Santa Maria Offshore Limited
(Subsidiary of Latina Desarrollos Energéticos, S. A. de C. V.)

Financial Statements for the Years Ended December 31, 2022 and 2021, and Independent Auditors' Report Dated April 28, 2023

Santa Maria Offshore Limited
(Subsidiary of Latina Desarrollos Energéticos, S. A. de C. V.)

Independent Auditors' Report and Financial Statements for 2022 and 2021

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Independent Auditors' Report to the Board of Directors and Stockholders of Santa Maria Offshore Limited

Opinion

We have audited the financial statements of Santa Maria Offshore Limited (the "Entity"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the statements of loss, statements of changes in stockholders' equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Entity in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (*IESBA Code) together with the Code of Ethics issued by the Mexican Institute of Public Accountants (IMCP Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and with the IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to the going concern

We draw attention to Note 3a in the financial statements, which indicates that on October 11, 2014, Latina Offshore Limited, the Parent company, issued International Bond. As of December 31, 2022, the outstanding balance is $277,379. The Parent company, on January 31, 2023, obtained approval of the restructuring of this international bond by improving the interest rate, extending its long-term maturity and capitalizing part of the debt, see Note 11.

As mentioned in note 1, the Entity provides services exclusively to a related party. Accordingly, the accompanying financial statements are not necessarily indicative of the prevailing conditions or results of operations and cash flows that the Entity would have obtained if there was no such affiliation.

Due to these events or conditions, at the date of the financial statements, this matter indicates the existence of a material uncertainty about the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise due to fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity´s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors´ report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient and appropriate audit evidence of the Entity's financial information and its business activities to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We continue to be solely responsible for our audit opinion.

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

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited

C. P. C. Arturo Ceballos López

April 28, 2023

Santa Maria Offshore Limited
(Subsidiary of Latina Desarrollos Energéticos, S. A. de C. V.)

Statement of Financial Position

As of December 31, 2022 and 2021
(In thousands of US dollars)

Assets	**Note**	**2022**	**2021**
Current assets:			
Cash		$ 8	$ 12
Due from related parties	10	35,332	32,827
Other accounts receivable		2,454	582
Prepaid expenses, net		23	21
Total current assets		37,817	33,442
Non-current assets:			
Jack-up and equipment, net	5	147,430	159,227
Deferred income taxes	6	16,777	11,343
Total non-current assets		164,207	170,570
Total assets		$ 202,024	$ 204,012

Liabilities and Stockholders' equity

Current liabilities:			
Trade accounts payable		$ 23	$ 23
Other accounts payable and accrued liabilities		5,536	2,173
Total current liabilities		5,559	2,196
Non-current liabilities:			
Due to related parties	10	145,392	147,254
Total non-current liabilities		145,392	147,254
Total liabilities		150,951	149,450
Stockholders' equity:			
Common stock	8	96,000	96,000
Accumulated deficit		(44,927)	(41,438)
Total stockholders' equity		51,073	54,562
Total stockholders' equity and liabilities		$ 202,024	$ 204,012

See accompanying notes to financial statements.

Santa Maria Offshore Limited
(Subsidiary of Latina Desarrollos Energéticos, S. A. de C. V.)

Statements of Losses

For the years ended December 31, 2022 and 2021
(In thousands of US dollars)

	Note	2022	2021
Ongoing operations:			
Revenue from operating lease	10	$ 18,250	$ 18,050
Operating cost	9	48	47
Depreciation of assets under operating leases	5	14,139	13,738
Gross profit		4,063	4,265
Interest expenses, net	10	12,274	12,270
Exchange loss (gain), net		399	(1)
Loss before income taxes		(8,610)	(8,004)
Income tax benefit	6	(5,121)	(3,950)
Loss for the year		$ (3,489)	$ (4,054)

See accompanying notes to financial statements.

Santa Maria Offshore Limited
(Subsidiary of Latina Desarrollos Energéticos, S. A. de C. V.)

