the industrialization of Nigeria

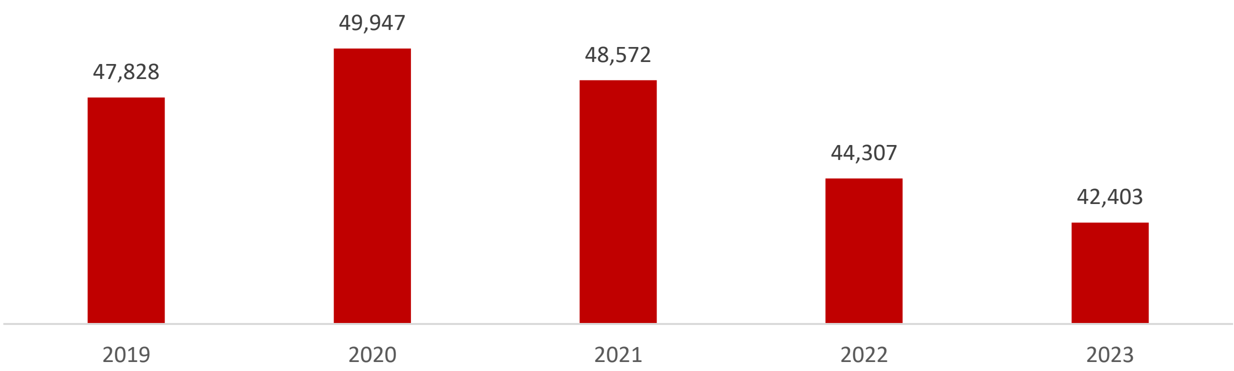
The Nigerian Gas Sector

Market Overview

Nigeria has a rich natural gas endowment. According to OPEC's 2024 Annual Statistical Bulletin[3], Nigeria's proven reserves amounted to 5,943 billion standard cubic meters, the largest in Africa (and equivalent to a third of the continental's total reserve), at the end of 2023. However, natural gas exports remain low at 32,190 million cubic meters, trailing behind Algeria despite Nigeria's vast reserves. A report by the IEF[4] indicated that from January to October 2023, Nigeria was the world's sixth-largest exporter of LNG.

Economic and demographic growth across Africa is driving robust energy demand. This coupled with the increasing drive for transition to cleaner energy among many African countries including Nigeria is expected to drive demand for natural gas across the continent.

Marketed Natural Gas Production in Nigeria (million standard cubic meters)



Source: OPEC

Transportation and Storage

Natural gas is shipped through national and local pipeline systems and continental pipelines to downstream markets across Nigeria and West Africa. Most of the transportation pipelines are either managed by the

[3] *OPEC 2024 Annual Statistical Bulletin World proven natural gas reserves by country https://asb.opec.org/*
[4] *Fragile Equilibrium: LNG Trade Dynamics and Market Risks Report by the International Energy Forum and SynMax https://www.ief.org/focus/ief-reports/fragile-equilibrium-lng-trade-dynamics-and-market-risks/lng-market-report-download#frmConf*

Nigerian Gas Company or contracted with the International Oil Companies ("IOCs"). Major gas infrastructure in Nigeria includes:

- The western system, which includes the 700km Escravos Lagos Pipeline System that has a capacity of 1,100 mmscf;
- The export system, consisting of an onshore Gas Transmission System and an Offshore Gas Gathering System, both of which transport gas to NLNG for export;
- The eastern system, which supplies gas to domestic industrial and power users in eastern Nigeria; and
- The West African Gas Pipeline, a 678km pipeline designed to transport natural gas from Itoki in Nigeria to Ghana via Togo and Benin Republic. The pipeline has an initial capacity of 170 mmscf/day, and there are plans to expand, in a second phase, to 450 mmscf/day and extend the pipeline westwards to Ivory Coast and Senegal.

Energy wholesalers and supply aggregators also play a wholesale market role between producers and end users by providing natural gas storage services, backstopping services and operational services.

Distribution and Delivery

Most natural gas utilities do not own natural gas wells, and typically operate as distribution-only entities, buying natural gas from multiple suppliers over multiple pipelines to service their customers. Natural gas local distribution companies ("LDCs"), commonly known as natural gas utilities, sell and distribute natural gas in their franchise areas through their own distribution networks pursuant to a variety of upstream and downstream transmission pipeline, storage and distribution agreements. LDCs manage natural gas flows and are responsible for operational considerations and system expansions under their regulated mandate to deliver natural gas.

The Retail Domestic Natural Gas Market Overview

The retail natural gas market can be categorised into two main customer segments: (i) small-to-medium size commercial and (ii) large commercial and industrial. Natural gas local distribution companies (LDCs) operate in the retail natural gas market by providing a variety of fixed and variable rate natural gas contracts to customers for varying periods of time (usually up to 20 years). Usually, LDCs operate under a licence from an energy wholesaler who marks out distribution zones to prevent overcrowding. In many cases, the energy wholesaler may use the LDC to invoice and collect from customers for energy supply and other costs. Under arrangements entered between the energy wholesalers and the LDCs, LDCs remain responsible for the distribution of the natural gas from the city gate (e.g., the point at which the pipeline meets the LDC's local distribution network) to the customer's place of business and other maintenance activities. The tariffs charged by LDCs for the transportation of natural gas through their pipeline systems are regulated by government agencies and are passed through to the end customers after incorporating a number of factors, such as the wholesale cost of natural gas, processing and transport costs, distribution and maintenance costs plus a profit margin to incentivise the LDCs.

Gas Sector Reforms

Nigeria is making efforts to invigorate its domestic industry following the passing of the new National Gas Policy in 2017. This initiative follows the previously unsuccessful National Gas Master Plan implemented in 2008. The overarching goal of the new policy remains broadly the same as the previous one: to utilise Nigeria's vast gas reserves domestically in both power and industry, while shifting focus from exports, despite the successful development of the Bonny LNG terminal.

The 2008 plan aimed to build out gas production and domestic gas power capacity simultaneously, along with expanding supporting infrastructure. While gas production was successful, growing from 32.50 billion cubic meters (bcm) in 2008 to 44.50 bcm in 2017, the build-out of domestic power, industry, and infrastructure has not materialised. In 2019, an estimated 6.30 bcm of new gas production capacity was brought online by companies such as Shell and Chevron, which were encouraged to invest in monetizing gas resources to meet the anticipated burgeoning domestic demand. However, without broader governmental support, Nigeria's gas consumption will grow well below its resource size potential.

Effects of the PIA 2021

- **Market Transparency**: The new policy emphasises greater transparency in the gas market through the creation of an independent regulator and a clear separation between public and private sector involvement.
- **Structural Reorganization**: The existing Nigeria Gas Company will be divided into two new entities, one focusing on transport and the other on gas marketing, although the implementation had not been concluded as of early 2024.
- **Increased Domestic LPG Consumption**: Efforts will be made to encourage greater liquefied petroleum gas (LPG) consumption in Nigerian homes, addressing supply shortages of gas cylinders needed for fuel transport.
- **Midstream and Downstream Gas Infrastructure Fund:** The PIA provides for the establishment of the Midstream and Downstream Infrastructure Fund, which is expected to encourage private investment in infrastructure and selected high risks projects related to midstream and downstream gas operations.

National Gas Policy

In 2016, the Federal Government launched its 7 Big Wins Initiative which reinforced its commitment to the acceleration of the gas revolution. Subsequently, building on the policy goals of the 7 Big Wins Initiative, the Federal Government approved the new National Gas Policy on June 28, 2017.

The National Gas Policy clearly articulates the policy goals, strategies, and implementation plan of the Federal Government of Nigeria to reposition Nigeria as an attractive gas based industrialised nation through the prioritization of local gas demand requirements. Access to infrastructure, a clearly articulated pricing path and institutional capacity strengthening are key aspects of any effective gas policy. The policy clearly defines the direction for gas infrastructure ownership by prescribing full legal separation of gas infrastructure ownership and operations and trading. With regards to pricing, the Policy stipulates that the transitional pricing framework will be retained until sufficient gas supply volumes are built up and a mature gas market is established. There is a strong focus on strengthening the capacity of the Ministry of Petroleum Resources to provide leadership to the gas industry in terms of policy making and surveillance capabilities. It also recommends the establishment of a single independent petroleum regulatory agency.

Flare Gas (Prevention of Waste and Pollution) Regulations, 2018

The National Gas Policy encapsulates a recurrent theme showcasing an unwavering drive and high priority objective to position Nigeria as a formidable gas-based industrial nation by the adoption of gas flare out strategies using flare capture and utilization technologies, amongst other strategies. Despite Nigeria's prolific gas reserves, gas-centric legislation, investment and development within the Nigerian gas sector have historically been minimal, significantly lagging its more profitable fossil fuel counterpart- crude oil. The result of this inertia has been high levels of gas flaring across oil and gas producing fields in the country. In 2022, Nigeria ranked as the 9th largest gas flaring country in the world, flaring 11.10 m^3/bbl of gas in that year.

Gas flaring constitutes an egregious energy waste practice in the Nigerian petroleum industry and has significant detrimental effects on the environment and the Nigerian economy. Prior legislations such as the Associated Gas Re-injection Act of 1979 and its subsidiary legislation, the Associated Gas Re-injection (Continued Flaring of Gas) Regulations of 1985 prohibited gas flaring without the permission of the Minister of Petroleum Resources. The Minister's permission is granted in the form of a certificate for the continued flaring of gas ("AGRA Certificate"), which contains specific terms and conditions, including the payment of gas flare fees.

Key Provisions:

- **Gas Flare Penalties:** Increased fines for companies that continue flaring beyond permitted levels.
- **Flare Gas Commercialisation Program:** Encourages the use of flared gas for power generation and other industrial applications through licensing and partnerships.

Growth Ambitions and Gas Supply Challenges

The National Gas Policy is geared towards creating a framework for domestic gas pricing, introducing a domestic gas supply obligation for oil companies, and providing a blueprint for the development of gas infrastructure in Nigeria. It is expected that these initiatives would significantly enhance domestic gas-to-power utilisation alongside its application in the production of by-products such as fertilisers, urea and methanol. The Nigerian Gas Company estimates that there are over US$51 billion worth of investment opportunities in Nigeria's gas sector.

Several projects have been announced as part of the effort to maximise the use of Nigeria's gas reserves. Some of these projects include:

- The two-train, 10MT per annum capacity Brass LNG project being sponsored by NNPC, ConocoPhillips, AGIP and Total
- The four-train 22MT per annum capacity Olokola LNG project being sponsored by NNPC, Chevron, Shell and BG Group
- The Escravos gas-to-liquids project being sponsored by Chevron and Sasol, which upon completion is expected to process 0.33 bscf/day of natural gas
- Obiafu-Obrikom-Oben (OB3) Pipeline, which is expected to link gas sources in the East to Western and Northern markets
- The ELPS II Pipeline expansion project that is to take gas from the source to customers
- The ELPS-Lekki Pipeline Project
- The Trans-Saharan Gas Pipeline, which is intended to supply up to 2-3bcf of gas to Algeria and onwards to European markets
- The 614km Ajaokuta-Kaduna-Kano Pipeline which should bring the natural gas advantage to Northern Nigeria
- 5,600 km Nigeria-Morocco Gas Pipeline ("NMGP") project
- A 750,000MT per annum ammonia and urea fertilizer plant expansion by Notre Chemicals Industry
- A 2,800,00MT per annum Greenfield ammonia and urea fertilizer plant by Dangote Industries
- A US$1.80 billion methanol and fertilizer plant being sponsored by the Indorama Corporation of Indonesia; and
- A US$12 billion gas industrial park project in Delta State which will include a 1.3MT per annum/400KT per annum polyethylene and polypropylene plant and a 2.6MT per annum urea/ammonia fertilizer plant.

Other Notable Regulatory Initiatives

1. Presidential Compressed National Gas (CNG) Initiative

The new presidential administration introduced the Subsidy removal on PMS in June 2023 which led to over 200% increase in the cost of PMS. As an alternative to PMS, the president introduced the Presidential CNG initiative to increase adoption of gas as a source of energy, phase out the dependence on diesel and gasoline and fast track the attainment of the country's energy transition plan. The below have been rolled out to support this initiative:

- Partnership with NIPCO and BOVAS to set up 32 and 14 CNG refilling stations respectively across the country.
- Mandate from the Federal Executive Council chaired by President Tinubu for all government Ministries, Departments and Agencies, to procure only vehicles and generators powered by CNG.
- Approval of over 30 Free CNG conversion stations across the country. This will be used for conversion from PMS to CNG vehicles.
- CNG retail pump requirement for new retail licensing approvals and establishing of same by existing retail stations.
- Roll out of 530 CNG powered buses 6 states and the FCT.

2. Decommissioning and Abandonment Funds

In line with the PIA (via Section 232 & 233), the National Upstream Petroleum Regulatory Commission (NUPRC) has mandated Oil Companies operating in Nigeria with an OPL, OML, PPL or PML Licence to set up the Decommissioning and Abandonment Fund for every Licence or Lease.

The objective is to guide the decommissioning and abandonment of wells, installations, structures, utilities, plants and pipelines from upstream operations and ensure compliance with international practice. The proposed fund is to be included in the substantive Decommissioning and Abandonment Plan for every Licence/Lease, which will be approved by the Commission.

Each Licence is required to open the Fund as an Escrow account, which shall be in US Dollars, with the Commission to act as a joint signatory to the account. This shall be solely for D&A activities.

3. Host Community Development Funds

The PIA mandates Oil Companies operating in Nigeria with an OPL, OML, PPL or PML licence (aka "Settlor") to set aside 3% of their previous years' operating cost for the development of communities in which they carry out operations.

Beyond the compulsory contribution payable to Host Community Development Trust (HCDT), other sources of funding include gifts, donations, honoraria, and grants. The costs of disruption of petroleum operations attributable to actions of the host community are deductible from the settlor's contribution to the Trust's fund.

Each settlor is required to incorporate a HCDT, based on the rules of Corporate and Allied Matters Act (CAMA) for the benefit of its host communities. When registering, the name of the HCDT must include "host communities' development trust".

Where more than one settlor has entered into a joint operating agreement (JOA) in respect of upstream petroleum operations, the operator will be required to perform host community development obligations on behalf of other settlors in the JOA.

7 OVERVIEW OF ARADEL HOLDINGS PLC

1. Corporate History

Aradel Holdings Plc, formerly known as Niger Delta Exploration and Production Company Plc, is a leading fully integrated, independent energy company in Nigeria. The Company's business operations include oil & gas production, gas processing, and crude oil refining and sales.

The Company was incorporated in 1992 as Midas Drilling Fund. In 1996, it was renamed Niger Delta Exploration & Production Plc (NDEP), and commenced production in 2002. In 2023, the Company adopted its current name, Aradel. Aradel Holdings is a public company that has about two thousand (2,000) shareholders and has consistently paid dividends over the past seventeen (17) years.

Aradel Holdings was founded on the premise of enabling all Nigerians to access the energy sector, with a vision of a truly indigenous, publicly traded energy Company. In 2000, the Company acquired beneficial interests in Ogbele Marginal Field ("Ogbele") – PML 14[5] (formerly a part of OML 54), and Omerelu Marginal Field ("Omerelu"- PPL 247 (formerly a part of OML 53). Having negotiated the first-ever Marginal Field Farm-Out Agreement - an agreement between NNPC/Chevron Joint Venture and Niger Delta Petroleum Resources Limited (now Aradel Energy Limited), Aradel pioneered the development of marginal oil fields.

In 2010, the Company commissioned a 1kbbls/d refinery to produce crude oil produced from Ogbele. The refinery's capacity has been upgraded to a 11kbbls/d refinery to meet increased local demand for refined products. The refinery produces Automotive Gas Oil, Marine Diesel Oil, Heavy Fuel Oil, Dual Purpose Kerosene, and Naphtha. The production of Liquefied Petroleum Gas (LPG) and Premium Motor Spirit (PMS) should commence soon.

In 2012, the Company commissioned a 100MMSCF/d Ogbele Gas Processing Plant to enable the development and monetisation of the gas resources in the Ogbele Field, and to also contribute to gas supply for export and domestic purposes. The Group is committed to minimising its carbon footprint and has successfully eliminated routine gas flaring at its Ogbele Facility since 2012.

2. Key Milestones and Timeline

1992
Incorporated as Midas Drilling Fund

1996
Name change to Niger Delta Exploration & Production Plc

2000
Negotiated the first ever farm-out agreement with NNPC/Chevron JV for a Marginal Oil Field in Nigeria

2002
Attained First Oil at the Ogbele

2010
Commissioned a 1,000bbls/d Refinery for the extraction of crude produced from the field

2012
Commissioned the 100MMscf/d Ogbele Gas Processing Plant

Led a consortium of companies through a SPV to acquire the 45% equity interests divested by SPDC, TOTAL, NAOC in OML 34

First gas delivered to NLNG (2012)

2015
The Ogbele Gas Project won the 2015 Global Gas Flare

Reduction Excellence Award issued by the Global Gas Flare

Reduction (GGFR) Forum, an arm of the World Bank

2017
Delivered the 50th BScf of gas to the Bonny NLNG

2019
Drilled and suspended OMA3 (the first shallow offshore well- OPL 227)

2022
Successfully logged 15 million cumulative man-hours with zero Loss Time Injury (LTI) across its operations nd subsidiaries

The Company attained ISO 14001:2015 Edition certification

2023
Changed name to Aradel Holdings Plc.

Ongoing execution of solar mini-grid project with CESEL JV partner

2024
Formed a consortium (Renaissance*) alongside 4 companies to acquire Shell International Plc's 100% shareholding in SPDC

Attained first oil in Omerelu Field.

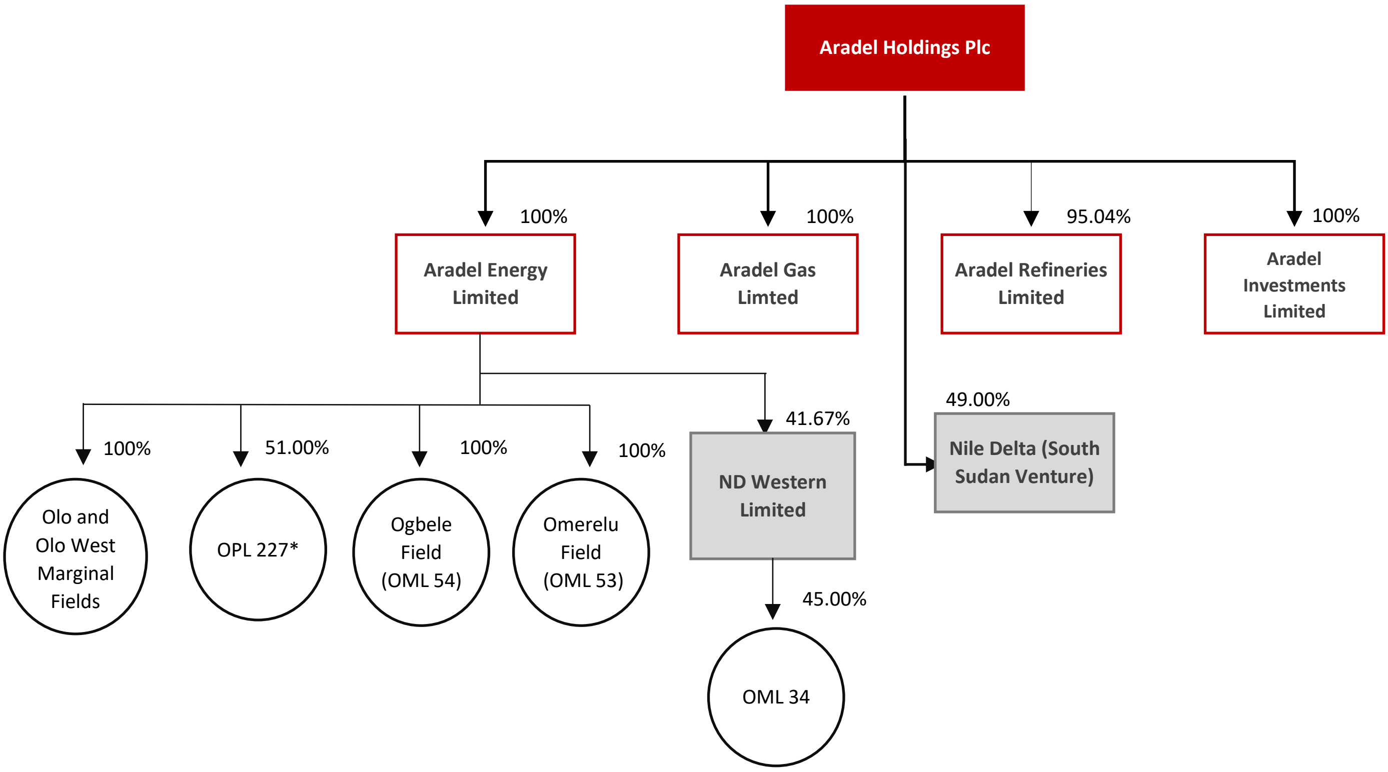
Awarded Independent Energy Company of the Year at the Nigeria International Energy Summit

[5] *After the enactment of the Petroleum Industry Act (2021), marginal fields are now being phased out with new Petroleum Mining Licences issued in their place.*
** Renaissance Africa Energy Company Limited ("Renaissance") consortium consisting of ND Western Limited, Aradel Holdings Plc, the Petrolin Group, FIRST E& P Development Company Ltd*

3. Group Structure

Aradel Holdings Plc has controlling holdings in the following four (4) subsidiaries: Aradel Energy Limited, Aradel Gas Limited, Aradel Refineries Limited, and Aradel Investments Limited. It also holds a non-controlling interest in Nile Delta (South Sudan Venture). The Company, through Aradel Energy Limited, holds an indirect shareholding in ND Western Limited, an independent Nigerian oil and gas exploration and production company that manages OML 34.

