

**Constructora y Perforadora
Latina, S. A. de C. V. and
Subsidiaries
(Subsidiary of Latina Desarrollos
Energéticos, S. A. de C. V.)**

Consolidated Financial Statements
for the years ended December 31,
2023 and 2022, and Independent
Auditor's Report dated of June 14,
2024



**Constructora y Perforadora Latina, S. A. de C. V. and
Subsidiaries**
(Subsidiary of Latina Desarrollos Energéticos, S. A. de C. V.)

**Independent Auditor's Report and
Consolidated Financial Statements for the
years ended December 31, 2023 and 2022**

Table of Contents	Page
Independent Auditor's Report	1
Consolidated Statements of Financial Position	4
Consolidated Statements of Profit or Loss	5
Consolidated Statements of Changes in Stockholders' Equity	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	9



Independent Auditor's Report to the Board of Directors and Stockholders of Constructora y Perforadora Latina, S. A. de C. V. and Subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of Constructora y Perforadora Latina, S. A. de C. V. and Subsidiaries (the "Entity"), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the consolidated statements of profit or loss, the consolidated statements of changes in stockholders' equity and the consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Entity as of December 31, 2023 and 2022, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

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 *Auditors' Responsibilities for the Audit of the Consolidated 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 Going Concern

We draw your attention to Note 2b to the accompanying consolidated financial statements that describe the plans for the Entity to continue as a going concern, because as of December 31, 2023 and 2022, the Entity had recurring net losses, consequently has an accumulated deficit of \$159,224 and \$175,596, respectively, and as December 31, 2022 the Entity's current liabilities exceeded its total current assets by \$292,200.

Due to the aforementioned, is possible that the entity requires financial support to meet its short-term and long-term obligations, however, management's plans for the Entity to continue as a going concern are also indicated in Note 2a.

The accompanying consolidated financial statements do not include the adjustments related to the valuation and classification of assets and classification and amount of liabilities that might be necessary if the Entity could not continue to operate. The consolidated financial statements have been prepared under the assumption that the Entity will continue as a going concern.

Our opinion has not being modified in relation to the uncertainty.



Emphasis of Matters

Additionally, as mentioned in note 1, the Entity is economically dependent on Pemex, which in its financial statements shows material uncertainty as a going concern.

Other matters

The accompanying financial statements have been translated into English for the convenience of users.

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

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

In preparing the consolidated 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.

Independent Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these consolidated 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 consolidated 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 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 auditors' report to the related disclosures in the consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence about the Entity's financial information and its business activities to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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.

We also provided the Entity's corporate governance officers with a declaration to the effect that we have fulfilled applicable ethical requirements regarding our independence and have reported all the relations and other issues that could be reasonably be expected to affect our independence and, when applicable, the respective safeguards.

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

C.P.C. Juan Carlos Reynoso Degollado

Mexico City, Mexico
June 14, 2024



Constructora y Perforadora Latina, S. A. de C. V. and Subsidiaries
(Subsidiary of Latina Desarrollos Energéticos, S. A. de C. V.)

Consolidated Statements of Financial Position

As of December 31, 2023 and 2022
(In thousands of US dollars)

Assets	Note	2023	2022
Current assets:			
Cash and restricted cash	5	\$ 12,602	\$ 18,410
Trade accounts receivable	6	118,252	101,177
Due from related parties	17	42,320	26,523
Recoverable taxes and other accounts receivable		44,433	51,353
Inventories – net	7	23,348	28,287
Prepaid expenses		<u>6,559</u>	<u>10,787</u>
Total current assets		247,514	236,537
Jack-ups and equipment, net	10	332,451	364,327
Right of use assets	8	47,589	72,966
Deferred income tax	17	88,680	63,868
Investment in wells and infrastructure, net	11	30,787	45,344
Other assets, net		<u>2,870</u>	<u>569</u>
		<u>502,377</u>	<u>547,074</u>
Total		<u>\$ 749,891</u>	<u>\$ 783,611</u>
Liabilities and Stockholders' equity			
Current liabilities:			
Current portion of long-term debt	14	\$ 43,223	\$ 338,891
Trade accounts payable		65,668	71,984
Lease liabilities	9	26,784	28,223
Accrued expenses		27,613	41,326
Taxes payable	17	59,367	46,594
Due to related parties		<u>1,803</u>	<u>1,719</u>
Total current liabilities		224,458	528,737
Non-current liabilities:			
Long-term debt	14	253,642	20,194
Lease liabilities	9	24,334	45,451
Employee benefits	15	4,897	4,212
Asset retirement obligation		4,157	4,107
Other long-term liabilities		3,933	3,273
Deferred income taxes	17	<u>1,583</u>	<u>2,292</u>
Total long-term liabilities		292,546	79,529
Total liabilities		517,004	608,266
Stockholders' equity:			
Contributed capital:			
Capital stock	16	341,245	341,245
Share subscription premium of subsidiary shares		40,179	-
Earned capital:			
Accumulated deficit		(159,224)	(175,596)
Legal reserve		798	398
Other comprehensive income		493	195
Controlling interest		223,491	166,242
Non-controlling interest		<u>9,396</u>	<u>9,103</u>
Total stockholders' equity		<u>232,887</u>	<u>175,345</u>
Total		<u>\$ 749,891</u>	<u>\$ 783,611</u>

See accompanying notes to consolidated financial statements.



Constructora y Perforadora Latina, S. A. de C. V. and Subsidiaries
(Subsidiary of Latina Desarrollos Energéticos, S. A. de C. V.)

Consolidated Statements of Profit or Loss

For the years ended December 31, 2023 and 2022

(In thousands of US dollars)

	Note	2023	2022
Revenue:			
Drilling services and maintenance of wells		\$ 221,519	\$ 303,921
Operating lease revenues		<u>93,182</u>	<u>70,900</u>
		314,701	374,821
Cost of services and maintenance of wells	18	102,448	169,706
Lease cost	18	22,929	30,588
Impairment loss		15,700	7,488
Depreciation and amortization		<u>83,368</u>	<u>77,013</u>
Gross profit		90,256	90,026
Administrative expenses	18	46,061	32,704
Other income, net		3,787	487
Financing costs	19	35,950	40,150
Interest income		(9,786)	(2,816)
Exchange loss (gain) - Net		<u>7,055</u>	<u>2,347</u>
Consolidated income before income taxes		7,189	17,154
Income tax benefit	17	<u>(9,876)</u>	<u>(1,087)</u>
Consolidated net income for the year		17,065	18,241
Other comprehensive income:			
Remeasurement of defined benefit obligations	15	426	278
Deferred income taxes	17	<u>(128)</u>	<u>(83)</u>
		298	195
Consolidated comprehensive income profit for the year		17,363	18,436
Consolidated net income attributable to:			
Controlling participation		17,070	18,257
Non-controlling participation		<u>293</u>	<u>179</u>
Consolidated comprehensive income for the year		<u>\$ 17,363</u>	<u>\$ 18,436</u>

See accompanying notes to consolidated financial statements.



Constructora y Perforadora Latina, S. A. de C. V. and Subsidiaries
(Subsidiary of Latina Desarrollos Energéticos, S. A. de C. V.)

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2023 and 2022

(In thousands of US dollars)

	Contributed capital				Earned capital			Total Stockholders' equity
	Capital stock	Benefit from subsidiary share subscription premium	Accumulated deficit	Legal reserve	Other comprehensive income	Total controlling participation	Non-controlling participation	
Beginning balance as of December 31, 2021	\$ 341,245	\$ -	\$ (193,658)	\$ 398	\$ -	\$ 147,985	\$ 2,370	\$ 150,355
Increase in non-controlling interest due to obtaining control in subsidiary	-	-	-	-	-	-	6,554	6,554
Consolidated comprehensive income for the year	-	-	18,062	-	195	18,257	179	18,436
Balance as of December 31, 2022	341,245	-	(175,596)	398	195	166,242	9,103	175,345
Share subscription premium of subsidiary shares	-	40,179	-	-	-	40,179	-	40,179
Legal Reserve	-	-	(400)	400	-	-	-	-
Consolidated comprehensive income for the year	-	-	16,772	-	298	17,070	293	17,363
Balance as of December 31, 2023	<u>\$ 341,245</u>	<u>\$ 40,179</u>	<u>\$ (159,224)</u>	<u>\$ 798</u>	<u>493</u>	<u>\$ 223,491</u>	<u>\$ 9,396</u>	<u>\$ 232,887</u>

See accompanying notes to consolidated financial statements.



Constructora y Perforadora Latina, S. A. de C. V. and Subsidiaries
(Subsidiary of Latina Desarrollos Energéticos, S. A. de C. V.)

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(In thousands of US dollars)

	2023	2022
Cash flows from operating activities:		
Consolidated net income of the year	\$ 17,065	\$ 18,241
Adjustments for:		
Income tax benefit	(9,876)	(1,087)
Depreciation and amortization	83,368	77,013
Impairment loss	15,700	7,488
Loss on sale of equipment	114	12
Adjustment to cash flows due to exchange rate fluctuations	3,258	(1,646)
Labor cost of current service	1,383	710
Interest expense	41,284	38,495
Amortized cost benefit of debt	(6,898)	-
Amortization of bond issuance costs	1,564	1,655
Interest income	(9,786)	(2,816)
	<u>137,176</u>	<u>138,065</u>
Changes in working capital:		
(Increase) decrease in		
Trade accounts receivable	(17,075)	(23,442)
Due from related parties	(15,797)	22,145
Current taxes and other accounts receivable	6,920	(4,866)
Inventories	4,939	13,501
Prepaid expenses	4,228	3,219
Increase (decrease) in:		
Trade accounts payable	(6,316)	4,186
Accrued expenses	(13,718)	7,809
Taxes payable	(2,996)	(4,888)
Advance customers	-	(19,729)
Accounts payable to related parties	84	(38,088)
Employee benefits	(682)	(187)
Other long-term liabilities	710	3,273
Net cash flows provided by operating activities	<u>97,473</u>	<u>100,998</u>
Cash flows from investing activities:		
Acquisition of equipment for jack ups and wells	(23,681)	(9,783)
Investment in wells	(1,972)	(22,671)
Investment on drilling start-up cost	-	36
Interest received	9,786	2,816
Other assets acquired	(3,342)	1,399
Net cash flows used in investing activities	<u>(19,209)</u>	<u>(28,203)</u>



	2023	2022
Cash flows from financing activities:		
Payment of leases liabilities	(29,258)	(21,140)
Debt obtained	57,918	18,213
Repayment of debt	(70,798)	(36,431)
Interest paid	(36,029)	(38,495)
Bonus Fee	<u>(5,905)</u>	<u>-</u>
Net cash flows used in financing activities	<u>(84,072)</u>	<u>(77,853)</u>
Net decrease in cash and restricted cash	(5,808)	(5,058)
Cash and restricted cash at the beginning of the year	<u>18,410</u>	<u>23,468</u>
Cash and restricted cash at end of the year	<u>\$ 12,602</u>	<u>\$ 18,410</u>

See accompanying notes to consolidated financial statements.