Statement of Changes in Stockholders' Equity
For the years ended December 31, 2022 and 2021
(In thousands of US dollars)

	Common Stock	Accumulated deficit	Total stockholders' equity
Balance as of December 31, 2020	$ 96,000	$ (37,384)	$ 58,616
Loss for the year	-	(4,054)	(4,054)
Balance as of December 31, 2021	96,000	(41,438)	54,562
Loss for the year	-	(3,489)	(3,489)
Balance as of December 31, 2022	$ 96,000	$ (44,927)	$ 51,073

See accompanying notes to financial statements.

Santa Maria Offshore Limited
(Subsidiary of Latina Desarrollos Energéticos, S. A. de C. V.)

Statement of Cash Flows

For the years ended December 31, 2022 and 2021
(In thousands of US dollars)

	2022	2021
Cash flows from operating activities		
Loss for the year	$ (3,489)	$ (4,054)
Adjustments for:		
Income tax benefit	(5,121)	(3,950)
Depreciation	14,139	13,738
Exchange loss (gain)	399	(1)
Interest expenses	12,274	12,270
	18,202	18,003
Changes in working capital:		
(Increase) decrease in:		
Due from related parties	(2,505)	(4,748)
Other accounts receivable	(1,872)	419
Prepaid expenses	(2)	(1)
(Decrease) increase in:		
Trade accounts payable	-	3
Due to related parties	(1,862)	3,663
Other accounts payable and accrued liabilities	2,651	186
Net cash flows generated by operating activities	14,612	17,525
Cash flows from investing activities:		
Purchase of equipment	(2,342)	(5,250)
Net cash flows used in investing activities	(2,342)	(5,250)
Cash flows from financing activities:		
Interest paid	(12,274)	(12,270)
Net cash flows used in financing activities	(12,274)	(12,270)
Net (decrease) increase in cash	(4)	5
Cash at beginning of year	12	7
Cash at end of year	$ 8	$ 12

See accompanying notes to financial statements.

1. Activity

Santa Maria Offshore Limited (the "Entity") was incorporated as a Bermuda exempted company on June 6, 2013, under the laws of Bermuda. The Entity is a Subsidiary of Latina Desarrollos Energéticos, S. A. de C. V. The Entity has its office at Canon's Court 22 Victoria Street, Hamilton, Bermuda. For Mexican tax purposes, the Entity's address is Horacio 1855, 5th floor, Los Morales Polanco, Mexico City, Zip Code 11510.

The Entity's main activity is the leasing of a Jack-up ("Santa Maria") for oil and gas drilling to Constructora y Perforadora Latina, S. A. de C. V., ("CP Latina"), the indirect parent Entity incorporated in Mexico.

The Entity provides services exclusively to a related party. Accordingly, the accompanying financial statements are not necessarily indicative of the prevailing conditions or results of operations and cash flows that the Entity would have obtained if there was no such affiliation.

The Entity's, operating and administrative personnel are employed directly by a related party. Therefore, the Entity has no employees and is not subject to any labor obligations other than any joint and several obligations that may arise from the labor agreements entered into with the related party.

2022 and 2021 operations

a) ***Changes to the leases with CP Latina of Santa Maria***

During 2020, the daily rent for La Santa María was $50 for the period from July 1, 2020 to December 31, 2022.

- ***Operational impacts.***

  Santa María had a temporary suspension of operations from August 5, 2020 to January 6, 2021, so the Entity ceased to recognize income in that period. As of January 7, 2021, this Jack-up resumed operations, therefore, the operation has been regularized and remains so as of the reporting date.

  During 2022 and 2021, and due to the pandemic, the Entity and CP Latina entered into amended lease agreements where it was agreed that:

  - Santa María will apply a daily rate of $50 for the period from July 1, 2021 to December 31, 2022.
  - As of January 1, 2023, Santa Maria Jack-up will return to the indexing mechanism established in the amended agreements entered into in 2018.
  - The Santa Maria Jack-up extended the contract expiration date to December 31, 2024,
  - As of June 1, 2021, the Jack-up applied a payment term for accounts receivable 90 days after the invoices were issued instead of 180 days,