The current Company structure is shown below.

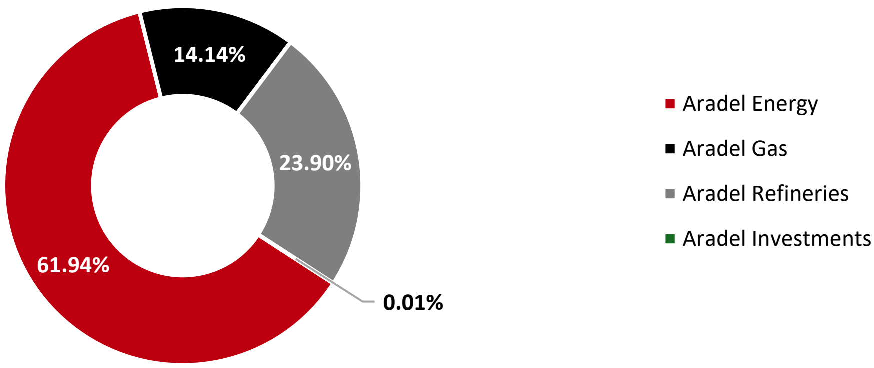


** The application for assignment of 45% participating interest in OPL 227 is currently awaiting regulatory approval.*

4. Overview of the Subsidiaries and Associates

Revenue Contribution by Subsidiaries

As of H1 2024, Aradel Holdings' unaudited financial statements showed that Aradel Energy was the largest contributor to the Group's revenue, followed by Aradel Refineries, Aradel Gas, and Aradel Investments, as shown in the chart below.



Aradel Energy Limited

Aradel Energy Limited ("Aradel Energy") is a wholly owned subsidiary of Aradel Holdings, established to explore and harness opportunities in the energy industry, underscoring Aradel Holdings' commitment to attaining energy independence in Nigeria. Aradel Energy is the operator of the Ogbele and Omerelu marginal fields (onshore). Aradel has also been appointed as operator and technical partner for OPL 227 (shallow water) pending approval from the NUPRC. Aradel was nominated as the operator by the JV partners on OPL 227, subject to regulatory approval. Aradel Energy directly holds 41.70% shareholding in ND Western Limited. Aradel Energy built the Ogbele Gas Processing Plant to develop and monetise its gas resources in the Ogbele field, while complying with the Federal Government's Gas Flares out policy for the production operations in the Ogbele Field.

In 2012, Aradel Energy became the first Nigerian Independent Oil & Gas Company to deliver a non-JV Gas volumes to the Bonny NLNG system via a Gas Sale and Purchase Agreement (GSPA) with the SPDC/Total/Agip/NNPC JV. Since then, Aradel Energy has been delivering gas to two off-takers (either directly or through its wholly owned subsidiary, Aradel Gas Limited): SPDC and Power Gas Global Investments Nigeria Limited ("PGINL"). Other private companies have also expressed interest in purchasing gas directly from the Ogbele plant.

On August 20, 2024, Aradel Energy Limited announced the acquisition of a 100% interest in the Olo and Olo West Marginal Fields from TotalEnergies EP Nigeria and NNPC Limited.

Aradel Energy's revenue grew by 7.9x YoY in H1 2024 to ₦221.3 billion compared to ₦51.2 billion in H1 2023. Its profitability also improved, as PBT and PAT figures grew by 6.0x and 20.3x to ₦123.5 billion and ₦78.3 billion respectively in H1 2024.

Aradel Gas Limited

Aradel Gas Limited ("Aradel Gas") is a wholly owned subsidiary of Aradel Holdings, established to leverage investment opportunities in the gas sector. Aradel Gas operates a 100mmscf/d gas processing facility and supplies gas to Nigerian Liquefied Natural Gas, among others.

In H1 2024, Aradel Gas generated a total revenue of ₦50.5 billion, representing a 6.7x YoY growth compared to ₦6.6 billion in H1 2024. It also generated a PBT and PAT of ₦29.4 billion and ₦3.5 billion, a YoY growth of 7.5x and 6.7x respectively.

Aradel Refineries Limited

Aradel Refineries Limited ("Aradel Refineries") is a subsidiary of Aradel Holdings, operating the refinery business with 11kbbls/d at the Ogbele field. Aradel Refineries was established to engage in refining and crude processing. Its Ogbele refinery is Nigeria's first licenced and privately-owned operational refinery which produces refined products such as AGO, DPK, Naphtha, and HFO.

In H1 2024, Aradel Refineries grew its revenue by 1.7x YoY to ₦85.4 billion. Its profitability, however, represented a mixed performance as its PBT grew by 38.7% YoY to ₦9.4 billion while its PAT marginally fell by 6.6% YoY to ₦6.0 billion. The lower PAT was a result of the rapid acceleration (8.3x) in tax expenses for the period.

Aradel Investments Limited

Aradel Investments Limited ("Aradel Investments") is a wholly owned subsidiary of Aradel Holdings, established to hold the Company's non-oil and gas investments.

ND Western Limited

ND Western Limited ("ND Western") is an independent Nigerian oil and gas exploration and production company comprised of four companies: Aradel Energy, Petrolin Trading Limited, First Exploration & Petroleum Development Company Limited, and Waltersmith Petroman Oil Ltd. ND Western was incorporated in 2011 as a Special Purpose Vehicle to acquire the jointly-held 45% participating interest of Shell Petroleum Development Company, Total E&P and Nigeria Agip Oil Company in OML 34.

In January 2023, ND Western through its indirect interest in the Renaissance Consortium, a consortium of five companies (Aradel Holdings Plc, First Exploration and Petroleum Development Company Limited, ND Western Limited, the Petrolin Group, and the Waltersmith Group), executed an agreement to acquire Shell Plc's equity stake in Shell Petroleum Development Company of Nigeria Limited, the onshore subsidiary of Shell. This acquisition provides Aradel Holdings and ND Western indirect interest in the underlying assets operated by SPDC which includes 15 oil mining leases for petroleum operations onshore and 3 for petroleum operations in shallow water in Nigeria.

5. Operations

Assets under Aradel Energy

A. PML 14 (OML 54 Ogbele Field)

Overview

Located in Rivers State, Ogbele is Aradel Holdings' flagship upstream asset. The Company acquired the Ogbele Marginal Field, situated within the old OML 54, in 2000 from the NNPC/ Chevron JV. It was the first ever Marginal Oil Field Farm Out Agreement to be negotiated in Nigeria, between a multinational/ NNPC JV and a Nigerian Independent Company. The Ogbele field is the only non-JV gas supplier to the Bonny Nigerian Liquefied Natural Gas (NLNG). In addition to the Discovery Well, 12 producing oil and gas wells have been drilled and completed within the Ogbele Field, with more planned for the immediate future.

Production

Oil production commenced in November 2005 and since then, the field has developed into a fully integrated oil and gas producing asset, comprising a crude oil processing facility with a 20kbbls/d capacity flow station, a 100mmscf/d capacity gas processing plant and a modular refinery, whose capacity expansion to 11kbbls/d from 6kbbls/d has been certified.

Product	H1 2024	2023	2022	2021	2020
Crude Oil (kbbls/d)	12.9	9.7	4.0	8.8	6.8
Gas (mmscf/d)	40.1	26.5	17.8	25.7	15.0

B. PPL 247 (OML 53 Omerelu Field)

Aradel Holdings Plc, through Aradel Energy, acquired a 100% stake and operatorship of the Omerelu Field in 2014 from the NNPC/Chevron JV. The Omerelu Field is in OML 53 about 42km North-West of Port Harcourt in Rivers State, Nigeria. On May 31, 2024, Aradel Holdings announced that the successful re-entry of Well 2ST in the Omerelu Field resulted in the attainment of First Oil. This development marked a significant milestone since the Company renewed the PPL 247 licence in January 2021 and will further extend its reserves profile, overall production levels and lead to improved revenue generation.

C. OPL 227

OPL 227 is located 40km offshore Niger Delta and covers an area of 974 square kilometres. The field is bounded to the North by OML 109 and the Ogedeh/Akepo Marginal fields (OML 90), to the East by OPL 282, to the West by OML 79, and to the South by OML 88.

As part of its mandate to fast track the development of the asset, the Company is leading the review of prior work with a view to embark on further exploration activities. The Licence for OPL 227 was renewed for 3 years in July 2024. The joint venture has applied for reallocation of 45% participating interest in the JV to Aradel (taking its total participating interest in the JV to 51%), subject to regulatory approval.

D. Aradel Refineries Limited

Overview

In 2010, the Company commissioned a 1kbbls/d refinery to primarily serve its own and other local demand for refined products. Located within the premises of the Ogbele Field, and operated through Aradel Refineries Limited, the refinery business has now grown to a three-train 11kbbls/d capacity facility that produces Automotive Gas Oil (AGO), Dual Purpose Kerosene (DPK), Marine Diesel Oil (MDO), Heavy Fuel Oil (HFO) and Naphtha. The Refinery continues to play a major role in shaping the diversification strategy of the Group.

Aradel Refineries' plant was designed and built by Chemex Modular LLC. Inc., USA. The Train I (1,000 bpd Topping Plant) has been operational since 2011 with over 85% capacity utilization. Train II and III (10,000 bpd Plant) were constructed in two phases to expand the initial Train I 1,000 bpd capacity to 11,000 bpd capacity. The phase 1 involves the Train II 5,000bpd capacity with increased product mix to include AGO, MDO, DPK, Naphtha, and HPO; the phase of the expansion project was successfully completed with the issuance of a Licence to operate the 6,0000bpd capacity. The Train III was completed in the second phase of the expansion project, and it brought an additional 5,000bpd plant capacity. The Company is working to install a Hydrotreater (to significantly reduce sulphur content), and has commenced the final works of the PMS train, that will further process all Naphtha from both Trains II and III into gasoline.

Production History of the Aradel Refinery

Product (Mmltrs)	H1 2024	2023	2022	2021	2020
AGO	18.7	52.0	33.5	16.2	21.9
HFO	19.2	25.2	26.4	10.9	6.0
Naphtha	45.9	103.4	49.8	22.3	4.9
DPK	31.3	74.3	37.0	14.9	4.7
MDO	7.2	12.8	6.6	10.2	0.3
Total	**122.3**	**267.7**	**153.3**	**74.5**	**37.8**

E. Aradel Gas Limited – The Ogbele Gas Plant

Overview

The 100 mmscf/d Ogbele Gas Processing Plant was built and commissioned by Aradel Energy in 2012. It was built to enable the Company to develop and monetise its gas resources in the Ogbele Field, as well as contribute to gas supply for domestic purposes. The Company is committed to minimising its carbon footprint and has successfully eliminated routine gas flaring at the Ogbele Gas Plant since its inception.

Assets under ND Western Limited

F. OML 34

Overview

In 2012, the Company, along with three other partners (Petrolin Trading Limited, First Exploration and Production Development OML 34 Limited, and Waltersmith Exploration and Production Limited), through a Special Purpose Vehicle (ND Western Limited), completed the acquisition of the 45% interest of the Shell/Total/Agip JV in OML 34. OML 34 is in the Western Niger Delta and covers an area of about 950 square kilometres. The producing fields within the assets are Utorogu, Ughelli East, and Ughelli West, with a total flow station processing capacity of 100 mbpd. Due to its high gas reserves, OML 34 is of strategic importance for domestic gas supply. The asset also supplies gas into the West African Gas Pipeline (WAGP) to neighbouring countries of Benin, Togo, and Ghana.

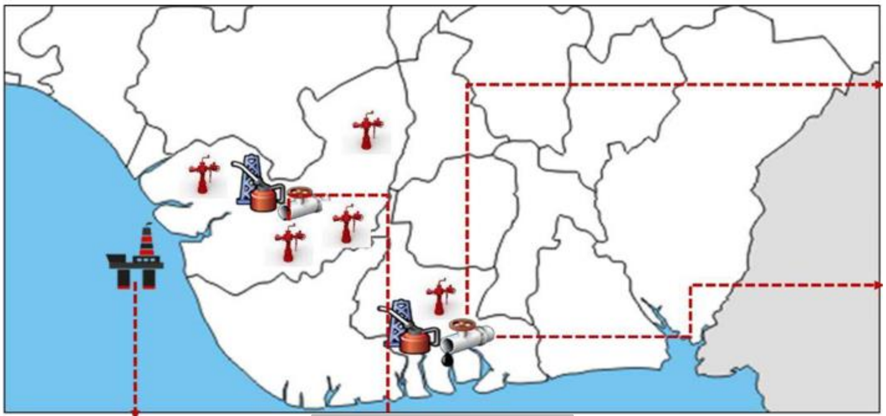
Production History of OML 34

OML 34 has three gas processing plants: two are situated in Utorogu Field (NAG-1 and NAG-2) with capacities of 360mmscf/d and 150mmscf/d respectively, and the third in Ughelli East Field with a capacity of 90mmscf/d.

Product	H1 2024	2023	2022	2021	2020
Crude Oil (kbbls/d)*	6.3	2.3	2.2	3.0	2.7
Gas (mmscf/d)*	43.9	49.6	23.9	56.3	59.3

**Aradel owns 18.8% Equity in OML 34 through its 41.67% holding in ND Western Limited*

Aradel Asset Map



PPL 247 (OMERELU FIELD)
- **Struck First Oil in May 2024**

PML 14 (OGBELE FIELD)
- **14 wells in addition to discovery well**
- **20,000bpd Flow station**
- **100mmscf/d Gas Processing**
- **11,000 bpd Mini Refinery**

OPL 227
- **2 Proved Fields**

Prospect
- **Bedi**
- **Northern**

OML 34
5 Proved Fields
- **Utorogu**
- **Ughelli East**
- **Ughelli West**
- **Warri River**
- **Effurun**

6. Aradel Holdings Reserves, Resources and Production History [6]

Current Reserve Estimates based on the most recent Competent Persons Report as of December 31, 2023

a. Aradel Holdings 2P Reserves 1 January 2024

	Equity %	Mmbbl	bscf	mmboe
Ogbele	100.0	15.1	79.5	28.8
*OML 34	18.8	33.5	331.3	90.6
Total		48.6	410.8	119.4

b. Aradel Holdings 2C Contingent Resource 1 January 2024

	Equity %	Mmbbl	bscf	Mmboe
Ogbele	100.0	8.5	121.7	29.5
Omerelu	100.0	6.7	55.0	16.2
*OML 34	18.8	24.8	120.4	45.5
Total		40.0	297.1	91.2

c. Aradel Holdings 2023 Average Production

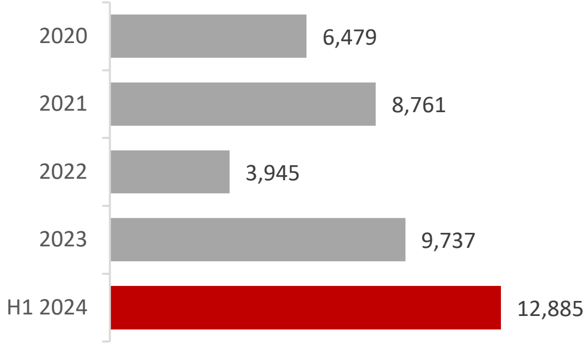
	Equity %	Kbbl/d	Mmscf/d	Kboe/d
Ogbele	100.0	9.7	26.5	14.3
*OML 34	18.8	2.3	49.6	10.9
Total		12.0	76.1	25.2

**Through Aradel's 41.67% holding in ND Western Limited*

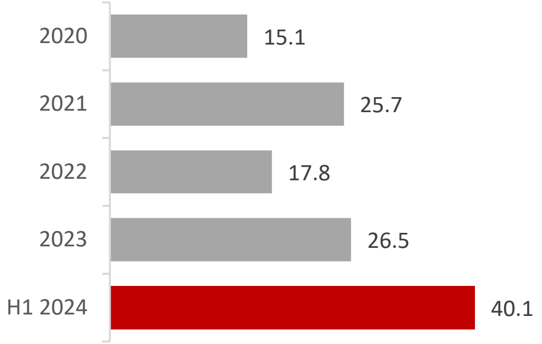
[6] *Current Estimates as at 1 January 2024*

d. Production History

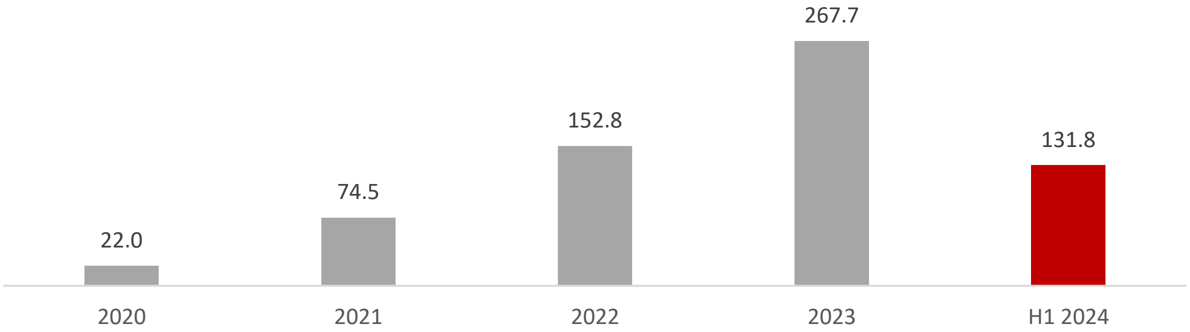
Average Annual Crude Oil Production (bbls/d)



Average Annual Gas Production (mmscf/d)



Refined Products (mm litres)



8 COMPETITIVE STRENGTHS AND BUSINESS STRATEGY

1. Competitive Strengths

Aradel Holdings operates in a competitive industry which has necessitated its identification and evolution of key strengths that will continue to drive the Company's competitive advantage.