Constructora y Perforadora Latina, S. A. de C. V. and Subsidiaries
(Subsidiary of Latina Desarrollos Energéticos, S. A. de C. V.)

Notes to Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(In thousands of US dollars)

1. Activities

Constructora y Perforadora Latina S. A. de C. V. and Subsidiaries (the "Entity" or "Latina") is a subsidiary of Latina Desarrollos Energéticos, S. A. de C. V., it is a company with variable capital incorporated in Mexico on March 14, 1991. The Entity's address is Horacio 1855, 5th floor, Los Morales Polanco, Miguel Hidalgo, Mexico City, Zip Code 11510. It is mainly engaged in leasing oil rigs and modular offshore drilling (offshore) and providing drilling services and maintenance of geothermal wells (onshore) to Comisión Federal de Electricidad (CFE for its acronym in Spanish).

The Entity provides services exclusively to Petróleos Mexicanos S.A de C.V. (PEMEX). Consequently, the accompanying consolidated financial statements are not necessarily indicative of the current conditions or results of operations and cash flows that the Entity would have obtained in the absence of such affiliation.

Operating activities 2023 and 2022

2023

i. ***International bonds of \$205,493 (original amount of \$350,000) and \$49,000 (original amount of \$75,000)***

Regarding the \$205,493 bond, the bondholders approved on November 29, 2022, to extend the maturity of the bond to January 31, 2023.

In the case of the \$49,000 bond, the bondholders approved on March 12, 2021 an extension of the maturity to December 31, 2022 in accordance with the extension of the modular lease contract. On December 20, 2022, the bondholders approved extending the maturity of the bond to January 31, 2023.

On January 27 and 30, 2023, the restructuring of the international bonds issued by Latina Offshore Holding Limited (LOHL) and Latina Offshore Limited (LOL), respectively, was approved and implemented during the year, improving the interest rate, extending their maturity to long term and capitalizing part of the debt, managing to reduce the consolidated negative working capital, with the following conditions:

LOL Bonus

- Maturity period of 5 years with quarterly amortizations on cash sweep.
- Quarterly interest payment with a fixed interest rate of 8.875% per year to 7% per year.
- Capitalization of debt in the amount of \$39,246 and benefit of amortized cost of debt for \$6,898.
- Payment of debt in the amount of \$60,000. The resources for this debt are \$15,000 accounts receivable, \$10,000 cash, \$35,000 new debt.
- Derived from the above, the current debt balance decreased from \$277,379 to \$213,132.
- The new debt is integrated of an Ordinary Bond for \$123,198, an Exit Bond for \$54,934 and a Super Senior Bond for \$35,000.
- The Exit Bond will be paid at 78.8%, the remaining 21.2% will be premium on share subscription, net of its amortized cost.
- The Super Senior bond for \$35,000 have a interest of 10% annually that paid quarterly, additionally this Super Senior Bound have a capitalization of interest of 8.75% per year on the capital that is paid of the Ordinary and Exit Bonds.



LOHL Bonus

- Maturity period of 7 years with capital payment according to flows generated by the reactivation of the Modular equipment, which is currently not in operations.
- Quarterly interest payment with a fixed interest rate of 10% to 7% annually.
- Capitalization of debt for \$6,745.
- Derived from the above, the current debt balance decreased from \$55,745 to \$49,000.
- Constructora y Perforadora Latina signed a shareholder support contract while the Modular team does not have operations, where it will contribute an amount of \$20 per day to service the debt.

ii. *Changes to lease agreements with Pemex with La Santa María, La Covadonga and El Modular*

The daily rates in the leases of La Santa María and La Covadonga in 2022 were \$95, as of January 1, 2023 the daily rates are updated every semester according to international platform price indices. Likewise, the term of the contracts was extended until December 31, 2024. The rate for the first half of 2024 will be \$147.4

The operation of the Modular was temporarily suspended on December 24, 2021. On December 12, 2023, the settlement of the Modular contract with Pemex was signed. The Entity continues to actively seek a new assignment from Pemex. As of the date of issuance of this report remains inactive.

iii. *Contract for the provision of services for the start-up of production units with the support of interventions in wells in the Gulf of Mexico*

On May 30, 2019, a contract for the provision of services for the drilling of oil wells in shallow waters was signed with PEMEX consisting of the commissioning of the production units (Jack-ups) with the support of interventions to wells in the Gulf of Mexico ("Cluster Contract"). The original contract has been modified in amount and term according to the number of wells to be drilled. In 2023 and 2023 the main modifications to the contract are:

- On October 26, 2022, agreement 7 was signed for an increase in the amount of \$110,140, totaling \$694,676 with a validity until March 31, 2023.
- On February 19, 2024, the agreement of the Cluster 1 was signed.

For the drilling activities, 2 offshore drilling rigs were leased, the contract expires on December 1, 2025, with three-month advance notice of completion.

During the term of the contract, 11 wells have been drilled in shallow waters in the Cahua, Koban, Tetl, Uchbal and Esah fields. The 11 drilled wells have been producers and contributed to the initial production of approximately 54 thousand barrels of oil.

As of December 31, 2020, project start-up costs and costs were incurred for the \$47,718 projects, which correspond mainly to adjustments, transfer and rental costs of equipment, personnel, and logistics costs. The expenses are amortized in proportion to the income earned from the projects and the Amortization total at 31 December 2022 amounts to \$47,718.

On May 4, 2023, the Cluster 2 contract was signed for the drilling of exploratory or development wells by the \$460,158, with implementation until December 2024. For the development of this workload is done with one of the leased platforms.

The Cluster 2 contract began on May 4, 2023. As of December 31, 2023, the Etkal-201EXP well was executed and the Toloc-101EXP well is currently being operated and is scheduled to start on December 31, 2023 and is expected to end in May 2024.



iv. ***Mixed REMI lease agreement with Pemex with the GDVIII Platform***

On November 28, 2022, the REMI Mixed lease agreement for the GDVIII platform was signed. The contract has a term until December 31, 2023 and a rate of \$129 per day. On December 29, 2023 the first agreement to extend the period until October 12, 2025, was formalized with an amount of 79,294, totaling \$136,894.

v. ***Campo Pitepec -hydrocarbon production***

On June 10, 2014, A contract for the production of hydrocarbons within the Pitepec contract area or field was signed with PEMEX for a 35 year period covering an area of 230 square kilometers located in the south-central portion of the Tampico-Misantla basin 76 kilometers north-west of the city of Poza Rica, Veracruz. Pitepec received the camp on 1 January 2015.

During 2023 and 2022, 468,486 and 543,114 barrels were delivered, respectively. The average price in 2023 was \$50.90 and 52.11. in 2022 As of December 31, 2023, the field has 50 wells with a daily production of 1,167 barrels in 2023 and 1,500 barrels in 2022.

In 2023, 3 development wells were drilled and delivered with an average initial production of 135 barrels. In 2022, 7 development wells were drilled and 9 were delivered to Pemex with average initial production of 105 barrels.

2022

vi. ***Merger between subsidiaries***

In the Minutes of the Extraordinary General Meeting of Shareholders, held on January 25, 2023, it was agreed to carry out the merger between the Maritime Drillings Latina, S. A. de C. V. (PML) with the entity, subsisting the latter as a merging company and disappearing PML as a merged company, acquiring all Rights and Obligations the PML companies from December 31, 2022. The transaction did not require or generate cash.

In the Minutes of the Extraordinary General Meeting of Shareholders, held on December 15, 2021, it was agreed to carry out the merger between Equipo Latina, S. A. de C. V. (Equipment) with CPL Drilling Services S. A. de C. V. (CPL Services) Related parts of the entity, subsisting the latter as a merging company and disappearing Equipment as a merged company, acquiring all Rights and Obligations the services of CPL Services from January 1, 2022. The transaction did not require or generate cash.

2. Basis of presentation

a. ***Explanation for translation into English***

The accompanying consolidated financial statements have been translated from Spanish into English for its use outside of Mexico. These consolidated financial statements are presented based on International Financial Reporting Standards (IFRS). Certain accounting principles applied by the Entity that comply with IFRS may not comply with the accounting principles generally accepted in the country of use.

b. ***Going concern***

The consolidated financial statements of the Entity have been prepared by management on the assumption that the Entity will continue to operate as a going concern. As shown in the accompanying financial statements, as of December 31, 2023 and 2022, the Entity has an accumulated deficit of \$159,224 and \$175,596 respectively, in addition at December 31, 2022 the current liabilities exceeded its current assets by \$292,200.



As mentioned in the note 1, the Entity is economically dependent on Pemex, which in its financial statements shows material uncertainty as a going concern.

The foregoing indicates uncertainty about the Entity's ability to continue as a going concern. The attached consolidated financial statements do not include those adjustments related to the valuation and classification of assets and to the classification and amount of liabilities, which could be necessary in case the Entity could not continue in operation.

The plans of the Administration so that the Entity can continue as a going concern consist of:

- i. The entity carried out the restructuring of international bonds improving the financial situation of the administration, see Note 1a.
 - ii. The Entity has formalized agreements with PEMEX, to return to normal operations with favorable conditions as of 2023, see Note 1c.
 - iii. Improve the cost and profile of debt, including negotiations for the refinancing of short- to long-term liabilities, and seek alternative sources of financing.
 - iv. Consolidate operational efficiency in all projects that allows adequate profitability.
 - v. Ensure the continuity of workloads both in the rig rental teams and in shallow water drilling, avoiding downtime and improving rental rates.
- c. ***New and amended International Financial Reporting Standards ("IFRS" or "IAS") that are mandatory for the current year.***

In the year, the Group has applied amendments to IFRS, issued by the International Financial Reporting Standards Board (IASB) that are mandatory for accounting periods beginning on or after January 1, 2023. Such adoption has not had a material impact on disclosures or amounts reported in these financial statements:

The Group has adopted IFRS 17 and the related amendments for the first time in the current year. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

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

IFRS 17 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 takes into account 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 Judgements— Disclosure of Accounting Policies

The Group has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 regarding 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.