2. Adoption of new and revised International Financial Reporting Standards

a. ***New and amended IFRS standards that are effective for the current year***

- In the current year, the Entity has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 3 Reference to the Conceptual Framework	The entity has adopted the amendments to IFRS 3 *Business Combinations* for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 *Conceptual Framework* instead of the 1989 *Framework*. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 *Levies*, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.
Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use	The Entity has adopted the amendments to IAS 16 *Property, Plant and Equipment* for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 *Inventories*. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.
Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle	The Entity has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to:

IFRS 9 *Financial Instruments*

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

b. ***New and revised IFRS Standards in issue but not yet effective***

At the date of authorization of these financial statements, the Entity has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*
Amendments to IAS 1 and IFRS Practice Statement 2,	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Management does not expect that the adoption of the Standards listed above will have a material impact on the Entity's financial statements in future periods, except as noted below:

Amendments to 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 recognized 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 has yet to be set by the IASB; however, earlier application of the amendments is permitted. The management of the Entity anticipate that the application of these amendments may have an impact on the Entity´s financial statements in future periods should such transactions arise.

Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Noncurrent

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 2023, with early application permitted. The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments. The Entity’s management anticipates that the application of these amendments may have an impact on the Entity´s financial statements in future periods.

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

The amendments change the requirements in IAS 1 with regard to 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 on the basis of 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.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

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. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an .
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The IASB added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The IASB has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

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 nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognize 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 IASB also adds an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

The Entity's management anticipate that the application of these amendments may have an impact on the Entity´s financial statements in future periods should such transactions arise.

3. Significant accounting policies

a. *Going concern*

We draw your attention to Note 5 to the accompanying financial statements that describe that on October 11, 2014, Latina Offshore Limited, the Parent company, issued an International Bond. As of December 31, 2022, the outstanding balance is $277,379 and it is due on October 15, 2022. On November 29, 2022, the bondholders approved extending the maturity of the bond to January 31, 2023. The Jack-up owned by the Entity is pledged as collateral and could be collected by the bondholders.

The Parent company, on January 31, 2023 obtained approval for the restructuring of this international bond by improving the interest rate, extending its long-term maturity and capitalizing part of the debt, see Note 11.

Additionally, the Entity provides services exclusively to a related party. Accordingly, the accompanying financial statements are not necessarily indicative of the prevailing conditions or results of operations and cash flows that the Entity would have obtained, if there was no such affiliation.

Due to these events or conditions, at the date of the financial statements, this matter indicates the existence of a material uncertainty about the Entity's ability to continue as a going concern.

b. ***Statement of compliance***

The financial statements have been prepared in accordance with IFRS released by IASB.

c. ***Basis of preparation***

The accompanying financial statements have been prepared on the historical cost basis; disclosures of fair value have been included where required by IFRS.

i. *Historical cost*

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

ii. *Fair value*

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Entity considers the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value measurements are categorized into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

d. ***Financial instruments***

Financial assets and financial liabilities are recognized when the Entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

e. ***Financial assets***

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (“FVTPL”), ‘held-to-maturity’ investments, ‘available-for-sale’ (AFS) financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

1. *Effective interest method*

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as of FVTPL.

2. *Financial assets at FVTPL*

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the interest income and expenses line items. Fair value is determined as described in Note 7.

3. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except in the case of short-term receivables, when the effect of discounting is immaterial.

4. *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period.

Financial assets are impaired when there is objective evidence that, because of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- A breach of contract, such as a default or delinquency in payments of interest or principal; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if it has been determined that they are not individually impaired. Objective evidence of impairment of a portfolio of receivables could include the Entity's past experience in collecting payments, an increase in the number of late payments in the portfolio beyond an average credit period established by the Entity, as well as observable changes in national or local economic conditions that correlate with non-payment of receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of trade or lease receivables is reduced using an allowance account. When a trade or lease receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

5. *Derecognition of financial assets*

The Entity derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

f. ***Cash***

Cash consists mainly of bank deposits in checking accounts and short-term investments, highly liquid and easily convertible into cash. Cash is stated at nominal value.

g. ***Jack-up and equipment***

Jack-ups and equipment that are initially recorded at cost less cumulated depreciation and any impairment loss recognized.