Below are the key strengths of Aradel Holdings:

Key Achievements

- Aradel is the first fully integrated indigenous energy company in Nigeria with operations spanning exploration, production, refining, and the distribution of oil and gas products.
- Aradel pioneered the first Marginal Field Farm-Out Agreement in Nigeria, with the acquisition of interest in PML 14 (OML 54) in the Ogbele Marginal Field.
- Maintained #1 amongst Nigerian Independent Oil Companies and #10 ranking in Africa over the last three years according to Annual Africa Oil & Gas Report 2022.
- Established Nigeria's first Host Community Development Trust in 2002.

Sole-risk Business Model

Aradel's competitive edge is significantly enhanced by its operational model, which is based on a sole risk approach. This niche feature of Aradel's contract structure provides the company with the flexibility to make rapid, strategic decisions without the constraints often associated with joint venture agreements. Such autonomy allows Aradel to efficiently manage and optimise some of its assets, including OPL 227, PML 14 (Ogbele), and PPL 247. This ability to act decisively positions Aradel to capitalise on opportunities and swiftly respond to market changes.

In addition to its unique operational model, Aradel benefits from its substantial portfolio of assets. Two of these assets, OPL 227 and PPL 247, are yet to be fully developed and hold vast untapped resources. The development of these assets presents significant growth potential, offering Aradel the opportunity to expand its resource base and increase future cash flows. These assets further enhance Aradel's potential for long-term success and operational efficiency.

Fully Integrated Oil Company

An Integrated Independent oil firm with highly distinguished operations and coverage in the upstream, midstream, and downstream sectors. Over fourteen (14) producing wells have been drilled and completed from the Company's flagship upstream asset, Ogbele Marginal Field. The average daily production as of June, 2024 is 12.8kbbls/day, with a maximum daily production of 15.4kbbls/day during this period. Located within this marginal field is a crude oil processing facility with a 20kbbls/d capacity flow station, 100mmscf/d capacity gas processing plant, and 11kbbls/d modular refinery which is a 3-train facility that produces Automotive Gas Oil (AGO), Household Kerosene (HHK), Marine Diesel Oil (MDO), High Pour Fuel Oil (HPFO), and Naphtha. This integrated model approach allows Aradel to control and optimise the entire value chain, enhancing operational efficiency and profitability.

Significant Gas Reserves:

Gas production is a more stable source of earnings; there is increasing demand for gas, which is a hedge against volatile oil prices. The average daily production from the Ogbele Marginal Field as of June, 2024 is 40.1 mmscf/d, with a maximum daily production of 55mmscf/d. When fully developed, OML 34 can produce up to 600mmscf/d (100% JV numbers) and 94% of the current gas production is sold. OPL 227, with resources of up 840 bcf (best estimate contingent and prospective resources) when developed, can produce up to 300mmscf/d.

The Ogbele Field supply is contracted to two off-takers from whom the demand has increased significantly: Shell Petroleum Development Company and Power Gas Global Investments Nigeria Limited.

Participation in the Strategic Joint Ventures

Aradel's participation in joint ventures enables it to diversify its risk and further consolidate its leadership position in the sector. SPDC Limited was sold to Renaissance Africa Energy Company Limited, a consortium comprised of ND Western, Aradel Holdings, First E&P, Waltersmith, and Petrolin. Once approved by the Nigerian government, the acquisition would be the largest M&A in Nigeria's oil & gas history. The transaction is valued at circa US$1.3 billion, plus additional cash payments of up to $1.1 billion relating to prior receivables and cash balances. The deal comprises 18 licences, including 15 onshore and 3 shallow waters with some 458 million barrels of oil equivalent of proved reserves.

These include some of Nigeria's biggest and most strategic gas assets and gas fields, making Aradel a strategic player in the Nigerian energy transition journey and the development of a gas-based economy.

Quality and Strategic Oil and Gas Assets

Aradel has a portfolio of high-quality assets. OML 34 (ND Western) is key to the nation's power generation capabilities given the significant gas reserves and production capacity. Gas is also supplied domestically and regionally via the West African Gas Pipeline to Benin, Togo, and Ghana. The Company's PML 14 (Ogbele Marginal Field) was the first ever Marginal Oil Field Farm-Out Agreement to be negotiated in Nigeria between a multinational/NNPC JV and a Nigerian Independent Company. Ogbele is the only non-JV gas supplier to the Bonny Nigerian Liquefied Natural Gas (NLNG).

Safe and Reliable Evacuation for the Company's Increasing Production

The deployment of the ACE route has ensured continuity of operations and introduced redundancies to the evacuation of export-bound crude via the Trans Niger Pipeline, mitigating potential risks from present and future disruptions. The ACE deployment has helped to curb the significant rise in crude oil theft and reduce losses to below 2% by H1 2024.

The Group has Built Strong Relationships with Key Local Communities

Host community relationships promote trust and confidence amongst stakeholders and results in a stable operating environment. Aradel considers its host communities as critical stakeholders for the sustainability of its operations. Since inception, the Company has been passionate about transforming the lives of the people of its host communities and their environment. In 2002, Aradel pioneered the Host Community Development Trust, allocating a portion of its annual profit to fund key infrastructure projects in these communities.

Experienced Board of Directors and Highly Skilled Management Team

The Company has an experienced Board of directors. Board members have the appropriate balance of skills and diversity of experience which cuts across accounting, engineering, geology, industrial science, economics, and finance as well as geographical diversity spanning local and international experience. The Board has an average industry experience of 34 years and members have served on the Board for an average of eight years with a range of 1 to 14 years. The average age of the Board is 61 years ranging from 43 to 82 years.

Indigenous Oil Company

Being a locally rooted entity, Aradel benefits from a deeper understanding of the socio-economic and political dynamics of the region, fostering strong relationships with government bodies and regulatory authorities. This local presence often results in more constructive engagements with the government regarding compliance requirements, as there is a mutual interest in supporting domestic enterprises. Additionally, Aradel's indigenous status aligns with national policies aimed at promoting local content and empowering home-grown businesses, thereby enhancing its ability to secure government contracts, favourable terms, and potential subsidies. This strategic positioning not only mitigates regulatory risks but also bolsters Aradel's operational resilience and long-term sustainability in the competitive oil and gas industry.

2. Aradel's Business Strategy

Integrated Energy Company

Aradel operates an integrated model at its Ogbele field, which includes a 20kbbls/d capacity flow station, a 100 mmscf/d capacity gas processing plant, and an 11kbbls/d modular refinery. This comprehensive infrastructure allows for efficient crude oil processing, gas processing, and refining, creating a self-sustaining ecosystem that maximises resources. The Company aims to leverage these synergies to improve overall operational efficiency and maintain consistent energy production by establishing a similar infrastructure at the Omerelu field. On August 22, 2024, Aradel Energy announced the acquisition of a 100% interest in the Olo and Olo West Marginal Fields, which are strategically located near the Omerelu field. The proximity of the new assets to the Omerelu field will facilitate streamlined operations, reduce logistical complexities, and enable efficient resource management once the field becomes fully operational.

Aradel also engages in joint ventures to further its investment goals and unlock future value. The company partners with ND Western Limited, CESEL, and Nile Delta, leveraging these collaborations to access additional investment opportunities and broaden its market presence. These joint ventures enable Aradel to diversify its portfolio, participate in various projects, and capitalise on collective expertise.

Strategic Focus on Gas Production for Sustainable Growth

Aradel places strong emphasis on gas production and development initiatives, which are set to significantly outpace those of oil in the future. This strategic focus highlights Aradel's commitment to sustainable practices, aligning with global trends toward cleaner energy sources. Prioritizing gas production enables the Company meet increasing regulatory and consumer demands for cleaner energy solutions, reducing the risk of potential liabilities associated with oil production.

Aradel owns significant gas resources, including the OML 34 and OPL 227, and once development is completed, these assets can produce up to 600 mmscf/d and 300 mmscf/d, respectively. Development will commence on harnessing this potential on the gas assets once the licence for OPL 227 is renewed and appraisal and drilling exercises are completed.

The global market for natural gas is expanding, driven by industrial demand, power generation, and residential consumption, providing Aradel with opportunities for higher aggregate prices and greater value from gas sales. This focus on gas production is designed to capitalise on the increasing demand for cleaner energy, ensuring that Aradel remains at the forefront of industry evolution while delivering long-term value to its stakeholders. This approach supports global climate goals and strengthens Aradel's market position, enhancing its competitive advantage.

Optimization of Existing Assets and Strategic Expansion and Diversification through Key Partnerships

Aradel's approach to resource growth is both organic and inorganic. The organic approach involves the optimization of existing assets, ensuring that projects with substantial value impacts are subjected to a stage gate value assurance process. Aradel fully embeds and implements the Opportunity Realisation Process (ORP) philosophy for all projects. For well delivery, this process ensures substantial front-end planning and design of the wells, risk assessment, and a well-defined execution phase. This process will be followed for its upcoming 2024/2025 Light Rig Campaign and the Exploration Drilling (EAD) programmes.

Aradel pursues inorganic expansion of resources through field acquisitions. This approach helps Aradel to broaden and diversify its asset portfolio, enhance its competitive edge, and reinforce its operational foundation. In January 2024, Aradel, along with strategic industry partners – ND Western Limited, the Petrolin Group, FIRST Exploration and Petroleum Development Company Limited, and the Waltersmith Group – formed a consortium called Renaissance Africa Energy Company Limited. This consortium was specifically established to participate in the divestment process of Shell International Plc's equity interest in Shell Petroleum Development Company of Nigeria Limited (SPDC). Aradel continuously explores various initiatives to optimise the value chain throughout its business operations, aiming to improve its return on investment.

The proposed acquisition will significantly diversify Aradel's asset base, reducing dependency on existing assets and spreading risk across a wider range of holdings. It also represents a strategic opportunity for Aradel to enhance its asset base, operational efficiency, and competitive standing, while also supporting its long-term growth and sustainability objectives. The completion of this acquisition is pending approval from the Federal Government of Nigeria.

Value Creation through Resource Development, Operational Excellence, and Innovation

Aradel's business strategy aims to maximise value extraction from its oil and gas assets through extensive drilling campaigns, exploration, and appraisal drilling. This approach has proven effective in extending the reserves of the Ogbele field, estimated at 46.29mmboe in 3P reserves[7] as at December 31, 2023. The company is also seeking to convert the Ogbele oil field into a major hub for oil and gas processing and export. By leveraging its existing infrastructure, including its gas plant and refinery, Aradel will facilitate third-party operators in processing their crude oil for export. This processing hub model will also be implemented at the Omerelu field following the conclusion of well tests, thus maximizing value extraction across its assets.

[7] Competent Persons Report, December 2023 (Gross Reserves 100% Oil (3P) – 24,091.5 mbbl, Gas- 133,209.5 mmcf)

9 ARADEL'S APPROACH TO SUSTAINABILITY

Aradel Holdings is forging a path of sustainable economic prosperity, profitability, and stakeholder value creation. The Company operates safely and responsibly, diligently managing the environmental impact of its operations. Some of its sustainable initiatives include:

Environment

Environmental stewardship is a core value at Aradel Holdings, and it is committed to implementing innovative solutions to minimise its environmental footprint. The Company's strategies focus on reducing carbon emissions and lowering its greenhouse gas output. Consequently, Aradel aims to mitigate the impact of climate change and ensure a healthier planet for future generations.

Waste Reduction

Promotion of the circular economy is central to Aradel's waste management strategy, which focuses on minimizing waste production and enhancing resource efficiency through practices that encourage recycling and reuse. In line with this strategy, the water extracted from crude oil processing is treated and injected into dry holes instead of being discharged into the environment.

Gas Initiative

Aradel's active participation in the Decade of Gas initiative in Nigeria highlights its commitment to energy sustainability. The Company has successfully eliminated routine gas flaring since commissioning the Ogbele gas processing plant in 2012. This initiative not only reduces environmental pollution but also converts waste gas into valuable energy, supporting both environmental and economic objectives.

Clean Energy

The Company is focused on bridging the energy gap by offering innovative and accessible energy options that improve the quality of life in Nigeria and across Africa. By promoting the use of clean energy, it aims to reduce reliance on fossil fuels and decrease overall carbon emissions within timelines set by the United Nations.

Social Investment Initiatives

Implementation of social investment initiatives is crucial for fostering economic empowerment within Aradel's communities. The Company supports programs that enhance education, healthcare, and infrastructure, contributing to the overall development and well-being of the regions where it operates. These initiatives are designed to provide long-term benefits for the Company's shareholders and drive positive social change for its host communities.

Stakeholder Engagement

Active engagement with stakeholders is fundamental to Aradel's operations. It maintains open communication channels with local communities, regulatory bodies, and industry peers. This collaborative approach ensures transparency, fosters trust, and encourages shared growth and development.

Additional Context to Aradel's Sustainability Efforts:

Integration of Sustainability Initiatives

Aradel's sustainability initiatives are not standalone efforts but are integrated into its broader business strategy. This integration ensures that sustainability is embedded in its decision-making processes, from planning to execution. By aligning its sustainability goals with its business objectives, Aradel has created a cohesive strategy that drives long-term value for all stakeholders.

Impact Measurement and Reporting

The Company believes in the importance of measuring and reporting the impact of its sustainability initiatives. As such, it has implemented robust metrics and reporting frameworks to track its progress and ensure accountability. Regular reporting on its sustainability performance on an annual basis helps the Company to stay on course and provides transparency to its stakeholders about its achievements and areas for improvement.

Future Commitments

Aradel Holdings is committed to advancing its sustainability efforts and continuously explores new technologies and practices that can further reduce its environmental impact and enhance its social contributions. Aradel's future commitments include expanding its clean energy projects, increasing its investment in community development, and setting more ambitious targets for reducing its carbon footprint.

10 DIRECTORS, SENIOR MANAGEMENT TEAM, AND CORPORATE GOVERNANCE

1. Board of Directors

Aradel's Board of Directors is comprised of directors with broad experience across geographies and sectors, who are well-placed to provide guidance and oversight to the Company.

The Board is currently comprised of 7 (Seven) Non-Executive Directors and 2 (Two) Executive Directors. Pursuant to the Company's Articles of Association and the provisions of CAMA, the Directors retire by rotation.

- ***Ladi Jadesimi (Chairman)***

  Ladi Jadesimi has a background in Law and Accountancy. He graduated with an Honours degree in Jurisprudence from the University of Oxford, in England. He also holds a degree in Accountancy and is a Fellow of the Institute of Chartered Accountants in England and Wales. He is also a member of the Institute of Chartered Accountants, now renamed Certified Professional Accountants, of Ontario, Canada. He was a founding partner of Arthur Andersen, Nigeria. He took early retirement from professional practice to engage in private business, primarily in Financial Services, Oil and Gas, and Real Estate. He serves on the Boards of several companies and is currently Chairman of The Board - First City Monument Group Holding Company. He is the Founder and Executive Chairman of the Ladol Group of Companies which established and runs the largest Industrial Free Zone in the country. He has served on the Aradel Board for fourteen (14) years.

- ***Adegbite Falade (Chief Executive Officer/Managing Director)***

  Adegbite Falade is a First Class (BSc) graduate of Electrical & Electronics Engineering from the University of Ibadan. He also holds an MBA from Warwick Business School, Coventry, in the United Kingdom. He has close to 30 years professional experience, 16 years of which have been in various senior executive positions in the oil and gas, power and services sectors, with responsibilities for engineering, operations, project execution, commercial, client and stakeholder management, strategy and enterprise development. He was previously the Managing Director and Group Chief Operating Officer at Oilserv Group of Companies based in Port Harcourt. Prior to that, he served as General Manager, Portfolio Development and Chief Operating Officer at Oando Energy Resources as well as Executive Director, Oando Gas & Power. He was the Petroleum Economics Discipline & Portfolio Lead for Shell EP, Africa. He joined Aradel in February 2021.

- ***Osten Olorunsola (Non-Executive Director)***
  Osten Olorunsola is a Geology graduate from the University of Ilorin, Nigeria, with over four decades of experience-based knowledge, skills, and expertise in petroleum resource management, notably in policy formulation, implementation, crafting legislation, regulation of opportunity realisation, field development, and commercial operations. He served various companies and agencies of government in Nigeria, Italy, the Netherlands, and the United States of America. After 10 years in petroleum geoscience roles in Agip-ENI, he spent 22 years with Shell International in leading positions in corporate planning and economics. He was the Petroleum Engineering Manager for the first major deep offshore development in Nigeria, and has experience with technology deployment in Russia, and hydrocarbon resources management for Sub-Sahara Africa (SSA). He retired from Shell International as Vice President of Commercial Gas Business for SSA thereafter serving as Adviser to two Ministers of Petroleum Resources, later as Director of Petroleum Resources, and subsequently as the technical lead for drafting the Petroleum Industry Bill from 2010 till 2019. He is a Fellow and Country Chairman of the Energy Institute, Chairman/Chief Executive Officer of

Energetikos Limited, and holds several non-executive board positions. He has served on the Aradel Board for ten (10) years.

- ***Thierry Georger (Non-Executive Director)***

Thierry Georger joined the Petrolin Group (Switzerland) in 1995 and is responsible for all crude oil trading activities, including the sale of crude oil cargoes (approx. 60,000 barrels per day) from West Africa and the Far East. He is also responsible for operations on spot, and short-term contracts in varied regions, including West Africa, Russia, the Middle East, Asia, South America, and Egypt. Reporting directly to the Chief Executive Officer, he is responsible for all aspects of contracts including negotiation, credit exposure, legal requirements, logistics and freight, sale, and pricing mechanics. He has a master's degree in Commercial and Industrial Sciences from the University of Geneva, Switzerland. He has served on the Aradel Board for over ten (10) years.

- ***Ede Osayande (Non-Executive Director)***

Ede Osayande is a Capital Market Specialist with over 32 years of experience in Banking and Finance. He has served in key areas of finance, including governance, financial analysis, risk management, banking operations, and regulatory compliance. He also served as the former Bank Treasurer and Chief Accountant at PricewaterhouseCoopers Nigeria. He is an Economics graduate of the University of Benin and obtained an MBA from the University of Lagos. He is currently a Director of LAPO Microfinance Bank Limited and GSCL Consulting, formerly known as Global Strategic Research Outcome Limited. He has served on the Aradel Board for ten (10) years.

- ***Afolabi Oladele (Non-Executive Director)***

Afolabi Oladele has more than 47 years of experience in the oil and gas industry as well as private equity practice. He was mostly with the Nigerian National Petroleum Corporation (NNPC), serving in various capacities culminating as Group Executive Director in 1995. He was seconded from NNPC at different times to OPEC, Mobil USA, and Total in France. He is a Fellow of the Nigerian Academy of Engineering with a BSc degree in Chemical Engineering and Post-graduate Certificates in Petroleum Economics and Management. He retired as Partner/Senior Advisor Energy/Petroleum at African Capital Alliance, a $1.2 billion Nigerian-based private equity fund manager. He served on the Board of Addax Petroleum and other leading Nigerian independent exploration & production, and financial services companies in Nigeria. He has served on the Aradel Board for eight (8) years.

- ***Gbenga Adetoro (Non-Executive Director)***

Gbenga Adetoro is an investment executive with over 22 years of experience, evaluating businesses, structuring investments, and raising capital with a focus on West Africa. He is currently a Partner at African Capital Alliance (ACA), where he leads the firm's Energy sector. Prior to joining Capital Alliance in 2008. Gbenga Adetoro was a Manager in the Global Energy & Natural Resources practice at Accenture, where he assisted international oil companies and power utilities to improve operational performance and realise shareholder value. He started his career in the Audit & Business Advisory unit at Arthur Andersen (now KPMG Professional Services). Gbenga Adetoro possesses comprehensive knowledge of the energy industry, financial structures, sound investment judgment, and strong interpersonal skills with a history of building relationships in different cultural environments. He has served on the Aradel Board for five (5) years.