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

The Group has adopted the amendments to IAS 12 for the first time in the current year. 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 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 Entity has adopted the amendments to IAS 12 for the first time in the current year. 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 Two-pillar model rules published by the "OCDE" including tax law that implements qualified domestic minimum top-up taxes described in those rules.

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

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

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



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

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

New and amended IFRS Accounting Standards issued but not yet effective

As of the date of authorization of these consolidated financial statements, the entity has not applied the following new and revised IFRS consolidated financial statements that have been issued but are not yet effective.

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

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>

Management does not expect the adoption of the above standards to have a significant impact on the consolidated financial statements of the entity in future periods, except as follows:

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 recognized 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 anticipate that the application of these amendments may have an impact on the financial statements in future periods should such transactions arise.

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 management anticipate that the application of these amendments may have an impact on the financial statements in future periods.

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.

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 must 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 Management of the parent company anticipate that the application of these amendments may have an impact on the 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.

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 recognize 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 recognized by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognized 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 management of the Entity anticipates that the application of these amendments may have an impact on the consolidated financial statements in future periods if such Class of transaction time-bound markets arise.

3. Significant accounting policies

a. *Statement of compliance*

The Entity's consolidated financial statements have been prepared in accordance with IFRS issued by the IASB.



b. ***Preparation basis***

The Entity's consolidated financial statements have been prepared on a historical cost basis.

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 defined as the price that would be received for selling an asset or that would be paid for transferring a liability in an orderly transaction between market participants at the valuation date, regardless of whether that price is observable or estimated using another valuation technique directly. In estimating the fair value of an asset or liability, an Entity takes into account the characteristics of the asset or liability, if market participants would take those characteristics when pricing the asset or liability at the measurement date. The fair value for measurement and/or disclosure purposes of these consolidated financial statements is determined in such a manner, with the exception of transactions with lease transactions that are within the scope of IFRS 16, and valuations that have some similarities to fair value, but it is not fair value, such as the net realizable value of IAS 2 or the value in use of IAS 36.

c. ***Basis for consolidation of financial statements***

The consolidated financial statements include those of the Entity and those of its subsidiaries in which it has control. Control is obtained when the Entity:

- It has power over investment.
- It is exposed, or has the rights, to variable returns arising from its participation in such investment, and
- It has the ability to affect such returns through its power over the entity in which it invests.

The Entity reassesses whether it controls an entity if the facts and circumstances indicate that there are changes to one or more of the three control elements listed above.

When the Entity has less than a majority of the voting rights of an investee, it has power over it when the voting rights are sufficient to give it the practical capacity to direct its relevant activities, unilaterally. The Entity considers all relevant facts and circumstances to assess whether the voting rights of the Entity in the investee are sufficient to grant it power, including:

- The percentage of the Entity's share of the voting rights in relation to the percentage and dispersion of the voting rights of the other holders thereof;
- Potential voting rights held by the Entity, by other shareholders or by third parties;
- Rights arising from other contractual agreements, and
- Any additional facts and circumstances indicating that the Entity has, or does not have, the current ability to conduct the relevant activities at the time decisions are to be made, including shareholder voting trends at previous meetings.

Subsidiaries are consolidated from the date their control is transferred to the Entity and cease to consolidate from the date control is lost. The gains and losses of subsidiaries acquired or sold during the year are included in the consolidated statements of income and other comprehensive results from the date of acquisition or until the date of sale, as the case may be.



Profit and each component of other comprehensive income are attributed to controlling and non-controlling interests. The comprehensive result is attributed to controlling and non-controlling interests even if it results in a deficit in the latter.

When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies in accordance with the Entity's accounting policies.

All assets, liabilities, capital, revenues, expenses and cash flows related to related-party transactions have been completely eliminated in the consolidation.

Non-controlling interests in subsidiaries are identified separately from the Entity's capital in them. The interests of non-controlling shareholders that are current ownership interests entitling their holders to a proportionate share of net assets at liquidation may be measured initially at fair value or the non-controlling shares of the fair value of the acquired identifiable network. The choice of measure is made acquisition by acquisition. Other non-controlling interests are initially measured at fair value. Post-acquisition, the carrying value of non-controlling interests is the amount of those interests in initial recognition plus the share of non-controlling interests in subsequent changes in equity. Total comprehensive results are attributed to non-controlling interests even if this results in non-controlling interests having a negative balance.

The results of each component of other comprehensive income are attributed to the Company's shareholders and non-controlling interests. The total comprehensive income statements of subsidiaries are attributed to the company's shareholders and non-controlling interests, even if this results in a deficit in non-controlling interests.

The direct or indirect shareholding of the Entity in the capital stock of the subsidiaries as of December 31, is shown below:

		Participation %
Offshore	Activity	2023 and 2022
Latina Offshore Holding Limited	Holding	100%
Latina Offshore Limited	Holding	100%
Santa Maria Offshore Limited	Leasing of Jack up	100%
La Covadonga Limited	Leasing of Jack up	100%
Latina Modular Holding Limited	Holding	100%
Latina Modular 01 Limited	Leasing of Jack up	100%
Onshore Oil		
Perfolatina, S. A. de C. V.	Oil exploration and production	80.4%
CPL Servicios de Perforación, S. A. de C. V. (2)	Oil exploration and production	69.21%

- (1) As mentioned in Note 1, in the Minutes of the Extraordinary General Shareholders' Meeting, held on January 25, 2023, it was agreed to carry out the merger between PML and the Entity, the latter subsisting as the merging company and PML disappearing as the merged company, acquiring all rights and obligations of PML as of December 31, 2023. The transaction required and generated no cash.
- (2) As mentioned in Note 1, in the Minutes of the Extraordinary General Shareholders' Meeting, held on December 15, 2021, it was agreed to carry out the merger between Equipment with CPL Servicios, related parties of the Entity, with the latter subsisting as the merging company and disappearing. Equipment as a merged company, acquiring all the rights and obligations of CPL Servicios as of January 1, 2022.



Changes in the Entity's ownership interests in existing subsidiaries.

Changes in the Entity's ownership interests in subsidiaries that do not result in the Entity losing control over the subsidiaries are accounted for as equity transactions.

The carrying amounts of the Entity's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Entity.

When the Entity loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Entity had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

d. *Foreign currency transactions*

In preparing the financial statements of each individual entity, 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.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and are reclassified from stockholders' equity to profit or loss when selling in whole or in part, the net investment.

For presentation of the Entity's consolidated financial statements, assets and liabilities in foreign currency are expressed in US dollars, using the exchange rate prevailing at the end of the period. The items of income and expenses are converted into the exchange rates at the date on which the transactions are made. The differences in the exchange rate that arise, the case in which it is recognized in other comprehensive income and the accumulated in stockholders' equity (attributed to non-controlled interests when appropriate).



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

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

	December 31,	
	2023	2022
Mexican pesos per one US dollar	<u>16.8935</u>	<u>19.3615</u>

e. ***Financial assets***

All regular purchases or sales of financial assets are recognized and deregistered on a trading date. Regular purchases or sales are purchases or sales of financial assets that require the delivery of assets within the deadline established by regulation or usual practices in the market.

All recognized financial assets are subsequently measured in their entirety, either at amortized cost or fair value, according to the classification of financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- Whether the financial asset is held in a business model whose objective is to hold financial assets with the objective of obtaining contractual cash flows; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are only payments of principal and interest on the amount of the principal.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- The financial asset is maintained within a business model whose objective is met by obtaining contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise, on specific dates, to cash flows that are only payments of principal and interest on the outstanding amount of principal.

By default, all other financial assets are subsequently measured at fair value through profit or loss.

Notwithstanding the foregoing, the Entity may make the following irrevocable choice/designation in the initial recognition of a financial asset:

- You may irrevocably elect to present subsequent changes in the fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- It may irrevocably designate a debt instrument that meets the amortized cost or fair value criteria through other comprehensive income if doing so eliminates or significantly reduces an accounting asymmetry (see (iv) below).



(i) *Amortized cost and effective interest method*

The effective interest method is a method for calculating the amortized cost of a debt instrument and for allocating interest income over the relevant period.

For financial assets that were not purchased or originated by financial assets with credit impairment (for example, assets that have credit impairment at initial recognition), the effective interest rate is the rate that exactly discounts expected future cash inflows (including all commissions and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, over the expected life of the debt instrument or, where applicable, a shorter period, to the gross carrying amount of the debt instrument at initial recognition. For credit impaired financial assets purchased or originated, a credit-adjusted effective interest rate is calculated by discounting estimated future cash flows, including expected credit losses, at the amortized cost of the debt instrument at initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured in initial recognition minus principal repayments, plus amortization accrued using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss. The gross carrying value of a financial asset is the amortized cost of a financial asset before adjusting for any provision for losses.

Interest income is recognized using the effective interest effect for debt instruments subsequently measured at amortized cost and fair value through other comprehensive income. For purchased or originated financial assets other than credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently suffered credit impairment (see below). For financial assets that have subsequently deteriorated credit, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If in subsequent reporting periods the credit risk in the financial instrument with credit impairment improves, so that the financial asset no longer has credit impairment, interest income is recognized by applying the effective interest rate to the gross carrying value of the financial asset.

For acquired or originated financial assets that have credit impairment, the Entity recognizes interest income by applying the effective interest rate adjusted per credit to the amortized cost of the financial asset as of its initial recognition. The calculation does not return to the gross basis, even if the credit risk of the financial asset subsequently improves, so that the financial asset is no longer impaired.

Interest income is recognized for results (profit / loss) and is included in the concept "Financial income - Interest income".

In the initial recognition, the entity may make an irrevocable choice (instrument by instrument) to designate investments in capital instruments as in Fair Value through other income. Designation in Fair Value Measurement a post via other end-to-end results is not permitted if the capital investment is maintained for trading or if it is a contingent consideration recognized by an acquirer in Business combination a market.

A financial asset is maintained for negotiation if:

- Has been obtained with the main objective of being sold in the short term; or
- In initial recognition it is part of a portfolio of identified financial instruments that the entity handles together and has evidence of a recent pattern of short-term profit making; or
- Is a derivative (except for derivatives that are contractual financial guarantees or an effective hedging instrument).



Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investment's revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends from these investments in capital instruments are recognized in profit or loss according to IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'financial income' item in the financial year result.

The entity has designated all investments in capital instruments that are not maintained for trading as a Fair Value Measurement point of order through other end-to-end results in the initial application of IFRS 9.

(ii) *Financial assets at fair value through profit or loss*

Financial assets that do not meet the criteria to be measured at amortized cost or fair value through other comprehensive income (see (i) to (iii) above) are measured at fair value through results, specifically:

- Investments in equity instruments are classified as fair value through profit, unless the Entity designates an equity investment that is not held for trading or contingent consideration arising from a business combination as fair value through other comprehensive income in the initial recognition (see (iii) above).
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Entity has not designated any debt instruments as at FVTPL.

Financial assets at fair value through comprehensive income are measured at fair value at the end of each reporting period, with any gain or loss of fair value recognized in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included under "other gains and losses".

Foreign exchange gains and losses

The carrying value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the exchange rate at the end of each reporting period. Specifically:

- For financial assets measured at amortized cost that are not part of a designated hedging ratio, exchange differences are recognized in profit or loss under "other gains and losses";



- For debt instruments measured at fair value through other comprehensive income that are not part of a designated hedging ratio, exchange differences in the amortized cost of the debt instrument are recognized in profit or loss under "other gains and losses." Other exchange differences are recognized in another comprehensive income in the investment revaluation reserve.
- For financial assets measured at fair value through profit or loss that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss under "other gains and losses"; and
- For equity instruments measured at fair value through other comprehensive income, exchange differences are recognized in another comprehensive income in the investment revaluation reserve.

See hedge accounting policy regarding foreign exchange differences where the risk component of a foreign currency for a financial asset designated as a hedging instrument of a foreign currency.

Impairment of financial assets

The Entity recognizes a provision for expected credit loss losses on investments in debt instruments that are measured at amortized cost or at fair value through other comprehensive income, lease receivables, trade receivables and contractual assets, as well as in financial collateral contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument.

The Entity recognizes expected lifetime credit losses for trade receivables, contract assets and lease receivables. Expected credit losses on these financial assets are estimated using a provision matrix based on the Entity's historical experience of credit losses, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both current management and forecast conditions at the reporting date. including the time value of money where appropriate.

For all other financial instruments, the Entity recognizes the expected lifetime credit loss when there has been a significant increase in credit risk since initial recognition. However, if the credit risk in the financial instrument has not increased significantly since initial recognition, the Entity measures the provision for losses for that financial instrument in an amount equal to the expected 12-month credit loss.

The expected lifetime credit loss represents the expected credit losses that will result from all possible default events during the expected useful life of a financial instrument. In contrast, the 12-month expected credit loss represents the portion of the expected lifetime loss expected to result from predetermined events in a financial instrument that are possible within 12 months of the reporting date.

iii. ***Significant increase in credit risk***

In assessing whether credit risk in a financial instrument has increased significantly since initial recognition, the Entity compares the risk of a default occurring in the financial instrument on the reporting date with the risk of a default on the financial instrument on the initiation date. In making this assessment, the Entity considers both quantitative and qualitative information that is reasonable and substantive, including historical experience and forward-looking information that is available without unnecessary cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Entity's debtors operate, obtained from reports by economic experts, financial analysts, government agencies, relevant think tanks and other similar organizations, as well as consideration of various external sources of actual information and projected economic information relating to the Entity's core operations.



In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An existing or expected significant deterioration in the external rating (if any) or internal to the financial instrument;
- Significant impairment in external market indicators of credit risk for a specific financial instrument, for example, a significant increase in the credit spread, credit default swap for the debtor, or the period of time or extent to which the fair value of a financial asset is less than its amortized cost;
- Existing or expected adverse changes in economic, financial or business conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligation;
- A current or expected significant impairment in the debtor's operating results;
- Significant increases in credit risk in other financial instruments of the same debtor;
- An existing or expected adverse change in the debtor's regulatory, economic or technological conditions resulting in a significant decrease in the debtor's ability to meet its obligations.

Regardless of the outcome of the above assessment, the Entity assumes that credit risk in a financial asset has increased significantly since initial recognition when contractual payments are due more than 30 days, unless the Entity has reasonable and reliable information of the contrary.

Notwithstanding the foregoing, the Entity assumes that the credit risk in a financial instrument has not increased significantly since initial recognition if it is determined that the financial instrument has a low credit risk at the reporting date. A financial instrument is determined to have a low credit risk if:

- (1) The financial instrument has a low default risk,
- (2) The debtor has a remarkable ability to meet its contractual cash flow obligations in the short term, and
- (3) Adverse changes in long-term economic and business conditions may reduce the debtor's ability to meet its contractual cash obligations, but this will not necessarily happen.

The Entity considers a financial asset to have low credit risk when the asset has an external credit rating of "investment grade" according to the globally accepted definition, or if no external rating is available, that the asset has an internal rating "realizable". Achievable means that the counterparty has a strong financial position and there are no outstanding past amounts.

For financial collateral contracts, the date on which the Entity becomes a party to the irrevocable commitment is deemed to be the date of initial recognition for the purposes of assessing impairment of the financial instrument. In assessing whether there has been a significant increase in credit risk since the initial recognition of financial collateral contracts, the Entity considers changes in the risk that the specified obligor will default on the contract.

The Entity regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and reviews them as appropriate to ensure that the criteria are able to identify a significant increase in credit risk before the amount has matured.



iv. *Definition of non-compliance*

The Entity considers the following to constitute an event of default for internal credit risk management purposes, as historical experience indicates that financial assets are not recoverable when they meet any of the following criteria:

- When the debtor fails to comply with financial agreements;
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Entity, in full (without regard to any collateral held by the Entity).

Regardless of the foregoing analysis, the Entity considers default to have occurred when a financial asset is more than 90 days in maturity, unless the Entity has reasonable and reliable information to demonstrate that a more delayed default criterion is more appropriate.

v. *Financial assets with credit impairment*

A financial asset is credit-impaired when one or more events have occurred that have a detrimental impact on the estimated future cash flows of that financial asset. Evidence that a financial asset has credit impairment includes observable data on the following events:

- (a) Significant financial hardship on the part of the issuer or debtor;
- (b) Breach of a contract, such as a breach or an overdue event (see (ii) above);
- (c) The debtor's lenders, for economic or contractual reasons related to the debtor's financial difficulty, grant the debtor a concession that the lenders would not otherwise consider;
- (d) It is increasingly likely that the debtor will go into bankruptcy or some other financial reorganization; or
- (e) The extinction of a functional market for financial assets due to its financial difficulties.

vi. *Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, the loss given the default (i.e., the magnitude of the loss if a default exists), and the exposure in default. The assessment of the probability of default and the loss given by default is based on historical data adjusted for forward-looking information as described above. Regarding default exposure, for financial assets, this is represented by the gross carrying value of the assets at the reporting date; for financial collateral contracts, the exposure includes the amount established on the reporting date, together with any additional amounts expected to be obtained in the future per date of default determined based on historical trends, the Entity's understanding of the specific financial needs of debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows owed to the Entity under the contract and all cash flows the Entity expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used to determine expected credit losses are consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16, *Leases*.



For a financial collateral contract, where the Entity is obliged to make payments only in the event of default by the debtor in accordance with the terms of the instrument that is secured, the expected loss forecast is the expected payment to reimburse the holder for a credit loss incurred less any amount that the Entity expects to receive from the holder, the debtor or any other party.

If the Entity has measured the provision for losses for a financial instrument in an amount equal to the expected lifetime credit loss in the previous reporting period, but determines at the current filing date that the conditions for the expected lifetime credit loss are no longer met, the Entity measures the loss margin in an amount equal to the expected 12-month credit loss on the date of current reporting, except for assets for which the simplified approach was used.

The Entity recognizes an impairment loss or loss on all financial instruments with an adjustment to their carrying amount through a provision account for losses, except investments in debt instruments that are measured at fair value through other comprehensive income, for which the provision for losses is recognized in other comprehensive and accumulated income in the revaluation reserve of investments, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

Financial Assets Derecognition

The entity gives a Derecognition financial asset only when the contractual rights of Statement of cash flows the assets' assets expire, or when it transfers the financial asset and substantially all the risks and benefits of ownership of the asset to another entity. If the entity does not substantially transfer or retain all risks and benefits of ownership and continues to control the transferred asset, the entity recognizes its retained interest in the asset and an associated liability for the amounts it must pay.

If the entity substantially retains all the risks and benefits of ownership of a transferred financial asset, the entity continues to recognize the financial asset and also recognizes a loan guaranteed by the income received.

When trading Derecognition a financial asset measured at amortized cost, the difference between the book value of the asset and the sum of the received and receivable compensation is recognized in results. In addition, when an Derecognition investment in a debt instrument classified as Fair Value Measurement a unit through other end-to-end results occurs, the accumulated profit or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. In contrast, in derecognition the holding of an investment in a capital instrument that the entity chose in the initial recognition to measure in Fair Value Measurement time-of-business through other end-to-end results, the previously accumulated gain or loss in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated profit (deficit).

f. *Cash and restricted cash*

Consist mainly of bank deposits in checking accounts. Cash is stated at nominal value and restricted cash are valued at fair value. As mentioned in Nots 5 the Entity has restricted cash from offshore business.



g. ***Inventories***

Inventories are stated at the lower of cost and net realizable value (estimated selling price for inventories less all estimated to make the sale). Inventories are valued with the average cost method and are integrated by materials and supplies drilling, wells maintenance and consumable parts. The value reduction of inventories is composed for reserves that represent the inventories impairment.

h. ***Start-up and drilling costs.***

The start-up and drilling costs correspond mainly to adaptations, travel expenses and equipment rentals, personnel, and logistics expenses. Expenses are amortized in proportion to the income accrued from the projects.

i. ***Jack ups, modular and equipment***

Jack-ups, modular rig and equipment are recorded at acquisition cost, less the accumulated depreciation and any impairment loss.

Acquisitions are recorded at acquisition cost. Cost includes purchase price, including import duties, any costs directly attributable to bringing the asset to the location and conditions necessary for it to be capable of operating in the manner intended by management of the Entity and, for qualifying assets, borrowing costs capitalized in accordance with the Entity's accounting policy. Depreciation of jack-ups and equipment commences when the assets are ready for their intended use.