Jack-up that are in the process of construction are recorded at cost less any recognized impairment loss. Cost includes professional fees and, in the case of qualifying assets, borrowing costs capitalized in accordance with the Entity's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is recognized to write off the cost of assets over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Items of Jack-up and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of items of Jack-up and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The average useful live of Jack-up is a:

	Years
Helmet	21
Substructure	21
Lifting system (legs and motors)	21
Equipment and accessories	16
Accessories	16
Preventers	16
Housing unit	13
Fire safety net equipment	4
Helideck	4

h. ***Impairment of tangible assets***

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest entity of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of a cash-generating unit is estimated to be less than it is carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

i. ***Leasing***

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Entity as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

j. ***Foreign currencies***

In preparing the financial statements, transactions in currencies other than the Entity's functional currency (US dollar) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The Exchange rates used to convert foreign currency into US dollars were as follows:

	December 31, 2022	2021
Mexican pesos per one US dollar	$ 19.3615	$ 20.5835

k. ***Income taxes***

Income tax expense represents the sum of the tax currently payable and deferred tax.

1. *Current tax*

Current income tax ("ISR") is recognized in the results of the year in which is incurred.

2. *Deferred tax*

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the way the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. *Current and deferred tax for the year*

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity.

l. ***Provisions***

Provisions are recognized when the Entity has a present obligation (legal or constructive) because of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

m. ***Financial liabilities and equity instruments***

1. *Classification as debt or equity*

Debt and equity instruments issued by the Entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2. *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Entity after deducting all of its liabilities. Equity instruments issued by an entity are recognized at the proceeds received, net of direct issue costs.

3. *Financial liabilities*

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities, which include borrowings and trade and other payables, are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

n. ***Statement of cash flows***

The cash flows are used applying the indirect method. Interest received is classified as investing cash flows, while interest paid is classified as financing cash flows.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Entity's accounting policies, which are described in Note 3, the Entity's management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. ***Critical judgments in applying accounting policies***

The following are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the Entity's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- ***Leases -*** The Entity evaluates the classification of the leases for accounting purposes.

  In performing such assessment, the Entity is required to exercise its professional judgment and make estimates, as follows:

a) The lease does not transfer ownership of the Jack-up and equipment to the lease by the end of the lease term.
b) The lease does not contain an option to purchase the Jack-up and equipment.
c) The lease term does not represent a substantial portion of the economic life of the Jack-up and equipment.
d) At the inception of the lease, the present value of the minimum lease payment amounts does not represent a substantial portion of the fair value of the leased Jack-up and equipment.
e) The leased Jack-up and equipment can be used by another interested party without major modifications.

- ***Contingencies*** - By their nature, contingencies are settled when one or more future events occur or cease to occur. The assessment of contingencies inherently involves the use of significant judgment and estimates related to the future outcome of those events.

b. ***Key sources of estimation uncertainty***

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of long-term live assets-At each reporting date, the Entity reviews the carrying amounts of its jack-up to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

Estimates of useful lives and depreciation methods - The Entity reviews its estimates of useful lives and methods of depreciation on Jack-up and equipment periodically and the effect of any change in estimate is recognized prospectively. Changes in these estimates could have a significant impact on the Entity's statements of financial position and comprehensive income.

Recovery of tax losses carryforwards - The Entity makes financial and tax projections in order to maximize efficiency with respect to accounting and tax results. For tax purposes, the Entity realized a significant loss due to the devaluation of the Mexican peso against the US dollar during 2022 and 2021. The Entity expects to amortize tax losses against tax profits generated in subsequent years, with the normal operation of its Jack-up.