- ***Adegbola Adesina (Chief Financial Officer/Finance Director)***

  Adegbola Adesina holds an Executive MBA from the INSEAD Business School, as well as a First-Class bachelor's degree in accounting from the University of Lagos. He is an Associate Member of the Institute of Chartered Accountants of Nigeria (ICAN) and has also earned the Chartered Financial Analyst (CFA) designation. He has over 20 years of experience covering investment banking, financial and transaction advisory, audit, project, and management accounting that span a diverse range of businesses, including private equity, energy and infrastructure, oilfield services, banking and manufacturing. During this time, he led, participated in, and managed capital raising (debt and equity) assignments and other forms of financing/restructuring for infrastructure projects and infrastructure-based companies on both the buy and sell sides. In the past nine years, he held senior finance roles across the upstream production and gas processing businesses. He has served on the Aradel Board for three (3) years.

- ***Patricia Simon-Hart (Independent Non-Executive Director)***

  Patricia Simon-Hart has a master's in public administration (MPA) from Harvard, Kennedy School of Government, a bachelor's degree in Mathematics/Computer Science & Statistics, from the University of Port Harcourt, and is an alumnus of London Business School. She has over 30 years of experience in Management, Public Policy and has a varied career spanning oil and gas, ICT, water, and public service. She is the founder and Managing Director of Aftrac Limited. She is on the Executive Board of the Petroleum Technology Association of Nigeria (PETAN), a Council member for WEConnect International, and a member of the Nigerian Content Development & Monitoring Board's (NCDMB's), Nigerian Content Consultative Forum (NCCF), Sectoral Working Group (SWG) for Diversity. She is also a co-founder and the Vice President (Upstream) of Women in Energy Network (WEIN), an organisation established in 2020 to provide a platform for Women that work across the energy industry value chain to network, build confidence and progress their careers and businesses. She has served on the Aradel Board for one (1) year.

- ***Titi Omisore (Company Secretary/Group General Counsel)***

  Titi Omisore graduated with a BA (Political Science), and an LLB from the University of Illinois, Champaign Urbana, and the University of Buckingham respectively. Thereafter, she obtained her BL from the Nigerian Law School. She started her working career with Strachan Partners in 1993. In 1999, she attended Kings College, University of London where she obtained a master's degree in Tax Law. She returned to Strachan Partners where she was made a Partner before joining NDEP as the Company Secretary and General Counsel in 2001. With her in-depth knowledge of various areas of the law and expertise in the oil and gas sector acquired over the past 23 years, Ms Omisore has been a key member of the core executive team that led the Company in various acquisitions, Joint Venture Partnerships (both within and outside Nigeria), equity raising, and other diverse transactions.

3. Management and Key Staff

All members of the Company's senior management team and management team have substantial breadth and depth of experience in various areas including petroleum engineering, oil production and marketing, stakeholder management, internal consulting, and corporate financial management.

The senior management team reports directly to the Chief Executive Officer:

- ***Adegbite Falade (Chief Executive Officer/Managing Director)***

  Please refer to page [38]

- ***Adegbola Adesina (Chief Financial Officer/Finance Director)***

  Please refer to page [40]

- ***Titi Omisore (Company Secretary/Group General Counsel)***

  Please refer to page [40]

- ***Dr. Ebenezer Ageh (Chief Technical Officer)***

  Ebenezer Ageh has over 28 years of experience with a proven record of accomplishments in deep water production operations in the U.S. Gulf of Mexico (Mars Basin), Offshore West Africa (Bonga Main Development, Bonga North Project & EA) and Onshore Assets in Nigeria. Prior to joining Aradel Energy Limited, he was the Chief Operating Officer at First Hydrocarbon Nigeria Limited where he led the OML26 Asset Management Team. He has served in various senior executive positions in the oil and gas industry, with responsibilities for providing the leadership and strategic vision necessary to achieve operational excellence, cost efficiency, asset integrity, and delivering on production objectives in a safe, sustainable, and environmentally friendly manner. During this time, he managed various production engineering projects for Shell across the globe and championed LEAN initiatives in Shell Operations in Sub-Saharan Africa. He joined Aradel in August 2021.

- ***Temitayo Ogunbanjo (General Manager, Refinery)***

  Temitayo Ogunbanjo has over 22 years of experience in the downstream sector with core competencies in General Management, Strategy & Execution, Operations & Supply Chain. He has served in various capacities such as Managing Director, Integrated Oil & Gas Limited, Chief Marketing Officer, Oando Supply & Trading and Head of Energy Investments, Ocean & Oil Holdings. He holds an MBA from the Cardiff Business School, as well as a bachelor's degree in economics from the Obafemi Awolowo University. He attended the Senior Executive Programme at Harvard Business School. He is a professional member of the Institute of Directors (IOD) Nigeria, the Nigeria Economic Summit Group (NESG), and the Energy Institute UK. He joined Aradel in September 2021.

- ***Femi Olaniyan (General Manager, Engineering and projects)***

  Femi Olaniyan has over 22 years of diverse experience in the oil and gas industry and began his career in the industry when he joined Aradel Energy Limited as a Field/Petroleum Engineer in 2001. He worked with a team of Petroleum Engineers in planning the Ogbele Field Development activities for the development of the first marginal oil field in Nigeria. He later led the surface engineering works for the development of the Ogbele Field and his responsibilities included coordinating activities such as land acquisitions and various construction works, leading to the installation and commissioning of oil and gas facilities. In the past decade, he has led and driven the execution of major facility developments, including the 100mmsfcd Gas Processing Plant and the 11,000bpd

Refinery Expansion. He obtained a Bachelor of Engineering (BEng) degree in Chemical Engineering from the Federal University of Technology, Minna, Niger State in 1998. He joined Aradel in April 2001.

- ***Olarewaju Daramola (General Manager, Commercial)***

  Olarewaju Daramola has 32 years of extensive international oil and gas work experience in Nigeria, Australia, and the Netherlands, in senior roles within operated and non-operated joint ventures. He has vast expertise, proven leadership, and hands-on managerial experience across Commercial (Operated Assets, Opportunity Maturation, Contracts/Agreements, Acquisition and Divestment Deals), Government Relations, Information Management and Technology. Prior to his appointment at Aradel, he served as the Gas Planning and Optimisation Manager for Shell Nigeria. While at Shell, He was responsible for the country's gas strategy development and implementation, business planning, and gas advocacy. He also served as the Non-Operated Venture Manager, where he oversaw the governance of non-operated ventures, marginal fields management, divestment transactions, and commercial agreements. He holds a First-Class Bachelor's degree in Computer Engineering from Obafemi Awolowo University. He also holds a Master's degree in Computer Science from the University of Lagos and an MBA from Rushmore University (Online). He joined Aradel in September 2021.

- ***Sola Olugbemiga (General Manager, Petroleum Engineering and Subsurface)***

  Sola Olugbemiga has over 25 years of experience in Petroleum Engineering, Subsurface interpretation, Reserves Management, and Geological and Geophysical Studies. He has overseen teams that earmarked projects to assure value for Odidi production node, where Shell Nigeria's first Associated Gas Gathering system was built, and while at Aradel Energy Limited has been responsible for increased hydrocarbon reserves and production at Aradel Energy Limited's Flagship asset, Ogbele Field. He commenced his career at Shell Nigeria in 1988 and served as a Seismic Interpreter in the Exploration and Production Study Team. While at Shell, Olugbemiga also worked as a Community Liaison Officer, and later as a Production Geologist and a Realise the Limit (RtL) Program Facilitator. He holds a BSc degree in Geology from the University of Ibadan. He joined Aradel in August 2014.

- ***Tunde Odeyemi (General Manager, Sub-Saharan Opportunities)***

  Tunde Odeyemi has over 18 years of experience in the Energy sector, with a focus on Renewable Energy, Exploration & Production, Well Engineering and Well Completions. He started his career as a management consultant with Accenture, responsible for advancing the Renewable Energy Division of NNPC as part of Project Pace, before moving to Shell Petroleum Development Company of Nigeria (SPDC) in the Well Engineering Department in both Warri and Port Harcourt, with an emphasis on well completions. He joined Aradel Energy Limited in 2014 as an Engineering and Well Completion Team Lead and, as part of Aradel Energy Limited's Sub-Saharan Expansion, he moved to South Sudan in April 2015 to head Nile Delta Petroleum Company Limited, a joint venture with the South Sudan national oil and gas company, Nile Petroleum Corporation (Nilepet), concentrating on crude oil optimisation and gas utilisation and monetisation. He holds a First-Class BEng Chemical Engineering (with Process Control) from the University of Bradford, UK. He also holds an MEng (with Distinction) and MSc degrees in Chemical Engineering from the University of Bradford, UK and Georgia Institute of Technology, USA, respectively. He joined Aradel in August 2014.

- ***Rita Immuentiyan Olarewaju (General Manager - HR & Corporate Services)***

  Rita Olarewaju is a seasoned HR professional with 30 years of diverse experience across the Oil & Gas, Consulting, and Financial Services industries. She held various local, regional and global roles within Shell Group including HR Business Partnering, Talent and Change Management, Compensation, Resourcing, and Country HR leadership in sub-Saharan Africa and Southeast Asia. She has consistently set and implemented differentiating people strategies that enable and enhance business performance, and her passion for people development has been pivotal in advancing the people, talent and leadership agenda in the various businesses she has supported. Rita holds a bachelor's and a master's degree in psychology and is a Fellow of the Chartered Institute of Personnel & Development (CIPD UK) and a member of the Chartered Institute of Personnel Management of Nigeria (CIPMN). She joined Aradel in September 2024.

- ***Oshiorenua Adams (Information and Communication Technology Manager)***

  Oshiorenua Adams has over 24 years of experience managing Information and Communication Technology (ICT) across the banking, telecommunication, and oil & gas industries. Over the years, she has held various positions where she used technology to enhance the business processes of organisations. She has a BSc in Computing from Richmond College, The American International University, London and an MSc in Information Systems from Brunel University, London. She joined Aradel in June 2005.

4. Corporate Governance

The Company is fully committed to implementing best practice corporate governance standards. The Company recognises that corporate governance practices must achieve two goals: protecting the interest of Shareholders and guiding the Board and management to direct and manage the affairs of the Company effectively and efficiently.

Compliance with the Code of Corporate Governance

The Company is compliant with the duties and responsibilities stated under the Corporate Governance Code.

Board Composition

The Board is currently comprised of 7 (seven) Non-Executive Directors and 2 (two) Executive Directors. The Non-Executive Directors are independent of management and free from constraints that could materially interfere with the exercise of their independent judgement. They have experience and knowledge of the industry, markets, financial and/or other business information to make a valuable contribution to the Company's progress

Board Committees

The Board has committed substantial time and resources towards the development and implementation of a Code of Corporate Business Principles for directors, managers and employees of Aradel which incorporates best practice principles. To enhance corporate governance, the Board has established 4 committees with delegated authorities.

i. Board Audit & Finance Committee (BAFC)

The Committee acts on behalf of the Board on matters relating to financial management. It reviews the budget, financial reports and audited accounts and is responsible for providing useful advice and recommendations to the Board for the benefit of the Company's management team as and when required. The Committee is currently composed of three (3) members namely:

a) Ede Osayande – Chairman
b) Thierry Georger – Member
c) Gbenga Adetoro – Member

ii. Governance Remuneration & Nomination Committee (GRNC)

This Committee is responsible for assisting the Board in fulfilling its oversight responsibilities relating to ensuring compliance with the appropriate corporate governance measures provided by the NCCG; assessment and response to appropriate risks in connection with the governance structure and processes; assisting the Board in defining and assessing the qualifications for Board of Directors membership and outsourcing the recruitment of such individuals. The Committee also reviews and makes recommendations to the Board on remuneration strategies for the Group including the Board, senior management, and staff. The Committee is currently composed of four (4) members namely:

a) Afolabi Oladele- Chairman
b) Ede Osayande – Member
c) Osten Olorunsola – Member
d) Patricia Simon-Hart – Member

iii. Corporate Responsibility & Risk Management Committee (CRRMC)

The Corporate Responsibility & Risk Management Committee has a risk management oversight function and concerns itself with the proactive identification, assessment and management of risks and compliance. It is also tasked with providing periodic review of the risk management framework and policies that guide the operations of the Company. The Committee is currently composed of four (4) members namely

a) Osten Olorunsola – Chairman
b) Adegbite Falade – Member
c) Thierry Georger – Member
d) Gbenga Adetoro – Member

iv. **Corporate Strategy Committee (CSC)**

This Committee was specifically set up by the Board and its major role is to research and advise the Board on the long-term development strategies, significant asset investment decisions and significant technical decisions of the Company

a) Osten Olorunsola – Chairman
b) Afolabi Oladele – Member
c) Adegbite Falade – Member
d) Patricia Simon-Hart – Member

v. **Statutory Audit Committee (SAC)**

The Statutory Audit Committee was established pursuant to the provision of the Companies and Allied Matters Act 2020 and Part C of the NCCG. It is responsible for ensuring the accounting and reporting policies and processes of the Company align with legal and ethical requirements as well as the exercise of oversight functions with respect to audit matters and making recommendations to the Board. It comprises knowledgeable and committed members (shareholder representatives and Board representatives) who have shown integrity and a thorough understanding of standard practice.

a) Femi Akinsanya – Shareholder Representative (Chairman)
b) Eddie Efekoha – Shareholder Representative
c) Gbola Akinola, SAN – Shareholder Representative
d) Afolabi Oladele – Board Representative
e) Ede Osayande – Board Representative

Roles of Chairman and Chief Executive Officer

The roles and responsibilities of the Board of Directors are well defined. The Board is not dominated by any individual. The role of the Chief Executive Officer is separate from that of the Chairman, and he implements the management strategies and policies adopted by the Board. The Chairman is not involved in the day-to-day operations of the Company.

Proceedings and Frequency of Meetings

The Board meets regularly (at least once every quarter). An agenda and relevant reports and board papers are provided to all Directors ahead of each meeting.

Non-Executive Directors

The Company's Non-Executive Directors are professionals who have proven themselves in their areas of expertise. They actively contribute to Board deliberations and decision-making.

Code of Business Ethics

The Company is committed to conducting all activities and operations with the utmost professionalism and integrity, by ensuring compliance with all applicable laws, effectively managing any conflicts of interest arising from time to time and establishing systems and controls that avoid corruption and unethical conduct.

Aradel Holdings Plc

Consolidated Statement of Profit or Loss for the Years Ended December 31, 2019 to 2023 and June 30, 2024

₦ 'million	**H1 2024**	**2023**	**2022**	**2021**	**2020**	**2019**
Revenue	268,314	221,142	66,109	51,568	32,529	45,959
Cost of Sales	(83,570)	(58,573)	(12,678)	(17,322)	(9,699)	(24,487)
Gross Profit	**184,744**	**162,570**	**53,432**	**34,245**	**22,829**	**21,472**
Other (Loss)/Income	7,526	(7,975)	(989)	5,074	6,762	4,045
Impairment Writeback/(Loss) on Financial Assets	-	64	(12)	-	-	-
General and Administrative Expenses	(19,435)	(25,317)	(11,243)	(7,971)	(6,793)	(5,282)
EBITDA	**172,835**	**129,343**	**41,188**	**31,348**	**22,799**	**20,235**
Depreciation & Amortisation	(22,566)	(15,286)	(11,922)	(19,325)	(9,558)	(5,770)
Operating Profit (EBIT)	**150,269**	**114,056**	**29,266**	**12,023**	**13241**	**14,465**
Finance Income	5,981	6,610	1,953	1,663	675	305
Finance Cost	(7,427)	(11,724)	(3,453)	(3,282)	(3,338)	(3,181)
Net Finance (Cost)/Income	**(1,445)**	**(5,114)**	**(1,500)**	**(1,618)**	**(2,663)**	**(2,876)**
Share of Profit of Associate	13,455	3,222	5,497	9,776	6,176	9,003
Profit Before Taxation	**162,278**	**112,164**	**33,263**	**20,180**	**16,754**	**20,592**
Tax Credit / (Expenses)	(57,852)	(58,426)	(18,123)	9,223	42	(1,095)
Profit After Taxation	**104,426**	**53,738**	**15,140**	**29,403**	**16,796**	**19,498**
Earnings Per Share(₦)	**480.69**	**247.36**	**69.99**	**135.35**	**77.31**	**89.75**

Aradel Holdings Plc

Consolidated Statement of Financial Position for the Years Ended December 31, 2019 to 2023 and June 30, 2024

₦ *'million*	H1 2024	2023	2022	2021	2020	2019
Assets						
Non-Current Assets						
Property, Plant and Equipment	633,556	383,428	223,695	195,809	162,335	123,285
Intangible Assets	1,280	1,212	468	780	30	52
Deferred Tax Assets	-	-	12,760	25,417	12,097	9,395
Financial Assets	4,554	4,051	1,852	2,181	1,417	1,141
Investment in Associate	456,443	270,233	132,532	116,663	99,313	74,896
	1,095,833	**658,924**	**371,659**	**340,849**	**275,193**	**208,769**
Current Assets						
Inventories	22,395	15,973	9,371	4,954	3,420	2,052
Trade Receivables	49,270	51,471	17,627	4,956	5,312	8,688
Other Receivables	2,214	2,052	13,916	13,661	13,655	9,150
Prepayments	469	83	99	205	292	179
Financial Assets	1,029	313	352	-	-	-
Cash And Cash Equivalents	420,433	194,619	60,709	12,808	5,108	7,709
	495,810	**264,510**	**101,722**	**36,584**	**27,786**	**27,778**
Total Assets	**1,591,643**	**923,435**	**473,382**	**377,433**	**302,979**	**236,546**
Equity						
Share Capital	2,172	2,172	2,172	2,172	2,172	2,172
Share Premium	22,820	22,820	22,820	22,820	22,820	22,820
Translation Reserve	892,957	462,349	129,500	103,744	82,104	39,261
Fair Value Reserve of Financial Assets At FVOCI	3,025	2,529	267	595	(581)	(69)
Retained Earnings	276,229	209,029	170,403	160,420	132,477	119,362
Non-Controlling Interests	8,164	5,745	1,604	1,483	1,340	985
Total Shareholders' Equity	**1,205,367**	**704,645**	**326,766**	**291,234**	**240,331**	**184,532**
Liabilities						
Non-Current Liabilities						
Borrowings	52,959	44,350	36,023	13,544	19,074	17,487
Deferred Tax Liabilities	56,942	18,386	-	-	-	-
Decommissioning Liabilities	108,572	65,161	64,490	45,149	21,951	17,301
	218,473	**127,898**	**100,512**	**58,693**	**41,025**	**34,788**
Current Liabilities						
Trade Payables	20,431	19,827	8,622	7,379	7,993	4,622
Other Payables	63,622	37,250	15,247	9,756	6,123	5,730
Contract Liabilities	719	1,772	-	-	-	-
Taxation	55,450	14,422	4,510	2,705	346	1,314
Borrowings	27,581	17,622	17,725	7,666	7,161	5,561
Total Current Liabilities	**167,803**	**90,892**	**46,104**	**27,506**	**21,623**	**17,227**
Total Liabilities	**386,276**	**218,790**	**146,616**	**86,199**	**62,648**	**52,015**
Total Equity & Liabilities	**1,591,643**	**923,435**	**473,382**	**377,433**	**302,979**	**236,546**

Aradel Holdings Plc
Consolidated Statement of Cash Flows for the Years Ended December 31, 2019 to 2023 and June 30, 2024