Depreciation is recognized as written-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.

An item of Jack-up rigs, modular rig 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 Jack-ups, modular rig 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 averages useful lives in years of jack-ups and equipment are:

	2023
Hull	20 years
Substructure	20 years
Lifting system (legs and motors)	20 years
Equipment and accessories	15 years
Accessories	15 years
Preventers	15 years
Housing unit	12 years
Fire network safety equipment	3 years
Helideck	3 years

j. ***Investment in wells and infrastructure***

They correspond mainly to investments in drilled wells, infrastructure investments, to eligible and ineligible expenses of the Pitepec field (see Note 11), are recognized at acquisition cost less accumulated amortization and accumulated impairment loss. Amortization is recognized based on the straight-line method over its estimated useful life of each well. The estimated useful life and amortization method are reviewed at the end of each year, and the effect of any change in the recorded estimate is recognized on a prospective basis.



k. ***Asset Retirement Obligations***

Asset retirement obligations ("ARO") are defined as a liability for costs to return a tangible asset to its initial condition at the time of disposal.

The contractually has the obligation to carry out all operations related to abandonment in the contractual area in accordance with the experience and practices of the industry and with the applicable laws, as well as at the end of the useful life of wells, installations, Materials and equipment, the entity makes a technical opinion that supports the desirability of abandonment. The main objective is to carry out abandonment activities, such as plug-in facilities and well dismantling.

The entity at the start of the contract determines the cost of abandonment of each of the wells, this reserve is capitalized to the investment in wells and depreciates in a straight-line based on the remaining life of the contract.

l. ***Impairment of tangible assets***

At the end of each period, the Entity reviews the carrying values of its tangible assets to determine whether there are indications that these assets have suffered any impairment losses. If there is any indication, the recoverable amount of the asset is calculated 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 (CGU) to which that asset belongs.

When a reasonable and consistent basis of distribution can be identified, corporate assets are also allocated to individual CGUs, or otherwise, they are allocated to the smaller CSU for which a reasonable and consistent distribution basis can be identified.

The recoverable amount is the greater of fair value minus cost to sell and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the value of money over time and the specific risks of the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying value, the carrying value of the asset (or CGU) is reduced to its recoverable amount. Impairment losses are recognized immediately in results.

When an impairment loss is subsequently reversed, the carrying amount of the asset (or EMU) is increased to the revised estimated value at its recoverable amount so that the adjusted carrying amount does not exceed the carrying amount that would have been determined if an impairment loss had not been recognized for that asset (or CGU) in prior years. The reversal of an impairment loss is immediately recognized in results.

In performing impairment testing of assets, the Entity is required to estimate the value in use assigned to its oil rigs and equipment, and to CGUs, for certain assets. Value in use calculations require the Entity to determine the future cash flows that should arise from CGUs and an appropriate discount rate to calculate present value. The Entity uses income cash flow projections using estimates of market conditions, pricing, and production and sales volumes.

m. ***Leasing***

– ***The Entity as lessee***

The Entity evaluates whether a contract contains a lease at its source. The Entity recognizes a rights-of-use asset and a corresponding lease liability with respect to all leases under which it is a lessee, except for short-term leases (term 12 months or less) and low-value leases (such as electronic tablets, personal computers and small office furniture and telephones).



For these leases, the Entity recognizes rent payments as an operating expense under the straight-line method over the lease period, unless another method is more representative of the pattern of time in which the economic benefits from the consumption of the leased assets accrue.

The lease liability is initially measured at the present value of rent payments that are not paid on the commencement date, discounted by the rate implied in the contract. If this rate cannot be easily determined, the Entity uses incremental rates.

Incremental rates are determined monthly and depend on the term of the contract, country currency and lease start date. The incremental rate is determined based on a series of input data, including rate risk based on the government bond rate, the country's risk adjustment, a credit risk adjustment based on yield bonds, and an entity-specific adjustment based on that entity's risk profile.

The rent payments included in the lease liability measurement consist of:

- Fixed rent payments (including fixed payments in substance), less any lease incentives received;
- Variable income payments that depend on an index or rate, initially measured using the index or rate on the start date;
- The amount expected to be paid by the lessee under residual value guarantees;
- The exercise price of call options, if the lessee is reasonably certain to exercise the options; and
- Penalty payments resulting from lease termination, if the lease period reflects the exercise of a lease termination option.

Lease liabilities are presented as a separate item in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest earned on the lease liability (using the effective interest method) and reducing the carrying amount to reflect the rent payments made.

The Entity revalues the lease liability (and makes the adjustment for the related rights of use asset) provided that:

- The term of the lease is modified or there is a significant event or change in the circumstances of the lease resulting in a change in the assessment of the call option exercise, in which case the lease liability is measured by discounting the updated rent payments using an updated discount rate.
- Rent payments are modified as a result of changes in rates or rates or a change in expected payment under a guaranteed residual value, in which cases the lease liability is revalued by discounting the updated rent payments using the same discount rate (unless the change in rent payments is due to a change in a variable interest rate, in which case an updated discount rate is used).
- A lease is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is revalued based on the lease term of the modified lease, discounting the current rent payments using a discount rate updated to the effective date of the modification.

The Entity did not make any of the adjustments mentioned in the periods presented.



Right-of-use assets consist of the initial measurement of the corresponding lease liability, rent payments made on or before the commencement date, less any lease incentives received and any direct upfront costs.

Subsequent valuation is cost less accumulated depreciation and impairment losses.

If the Entity incurs an obligation arising from costs to dismantle and remove a leased asset, restore the link in which it is located, or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision measured under IAS 37 should be recognized. To the extent that costs relate to a rights-of-use asset, costs are included in the related right-of-use asset, unless such costs are incurred to generate inventories.

Right-of-use assets are depreciated over the shorter period between the lease period and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the asset's cost of rights of use reflects that the Entity plans to exercise a call option, the rights-of-use asset will be depreciated over the useful life. Depreciation begins on the lease start date.

Rights-of-use assets are presented as a separate item in the consolidated statement of financial position.

The Entity applies IAS 36 to determine whether a rights of use asset is impaired and accounts for any identified impairment losses as described in the 'Oil Rigs and Equipment' policy.

Leases with variable rents that do not depend on an index or rate are not included in the measurement of lease liabilities and rights of use assets. Related payments are recognized as an expense in the period in which the event or condition triggering the payments occurs and are included in the concept of "Other expenses" in the consolidated income statement.

As a practical expense, IFRS 16 allows not to separate non-lease components and instead to account for any lease and its associated non-lease components as a single agreement. The Entity has not used this practical file. For contracts containing lease components and one or more additional lease or non-lease components, the Entity assigns contract consideration to each lease component under the method of the relative selling price independent of the lease component and aggregate standalone relative selling price for all non-lease components.

– *The Entity as lessor*

The Entity enters into lease agreements as lessor with respect to the two platforms and the modular described in Note 1c.

Leases in which the Entity acts as lessor are classified as finance leases or operating leases. When the terms of the contract transfer substantially all the risks and benefits of the property to the lessee, the contract is classified as a financial lease. All other contracts are classified as operating contracts.

When the Entity is an intermediate lessor, it counts the master lease and the sublease as two separate contracts. Sublease is classified as finance lease or operating lease by reference to the right-of-use asset arising from the master lease.

Rental income from operating leases is recognized in a straight line through the term of the relevant lease. The direct upfront costs incurred in negotiating and arranging the operating lease are added to the carrying amount of the leased asset and are recognized in a straight line through the lease term.

When a contract includes lease and non-lease components, the Entity applies IFRS 15 to allocate the corresponding consideration to each component under the contract.



n. ***Employee benefits***

Employee Termination and Retirement Benefits

Contributions to defined contribution retirement benefit plans are recognized as expenses at the time employees have rendered the services that qualify them for contributions.

In the case of defined benefit plans, which include seniority premium and pensions, their cost is determined using the projected unit credit method, with actuarial valuations being made at the end of each reporting period. Remeasurements, which include actuarial gains and losses, the effect of changes in the asset floor (if any) and the return on the asset plan (excluding interest), are immediately reflected in the consolidated statement of financial position with charge or credit that is recognized in other comprehensive results in the period in which they occur. Remeasurements recognized in other comprehensive results are immediately reflected in accrued earnings and are not reclassified to results. Cost for past services is recognized in results in the period of modification to the plan. Net interest is calculated by applying the discount rate at the beginning of the obligation period to the defined benefit asset or liability. Defined benefit costs are classified as follows:

- Cost per service (including cost of current service, cost of past services, as well as gains and losses from reductions or settlements).
- Net interest income or expenses.
- Remeasurements

The Entity presents the first two components of benefit costs defined as an expense or income depending on the item. Service reduction gains and losses are recognized as past service costs.

The retirement benefit obligations recognized in the consolidated statement of financial position represent the current gains and losses on the Entity's defined benefit plans. Any gains arising from this calculation are limited to the present value of any available economic benefits from future rebates and reductions in contributions to the plan.

Any indemnification obligation is recognized when the Entity can no longer withdraw the indemnification offer and/or when the Entity recognizes the related restructuring costs.

Short-term and other long-term employee benefits

A liability for employee benefits that accrue to employees in respect of wages and salaries, annual leave, and sick leave in the period of service in which it is rendered is recognized for the amount not discounted by the benefits expected to be paid for that service and the Workers' Share of Profit (PTU) caused.

Liabilities recognized for short-term employee benefits are valued at the amount not discounted by the benefits expected to be paid for that service.

Liabilities recognized for other long-term benefits are measured at the present value of estimated future cash outflows that the Entity expects to make related to services provided by employees as of the reporting date.

Employee profit sharing (EPS)

The EPS is recorded in the results of the year in which it is incurred and is presented under administrative expenses in the consolidated statement of income and other comprehensive results.



o. ***Financial liabilities and equity instruments***

i. *Classification as debt or equity*

Debt and/or equity instruments are classified as financial liabilities or as equity in accordance with the substance of the contractual agreement and the definitions of liabilities and equity.

ii. *Capital instruments.*

An equity instrument consists of any contract that evidences a residual interest in the assets of the Entity after deducting all its liabilities. The capital instruments issued by the Entity are recognized for the resources received, net of direct issuance costs.