5. Jack-up and equipment

	Balance as of December 31, 2021	Additions	Transfers/Disposals	Balance as of December 31, 2022
Investments				
Jack-up	$ 282,432	$ 2,342	$ 2,028	$ 286,802
Computers	67	-	-	67
Spare parts	2,028	-	(2,028)	-
	284,527	2,342	-	286,869
Depreciation				
Jack-up	(125,233)	(14,139)	-	(139,372)
Computers	(67)	-	-	(67)
	125,300	(14,139)	-	(139,439)
Total investments, net	$ 159,227	$ (11,797)	$ -	$ 147,430

	Balance as of December 31, 2020	Additions	Transfers/Disposals	Balance as of December 31, 2021
Investments				
Jack-up	$ 277,182	$ 5,250	$ -	$ 282,432
Computers	67	-	-	67
Spare parts	2,028	-	-	2,028
	279,277	5,250	-	284,527
Depreciation				
Jack-up	(111,495)	(13,738)	-	(125,233)
Computers	(67)	-	-	(67)
	(111,562)	(13,738)	-	125,300
Total investments, net	$ 167,715	$ (8,488)	$ -	$ 159,227

On October 11, 2014, Latina Offshore Limited (parent entity) issued an International Bond, as of December 31, 2022 the balance is $277,379. The Jack-up owned by the Entity is pledged as collateral under the Bond.

6. Income taxes

The Entity is not subject to income taxes in Bermuda. The Entity is subject to Mexican income tax (ISR, for its acronym in Spanish). The current ISR rate is 30%.

a. ***Income tax recognized in loss***

	2022	2021
Income tax benefit		
Current tax	$ 313	$ -
In respect of the current year	(5,434)	(3,950)
	$ (5,121)	$ (3,950)

The reconciliation of the statutory and effective ISR rate expressed in amounts of loss before tax is:

	2022	2021
Statutory rate	30%	30%
Effects of inflation and other	31%	12
Non deductible expenses	-	7%
Effect of rate difference depreciation	(17%)	-
Non accumulative income	15%	-
Effective rate	59%	49%

b. ***Deferred tax in statement of financial position***

The following is the analysis of deferred tax assets (liabilities) presented in the statements of financial position:

	2022	2021
Deferred ISR assets:		
Effect of tax loss carryforwards	$ -	$ 2,436
Jack-ups and equipment	14,336	7,012
Provisions	7	4
Advances from related parties	2,441	1,133
Others	-	764
Deferred ISR assets	16,784	11,349

	2022	2021
Deferred ISR liabilities:		
Prepaid expenses	(7)	(6)
Deferred ISR liabilities	(7)	(6)
Net asset	$ 16,778	$ 11,343

7. Financial risk management

a. *Capital management*

The Entity manages its capital to ensure that it will continue as a going concern, while it maximizes returns to its stockholders through the optimization of the balances of debt and equity. The Entity's capital structure is composed of its net debt and stockholders' equity.

b. *Interest rate risk management*

The Entity is exposed to interest rate risk because of fluctuations in market rates when compared to the fixed rates under which its debt accrues interest. The risk is not currently considered significant but may be managed in the future by entering into derivative financial instruments to hedge such risk.

c. *Credit risk management*

Credit risk refers to the situation in which the borrower defaults on its contractual obligations, generating a financial loss for the Entity and which is essentially derived from accounts receivable from customers and liquid funds. The Entity does not consider that it has a significant credit risk at December 31, 2022 and 2021 as a result of its financial position at that date.

d. *Liquidity risk management*

Corporate treasury has the ultimate responsibility for liquidity management, and has established appropriate policies to control liquidity by monitoring working capital, managing short, medium and long-term financing needs, maintaining cash reserves, continuously monitoring cash flows (projected and actual), and reconciling the maturity profiles of financial assets and liabilities.

The following table details the Entity's remaining contractual maturity for its liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows or financial liabilities based on the earliest date on which the Entity can be required to pay. The table includes both interest and principal cash flows.