₦ 'million	H1 2024	2023	2022	2021	2020	2019
Cash flows from operating activities						
Profit before taxation	162,279	112,164	33,263	20,180	16,754	20,592
Adjustments:						
Depreciation of property, plant and equipment	39,459	14,904	11,564	19,049	9,524	5,754
Interest expense	7,427	11,724	3,453	3,282	3,338	3,181
Interest income	(5,981)	(6,610)	(1,953)	(1,663)	(675)	(305)
Dividend received	(137)	(74)	(53)	(49)	(88)	(11)
Exchange (gain)/loss	(6,863)	8,386	1,071	(3,176)	(6,608)	(1,648)
Share of profit from associate	(13,455)	(3,222)	(5,497)	(9,776)	(6,176)	(9,003)
Other Operating Activities	(4,862)	5,044	(728)	(2,506)	(1,702)	(5,074)
Operating cash flows before movement in working capital	**177,867**	**142,316**	**41,120**	**25,341**	**14,367**	**13,487**
Movement in working capital:						
(Increase)/Decrease in Trade and Other Receivables	2,039	(17,938)	(14,008)	3,497	5,423	(1,382)
Decrease/(Increase) in Prepayments	(387)	17	106	87	(113)	109
Decrease/(Increase) in Inventory	473	(7,656)	(1,145)	(523)	848	2,852
Decrease/(Increase) in Contract Liabilities	(1,053)	1,772	-	-	-	-
Decrease/(Increase) in Restricted Cash	(8,059)	(6,422)	(484)	(2,688)	(2,016)	-
(Decrease)/(Increase) in Trade and Other Payables	(1,368)	33,399	8,992	6,655	7,865	(2,215)
Cash generated by operating activities	**169,512**	**145,487**	**34,580**	**32,369**	**26,374**	**12,851**
Tax paid	(4,085)	(6,487)	(2,633)	(416)	(1,573)	(1,122)
Net cash flows from operating activities	**165,426**	**139,000**	**31,946**	**31,953**	**24,801**	11,728
Cash flows from investing activities						
Interest received	5,981	6,610	1,953	1,663	675	305
Dividend received	137	74	53	1,579	88	11
Purchase of property, plant and equipment	(49,212)	(48,861)	(10,065)	(18,967)	(21,964)	(24,354)
Proceeds from disposal of assets	-	-	4	8	-	(11)
Purchase of investment	-	-	(282)	-	-	-
Purchase/(Sale) of disposal of financial assets	(2,618)	(2,875)	(1,253)	412	(788)	(885)
Net cash (used in) / from investing activities	(45,712)	(45,052)	(9,589)	(15,304)	(21,988)	(24,935)
Cash flows from financing activities						
Non - controlling interests - issue of shares	-	-	-	-	-	985
Dividend paid	(36,931)	(14,121)	(4,345)	(1,521)	(3,693)	(2,358)
Interest paid	(4,680)	(5,453)	(3,362)	(2,435)	(2,469)	(2,759)
Repayment of borrowing	(14,570)	(49,421)	(6,255)	(12,066)	(5,400)	(3,218)
Additional borrowing	-	8,994	37,678	4,130	2,850	13,725
Issue of Bond	-	10,318	-	-	-	-
Net cash flows from/ (used in) financing activities	(56,182)	(49,683)	(23,716)	(11,892)	(8,713)	(6,375)
Increase/(Decrease) in cash and cash equivalents	63,533	44,265	46,074	4,757	(5,900)	(6,832)
Cash and cash equivalents - Beginning of year	183,009	55,521	8,104	3,092	7,709	13,610
Exchange rate effects on cash and cash equivalents	154,222	83,223	1,342	255	1,283	930
Cash and cash equivalents - End of year	400,764	183,009	55,521	8,104	3,092	7,709

Notes to the Historical Financial Information

1. REPORTING ENTITY

Aradel Holdings Plc ("the Company") was incorporated on 25 March 1992. The Company is domiciled in Nigeria. The consolidated financial statements of the Company as at and for the year ended 31 December 2023 comprise the Group and the Company and the Group's interest in associates.

The Group is primarily engaged in the exploration, and development and production of oil and natural gas.

The Head Office of the Company is located at:

15 Babatunde Jose Road,
Victoria Island,
Lagos,
Nigeria.

1.2. COMPOSITION OF FINANCIAL STATEMENTS

The consolidated and separate financial statements are presented in Nigerian Naira in accordance with International Financial Reporting Standards

(IFRS) Accounting presentation.

The financial statements comprise:

• Consolidated and separate statement of profit and loss and other comprehensive income
• Consolidated and separate statement of financial position
• Consolidated and separate statement of changes in equity
• Consolidated and separate statement of cash flows; and
• Notes to the consolidated and separate financial statements.

The Directors also provided the following additional statements in compliance with the Companies and Allied Matters Act:

• Consolidated and separate five-year financial summary; and
• Consolidated and separate value-added statement.

Supplementary Information

A summary of the financial statements is presented in United States Dollars as supplementary information in the audited financial statement for the respective years.

1.3. FINANCIAL PERIOD

The consolidated financial statements and notes to the accounts cover the period between 1st January 2019 to 30th June 2024 with comparative figures for the financial year from 1st January 2019 to 30th June 2024.

1.4. BASIS OF PREPARATION

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and Financial Reporting Council of Nigeria Act, 2023.

Statement of Compliance

The consolidated and separate financial statements of Aradel Holdings Plc, and all its subsidiaries (the "Group") have been prepared in compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and IFRS Interpretations Committee (IFRSIC) interpretations applicable to companies reporting under IFRS.

Basis of measurement

The consolidated and separate financial statements are prepared under the historical cost convention, except for certain financial instruments which are measured at amortised cost or at fair value. The functional currency is United States Dollar and presentation currency is Nigerian Naira. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The preparation of the consolidated and separate financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and underlying assumptions are continually evaluated and are based on the Directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

2. MATERIAL ACCOUNTING POLICY INFORMATION

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

(a) New Standards, Interpretations and Amendments to Existing Standards that are Effective for the Current Year

The Group has considered the following standards and amendments for the first time in its reporting period commencing 1 January 2023. Their adoption has not had any material impact on the disclosures or amounts reported in these financial statements:

IFRS 17 - Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. It outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It considers market interest rates, and the impact of policyholders' options and guarantees.

The Group does not have any contracts that meet the definition of an insurance contract under IFRS 17.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgement - Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 regarding disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make based on those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2 and below:

- Identify information that has the potential to be material.
- Assess whether the information identified in Step 1 is material.
- Organise the information within the draft financial statements in a manner that supports clear and concise communication.
- Review and assess the information provided in the draft financial statements as a whole and consider whether the information is material both individually and in combination with other information.

The Group has adopted the amendments to IAS 1 for the first time in the year ended December 31, 2023.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

The Group has adopted the amendments to IAS 8 for the first time in the current year.

Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The Group has adopted the amendments to IAS 12 for the first time in the current year.

Amendments to IAS 12 Income Taxes— International Tax Reform—Pillar Two Model Rules

The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Following the amendments, the group is required to disclose that it has applied for the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

The Group has adopted the amendments to IAS 12 for the first time in the current year.

(b) New and Revised IFRS Accounting Standards in Issue but not yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures— Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture.

Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments is yet to be set by the IASB; however, earlier application of the amendments is permitted. The Group intends to adopt the amendment once effective.

Amendments to IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. The IASB has aligned the effective date with the 2022 amendments to IAS 1. If an entity applies the 2020 amendments for an earlier period, it is also required to apply the 2022 amendments early.

The Group intends to adopt the amendment once effective, but it will have no significant impact on the Group's consolidation.

Amendments to IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g., a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early.

The Group anticipates that the application of these amendments may have no significant impact on the group's consolidated financial statements in future periods.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements
- The carrying amount, and associated line items presented in the entity's statement of financial position of the liabilities that are part of the arrangements
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- Liquidity risk information

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

The Directors anticipate that the application of these amendments may have no impact on the Group's consolidated financial statements in future periods.

Amendment to IFRS 16 Leases—Lease Liability in a Sale and Leaseback

The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

As part of the amendments, the IASB amended an Illustrative Example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability that arises from a sale and leaseback transaction that qualifies as a sale applying IFRS 15, is a lease liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. If a seller-lessee applies the amendments for an earlier period, it is required to disclose that fact.

A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.

The Group intends to adopt the amendment once effective, but it will have no significant impact on the Group's consolidation.

Basis of Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has power or control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and can use its power over the entity to affect the amount of the entity's return. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. In the separate financial statement, investment in subsidiaries is measured at cost less accumulated impairments. Investment in a subsidiary is impaired when its recoverable amount is lower than its carrying value. The Company considers all facts and circumstances', including the size of the Company's voting rights relative to the size and dispersion of other vote holders in the determination of control.

Step Acquisition

If the acquirer increases an existing equity interest so as to achieve control of the acquiree, the previously held equity interest is remeasured at acquisition-date fair value and any resulting gain or loss is recognised in profit or loss.

Contingent consideration

Among the items recognised will be the acquisition-date fair value of contingent consideration. Changes to contingent consideration resulting from events after the acquisition date are recognised in profit or loss.

Non-Controlling Interest (NCI)

The acquirer can elect to measure the components of NCI in the acquire:

- that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in liquidation either at fair value, or
- at the NCI's proportionate share of the net assets.

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

Inter-company transactions, amounts, balances and income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from transactions that are recognised in assets are also eliminated. Accounting policies and amounts of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Disposal of subsidiaries

When the Company ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Investment in Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the change in the associate's net assets after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the profit or loss statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group and Company determine at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) and other comprehensive income of associates in the statement of profit or loss and other comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising in investments in associates are recognised in the statement of profit or loss.

In the separate financial statements of the Company, investments in associates are measured at cost less impairment. An investment in an associate is impaired when its recoverable amount is lower than its carrying value.

(iv) Foreign currency translation

These consolidated and separate financial statements are presented in Nigerian Naira. The Group's functional currency is United State Dollars. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

(v) Transactions and balances in Group entities

Foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing on the dates of the transactions or the date of valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss.

All other foreign exchange gains and losses are presented in the profit or loss statement within 'other (losses)/gains – net'. Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through OCI, are included in other comprehensive income.

(vi) Consolidation of Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position items presented, are translated at the closing rate at the reporting date
- income and expenses for each profit or loss statement are translated at average exchange rate (unless this is not a reasonable approximation
- of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the dates of the transactions)
- all resulting exchange differences are recognised in other comprehensive income.

(d) Interests in Joint Arrangements

IFRS defines joint control as the contractually agreed sharing of control over an economic activity, and this exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the "venturers").

A joint operation (JO) involves joint control and often joint ownership by the Group and other venturers of assets contributed to, or acquired for the purpose of, the joint venture, without the formation of a corporation, partnership, or other entity.

A joint operator accounts for the assets, liabilities, revenues, and expenses relating to its interest in a joint operation in accordance with the IFRS applicable to the particular asset, liability, revenue and expense. The acquisition of an interest in a joint operation in which the activity constitutes a business should be accounted for using the principles of IFRS 3.

When joint control ceases to exist, The Group determines which entity controls the investment and accounts for the investment in accordance with IFRS.

10. Where control ceases entirely, the investment is accounted for in line with IAS 39 or IAS 28.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(e) Oil and Natural Gas Exploration, Evaluation and Development Expenditure

Oil and natural gas exploration, evaluation and development expenditure are accounted for using the "successful efforts method of accounting". Costs incurred prior to obtaining legal rights to explore are expensed immediately to the statement of profit or loss.

(i) Pre-licence costs

Pre-licence costs are expensed in the period in which they are incurred.

(ii) Licence and property acquisition costs

Exploration licence and leasehold property acquisition costs are capitalised within intangible assets and are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine, that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing.

If no future activity is planned, the carrying value of the licence and property acquisition costs is written off through profit or loss. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas properties.

(iii) Exploration and evaluation costs

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Once the legal right to explore has been acquired, costs directly associated with an exploration well are capitalised as exploration and evaluation intangible assets until the drilling of the well is complete and the results have been evaluated. These costs include directly attributable employee remuneration, materials and fuel used, rig costs and payments made to contractors.

Geological and geophysical costs are recognised in profit or loss as incurred.

If no potentially commercial hydrocarbons are discovered, the exploration asset is written off as a dry hole. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), are likely to be capable of being commercially developed, the costs continue to be carried as an intangible asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalised as an intangible asset.

All such capitalised costs are subject to technical, commercial and Management review as well as review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off to profit or loss.

When proved reserves of oil and natural gas are identified and development is sanctioned by Management, the relevant capitalised expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to oil and gas properties. No amortisation is charged during the exploration and evaluation phase.

For exchanges or parts of exchanges that involve only exploration and evaluation assets, the exchange is accounted for at the carrying value of the asset given up and no gain or loss is recognised.

(iv) Development costs

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines, and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within oil and gas properties.

(f) Property, Plant and Equipment (including Oil and Gas Properties).

(i) Initial recognition

Oil and gas properties and other property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses, excluding land.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation, and for qualifying assets (where applicable), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a lease is also included within property, plant and equipment.

When a development project moves into the production stage, the capitalisation of certain construction/development costs ceases and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to oil and gas property asset additions, improvements or new developments.

(ii) Depreciation/amortisation

Oil and gas properties are depreciated/amortised on a unit-of-production basis over the total proved plus probable (2P) reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved developed and undeveloped reserves of the relevant area. The unit-of-production rate calculation for the depreciation/amortisation of field development costs considers expenditures incurred to date, together with sanctioned future development expenditure.

Other property, plant and equipment (excluding land) are generally depreciated on a straight-line basis over their estimated useful lives. Property, plant and equipment held under lease are depreciated over the shorter of lease term and estimated useful life.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in "other income" in profit or loss when the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation/amortisation are reviewed at each reporting period and adjusted prospectively if necessary.

Assets' Useful Lives

S/N	Asset	Useful Life
1	Buildings	25 years
2	Plant and machinery	4-50 years
3	Office equipment	4 years
4	Furniture and Fittings	4 years
5	Motor Vehicles	4 years
6	Gas Plant	40 years

Depreciation of assets are estimated as follow:

- Project equipment and civil works are depreciated using the unit of production method.
- Assets under Construction (AUC) are not depreciated. Ongoing projects, drilling campaigns, and facilities projects are aggregated under AUC and settled in the relevant class of property, plant and equipment when the project is completed, and the asset is available for use.

(iii) Disposal

The proceeds on disposal of an item of property, plant and equipment or an intangible asset is recognised initially at its fair value by the Group. However, if payment for the item is deferred, the consideration received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue. Any part of the consideration that is receivable in the form of cash is treated as a definition of a financial asset and is accounted for at amortised cost.

(iv) Major maintenance, inspection and repairs

Expenditure on major maintenance refits, inspections or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset, that was separately depreciated and is now written off, is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalised. Where part of the asset replaced was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset(s) which is immediately written off. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. All other day-to-day repairs and maintenance costs are expensed as incurred.

(g) Intangible Assets

Intangible assets include software and licence. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation (calculated on a straight-line basis over their useful lives) and accumulated impairment losses, if any. Software and Licences are amortised over 4 years.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised. Instead, the related expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(h) Impairment of Non-Financial Assets (Excluding Goodwill and Indefinite-Life Intangibles)

The Group assesses at each reporting date whether there is an indication that an asset (or cash-generating unit (CGU)) may be impaired. If any indication exists, or when annual impairment testing for an asset is required, The Group estimates the assets or CGU's recoverable amount. Recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets, in which case, the asset is tested as part of a larger CGU to it belongs.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered impaired and is written down to its recoverable amount. In calculating value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset/CGU. In determining fair value less costs to sell, recent market transactions are considered, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of The Group's CGUs to which the individual assets are allocated. These budgets and forecasts generally cover the period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flow after the fifth year.

Impairment losses of continuing operations, including impairment of inventories, are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets/CGUs excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, The Group estimates the asset's or CGU's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's/CGU's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset / CGU does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset/CGU in prior years. Such a reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase and is recognised through other comprehensive income.

(i) Financial Assets

(i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and The Group's business model for managing them. Apart from trade receivables that do not contain a significant financing component or for which The Group has applied the practical expedient, The Group initially measures a financial asset at its fair value plus – in the case of a financial asset not at fair value through profit or loss – transaction costs. Trade receivables that do not contain a significant financing component or for which The Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (e) Revenue from contracts with customers.

For a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that The Group commits to purchase or sell the asset.

ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

Financial assets at amortised cost (debt instruments)

This category is the most relevant to The Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade and other receivables, and corporate bonds.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, The Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group's financial assets at fair value through OCI includes quoted and unquoted equity securities.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes unquoted equity securities which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on unquoted equity securities are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available for sale, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interest income is included in finance income in profit or loss.

(iii) ***Derecognition***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement: and either

(a) The Group has transferred substantially all the risks and rewards of the asset, or

(b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, The Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that The Group could be required to repay.

(iv) Impairment of financial assets

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

For trade receivables and contract assets, The Group applies a simplified approach in calculating ECLs. Therefore, The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment using the loss rate model.

The Group considers a financial asset in default when contractual payments are 45 days past due. However, in certain cases, The Group may also consider a financial asset to be in default when internal or external information indicates that The Group is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(j) Financial Liabilities, Excluding Derivative Financial Instruments and Equity Instruments

(i) Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include borrowings, trade and other payables.

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification as described below.

Amortised Cost

This is the category most relevant to the Group. After initial recognition, trade and other payables, and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

(iii) Derecognition

A financial liability is derecognised when the associated obligation is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

(k) Derivative Financial Instruments

The Group uses derivative financial instruments such as put option to hedge against its oil price risk. The Group entered an economic crude oil hedge contract to insure the Group's revenue against adverse oil price movement. At the inception of the hedge relationship, the Group initially recognised the hedge at fair value on the date the contract is entered and subsequently remeasured to their fair value at the end of each reporting period. Any gains or losses arising from changes in the fair value of the hedge are recognised within operating profit in profit or loss for the period.

The Company has elected not to account for the derivative under hedge accounting.

(l) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(m) Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and at hand and short-term deposits with an original maturity of three months or less, but exclude any restricted cash which is not available for use by the Group and therefore is not considered highly liquid – for example cash set aside to cover rehabilitation obligations.

(n) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, The Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of producing and refining crude oil is accounted for on a weighted average basis. Inventory includes crude (including the volume held up in pipes), refined products and spares/consumables.

Net realisable value of crude oil and refined products is based on the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition. The cost of crude oil and refined products is the purchase cost, cost of refining, including the appropriate proportion of depreciation, depletion and amortisation and overheads based on normal capacity.

(p) Leases

The Group as Lessee

The group assesses whether a contract is, or contains, a lease, at inception of the contract. The Group has short-term leases and leases of low value assets. The Group leases buildings which considerably may include extension or termination options.

A contract, or part of a contract, that conveys the right to control the use of an identified asset for a period in exchange for payments to be made to the owners (lessors) is accounted for as a lease. For these leases, the group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

The Group as Lessor

Where the Company is the lessor in a lease arrangement at inception, the lease arrangement will be classified as a finance lease or an operating lease. Classification is based on the extent to which the risks and rewards incidental to ownership of the underlying asset lie with the lessor or the lessee.

(q) Provisions

(i) General

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

Where the Group expects some or all a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain, and it is then measured at the lower of the related provision or fair value of the reimbursement. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost in profit or loss.

(ii) Decommissioning liability

The Group recognises a decommissioning liability when it has a present legal or constructive obligation because of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made.

The obligation generally arises when the asset is installed, or the ground/environment is disturbed at the field location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related oil and gas assets to the extent that it was incurred by the development/construction of the field. Any decommissioning obligations that arise through the production of inventory are expensed as incurred.

Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment, in line with IFRIC 1.

Any reduction in the decommissioning liability and, therefore, any deduction from the asset to which it relates, shall not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

If the change in estimate results in an increase in the decommissioning liability and, therefore, an addition to the carrying value of the asset, The Group considers whether this is an indication of impairment of the asset, and if so, tests for impairment in accordance with IAS 36. If, for mature fields, the revised oil and gas assets net of decommissioning provisions exceeds the recoverable value, that portion of the increase is charged directly to expense.

Over time, the discounted liability is increased for the change in present value based on the discount rate that reflects current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in profit or loss as a finance cost.

The Group recognises neither the deferred tax asset regarding the temporary difference on the decommissioning liability nor the corresponding deferred tax liability regarding the temporary difference on a decommissioning asset.

(r) Income Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss statement, except to the extent that it relates to

items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current Income Tax

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the reporting date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

(ii) Deferred Tax

Deferred tax is recognised, using the temporary difference approach, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority where there is an intention to settle the balances on a net basis.