The repurchase of the Entity's own capital instruments is recognized and deducted directly into the capital. No gain or loss is recognized in profit or loss on the purchase, sale, issue, or redemption of the Entity's equity instruments.

iii. *Financial liabilities*

All financial liabilities are subsequently measured at amortized cost using the effective interest method or in fair value through profit or loss.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuous participation approach is applied, and financial collateral contracts issued by the Entity, are measured in accordance with the specific accounting policies detailed below.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified at fair value through profit or loss when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) is held for trading, or (iii) is designated as fair value through profit or loss.

A financial liability is classified as held for trading if:

- It has been acquired primarily for the purpose of short-term buyback; or
- In initial recognition, it is part of a portfolio of identified financial instruments that the Entity jointly manages and has a recent actual pattern of short-term profit-taking; or
- It is a derivative, except for derivatives which are a financial collateral contract or a designated and effective hedging instrument.

A financial liability that is not traded or contingent consideration of an acquirer in a business combination may be designated as fair value through profit or loss at the time of initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability is part of a Financial Asset Entity or financial liabilities or both, which is managed and its performance is measured on a fair value basis, in accordance with the Entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It is part of a contract that contains one or more embedded derivatives, and IFRS 9 allows the entire combined contract to be designated as fair value through results.



Financial liabilities in fair value through profit or loss are measured at fair value, and gains or losses arising from changes in fair value are recognized in profit or loss to the extent that they are not part of a designated hedging relationship (see hedge accounting policy). Net gain or loss recognized in profit or loss incorporates any interest paid on financial liabilities and is included under "other gains and losses" in profit or loss.

However, for financial liabilities that are designated at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless recognition of the effects of changes in the credit risk of the liability on other comprehensive income would create or amplify an accounting mismatch. In results. The remaining amount of the change in the fair value of the liability is recognized in profit or loss. Changes in fair value attributable to the credit risk of a financial liability that are recognized in other comprehensive income are not subsequently reclassified to profit or loss but are instead transferred to retained earnings once the financial liability is written off.

Gains or losses on financial collateral contracts issued by the Entity that are designated by the Entity as at fair value through profit or loss are recognized in profit or loss.

Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as fair value through profit or loss, are subsequently measured at amortized cost using the effective interest method.

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

Contractual financial collateral liabilities

A financial collateral contract is a contract that requires the issuer to make specific payments to reimburse the holder for a loss it incurs due to a specific debtor failing to make payments when they fall due in accordance with the terms of a debt instrument.

The liabilities of the financial collateral contract are initially measured at fair values and, if they are not designated at fair value through comprehensive results and do not arise from a transfer of an asset, they are subsequently measured at the greater of:

- The amount of the provision for losses determined in accordance with IFRS 9 (see financial assets above); and
- The amount initially recognized less, where applicable, the accumulated amortization recognized in accordance with the revenue recognition policies set forth above.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, foreign currency gains and losses are determined based on the amortized cost of the instruments. These foreign currency gains and losses are recognized under "Other gains and losses" in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those that are designated as a hedging instrument for a foreign currency risk hedge, foreign currency gains and losses are recognized in other comprehensive income and accrued in a separate component of equity.



The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the exchange rate at the end of the reporting period. For financial liabilities that are measured as fair value through profit or loss, the foreign currency component is part of fair value gains or losses and is recognized as profit or loss for financial liabilities that are not part of a designated hedging relationship.

p. ***Income taxes***

The income tax benefit represents the sum of income taxes caused and deferred income taxes.

i. ***Income taxes caused.***

The tax caused calculated corresponds to the income tax (ISR) and is recorded in the results of the year in which it is caused.

ii. ***Deferred income taxes***

Deferred income taxes are recognized on temporary differences between the carrying amount of assets and liabilities included in the consolidated financial statements and the corresponding tax bases used to determine the tax result, applying the rate corresponding to these differences and, where applicable, including gains on depreciation tax losses and certain tax credits. Deferred income tax asset or liability is generally recognized for all temporary tax differences. A deferred tax asset shall be recognized for all deductible temporary differences to the extent that the Entity is likely to have future tax profits against which it may apply such deductible temporary differences. These assets and liabilities are not recognized if the temporary differences arise from goodwill or from the initial recognition (other than business combination) of other assets and liabilities in a transaction that does not affect the tax or accounting result.

The carrying amount of a deferred tax asset should be reviewed at the end of each reporting period and should be reduced to the extent that it is likely that there will not be sufficient taxable profits to allow all or a portion of the asset to be recovered.

Deferred tax assets and liabilities are measured using the tax rates expected to apply in the period in which the liability is paid or the asset is realized, based on tax rates and laws that have been passed or substantially approved at the end of the reporting period.

The valuation of deferred tax liabilities and assets reflects the tax consequences that would result from how the Entity expects, at the end of the reporting period, to recover or liquidate the carrying amount of its assets and liabilities.

iii. ***Taxes caused and deferred.***

Taxes caused and deferred are recognized as income or expense in profit or loss, except when they relate to items that are recognized outside of income, either in the other comprehensive income or directly in stockholders' equity, in which case the tax is also recognized outside of profit or loss.

q. ***Provisions***

Provisions are recognized when the Entity has a present obligation (whether statutory or assumed) because of a past event, the Entity is likely to have to liquidate the obligation, and a reliable estimate of the amount of the obligation can be made.



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

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

i. *Onerous contracts*

Present obligations arising from an onerous contract are recognized and valued as provisions. An onerous contract is considered to exist when the Entity has a contract under which the unavoidable costs to fulfill the committed obligations are greater than the benefits expected to be received from it.

r. **Revenue recognition**

Revenue is recognized when control of goods and services has been transferred, at a point in time or over time. Revenue is calculated at the fair value of consideration received or receivable, taking into account the estimated amount of discounts or penalties.

i. *From leasing platforms*

They are recognized monthly according to the daily rates established in the contracts.

ii. *From drilling wells in shallow water*

Revenues from public works contracts at unit prices and a fixed time are recognized based on the stage of progress of work.

Drilling contracts

When the outcome of a contract can be reliably estimated, revenues and costs associated with the contract are recognized with reference to the degree of progress for completion of contract activity at the end of the period, valued based on the ratio of contract costs incurred in the work performed at that date to the total estimated contract costs. except where such proportion is not representative of the degree of progress for the termination of the contract. Variations in contract work, claims and incentive payments are included to the extent that their amount can be reliably valued, and their collection is considered likely.

When the outcome of a contract cannot be reliably estimated, revenues are recognized to the extent that it is likely that costs incurred will be recoverable. Contract costs are recognized as expenses for the period in which they are incurred.

When the total contract costs are likely to exceed the total contract revenue, the estimated loss is immediately recognized as an expense.

When costs incurred to date less recognized profits and losses exceed partial billings, the surplus is shown as a balance receivable to customers. In contracts whose turnover exceeds the costs incurred to date less the recognized profits and losses, the surplus is shown as a liability in favor of contract customers. Amounts received before the work has been performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts invoiced for work performed but not yet paid by the customer are included in the consolidated statement of financial position in other accounts receivable.



iii. *From hydrocarbon production*

Revenues from service contracts to produce hydrocarbons are recognized according to the volume of hydrocarbons delivered to PEMEX.

iv. *From interests*

Interest income is recognized when economic benefits are likely to flow to the Entity and the amount of income can be reliably valued. Interest income is recorded on a periodic basis, with reference to the outstanding balance and the applicable effective interest rate.

s. *Statement of cash flows*

Cash flow is used using the indirect method for the presentation of cash flows from operating activities, so the consolidated net loss for the year is adjusted for items that did not require or use cash flows, as well as flows corresponding to investing and financing activities. Interest charged is presented as investment activities and interest paid as financing activities.

4. Critical accounting judgments and key sources for estimating uncertainties.

In applying the Entity's accounting policies, which are described in Note 3, management should make judgments, estimates and assumptions about the carrying values of the assets and liabilities in the consolidated financial statements. Relative estimates and assumptions are based on experience and other factors considered relevant. Actual results could differ from these estimates.

Estimates and assumptions are reviewed on a regular basis. Changes to accounting estimates are recognized in the period in which the modification is made and future periods if the modification affects both the current period and subsequent periods.

Critical judgments when applying accounting policies

The following are critical judgments, other than those involving estimates, made by management during the process of applying the Entity's accounting policies and that have a material effect on the consolidated financial statements.

Key sources of uncertainty in estimates

Key assumptions about the future and other key sources of uncertainty in end-of-period estimates that have a risk of resulting in material adjustments in the carrying values of assets and liabilities in the future are discussed below.

i. *Revenue recognition*

Revenues from drilling shallow water wells and associated costs are recognized with reference to the degree of progress for completion of contract activity at the end of the period, measured based on the ratio of contract costs incurred in the work performed at that date to the total estimated contract costs.

ii. *Leases*

The Entity evaluates the classification of lease contracts for accounting purposes. In carrying out this evaluation, the Entity is obliged to exercise its professional judgment and make estimates, considering the following elements:



- The lease does not transfer ownership of the platform and equipment at the end of the lease term.
- The contract does not contain an option to purchase the platform and equipment.
- The term of the lease does not represent a substantial part of the economic life of the platform and equipment.
- At the start of the lease, the present value of the minimum rental payments does not represent a substantial portion of the fair value of the platform and equipment.
- The platform and equipment can be used by another interested party without major modifications.

iii. *Useful life of oil rigs and equipment*

The Entity reviews the estimated useful life of oil rigs and equipment at the end of each annual period. Based on detailed analysis, the management of the Entity makes modifications to the useful life of certain components of oil platforms and equipment. The degree of uncertainty related to estimates of useful lives is related to changes in the market and the utilization of assets and technological developments.

iv. *Return on investment from oil drilling and production (onshore)*

The Entity is in the initial phase of development of the Pitepec field, which requires certain studies and analyses to determine or quantify the amount of investment and the level of oil reserves to be exploited, as well as the recovery period. The uncertainty regarding the investments carried out to date is to know with greater technical data the reserves and feasibility of its exploitation.

v. *Recovery of tax losses*

The Entity makes financial and fiscal projections to make its accounting and fiscal results efficient to the extent possible. Taxes are caused in Mexican pesos and between 2014 and 2023 significant fiscal losses were generated by the devaluation of the Mexican peso against the US dollar. The Entity expects to amortize the tax losses against tax profits that are expected to be generated in subsequent years with the normalized operation of the oil platforms. The management of the entity has made the corresponding tax projections of subsidiaries where there are significant tax losses, documenting how they will be amortized over the next 5 years.

vi. *Fair value measurements and valuation processes*

The Entity determines the fair value of its financial assets and liabilities for disclosure of the consolidated financial statements. In estimating the fair value of an asset or liability, the Entity uses observable market data to the extent available. When Level 1 input data is not available, the Entity engages an independent qualified appraiser to carry out the valuation.

vii. *Contingencies*

The Entity is subject to contingent transactions or events on which it uses professional judgment in the development of probability of occurrence estimates, the factors considered in these estimates are the legal situation at the date of the estimate and the opinion of legal advisors.