	December 31, 2022					
	Weighted average effective interest rate %	**1-6 months**	**6 months to 1 year**	**1 - 5 years**	**Total**	**Carrying amount**
Fixed interest rate instruments	9.5%	$ -	$ -	$ 188,036	$ 188,036	$ 145,392

	December 31, 2021					
	Weighted average effective interest rate %	**1-6 months**	**6 months to 1 year**	**1 - 5 years**	**Total**	**Carrying amount**
Fixed interest rate instruments	9.5%	$ -	$ -	$ 190,445	$ 190,445	$ 147,254

e. ***Fair value measurements***

The fair value of financial instruments presented below has been determined by the Entity using information available in the markets or other valuation techniques but which require judgment in their development and interpretation, in addition to using assumptions that are based on market conditions existing at each date of the consolidated statements of financial position. Consequently, the estimated amounts presented below are not necessarily indicative of the amounts that the Entity could obtain in a current market exchange. The use of different assumptions and/or estimation methods could have a material effect on the estimated fair value amounts.

The following table provides an analysis of financial instruments that are measured after initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

– Level 1 are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

– Level 2 are those derived from inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

– Level 3 are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Entity considers that the carrying amount of cash, accounts receivable and accounts payable from third parties and to related parties and the current portion of bank loans approximate their fair values because they have short-term maturities. The Entity's long-term debt is recorded at amortized cost and bears interest at fixed and variable rates that are related to market indicators.

The carrying amounts of financial instruments by category and their related fair values on December 31 are as follows:

	Carrying amount	Fair value at December 31, 2022
Financial assets:		
Cash (Level 1)	$ 8	$ 8
At amortized cost		
Due from related parties (Level 2)	35,332	35,332
Financial liabilities at amortized cost:		
Due to related parties (Level 2)	$ 145,392	$ 145,392

	Carrying amount	Fair value at December 31, 2021
Financial assets:		
Cash (Level 1)	$ 12	$ 12
At amortized cost		
Due from related parties (Level 2)	32,827	32,827
Financial liabilities at amortized cost:		
Due to related parties (Level 2)	$ 147,254	$ 147,254

Management considers that the carrying value of receivables and payables to related parties approximate their fair value due to short-term nature and maturity. The Entity’s management determined the fair value of payables to related parties, which is a level 2 input.

8. Stockholders' equity

a. The historical amount of the Entity's subscribed and paid-in common stock as of December 31, is as follows:

	Number of shares 2022 and 2021	Amount 2022 and 2021
Fixed:		
Series A	100	$ -
Variable:		
Series A	96,000,000	96,000
	96,000,100	$ 96,000

Common stock consists of nominative shares with a par value of 1 US dollar.

9. Operating cost by nature

	2022	2021
Services	$ 48	$ 47

10. Balances and transactions with related parties

a. Transactions with related parties, carried out in the ordinary course of business, were as follows:

	2022	2021
Operating lease revenues	$ 18,250	$ 18,050
Purchases of spare parts and tools	$ (2,342)	$ (5,250)
Interest expenses, net	$ (12,274)	$ (12,270)

b. Balances with related parties are as follows:

	2022	2021
Due from related parties -		
Constructora y Perforadora Latina, S. A de C. V.	$ 35,332	$ 32,827
Long term:		
Latina Offshore Limited [1]	$ 145,392	$ 147,254

(1) Includes a loan of $136,335, bearing interest payable on a semi-annual basis at a 9.50% rate. In 2021, the maturity of the loan was extended to expire in December 2024.

11. Subsequence events

On January 31, 2023, the restructuring of international bonds issued by Latina Offshore Limited (LOL) was approved under the following conditions:

- Maturity term of 5-years with quarterly amortization on cash sweep.
- Quarterly interest payment with a fixed interest rate from 8.875% to 7%.
- Debt capitalization of $39,246.
- A debt payment of $60,0000. The resources for this payment are: 1. $15,000 from Accounts receivable, 2. $10,000 from cash, and 3. $3,000 from new debt.

The implementation of the entire restructuring should be finalized in the next three months.

12. Authorization to issue the financial statements

On April 28, 2023, the issuance of the accompanying financial statements was authorized by C. P. C. Miguel Ruiz Tapia, Chief Executive Officer; consequently, they do not reflect events that occurred after that date and are subject to the approval at the Entity's Annual Ordinary Stockholders' Meeting, where they may be modified. The financial statements for the year ended December 31, 2021 were approved at the Annual Ordinary Stockholders' Meeting held on April 30, 2022.

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