(iii) Royalties, Resource Rent Tax and Revenue-based Taxes

In addition to corporate income taxes, The Group's financial statements also include and recognise as taxes on income, other types of taxes on net income which are calculated based on oil and gas production.

Royalties, resource rent taxes and revenue-based taxes are accounted for under IAS 12 when they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is based on taxable income – rather than based on quantity produced or as a percentage of revenue – after adjustment for temporary differences. For such arrangements, current and deferred income tax is provided on the same basis as described above for other forms of income tax.

Obligations arising from royalty arrangements and other types of taxes that do not satisfy these criteria are recognised as current provisions and included in cost of sales. The revenue taxes payable by Aradel Holdings Plc do not meet the criteria for IAS 12 and are thus recognised as part of cost of sales.

(iv) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- Receivables and payables that are stated with the amount of sales tax included; or
- The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(s) Revenue Recognition

Revenue is measured based on the consideration to which the group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

The Group has applied IFRS 15 practical expedient to a portfolio of contracts (or performance obligations) with similar characteristics since the Group reasonably expects that the accounting result will not be materially different from the result of applying the standard to the individual contracts. The Group has been able to take a reasonable approach to determine the portfolios that would be representative of its types of customers and business lines. This has been used to categorise the different revenue stream detailed below.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in another section.

(i) Sale of crude oil

Revenue from the sale of oil and petroleum products is recognised when control of the product has been transferred to the customer. This generally occurs when the product is physically transferred into a vessel, pipe or other delivery mechanism to the customer.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (if any). In determining the transaction price for the sale of crude oil, the entity considers the existence of significant financing components and consideration payable to the customer (if any).

(ii) Significant financing component

Using the practical expedient in IFRS 15, the entity does not adjust the promised amount of consideration for the effects of a significant financing component since it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

(iii) Contract balances

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Sale of Gas

The Group provides gas processing, marketing and transportation services. The Group recognises revenue from gas sale when control of the product has been transferred to the buyer. This generally occurs when the gas has been delivered at the buyer's delivery point for gas. The normal credit term is between 30-45 days upon delivery.

Sale of refined products

Revenue from the sale of refined products is recognised when control of the product has been transferred to the customer/distributor. This generally occurs when the product is lifted by the customer/distributor. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (if any). In determining the transaction price for the sale of diesel, the entity considers the existence of significant financing components and consideration payable to the customer (if any). There are no credit terms for the sale of refined products as the Group receives upfront payment (down payment) for the refined products before they are lifted by the customer/distributor.

Variable considerations

Consideration would be variable if an entity's entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event.

- Customer usage: Certain contracts have range of possible transaction prices arising from different customer usages. The Group uses the expected value method to estimate the volume of goods the customer will utilise because this method best predicts the amount of variable consideration to which the Group will be entitled. Using the practical expedient in IFRS 15, the Group has elected to recognise revenue based on the amount invoiced to the customer since the Group has a right to consideration from its customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date.

Consideration payable to a customer

Consideration payable to a customer includes penalties that the Group expects to pay to its customer if it does not deliver the Adjusted Annual Contract Quantity or delivers off-specification gas. The consideration payable to a customer is accounted for as a reduction of the transaction unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Group.

The Group recognise the reduction of revenue when (or as) the following events occur:

- the entity recognises revenue for the transfer of the related goods or services to the customer; and
- the entity pays or promises to pay the consideration (even if the payment is conditional on a future event). That promise might be implied by the entity's customary business practices.

(t) Cost of Sales

Cost of sales includes the cost of crude oil, gas inventory, refined products inventory (including depreciation, amortization and impairment charges), costs related to transportation, impairment, the allowance for doubtful accounts and inventory write downs.

(u) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed-rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(v) Finance Income and Costs

(i) Finance income

Finance income is recorded in the statement of profit or loss as it accrues, utilizing the effective interest rate (EIR). This rate precisely discounts estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, if applicable, to the amortised cost of the financial instrument. The calculation of finance income considers all contractual terms of the financial instrument, along with any fees or incremental costs directly related to the instrument and forming an integral part of the effective interest rate (EIR), excluding future credit losses.

(ii) Finance cost

Finance costs include borrowing costs, interest expense calculated using the effective interest rate method, finance charges in respect of lease liabilities, the unwinding of the effect of discounting provisions, and the amortisation of discounts and premiums on debt instruments that are liabilities.

(w) Employee Benefits

(i) Retirement benefit liabilities

The Group currently has only defined contribution plans. Its defined benefits plan was discontinued in 2016. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis in accordance with the Pension Reform Act 2014.

The employer contributes 10% while the employee contributes 8% of the qualifying employee’s salary.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

(ii) Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

(x) Share Capital

Any consideration received, net of directly attributable transaction costs, is accounted for in equity. The issued share capital is initially translated at the prevailing exchange rate on the transaction date and is not retranslated thereafter.

(y) Earnings Per Share (EPS) and Dividend Distribution

Basic EPS is calculated on the Group's profit or loss after taxation attributable to the parent entity and on the basis of weighted average of issued and fully paid Ordinary Shares at the end of the year.

Diluted EPS is calculated by dividing the profit or loss after taxation attributable to the parent entity by the weighted average number of Ordinary Shares outstanding during the year plus the weighted average number of Ordinary Shares that would be issued on conversion of all the dilutive potential.

Ordinary Shares (after adjusting for outstanding share awards arising from the share-based payment scheme) into Ordinary Shares.

(z) Current Versus Non-Current Classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period; and
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's financial statements in conformity with IFRS requires Management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on Management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

However, actual outcomes can differ from these estimates if different assumptions were used and different conditions existed.

In particular, the Group has identified the following areas where significant judgments, estimates and assumptions are required, and where if actual results were to differ, may materially affect the financial position or financial results reported in future periods. Further information on each of these and how they impact the various accounting policies are described in the relevant notes to the financial statements.

(i) Hydrocarbon Reserve and Resource Estimates

Oil and gas production properties are depreciated on units of production (UOP) basis at a rate calculated by reference to total proved and probable (2P) reserves determined in accordance with Society of Petroleum Engineers rules and incorporating the estimated future cost of developing those reserves.

The Group estimates its commercial reserves based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil in place, recovery factors and future oil prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to the host government under the terms of the Production-Sharing Agreements. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs.

As the economic assumptions used may change and as additional geological information is produced during the operation of a field, estimates of recoverable reserves may change. Such changes may impact The Group's reported financial position and results which include:

- The carrying value of exploration and evaluation assets, oil and gas properties, property, and plant and equipment may be affected due to changes in estimated future cash flows.
- Depreciation and amortisation charges in profit or loss may change where such charges are determined using the units of production method, or where the useful life of the related assets change.
- Provisions for decommissioning may change - where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities.
- The recognition and carrying value of deferred income tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

(ii) Units of Production Depreciation of Oil and Gas Assets

Oil and gas properties are depreciated using the units of production (UOP) method over total proved and probable (2P) hydrocarbon reserves. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining production from the field.

Each items' life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production based on total proved reserves, or future capital expenditure estimates changes.

Changes to prove reserves could arise due to changes in the factors or assumptions used in estimating reserves, including:

- The effect on proved reserves of differences between actual commodity prices and commodity price assumptions; or
- Unforeseen operational issues

Changes are accounted for prospectively.

(iii) Recoverability of Oil and Gas Assets

The Group assesses each asset or cash generating unit (CGU) (excluding goodwill, which is assessed annually regardless of indicators) every reporting period to determine whether any indication of impairment exists.

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term oil prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves (see Hydrocarbon reserves and resource estimates above) and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value for oil and gas assets is generally determined as the present value of estimated future cash flows arising from the continued use of the assets, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may consider. Cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Management has assessed its CGUs as being its operations, which is the lowest level for which cash inflows are largely independent of those of other assets.

(iv) Decommissioning Costs

Decommissioning costs will be incurred by the Group at the end of the operating life of some of the Group's facilities and properties. The Group assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents Management's best estimate of the present value of the future decommissioning costs required.

(v) Recovery of Deferred Income Tax Assets

Judgment is required to determine which types of arrangements are considered to be a tax on income in contrast to an operating cost. Judgment is also required in determining whether deferred income tax assets are recognised in the statement of financial position. Deferred income tax assets, including those arising from un-utilised tax losses, require Management to assess the likelihood that the Group will generate sufficient taxable earnings in future periods, to utilise recognised deferred income tax assets. Assumptions about the generation of future taxable profits depend on Management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, oil and natural gas prices, reserves, operating costs, decommissioning costs, capital expenditure, dividends and other capital management transactions) and judgment about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred income tax assets recorded at the reporting date could be impacted.

In addition, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

(vi) Fair Value Hierarchy

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(viii) Exploration and Evaluation Expenditures

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure.

The deferral policy requires Management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available.

If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in profit or loss in the period when the new information becomes available.

(viii) Provision for Expected Credit Losses of Trade Receivables and Contract Assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the customer sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

(ix) Contingencies

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

(x) Foreign Currency Translation Reserve

The Group has used the CBN rate to translate its Dollar currency to its Naira presentation currency. Cumulative exchange difference arising from translation of the Company's results and financial position into the presentation currency is taken to foreign currency translation reserve through other comprehensive income.

4. SEGMENT REPORTING

Business segments are based on the Group's internal organisation and management reporting structure. The Group's operations cover four (4) segments-Crude Oil, Gas, Refinery & Investment Properties. Some inter-segment transactions were prevalent amongst the reporting segments during the reporting period under consideration, hence the eliminations necessary to achieve proper consolidation. Management remains committed to continuous value creation and accretion of the reserves. The reporting segments of the Group derive their revenues within Nigeria only & goods are transferred at a point in time. The segment reports are also in line with the Group's accounting policies.

Aradel Holdings' Operating Segments

₦ 'million	Crude Oil	Gas	Refined Products	Investment Properties	Total Reportable Segment	Eliminations	Consolidations
30 June 2024							
Revenue	221,264	50,515	85,370	50	357,199	(88,884)	268,314
Cost of Sales	(93,798)	(22,828)	(75,787)	(4)	(192,417)	86,949	(105,468)
Gross profit	127,465	27,687	9,583	47	164,782	(1,935)	162,846
Other income	7,342	2,254	(319)	-	9,278	(1,752)	(7,526)
General and admin. expenses	(22,679)	(301)	(762)	(49)	(23,790)	3,687	(20,103)
Operating profit	112,128	29,640	8,502	(2)	150,269	-	150,269
Net finance costs	(2,078)	(263)	865	-	(1,445)		(1,445)
Share of profit from associate	13,445	-	-	-	13,455	-	13,455
Profit before taxation	123,536	29,377	9,367	(2)	162,279	-	162,279
Tax (expense)/income	(45,238)	(8,803)	(3,406)	(406)	(57,853)	-	(57,853)
Profit after taxation	78,299	20,574	5,962	(408)	104,426	-	104,426
31 December 2023							
Revenue	168,667	25,986	102,497	52	297,202	(76,059)	221,142
Cost of Sales	(64,002)	(20,239)	(66,280)	(136)	(150,657)	77,444	(73,213)
Gross profit	104,665	5,747	36,217	(84)	146,545	1,385	147,929
Other income	37,595	8	(3,639)	-	33,964	(41,938)	(7,975)
General and admin. expenses	(22,756)	(1,550)	(2,145)	-	(26,452)	553	(25,898)
Operating profit	119,504	4,204	30,432	(84)	154,056	(40,000)	114,056
Net finance costs	(2,078)	(744)	(691)	-	(3,513)	(1,601)	(5,114)
Share of profit from associate	-	-	-	-	-	3,223	3,223
Profit before taxation	117,426	3,460	29,742	(84)	150,543	(38,380)	112,164
Tax (expense)/income	(45,184)	(3,465)	(9,777)	0	(58,426)	-	(58,426)
Profit after taxation	72,243	(6)	19,965	(84)	92,117	(38,380)	53,738

Segment Assets and Liabilities

₦'millions	*Crude Oil	Gas	Refined Products	Investment Properties	Total Reportable Segement	Eliminations	Consolidations
30 June 2024							
Total Asset	1,152,671	177,705	318,214	9,621	1,658,212	(66,569)	1,591,643
Total Liabilities	283,862	48,472	103,154	1,317	436,805	(50,529)	386,276
31 December 2023							
Total Asset	725,307	144,862	196,284	6,170	1,072,623	(149,188)	923,435
Total Liabilities	204,769	68,992	76,948	5	350,715	(131,925)	218,790

**Crude oil includes the carrying amount of investment in associate*

1. Risks Relating to Aradel's Business

Aradel faces a risk of reserve insufficiency, which may affect its operations and cashflows

Aradel's oil and gas reserves and production, and therefore its future cash flow and results of operations, are highly dependent on the Company's success in efficiently developing its current reserves and resources and finding or acquiring, in a cost-efficient manner, additional recoverable reserves and resources. To mitigate this risk, Aradel is engaged in the phased development of its portfolio by focusing on value identification, creation, and preservation across all segments of its operations. The Company is currently concentrating on the development and production of assets in its existing portfolio, including PML 14 (Ogbele), PPL 247 (Omerelu), and OPL 227. In addition, Aradel is pursuing both organic and inorganic acquisition opportunities to optimise its current portfolio and expand its presence across the entire energy value chain.

Aradel faces the risk associated with having its major asset concentrated in a single location.

Aradel faces a significant risk associated with the concentration of its current major revenue generating asset, the Ogbele field, which encompasses its key oil field, PML 14, as well as its gas processing plant and refinery. The concentration of critical infrastructure and resources in this single location exposes the company to potential operational disruptions caused by adverse events such as natural disasters, political instability, security threats, or infrastructure failures. Any significant issue affecting the Ogbele field could severely impact Aradel's production capacity and operational efficiency, potentially leading to substantial financial losses and affecting the company's overall performance.

Aradel may not, in all cases, be successful in securing the operatorship of assets it acquires in the future, which will limit its control over certain activities in respect of such assets

Many oil and gas assets in Nigeria are managed through joint venture arrangements where the government, usually represented by the NEPL, holds the majority interest. These relationships are governed by JOAs. Typically, JOAs designate one party as the operator of the assets and provide that, if the operator transfers its interests, an existing party has the right to assume operatorship. Aradel was nominated as the operator by the JV partners on OPL 227, subject to regulatory approval. The application for this approval has been filed and is currently being processed.

If the Company is unable to secure operatorship in OPL 227 and future assets, Aradel would need to cooperate and coordinate with the designated operator regarding the timing and extent of activities related to these assets. Aradel's ability to influence or control the operator's actions would be limited to its participation in and the powers granted by the operating committee under the relevant JOA. This situation may result in the assets not being developed according to Aradel's preferred timeline or strategy, potentially delaying or diminishing expected returns. Conversely, Aradel might be required to fund development sooner or in larger amounts than anticipated, which could strain its existing operations and adversely affect its business, financial condition, results of operations, and prospects.

Aradel is exposed to risks from fluctuations in interest

Aradel is subject to risks from interest rate movements, which stem from market fluctuations. These risks can significantly impact the company's financial performance and overall stability. Interest rate risks primarily arise from Aradel's borrowing and debt obligations, as changes in interest rates can influence the cost of servicing its debt and the value of its financial assets and liabilities.

2. Risks Relating to Nigeria

Investing in securities in emerging markets such as Nigeria generally involves a higher degree of risk than in more developed markets

Investing in securities from emerging markets like Nigeria typically involves higher risks compared to investments in securities from more developed countries. These risks include greater volatility and limited liquidity for Ordinary Shares, increased political risks, a narrow export base, budget deficits, and inadequate infrastructure to support economic growth. Additionally, emerging markets often face a more unpredictable political and economic environment. In addition, financial instability in any emerging market can lead to a decrease in the prices of securities. Investing in emerging markets is best suited for sophisticated investors who possess a deep understanding of financial instruments and fully grasp the importance of the associated risks. These investors are familiar with the unique challenges and opportunities presented by emerging markets and are better equipped to navigate them effectively.

Nigeria experiences security issues and instances of fraud, bribery, and corruption

The Nigerian market, like many emerging economies, is characterised by instances of criminal activity, fraud, bribery, and corruption. Particularly, companies in the oil and gas sector operating in Nigeria are frequently targeted by criminal or militant factions. Any criminal, corrupt, or militant actions taken against the Company, its assets, or operations could significantly harm its business operations, financial stability, and overall performance. Failure to identify or prevent such occurrences may subject the Company to potential legal penalties under applicable laws and could lead to damage to its reputation. Consequently, these factors may further affect the Company's business operations, financial stability, and operational outcomes.

Infrastructure in Nigeria is underdeveloped relative to that of more advanced economies

Infrastructure in Nigeria is not as developed as that of more advanced economies. Due to years of underinvestment, Nigeria's public infrastructure has deteriorated significantly, and basic infrastructure to support growth and economic development is lacking. Challenges with power generation, transmission, and distribution, as well as congested ports, have hindered socio-economic progress in the country. The unreliable infrastructure, particularly electricity supply, has impacted various sectors' performance.

While the Nigerian government is working to privatise the power sector, many businesses resort to alternative electricity and water sources, leading to increased operational expenses. The fluctuating fuel prices and potential scarcity for power generation further contribute to operational challenges and overhead fluctuations for businesses. Additionally, the poor rail and road networks limit land-based transport, adding to the overall business costs for the Company.

Failure to adequately address actual and perceived risks of corruption may adversely affect Nigeria's economy and ability to attract foreign investment.

Militancy in the Niger Delta region of Nigeria presents significant challenges for oil and gas companies operating in the area. These challenges encompass various aspects of the Company's operations. Militant groups frequently target oil and gas facilities, installations, and personnel, posing security threats that can disrupt operations and endanger employee safety. Such disruptions, stemming from activities like pipeline vandalism, sabotage, or hostage-taking, can result in production shutdowns and revenue losses, impacting both the companies and Nigeria's overall oil output and economy. Moreover, the unstable operating environment created by militancy deters potential investors from committing capital to projects in the region, increasing security costs and insurance premiums for companies operating in the region. Additionally, regulatory changes or government interventions prompted by militancy further complicate the operational and financial landscape for oil and gas companies, altering contract terms and introducing new compliance requirements.

Events in neighbouring and other emerging markets, including those in sub-Saharan Africa and Saharan Africa, may negatively affect Nigeria and its economy.

Economic, security or health distress in Nigeria's neighbours and nearby emerging market countries may adversely affect Nigeria's economy, the prices of securities and the level of investment in other emerging market issuers as investors move their money to more stable, developed markets. Financial problems or an increase in the perceived risks associated with investing in emerging market economies could dampen foreign investment in Nigeria and adversely affect the Nigerian economy. Adverse developments in other countries in sub-Saharan Africa may have a negative impact on Nigeria if investors perceive that such developments will adversely affect Nigeria or that similar adverse developments may occur in Nigeria. Risks associated with sub-Saharan Africa include political uncertainty, civil unrest and conflict, corruption, the outbreak of disease and poor infrastructure. Investors' perceptions of certain risks may be compounded by incomplete, unreliable, or unavailable economic and statistical data on Nigeria.

Aradel is exposed to the risk of exchange rate volatility

The USD/NGN exchange rate (Nigerian Autonomous Foreign Exchange Fixing) has continued to trade rather unpredictably since the CBN embarked on FX reforms in 2023. The CBN may intervene in the foreign exchange market by drawing on external reserves or adopting policies that may impact the applicable exchange rates and/or amounts of foreign currency that may be obtained. Fluctuations in Nigeria's external reserves, its high dependence on certain foreign-currency revenue streams (such as those related to commodities such as oil, or other exports), and high levels of key imports in foreign currency, could result in local currencies remaining or becoming vulnerable to external shocks.