5. Cash and restricted cash

	2023	2022
Cash and Bank balances	\$ 12,602	\$ 7,979
Restricted cash (See Note 14)	-	10,431
	<u>\$ 12,602</u>	<u>\$ 18,410</u>



6. Accounts receivable

	2023	2022
PEMEX	\$ 115,570	\$ 99,624
Others	<u>2,682</u>	<u>1,553</u>
	<u>\$ 118,252</u>	<u>\$ 101,177</u>

The Entity has as main costumer PEMEX; therefore, a significant concentration of credit exists. The average collection period for PEMEX is 133 days for 2023 and is 98 days for 2022. No interest charge is made, and no bad debt reserve is recognized due to the category, history of collections with PEMEX and the nature of the contracts.

7. Inventories

	2023	2022
Spare parts	\$ 11,225	\$ 14,851
Material and supplies	10,507	10,077
Goods in transit	536	614
Advances to suppliers	<u>1,080</u>	<u>2,745</u>
	<u>\$ 23,348</u>	<u>\$ 28,287</u>

8. Right-of-use asset

The analysis for the maturity of the lease is in note 9.

Right-of-use assets (Jack-ups)	2023
Cost	
At the beginning of 2022	\$ 65,374
Additions	<u>75,494</u>
As of December 31, 2022	140,868
Additions	<u>678</u>
As of December 31, 2023	141,546
Accumulated depreciation	
At the beginning of 2022	(45,792)
Depreciation of the period	<u>(22,110)</u>
As of December 31, 2022	(67,902)
Depreciation of the period	<u>(26,055)</u>
As of December 31, 2023	<u>(93,957)</u>
Value in books	
As of December 31, 2023	<u>\$ 47,589</u>
As of December 31, 2022	<u>\$ 72,966</u>



The additions correspond to the amending agreement entered with TSC Offshore Corporation on November 15, 2022, to extend the term on the Gulf Driller VI and VIII platforms until November 2025.

Amounts recognized in the consolidated statement of income	2023	2022
Depreciation expense of the asset	\$ 26,055	\$ 22,110
Finance expense for the lease liabilities	\$ 5,362	\$ 1,107

Total cash outflows for leases amount to \$29,780 for 2023 and \$22,776 for 2022.

9. Lease liabilities

	2023	2022
Maturity analysis:		
Year 1	\$ 29,134	\$ 34,412
Year 2	26,131	32,291
Year 3	<u>265</u>	<u>16,573</u>
	55,530	83,276
Less: unearned interest	<u>(4,412)</u>	<u>(9,602)</u>
	\$ 51,118	\$ 73,674
Analyzed as:		
Long term	\$ 26,784	\$ 28,223
Short term	<u>24,334</u>	<u>45,451</u>
	\$ 51,118	\$ 73,674

The Entity does not face a significant liquidity risk regarding its lease liabilities. Lease liabilities are monitored through the Entity's Treasury.

10. Jack ups and equipment, net

	Balance as of December 31, 2022	Additions	Withdrawals/Transfers	Impairment ⁽¹⁾	Balance as of December 31, 2023
Investment:					
Jack ups	\$ 558,144	\$ 14,753	\$ -	\$ -	\$ 572,897
Modular rig	122,049	-	-	(15,700)	106,349
Drilling equipment	32,899	2,176	-	-	35,075
Furniture and fixtures	100	57	-	-	157
Peripheral equipment	237	-	-	-	237
Transportation equipment	359	10	(126)	-	243
Computer equipment	457	38	-	-	495
Enhancements to leased platforms	-	6,647	-	-	6,647
Spare parts	<u>5,697</u>	<u>-</u>	<u>(61)</u>	<u>-</u>	<u>5,636</u>
Total investment	719,942	23,681	(187)	(15,700)	727,736
Depreciation:					
Jack ups	(274,234)	(27,644)	-	-	(301,878)
Modular rig	(65,997)	(6,690)	-	-	(72,687)
Drilling equipment	(14,569)	(5,020)	-	-	(19,589)
Furniture and fixtures	(28)	(13)	-	-	(41)
Peripheral equipment	(237)	-	-	-	(237)
Transportation equipment	(123)	(82)	73	-	(132)
Computer equipment	(427)	(17)	-	-	(444)
Enhancements to leased platforms	<u>-</u>	<u>(277)</u>	<u>-</u>	<u>-</u>	<u>(277)</u>
Total depreciation accumulated	(355,615)	(39,743)	73	-	(395,285)
Investment net	\$ 364,327	\$ (16,062)	\$ (114)	\$ (15,700)	\$ (332,451)



	Balance as of December 31, 2021	Incorporation CPL Services	Additions	Withdrawals/Transfers	Impairment ⁽¹⁾	Balance as of December 31, 2022
Investment:						
Jack ups	\$ 549,684	\$ -	\$ 8,460	\$ -	\$ -	\$ 558,144
Modular rig	128,907	-	630	-	(7,488)	122,049
Drilling equipment	14,116	18,168	615	-	-	32,899
Furniture and fixtures	99	-	1	-	-	100
Peripheral equipment	237	-	-	-	-	237
Transportation equipment	265	107	-	(13)	-	359
Computer equipment	441	-	16	-	-	457
Spare parts	<u>5,636</u>	<u>-</u>	<u>61</u>	<u>-</u>	<u>-</u>	<u>5,697</u>
Total investment	699,385	18,275	9,783	(13)	(7,488)	719,942
Depreciation:						
Jack ups	(247,488)	-	(26,746)	-	-	(274,234)
Modular rig	(55,909)	-	(10,088)	-	-	(65,997)
Drilling equipment	(2,319)	(10,332)	(1,918)	-	-	(14,569)
Furniture and fixtures	(18)	-	(10)	-	-	(28)
Peripheral equipment	(237)	-	-	-	-	(237)
Transportation equipment	(39)	(17)	(69)	2	-	(123)
Computer equipment	<u>(416)</u>	<u>-</u>	<u>(11)</u>	<u>-</u>	<u>-</u>	<u>(427)</u>
Total depreciation accumulated	<u>(306,426)</u>	<u>(10,349)</u>	<u>(38,842)</u>	<u>2</u>	<u>-</u>	<u>(355,615)</u>
Investment net	<u>\$ 392,959</u>	<u>\$ 7,926</u>	<u>\$ (29,059)</u>	<u>\$ (11)</u>	<u>\$ (7,488)</u>	<u>\$ 364,327</u>

The Jack ups and the modular are granted in guarantee of the debt indicated in Note 14.

11. Investment in wells and infrastructure - Net

	2023	2022
Investment in wells and infrastructure of the Pitepec field (1)	\$ 87,726	\$ 85,754
Asset Retirement Obligation	3,405	4,107
Ineligible expenses (2)	2,431	3,007
Eligible expenses (3)	<u>3,624</u>	<u>3,825</u>
	97,186	96,693
Wells amortization	(57,720)	(49,224)
Impairment of wells	<u>(8,679)</u>	<u>(2,125)</u>
	<u>\$ 30,787</u>	<u>\$ 45,344</u>

- i. **Investment in wells and infrastructure of the Pitepec field-** Represents the investment for the exploitation of the Pitepec oil field, as well as the investment made in each of the Wells, which is amortized based on the useful life of each well.
- ii. **Ineligible expenses-** Expenses incurred by the Entity necessary for carrying out the Pitepec project, which will be amortized once the contract is migrated and revenues to address these disbursements during the life of the project are obtained.
- iii. **Eligible expenses-** Are the expenses incurred by the Entity for the production of hydrocarbons which PEMEX paid by selling the *barrels* produced.



12. Financial instruments

The Entity manages a diversified business portfolio in the local marketplace; therefore, it is exposed to financial risks including market risks (exchange rate and interest rate), credit risks and liquidity risks. The Board of Directors establishes and monitors policies and procedures to measure and manage those risks, which are described below.

a. *Capital risk management.*

The Entity manages its capital to ensure that it will continue as a going concern while maximizing the return to stockholders through the optimization of debt and equity balances. The Entity's general strategy has not been modified compared to the previous year.

The Entity's equity structure consists of net debt (loans as detailed in Note 14 which are offset by cash balances, restricted cash) and Entity's equity (comprising of issued capital stock, reserves and accumulated deficit as it disclosed in Note 17, respectively).

As of December 31, 2022, the Entity has restricted cash of \$10,724, as mentioned in Note 14.

Debt ratio - The debt ratio at December 31, 2023 and 2022, is as follows:

	2023	2022
Bank loans and long-term debt	\$ 296,865	\$ 359,085
Cash and cash restricted	<u>12,602</u>	<u>18,410</u>
Net debt	<u>\$ 284,263</u>	<u>\$ 340,675</u>
Stockholders' equity	<u>\$ 232,887</u>	<u>\$ 175,345</u>
Net debt ratio to stockholders' equity	1.2 times	1.9 times

b. *Categories of financial instruments*

	2023	2022
Financial assets:		
Cash and restricted cash	\$ 12,602	\$ 18,410
Loans and receivables		
Trade accounts receivable	118,252	101,177
Accounts receivables from related parties	<u>42,320</u>	<u>26,523</u>
	<u>\$ 173,174</u>	<u>\$ 146,110</u>
Financial liabilities:		
Financial liabilities held at amortized cost		
Bank loans and long-term debt	\$ 296,865	\$ 359,085
Accounts payable to suppliers	65,668	71,984
Lease liabilities	51,118	73,674
Due to related parties	<u>1,803</u>	<u>1,719</u>
	<u>\$ 415,454</u>	<u>\$ 506,462</u>

c. *Objectives of financial risk management*

The Entity's Corporate Treasury function provides services to its business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to its operations through internal risk reports, which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rates risk), credit risk and liquidity risk.



d. **Foreign currency risk management**

The Entity carries out transactions denominated in foreign currency. Consequently, it is exposed to fluctuations in exchange rates, which are managed within the parameters of the approved policies.