Exchange rate volatility poses a significant risk to exporting businesses, as fluctuations in currency values can impact revenue, costs, and overall financial stability. For such businesses, revenue may be earned in one currency while expenses are incurred in another. This mismatch can lead to reduced profitability if the currency in which revenue is earned depreciates against the currency used for costs. Additionally, businesses with foreign debt or investments are exposed to risks associated with changes in currency exchange rates, which can affect the cost of servicing debt or the value of assets.

3. Risks related to the Oil and Gas sector

The Company faces risks due to fluctuations in the commodity prices of its products.

Aradel is subject to the risks arising from fluctuations in oil prices, which are inherently volatile due to certain factors. The prices of oil and gas are influenced by an interplay of supply and demand dynamics, geopolitical events, economic conditions, technological advancements, and market speculation. Factors such as OPEC decisions, changes in production levels from key oil-producing countries, political instability in oil-rich regions, shifts in global economic growth, and advancements in alternative energy sources all contribute to the unpredictable nature of oil and gas prices.

This volatility presents a significant risk for Aradel, as the Company's revenue and profitability are closely tied to the market prices of oil and gas. Sudden drops in prices can lead to decreased revenue, which can impact cash flow and financial stability, while price spikes can result in increased costs for raw materials and operational expenses.

Aradel competes for equipment and skilled personnel with both international and local oil and gas companies.

The Company faces strong competition for equipment and trained personnel from both indigenous and international oil and gas companies. The oil and gas industry is highly competitive. These competitors may be larger, more diversified, and have greater financial and technical resources than Aradel. The Company competes with other companies for the contracting of equipment and the recruitment and retention of skilled personnel. These personnel are essential in areas such as exploration and development, operations, engineering, business development, oil and gas marketing, finance, and accounting.

There is a risk that the evacuation of produced crude, gas, and refined products is hampered by pipeline unavailability due to sabotage, vandalism or other operational issues

In Nigeria, crude oil evacuation and transportation to export terminals primarily rely on pipeline infrastructure. Since 2020, the pipelines have faced significant challenges due to attacks, leaks, and theft. Their operational stability is further compromised by age and maintenance difficulties in their geographic locations. As a result, frequent sabotage has caused substantial operational disruptions. These disruptions may include complete shutdowns for extended periods. For instance, the Trans- Niger pipeline was shut down for a period of nine months in 2022 due to oil theft. During such times, the Company may experience delays or be entirely prevented from transporting crude oil, which could materially and adversely affect the Company's business, prospects, financial condition, and results of operations.

Aradel faces risks associated with the unfolding energy transition

Aradel faces significant risks associated with the unfolding energy transition, as the global shift towards renewable energy and stricter environmental regulations could impact traditional oil and gas sectors. The growing emphasis on reducing carbon emissions and adopting cleaner energy sources presents challenges for companies heavily invested in fossil fuels. This transition could potentially lead to decreased demand for oil and gas, as well as increased regulatory pressures and operational costs.

4. Risks relating to the Listing of Aradel on the Nigerian Exchange Limited

The value of the Ordinary Shares may fluctuate

Following the listing, the value of the shares of the Company may experience fluctuations due to both internal and external factors. Internal factors are Company-specific factors which include factors related to Aradel's actual or projected operating results, its operations, and broader influences affecting the oil and gas sector that are beyond the control of the Company, which may include: the results from production operations, changes in regulations applicable to the Company and its operations, fluctuations in the prices of oil, gas, and other petroleum products and so on.

An active trading market for the shares of the Company may not develop on the NGX, which may limit liquidity and/or cause the price of the shares to fall

Prior to listing on the NGX, the shares of the Company have been quoted on the NASD. However, the listing of the Ordinary Shares does not provide an assurance that an active trading market will develop for Aradel's shares, or if one does develop, that it will be maintained. The failure of an active trading market to develop may affect the liquidity of the shares. This could result in reduced liquidity for investors seeking to trade their shares, potentially causing greater price volatility compared to shares in more liquid markets.

The Company cannot guarantee making dividend payments in the future

There can be no assurance as to the amount and growth rate of any future dividend payments. The declaration, payment and amount of future dividend payments are subject to the discretion of the Directors, and will depend on, among other things, the Company's earnings, financial position, cash requirements for positive net present value projects, and availability of distributable retained profits and reserves.

There will be transaction costs on the sale of ordinary shares.

Following Aradel's listing on the Exchange, shareholders will incur transaction costs when selling shares. Trading on the NGX will involve the same process as for other shares, with standard fees and charges applied. These costs include brokerage commissions, fees to the NGX, CSCS, and the SEC, along with VAT and stamp duties. Shareholders are advised to familiarise themselves with these costs to ensure a clear understanding of the financial implications.

Shareholders may be subject to exchange rate risk

Aradel's shares and any dividends paid will be denominated in Naira. Investors whose primary currency differs from the Naira will be exposed to foreign exchange rate risk. If the Naira depreciates against their home currency, the value of their investment and the dividends received may decrease when converted into their own currency. This exchange rate fluctuation can impact the overall returns and value of the investment for non-Naira-based investors.

1. Shareholding Structure

The table below sets out the issued and paid-up capital legally and/or beneficially held by shareholders holding 5% and more of the Company's Ordinary Shares as of the date of this Memorandum:

SHAREHOLDER	NO OF SHARES HELD	% HOLDING
Capital Alliance Private Equity IV	716,675,360	16.49%
Petrolin Ocean Limited	352,182,760	8.11%
Afolabi Tajudeen Adeola	256,529,580	5.90%
Badagry Creek FZE	225,078,060	5.18%
Total	**1,550,465,760**	**35.68%**

2. Share Capital History

Date	Event	Nominal Share	Share Movement	Authorised/ Issued Share Capital	Authorised/ Issued Share Capital (₦)
25/03/1992	Incorporation	500,000	0	500,000	5,000,000
08/06/1995	Increase in Share Capital	500,000	21,500,000	22,000,000	220,000,000
12/05/1997	Increase in Share Capital	22,000,000	28,000,000	50,000,000	500,000,000
05/10/2007	Increase in Share Capital	50,000,000	50,000,000	100,000,000	1,000,000,000
06/06/2008	Increase in Share Capital	100,000,000	175,000,000	275,000,000	2,750,000,000
21/07/2022	Cancellation of Unissued Shares at AGM	275,000,000	(57,757,782)	217,242,218	2,172,422,180
05/06/2024	Redenomination of the nominal value per share	217,242,218	4,127,602,142	4,344,844,360	2,172,422,180

3. Directors' Interests

The Directors and their respective shareholdings are as recorded in the register of members as at the date of this Memorandum and set out below:

Name of Director	Number of Shares (2024)
Ede Osayande	21,663,260
Adegbite Falade	11,473,780
Adegbola Adesina	2,792,080
Afolabi Oladele	801,740
Ladi Jadesimi*	Nil
Osten Olorunsola	Nil
Gbenga Adetoro	Nil
Thierry Georger	Nil
Patricia Simon-Hart	Nil

** Indirect holding through Badagry Creek FZE*

The following Directors have beneficial interests in the shares held by the corporate bodies listed against their names:

Name of Director	Name Shares are Held	Number of Shares
Ladi Jadesimi	Badagry Creek FZE	225,078,060

4. Related Party Transactions

Aradel Holdings enters a number of transactions with related parties in the normal course of business. All these transactions are executed on an "arm's length" basis and do not raise matters of conflict of interest.

5. Indebtedness

As of June 30, 2024, the Company's total indebtedness stood at ₦80,540,184,000.00 (Eighty Billion, Five Hundred and Forty Million, One Hundred and Eighty-Four Thousand Naira Only).

Apart from the foregoing, the Company had no outstanding debenture, mortgage, charges, or other similar indebtedness other than in the ordinary course of business.

6. Subsidiaries and Associated Companies

The summarised details of the Company's subsidiaries as at the date of this Memorandum are set out below:

Subsidiary	Registration Number	Date and Place of Incorporation	Principal Place of Business	Number of Subsidiary's Ordinary Shares in Issue	Effective Date of Becoming a Subsidiary	Aradel Holdings' Shareholding in the Subsidiary
Aradel Energy Limited	25622	October 26, 1994	Lagos, Nigeria	50,000,000	October 26, 1994	100%
Aradel Gas Limited	889811	May 26, 2010	Lagos, Nigeria	10,000,000	May 26, 2010	100%
Aradel Refineries Limited	1367237	October 13, 2016	Lagos, Nigeria	10,000,000	October 13, 2016	95.04%
Aradel Investments Limited	682091	February 20, 2007	Lagos, Nigeria	20,000,000	February 20, 2007	100%

7. Extracts from the Memorandum and Articles of Association

The following are the relevant extracts from Aradel Holdings Plc's Memorandum and Articles of Association.

1. **The objects for which the Company is established are**:

   a. To Create and Invest Exploration and Drilling Funds Raised for the Development of the Oil and Gas Industry

   b. To Invest in Indigenous Oil Prospecting Licences, and Assist in the Development of the Work Programs of Such Licence.

2. The Company is a Public Company

i. The liability of the members of the Company is limited by shares.

ii. The nominal share capital of the Company is ₦2,172,422,180 (Two Billion, One Hundred Seventy-Two Million, Four Hundred and Twenty-Two Thousand, One Hundred and Eighty Naira) divided into 4,344,844,360 shares of 50 Kobo each.

3. Powers to Issue Different Classes of Share

i. Subject to the articles, but without prejudice to the rights attached to any existing share, the company may issue shares with such rights or restrictions as may be determined by ordinary resolution.

ii. The company may issue shares which are to be redeemed, or are liable to be redeemed at the option of the company or the holder, and the directors may determine the terms, conditions and manner of redemption of any such shares.

4. Payment of Commissions on Subscription for Shares

i. The company may pay any person a commission in consideration for that person— a. subscribing, or agreeing to subscribe, for shares, or b. procuring, or agreeing to procure, subscriptions for shares.

ii. Any such commission may be paid — a. in cash, or in fully paid or partly paid shares or other securities, or partly in one way and partly in the other, and b. in respect of a conditional or an absolute subscription.

5. Authority to Capitalise and Appropriation of Capitalised Sums

Subject to the articles, the directors may, if they are so authorised by an ordinary resolution— decide to capitalise any profits of the company (whether or not they are available for distribution) which are not required for paying a preferential dividend, or any sum standing to the credit of the company's share premium account or capital redemption reserve; and b. appropriate any sum which they so decide to capitalise (a "capitalised sum") to the persons who would have been entitled to it if it were distributed by way of dividend (the "persons entitled") and in the same proportions.

6. Voting at Directors' Meetings: General Rules

i. Subject to the articles, a decision is taken at a directors' meeting by a majority of the votes of the participating directors.

ii. Subject to the articles, each director participating in a directors' meeting has one vote.

iii. Subject to the articles, if a director has an interest in an actual or proposed transaction or arrangement with the company – (a) that director and that director's alternate may not vote on any proposal relating to it, but (b). this does not preclude the alternate from voting in relation to that transaction or arrangement on behalf of another appointor who does not have such an interest.

7. Quorum for Directors' Meetings

i. At a directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting.

ii. The quorum necessary for the transaction of the business of directors is two where there are not more than six directors, but where there are more than six directors, the quorum is one-third of the number of directors, and where the number of directors is not a multiple of three, then the quorum is one third to the nearest number.

8. Directors' General Authority

Subject to the articles, the directors are responsible for the management of the company's business, for which purpose they may exercise all the powers of the company.

9. Company Seals

i. Any common seal may only be used by the authority of the directors.

ii. The directors may decide by what means and in what form any common seal or securities seal is to be used.

iii. Unless otherwise decided by the directors, if the company has a common seal and it is affixed to a document, the document must also be signed by at least one authorised person in the presence of a witness who attests the signature.

iv. For the purposes of this article, an authorised person is— a. any director of the company; b. the company secretary; or c. any person authorised by the directors for the purpose of signing documents to which the common seal is applied.

v. If the company has an official seal for use abroad, it may only be affixed to a document if its use on that document, or documents of a class to which it belongs, has been authorised by a decision of the directors.

vi. If the company has a securities seal, it may only be affixed to securities by the company secretary or a person authorised to apply it to securities by the company secretary.

vii. For the purposes of the articles, references to the securities seal being affixed to any document include the reproduction of the image of that seal on or in a document by any mechanical or electronic means which has been approved by the directors in relation to that document or documents of a class to which it belongs.

1. Claims and Litigations

As of August 22, 2024, the Company is currently involved in three (3) litigation proceedings. The total amount, including general damages, claimed against Aradel Holdings is estimated at USD9,890,555.51 (Nine Million, Eight Hundred and Ninety Thousand, Five Hundred and Fifty-Five United Dollars and Fifty-One Cents) and ₦202,000,000 (Two Hundred and Two Million Naira).

The Solicitors are of the opinion that the outcome of the proceedings against Aradel Holdings Plc is not likely to have any material adverse effect on the Transaction or on the business and operations of the Company. *Please refer to pages 95- 96 for the Extract of the Solicitors Opinion.*

2. Material Contracts

The following agreement(s) have been entered into by the Company and are deemed material to the Listing:

1. A Mandate Letter from Aradel appointing Chapel Hill Denham Advisory Limited and Stanbic IBTC Capital Limited as Financial Advisers

Other than as stated above, Aradel has not entered into any material contract except in the ordinary course of business.

3. Mergers and Acquisitions

As at the date of this Memorandum, the Company has not received any merger or takeover offer from a third party in respect of its securities nor has the Company made any merger or takeover offer to any other company in respect of another company's securities within the current or preceding financial years.

However, In January 2024, Shell reached an agreement to sell its Nigerian onshore subsidiary, The Shell Petroleum Development Company of Nigeria Limited (SPDC) to Renaissance, a consortium of five companies including Aradel Holdings, ND Western Limited, the Petrolin Group, FIRST Exploration and Petroleum Development Company Limited, and the Waltersmith Group.

4. Major Customers/Suppliers

The suppliers below represent more than 10% of Aradel's overall supplier spend as of H1 2024:

Name
Shell Petroleum Development Company
H-PTP Energy Services Limited
Commercial Consult Nigeria Limited
Petro Processing LLC
Chemex Inc.

5. Relationship Between the Company and Its Advisers

As at the date of this Memorandum, there was no relationship between the Company and any of the advisers except in the ordinary course of business.

6. Consents

The following have given and have not withdrawn their written consents to the issue of this Memorandum with the inclusion of their names and reports (where applicable) in the form and context in which they appear:

Directors and Company Secretary:

Chairman	Ladi Jadesimi
Non-Executive Directors	Osten A.O Olorunsola
	Thierry Georger
	Ede Osayande
	Afolabi Oladele
	Gbenga Adetoro
	Patricia Simon-Hart
Chief Executive Officer	Adegbite Falade
Chief Financial Officer/Finance Director	Adegbola Adesina
Company Secretary	Titi Omisore

Professional Parties

Financial Advisers	Chapel Hill Denham Advisory Limited
	Stanbic IBTC Capital Limited
Solicitors to the Listing	Templars
Stockbroker	CardinalStone Stockbrokers Limited
Auditors to the Company	Deloitte & Touche
Registrar	Coronation Registrars Limited

NETHERLAND, SEWELL & ASSOCIATES, INC.
WORLDWIDE PETROLEUM CONSULTANTS
ENGINEERING • GEOLOGY • GEOPHYSICS • PETROPHYSICS

EXECUTIVE CHAIRMAN
C.H. (SCOTT) REES III
DANNY D. SIMMONS

CHIEF EXECUTIVE OFFICER
RICHARD B. TALLEY, JR.
PRESIDENT & COO
ERIC J. STEVENS

EXECUTIVE COMMITTEE
ROBERT C. BARG
P. SCOTT FROST
JOHN G. HATTNER
JOSEPH J. SPELLMAN

March 21, 2024

Dr Ebenezer Ageh
Aradel Energy Limited
15 Babatunde Jose Street
Victoria Island, Lagos Nigeria

Dear Dr. Ageh,

In accordance with your request, we have estimated the proved (1P), proved plus probable (2P), and proved plus probable plus possible (3P) reserves and future revenue, as of December 31, 2023, to the Aradel Energy Limited (Aradel) interest in certain oil and gas properties in Ogbele Field, onshore Nigeria. Also as requested, we have estimated the unrisked gross (100 percent) contingent resources, as of December 31, 2023, in Abara, Ogbele, Oma, and Omerelu Fields. Additionally, as requested, we have estimated the unrisked gross (100 percent) prospective resources, as of December 31, 2023, for certain prospects located in Ogbele Field and Oil Prospecting Licence (OPL) 227, offshore Nigeria. Ogbele Field is in Oil Mining Lease (OML) 54; Abara and Oma Fields are predominantly located in OPL 227; and Omerelu Field is located in OML 53, onshore Nigeria. We completed our evaluation on or about the date of this letter. For the reserves, this report has been prepared using price and cost parameters specified by Aradel, as discussed in subsequent paragraphs of this letter. Monetary values shown in this report are expressed in United States dollars ($) or thousands of United States dollars (M$).

The estimates in this report have been prepared in accordance with the definitions and guidelines set forth in the 2018 Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers (SPE), except that projections are not limited based on licence expiration. As presented in the 2018 PRMS, petroleum accumulations can be classified, in decreasing order of likelihood of commerciality, as reserves, contingent resources, or prospective resources. Different classifications of petroleum accumulations have varying degrees of technical and commercial risk that are difficult to quantify; thus reserves, contingent resources, and prospective resources should not be aggregated without extensive consideration of these factors. Definitions are presented immediately following this letter.

RESERVES

Reserves are those quantities of petroleum anticipated to be commercially recoverable from known accumulations by application of development projects from a given date forward under defined conditions. Reserves must be discovered, recoverable, commercial, and remaining as of the evaluation date based on the planned development projects to be applied. Proved reserves are those quantities of oil and gas which, by analysis of engineering and geoscience data, can be estimated with reasonable certainty to be commercially recoverable; probable and possible reserves are those additional reserves which are sequentially less certain to be recovered than proved reserves.

As presented in the accompanying summary projections, Tables I through V, we estimate the gross (100 percent) reserves and the net reserves and future net revenue to the Aradel interest in Ogbele Field, as of December 31, 2023, to be:

Category	Gross (100%) Reserves		Net Reserves		Future Net Revenue (M$)	
	Oil (MMBL)	Gas (MMCF)	Oil[1] (MMBL)	Gas (MMCF)	Total	Present Worth at 10%
Proved Developed Producing	6,317.7	19,074.9	6,128.2	19,074.9	175,687.1	172,812.3
Proved Developed	7,148.8	22,036.8	6,934.3	22,036.8	218,957.1	208,407.1
Proved (1P)	10,365.7	44,570.5	10,054.8	44,570.5	274,811.5	260,141.6
Proved + Probable (2P)	15,110.9	79,529.9	14,808.6	79,529.9	410,870.4	369,929.0
Proved + Probable + Possible (3P)	24,091.5	133,209.5	23,850.6	133,209.5	676,437.7	555,097.0

(1) Net oil reserves are after deductions for pipeline losses due to theft.

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The oil volumes shown include crude oil and condensate. Oil volumes are expressed in thousands of barrels (MBBL); a barrel is equivalent to 42 United States gallons. Gas volumes are expressed in millions of cubic feet (MMCF) at standard temperature and pressure bases.

Reserves categorization conveys the relative degree of certainty; reserves subcategorization is based on development and production status. The proved developed reserves are inclusive of proved developed producing and proved developed non-producing reserves; the 1P reserves are inclusive of proved developed and proved undeveloped reserves. The estimates of reserves and future revenue included herein have not been adjusted for risk.

Gross revenue for the reserves shown in this report is Aradel's share of the gross (100 percent) revenue from the properties prior to any deductions. Future net revenue is after deductions of royalties paid to the Nigerian government, capital costs, abandonment costs, operating expenses, and Nigerian fees and taxes. The estimates of Nigerian taxes are a simplification of current tax law and were not prepared by a tax accountant or attorney. The future net revenue has been discounted at an annual rate of 10 percent to determine its present worth, which is shown to indicate the effect of time on the value of money. Future net revenue presented in this report, whether discounted or undiscounted, should not be construed as being the fair market value of the properties.

As requested, this report has been prepared using oil and gas price parameters specified by Aradel. Gas prices are based on contract prices and are adjusted for energy content. Oil prices are based on Brent Crude prices and are adjusted for quality and market differentials. Average annual oil prices, before adjustments, are shown in the following table:

Period Ending	Oil Price ($/Barrel)	Period Ending	Oil Price ($/Barrel)
12-31-2024	80.37	12-31-2031	70.53
12-31-2025	75.57	12-31-2032	70.41
12-31-2026	72.91	12-31-2033	70.29
12-31-2027	71.46	12-31-2034	70.17
12-31-2028	70.84	12-31-2035	70.05
12-31-2029	70.73	12-31-2036	70.00
12-31-2030	70.64	Thereafter	70.00

Operating costs used in this report are based on operating expense records provided by Aradel. As requested, operating costs are limited to direct lease- and field-level costs and Aradel's estimate of the portion of its headquarters general and administrative overhead expenses necessary to operate the properties. Operating costs have been divided into field-level costs, per-well costs, and per-unit-of-production costs. As requested, operating costs are not escalated for inflation.

Capital costs used in this report were provided by Aradel. Capital costs are included as required for recompletions, new development wells, and production equipment. Based on our understanding of future development plans, a review of the records provided to us, and our knowledge of similar properties, we regard these estimated capital costs to be reasonable. Abandonment costs used in this report are Aradel's estimates of the costs to abandon the wells and production facilities, net of any salvage value. As requested, capital costs and abandonment costs are not escalated for inflation.

We have made no investigation of potential volume and value imbalances resulting from overdelivery or underdelivery to the Aradel interest. Therefore, our estimates of reserves and future revenue do not include adjustments for the settlement of any such imbalances; our projections are based on Aradel receiving its net revenue interest share of estimated future gross production. Additionally, we have made no specific investigation of any firm transportation contracts that may be in place for these properties; our estimates of future revenue include the effects of such contracts only to the extent that the associated fees are accounted for in the historical field-level accounting statements.

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CONTINGENT RESOURCES

Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by the application of development project(s) not currently considered to be commercial owing to one or more contingencies. The contingent resources shown in this report are contingent upon the acquisition of additional technical data that demonstrate producing rates and volumes sufficient to sustain economic viability and commitment to develop the resources. The project maturity subclass for these contingent resources is either development unclarified or development on hold. This report does not include economic analysis for these properties. Based on analogous field developments, it appears that the Ogbele Field best estimate contingent resources in this report have a reasonable chance of being economically viable; the economic status of the contingent resources for Abara Field, Oma Field, and Omerelu Field is undetermined. If these contingencies are successfully addressed, some portion of the contingent resources estimated in this report may be reclassified as reserves; our estimates have not been risked to account for the possibility that the contingencies are not successfully addressed.

We estimate the unrisked gross (100 percent) contingent resources for Abara, Ogbele, Oma, and Omerelu Fields, as of December 31, 2023, to be:

	Unrisked Gross (100%) Contingent Resources				
Field/Category	Oil (MMBL)	Associated Gas (BCF)	Gas Cap Gas (BCF)	Non-associated Gas (BCF)	Condensate (MMBL)
Agbara Field					
Low Estimate (1C)	0.9	4.1	92.4	0.0[1]	0.7
Best Estimate (2C)	1.3	5.7	120.1	0.0[1]	1.0
High Estimate (3C)	2.0	9.0	157.0	0.0[1]	1.3
Ogbele Field					
Low Estimate (1C)	2.7	3.0	4.4	85.4	2.8
Best Estimate (2C)	3.5	3.8	4.8	108.4	3.5
High Estimate (3C)	5.0	5.5	5.3	139.0	4.4
Oma Field					
Low Estimate (1C)	4.1	1.3	0.0[1]	4.9	0.0[2]
Best Estimate (2C)	5.7	1.8	0.0[1]	6.4	0.1
High Estimate (3C)	9.0	2.9	0.0[1]	8.3	0.1
Omerelu Field					
Low Estimate (1C)	4.1	2.4	11.5	28.2	0.8
Best Estimate (2C)	5.7	3.4	14.9	36.7	1.0
High Estimate (3C)	8.9	5.4	19.5	47.9	1.4

(1) Our studies indicate that as of December 31, 2023, there are no contingent resources for these products in these fields.

(2) Contingent condensate resources round to zero at the units shown.

Oil and condensate volumes are expressed in millions of barrels (MMBBL); a barrel is equivalent to 42 United States gallons. Gas volumes are expressed in billions of cubic feet (BCF) at standard temperature and pressure bases.

The contingent resources shown in this report have been estimated using deterministic methods. Once all contingencies have been successfully addressed, the approximate probability that the quantities of contingent resources recovered will equal or exceed the estimated amounts is generally inferred to be 90 percent for the low estimate, 50 percent for the best estimate, and 10 percent for the high estimate. The estimates of contingent resources included herein have not been adjusted for development risk.

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PROSPECTIVE RESOURCES

Prospective resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. The prospective resources included in this report should not be construed as reserves or contingent resources; they represent exploration opportunities and quantify the development potential in the event a petroleum discovery is made. This report does not include economic analysis for these prospects. Based on analogous field developments, it appears that, assuming a discovery is made, the Ogbele Field unrisked best estimate prospective resources in this report have a reasonable chance of being economically viable; the economic status of the OPL 227 prospective resources is undetermined.

Totals of unrisked prospective resources beyond the prospect level are not reflective of volumes that can be expected to be recovered and are shown for convenience only. Because of the geologic risk associated with each prospect, meaningful totals beyond this level can be defined only by summing risked prospective resources. Such risk is often significant.

We estimate the unrisked gross (100 percent) prospective resources for certain prospects in Ogbele Field and OPL 227, as of December 31, 2023, to be:

Unrisked Gross (100%) Prospective Resources

Area	Low Estimate (1U) Oil (MMBBL)	Low Estimate (1U) Gas (BCF)	Best Estimate (2U) Oil (MMBBL)	Best Estimate (2U) Gas (BCF)	High Estimate (3U) Oil (MMBBL)	High Estimate (3U) Gas (BCF)
Ogbele Field	4.0	121.5	5.2	157.9	6.9	206.6
OPL 227	38.7	271.8	117.4	742.7	288.6	1,617.6

Oil volumes include crude oil and condensate. The prospective resources shown in this report have been estimated using a combination of deterministic and probabilistic methods and are dependent on a petroleum discovery being made. If a discovery is made and development is undertaken, the probability that the recoverable volumes will equal or exceed the unrisked estimated amounts is 90 percent for the low estimate, 50 percent for the best estimate, and 10 percent for the high estimate.

Unrisked prospective resources are estimated ranges of recoverable oil and gas volumes assuming their discovery and development and are based on estimated ranges of undiscovered in-place volumes. Geologic risking of prospective resources addresses the probability of success for the discovery of a significant quantity of potentially recoverable petroleum; this risk analysis is conducted independent of estimations of petroleum volumes and without regard to the chance of development. The prospective resources shown in this report for Ogbele Field are in the D, E, F, and G non-associated gas reservoirs. Potential oil opportunities exist in various fault blocks in the Ogbele Field D and E reservoirs. For OPL 227, the opportunities are more oil-prone in the northern portion of the block in the Oma Field area. The southern and western portion of the block are considered more gas prone. OPL 227 has a total of 21 opportunities identified as prospects, with potential recoveries weighted by the probability of hydrocarbon-type discovery. A table of unrisked prospective resources by prospect for OPL 227 is shown in Table VI. The history of production in the Niger Delta, the proximity to producing fault blocks, and the focus on expanding domestic gas markets and liquid evacuation routes makes the geologic and economic risk for these prospective resources quite attractive. Otis and Schneidermann (1997)[1] would describe these opportunities as low to moderate risk with a chance of success ranging from 0.125 to 0.50.

[1] Otis, R.M. and N. Schneidermann, 1997, A Process for Evaluating Exploration Prospects, *AAPG Bulletin*, Volume 81, Number 7, pages 1087-1109.

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Principal geologic risk elements of the petroleum system include (1) trap and seal characteristics; (2) reservoir presence and quality; (3) source rock capacity, quality, and maturity; and (4) timing, migration, and preservation of petroleum in relation to trap and seal formation. Risk assessment is a highly subjective process dependent upon the experience and judgment of the evaluators and is subject to revision with further data acquisition or interpretation.

It should be understood that the prospective resources discussed and shown herein are those undiscovered, highly speculative resources estimated beyond reserves or contingent resources where geological and geophysical data suggest the potential for discovery of petroleum but where the level of proof is insufficient for classification as reserves or contingent resources. The unrisked prospective resources shown in this report are the range of volumes that could reasonably be expected to be recovered in the event of the discovery and development of these prospects.

GENERAL INFORMATION

This report does not include any value that could be attributed to interests in undeveloped acreage beyond those tracts for which undeveloped reserves have been estimated. For the purposes of this report, we did not perform any field inspection of the properties, nor did we examine the mechanical operation or condition of the wells and facilities. We have not investigated possible environmental liability related to the properties; therefore, our estimates do not include any costs due to such possible liability.

The reserves, contingent resources, and prospective resources shown in this report are estimates only and should not be construed as exact quantities. Estimates may increase or decrease as a result of market conditions, future operations, changes in regulations, or actual reservoir performance. In addition to the primary economic assumptions discussed herein, our estimates are based on certain assumptions including, but not limited to, that the properties will be developed consistent with current development plans as provided to us by Aradel, that the properties will be operated in a prudent manner, that no governmental regulations or controls will be put in place that would impact the ability of the interest owner to recover the volumes, and that our projections of future production will prove consistent with actual performance. If these volumes are recovered, the revenues therefrom and the costs related thereto could be more or less than the estimated amounts. Because of governmental policies and uncertainties of supply and demand, the sales rates, prices received, and costs incurred may vary from assumptions made while preparing this report.

For the purposes of this report, we used technical and economic data including, but not limited to, well logs, geologic maps, seismic data, well test data, production data, historical price and cost information, and property ownership interests. The reserves, contingent resources, and prospective resources in this report have been estimated using a combination of deterministic and probabilistic methods; these estimates have been prepared in accordance with generally accepted petroleum engineering and evaluation principles set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the SPE (SPE Standards). We used standard engineering and geoscience methods, or a combination of methods, including performance analysis, volumetric analysis, and analogy, that we considered to be appropriate and necessary to classify, categorise, and estimate volumes in accordance with the 2018 PRMS definitions and guidelines. A substantial portion of the reserves shown in this report are for behind-pipe zones, non-producing zones, undeveloped locations, and producing wells that lack sufficient production history upon which performance-related estimates of reserves can be based, and the contingent and prospective resources shown in this report are for undeveloped locations. Such volumes are based on estimates of reservoir volumes and recovery efficiencies along with analogy to properties with similar geologic and reservoir characteristics. As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering and geoscience data; therefore, our conclusions necessarily represent only informed professional judgment.

The data used in our estimates were obtained from Aradel, public data sources, and the non-confidential files of Netherland, Sewell & Associates, Inc. and were accepted as accurate. Supporting work data are on file in our office. We have not examined the contractual rights to the properties or independently confirmed the actual degree or type of interest owned.

NETHERLAND, SEWELL & ASSOCIATES, INC.

The technical persons primarily responsible for preparing the estimates presented herein meet the requirements regarding qualifications, independence, objectivity, and confidentiality set forth in the SPE Standards. We are independent petroleum engineers, geologists, geophysicists, and petrophysicists; we do not own an interest in these properties nor are we employed on a contingent basis.

Sincerely,

NETHERLAND, SEWELL & ASSOCIATES, INC.
Texas Registered Engineering Firm F-2699

By: Richard B. Talley, Jr.
Richard B. Talley, Jr., P.E.
Chief Executive Officer

By: Joseph Wolfe
Joseph M. Wolfe, P.E. 116170
Vice President

Date Signed: March 21, 2024

STATE OF TEXAS
J. M. WOLFE
116170
LICENSED
PROFESSIONAL ENGINEER

By: John G Hattner
John G. Hattner, P.G. 559
Senior Vice President

Date Signed: March 21, 2024

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5 September 2024

The Group Managing Director/Chief Executive Officer
Nigerian Exchange Group
No. 2-4, Customs Street,
Lagos

Dear Sir,

RE: Legal Opinion In Connection With the Listing by Aradel Holdings Plc of Its Shares On The Nigerian Exchange Limited

We act as Solicitors to the transaction in connection with the proposed listing by Aradel Holdings Plc (the "**Company**") of its shares on the Nigerian Exchange Limited (the "**Transaction**"). It is in this capacity that we have provided below a summary of the litigation, arbitration, and administrative proceedings involving the Company.

Summary of Claims and Litigation

To the best of our knowledge, and from our review of the information provided to us by the Company, the Company is currently involved in 3 (three) litigation proceedings. The claims are centered around disputes relating to chieftaincy, breach of contract and allegations of unfair prejudice and discriminatory conduct.

The aggregate principal amount claimed against the Company in the ongoing proceedings is **US$9,890,555.51 (Nine Million, Eight Hundred and Ninety Thousand, Five Hundred and Fifty-Five United States Dollars and Fifty-One Cents)** and **₦202,000,000.00 (Two Hundred and Two Million Naira)** excluding the value of the irredeemable participating investment notes, interest and other unspecified costs that may be awarded at the discretion of the courts. The aggregate principal amount claimed by the Company in the ongoing proceedings is **US$17,868 (Seven Thousand, Eight Hundred and Sixty-Eight United States Dollars)** excluding other unspecified costs that may be awarded at the discretion of the courts.

We are of the opinion that the outcome of the various proceedings is not likely to have any material adverse effect on the Transaction or on the business and operations of the Company.

We have set out as an enclosure to this letter, the claims and litigation review prepared for the Transaction on the basis of information provided by and on behalf of the Company as at 22 August 2024.

Assumptions and Qualifications

The information contained in this letter is provided subject to the following qualifications and limitations:

a. For the purpose of this letter, we have examined, reviewed and relied only on the documents provided to us by or on behalf of the Company as at 22 August 2024 and we have not conducted any independent searches in respect of these proceedings.[1]

b. The accuracy of the contents of this letter is dependent on the information provided by the Company being true, complete, accurate and not misleading.

c. We do not accept responsibility for, duty in respect of, or liability with respect to, the truth, accuracy, or completeness of any information contained in any reports, opinions, or memoranda prepared by any third party that we have extracted from, included, or referred to, in this letter.

Thank you for your attention.

If you require any additional information or clarification, please do not hesitate to contact the undersigned on +234-1-4611889 or zelda.akindele@templars-law.com.

Yours faithfully,
for: **TEMPLARS**

ZELDA AKINDELE
Partner

Encl: Templars' Claims and Litigation Review of Aradel Holdings Plc

[1] There is no systematic way of undertaking a comprehensive search of court records or other registries to ascertain the existence or otherwise of litigation, arbitration, or administrative proceedings against an entity in Nigeria. We have therefore relied on information provided to us by the Company as at 22 August 2024 as constituting the current position in respect of claims and litigation involving the Company.

17 GLOSSARY OF TECHNICAL TERMS

The following technical terms are used in this Memorandum. Grammatical variations of these terms should be interpreted in the same way.

1C	Low estimate scenario of contingent resources
2C	Best estimate scenario of contingent resources
3C	High estimate scenario of contingent resources
1P	Proved
2P	Proved plus probable
3P	Proved plus probable plus possible
appraisal	Phase in exploration and evaluation activities to determine the size, characteristics, and commercial potential of a reservoir following the initial discovery of hydrocarbons
appraisal well	Wells drilled to determine the size, characteristics, and commercial potential of a reservoir following the initial discovery of hydrocarbons
barrel or bbl	Oil volumes are expressed in thousands of barrels (MBBL); a barrel is equivalent to 42 United States gallons
bcf	Billion cubic feet, used to express gas volumes
boe	Barrels of oil equivalent
condensate	Hydrocarbons in gaseous state under reservoir conditions that become liquid when temperature or pressure is reduced; mixture of pentanes and higher hydrocarbons
contingent resources	Quantities of petroleum estimated to be potentially recoverable from known accumulations by application of development projects but not currently commercially recoverable due to contingencies
discovery	Exploration well that has encountered oil and gas for the first time in a structure
dry well	A well that does not produce commercial quantities of hydrocarbons
E&P	Exploration and Production, involves the search for and extraction of petroleum
exploration	Phase covering the search for oil or gas through geological and geophysical surveys, followed by exploratory drilling

exploration drilling	Drilling carried out to determine whether oil and gas are present in a particular area or structure
exploration well	Well in an unproven area or prospect, also known as a "wildcat well"
farm-out	Term describing when a company sells a portion of the acreage in a block to another company, usually in return for consideration and work commitments
field	Geographical area with either a single or multiple oil or gas reservoirs related to the same geological structural feature or stratigraphic condition
gas field	An area with substantial natural gas reserves
geophysical	Associated with the physical properties of the earth; includes measurements such as electrical, seismic, gravity, and magnetics to delineate structure, rock type, and fluid content
gross reserves	Total estimated petroleum to be produced from a field
geophysical	Associated with the physical properties of the earth; includes measurements such as electrical, seismic, gravity, and magnetics to delineate structure, rock type, and fluid content
gross reserves	Total estimated petroleum to be produced from a field
gross resources	Total estimated petroleum potentially recoverable
growth fault	Sedimentary gravitational fault formed due to rapid sedimentation along the delta edge; characterised by thickening of sediments on the downthrown side
hydrocarbon	Compound containing only hydrogen and carbon; can exist as a solid, liquid, or gas; generally used to refer to oil, gas, and condensate
infrastructure	Oil and gas processing, transportation, and off-take facilities
km	Kilometre
km^2	Square kilometre
licence	Exclusive right to explore for petroleum, usually granted by a national governing body
licence area	Area covered by a licence
LNG	Natural gas liquefied under high pressure and low temperature for easier transportation

NAG	Non-associated gas, gas found in reservoirs that do not contain significant quantities of crude oil
natural gas	A hydrocarbon gas mixture consisting primarily of methane, used as a fuel and in the production of chemicals
offshore	Refers to exploration and production activities conducted at sea
oil	A viscous liquid derived from petroleum, used primarily as a fuel and in the production of chemicals
oil field	An area with substantial crude oil reserves
onshore	Refers to exploration and production activities conducted on land
operator	Company with legal authority to drill wells and undertake production; often part of a consortium
participating interest	Proportion of exploration and production costs and production each party will bear and receive, as set out in an operating agreement
petroleum	Generic name for oil and gas, including crude oil, natural gas liquids, and their products
possible reserves	Additional reserves less likely to be recoverable than proved and probable reserves
probable reserves	Additional reserves less likely to be recovered than proved reserves but more certain to be recovered than possible reserves
PRMS	Petroleum Resources Management System, guidelines for the definition, classification, and estimation of petroleum resources
prospect	A potential area where hydrocarbons may be present, requiring further exploration
prospective resources	Quantities of petroleum estimated to be potentially recoverable from undiscovered accumulations by application of future development projects
prospectivity	The likelihood of discovering hydrocarbons in a particular area
proved reserves	Reserves with at least a 90% chance of being produced based on available evidence and technical and economic factors
reserves	Quantities of petroleum anticipated to be commercially recoverable from known accumulations under defined conditions
reservoir	Underground porous and permeable formation where oil and gas have accumulated

resources	Quantities of petroleum estimated to be potentially recoverable from accumulations, classified into reserves, contingent resources, and prospective resources
rig	Equipment used for drilling wells
royalty	Percentage share of production or value derived from production, paid from a producing well to the owner of a mineral right
seal	A rock formation that prevents the migration of hydrocarbons, trapping them in a reservoir
seismic survey	A geophysical survey method used to map subsurface rock formations and identify potential hydrocarbon accumulations