The carrying values of monetary assets and monetary liabilities denominated in foreign currency at the end of the year are as follows (amounts in thousands):

	Assets		Liabilities	
	2023	2022	2023	2022
Thousands of Mexican pesos	<u>133,898</u>	<u>72,899</u>	<u>1,459,115</u>	<u>1,061,621</u>

Sensitivity analysis for foreign currency - The Entity is mainly exposed to Mexican pesos fluctuations. The following table details the Entity's sensitivity to an increase and decrease of 10% in US dollars against the relevant foreign currencies 10% represents the sensitivity rate used when foreign exchange risk is reported internally to key management personnel and represents management's assessment of the reasonably possible change in exchange rates. The sensitivity analysis includes only outstanding monetary items denominated in foreign currency and adjusts their conversion at the end of the period with a fluctuation of 10% change in exchange rates. The sensitivity analysis includes external loans as well as loans to foreign operations. A positive figure, respectively, (as shown in the table below) indicates an increase in the results stemming from a 10% weakening of the Mexican peso against the reference currency, then there would be a comparable impact on the results and the following financial statements would be negative.

If the exchange rate of the Mexican peso to the US dollar had depreciated by 10% and all other variables remain constant, the gain would have been:

	2023	2022
Results	\$ <u>7,131</u>	\$ <u>4,642</u>

e. **Interest rate risk management**

The Entity is mainly exposed to interest rate risks because it has entered debt at variable rates. The risk is managed by the Entity through the use of interest rate swap contracts. Hedging activities are regularly monitored so that they are aligned with interest rates and their related risk, ensuring the implementation of the most profitable hedging strategies.

The Entity's exposures to interest-rate risk are mainly related to changes in the TIIE and the LIBOR rates with respect to the Entity's financial liabilities. The Entity prepares sensitivity analyses based on its exposure to interest rates on its variable-rate debt with financial institutions that is not hedged. The analyses are prepared assuming that the ending period balance at year end was the outstanding balance during the entire year. The Entity internally reports to the Board of Directors about its interest rate risks.

Sensitivity analysis for interest rates - The following sensitivity analyses have been determined based on exposure to interest rates both for financial derivatives and non-derivatives at the end of the reporting period. For variable rate liabilities, an analysis is prepared on the basis that the amount of the liability in effect at the end of the reporting period has been the liability in effect for the entire year. When reporting internally to key executive personnel on the interest rate risk, an increase or decrease of 50 basis points is used, which represents management's evaluation of the possible reasonable change in interest rates.



If the interest rates were 50 basis points above/below and all the other variables remained constant:

Consolidated loss for the year ended December 31, 2023 would increase \$202 (2022: decrease \$59). This is mainly attributable to the Entity's exposure to the interest rates on its variable rate loans in pesos.

The sensitivity to the Entity's interest rates has decreased during the current year, mainly due to the reduction in the variable rate of debt instruments.

f. ***Credit risk management***

Credit risk refers to the risk that one of the parties will default on its contractual obligations, resulting in a financial loss for the Entity. The Entity has adopted a policy of only becoming involved with solvent parties and obtaining sufficient guarantees, when appropriate, as a way of mitigating the risk of the financial loss derived from defaults. The Entity's exposure and the credit ratings of its counterparties were supervised continually, and the accrued value of the concluded transactions is distributed between the approved counterparties. Credit exposure is minimal because historically there have been no losses with PEMEX.

g. ***Liquidity risk management***

The Entity's management is ultimately responsible for liquidity management, which has established appropriate policies for the control of such risk through the monitoring of working capital, allowing management of the Entity's short, medium, and long-term funding requirements. The Entity maintains cash reserves and available credit lines, continuously monitoring projected and actual cash flows, reconciling the profiles of maturity of financial assets and financial liabilities.

The following table details the remaining contractual maturities of the Entity's financial liabilities, based on contractual reimbursement periods. The table has been designed based on un-discounted projected cash flows of financial liabilities based on the date on which the Entity makes payments. The table includes both projected cash flows related to interest and capital on financial debt in the consolidated statements of financial position. Where the contractual interest payments are based on variable rates, the amounts are derived from interest rate curves at the end of the period. The contractual maturity is based on earliest date in which the Entity is required to make payment.

	Rate Effective average	One year	At December 31, 2023	
			1 and 3 years	Total
Bank loans and long-term debt	14%	\$ 37,974	\$ 253,642	\$ 291,616
Interest payable		18,236	38,322	56,558
Accounts payable to suppliers		65,668	-	65,668
Lease liabilities		26,784	24,334	51,118
Due to related parties		<u>1,803</u>	<u>-</u>	<u>1,803</u>
Total		<u>\$ 150,465</u>	<u>\$ 316,298</u>	<u>\$ 466,763</u>

	Rate Effective average	One year	At December 31, 2022	
			1 and 3 years	Total
Bank loans and long-term debt	13.36%	\$ 333,124	\$ 20,194	\$ 353,318
Interest payable		19,426	71,713	91,139
Accounts payable to suppliers		71,984	-	71,984
Lease liabilities		28,223	45,451	73,674
Due to related parties		<u>1,719</u>	<u>-</u>	<u>1,719</u>
Total		<u>\$ 454,476</u>	<u>\$ 137,358</u>	<u>\$ 591,834</u>



The amounts included for debt with financial institutions includes both fixed and variable interest rate instruments. The financial liabilities at variable rates are subject to change, if the changes in variable rates differ from the estimates of rates determined at the end of the reporting period is presented at fair value.

13. Fair value of financial instruments

The fair value of the financial instruments subsequently presented has been determined by the Entity using commercially available information or other valuation techniques that require judgment to develop and interpret estimates of fair values and uses assumptions that are based on market conditions existing at each of the dates of the consolidated statements of financial position. Consequently, the estimated amounts presented are not necessarily indicative of the amounts that the Entity could realize 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 presents an analysis of financial instruments that are measured after initial recognition at fair value, grouped into Tiers 1 to 3 based on the degree to which fair value is observed:

- Level 1 are those derived from quoted (unadjusted) prices in the active markets for liabilities or identical assets.
- Level 2 are those derived from indicators other than quoted prices included within Level 1, but which include indicators that are observable for an asset or liability, either directly at quoted prices or indirectly, i.e., derived from these prices; and
- Level 3 are those derived from valuation techniques that include indicators for assets or liabilities, which are not based on observable market information (unobservable indicators).

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

For disclosure purposes in the attached financial statements, the fair value of the international bonds of the offshore segment that were subject to valuation is reported below:

	2023		2022	
	Carrying value	Fair value	Carrying value	Fair value
<i>Financial liabilities:</i>				
International bonds	\$ 254,493	\$ 178,362	\$ 333,124	\$ 212,510

14. Bank loans and long-term debt

	2023	2022
<i>Senior secured bonds guaranteed with the Oil Platforms and the Modular</i>		
International Bond Issue for \$350,000 that pays quarterly interest at the fixed annual rate of 8.875%, maturing on October 15, 2023. The principal is amortized quarterly based on the totality of the surplus cash.	\$ -	\$ 277,379
International Bond Issue for (ordinary bond) for the year \$123,198 due April 13, 2028, which pays interest, payable quarterly, at a fixed rate of 7%. Capital is amortized quarterly on 50% of cash surpluses.	119,487	-



	2023	2022
Senior secured bonds guaranteed with the Oil Platforms and the Modular		
International Bond Issue (Exit Bond) for the \$54.934 with maturity on April 13, 2028, which pays interest, payable quarterly, at a fixed rate of 7%. Capital is amortized quarterly on 50% of cash surpluses. The capital payment is 78.8% of Account Balance the total, the remaining 21.2% will be premium on subscription shares, net of its amortized cost.	50,375	-
International Bond Issue (Super Senior Bond) by the \$35,000 with maturity on April 13, 2028, which pays interest, payable quarterly, at a fixed rate of 10%. In addition, there is a capitalization of interest at 8.75% per year on the paid capital of the two previous bonds. The capital is amortized at maturity.	35,631	-
International Bond Issue for \$75,000 that pays quarterly interest at the fixed rate of 10% and maturing on December 31, 2023. The principal is amortized quarterly based on the totality of the surplus cash.	-	55,745
International Bond Issue for the \$49,000 due January 31, 2030, which pays interest, payable quarterly, at a fixed rate of 7.00%. The principal is amortized quarterly on the basis of cash surpluses.	49,000	-
Bank loans in US Dollars:		
Simple credit for \$19,000 with Banco HSBC México, S. A. that causes interest at the SOFR rate plus 5 basis points. The principal is amortized at maturity on February 28, 2024.	19,000	-
Bank loans in Mexican pesos:		
Credit up to \$86.9 million Mexican pesos, with UNIFIN Financiera, S. A. B. de C. V., with monthly capital payments and due on April 25, 2024	1,216	3,119
Credit for up to \$300 million Mexican pesos, with Banco Ve por Más, S.A. Multiple Banking Institution Grupo Financiero Ve por Más, S. A. de C. V., due on September, 27 2024.	17,758	15,495
Credit up to \$46.3 million Mexican pesos, with UNIFIN Financiera, S. A. B. de C. V. due on May,25 2023.	-	1,642
Credit up to \$60 million Mexican pesos, with Banco Ve por Más, S.A. Multiple Banking Institution Grupo Financiero Ve por Más, S. A. de C. V., due on March 29 2025	3,552	-
	296,019	353,380
Debt issuance at amortized cost	(4,403)	(62)
Interest payable	5,249	5,767
	296,865	359,085
Less: short-term portion	(43,223)	(338,891)
Long-term debt	\$ 253,642	\$ 20,194



a. long-term debt maturities as of December 31, 2023, are as follows:

2025	\$	3,527
2028		201,394
2030		<u>48,721</u>
	\$	<u>253,642</u>

As mentioned in Note 1a, the Entity signed an agreement with the International Bondholders for \$205,493 y \$49,000 to modify some conditions established in the contract. The International Bonds are guaranteed by the Jack-ups and modular rig, respectively.

The Entity may amortize the International Bonds of \$205,493 (option to purchase at any time without a premium payment) and in the case of the International Bonds of \$49,000 the Entity may pay a premium of 2%.

The bank loans with national institutions are pledged with shares owned by the Entity's stockholders of a public entity, coverage is 1.10 with Banco Ve por Más, S.A. Multiple Banking Institution Grupo Financiero Ve por Más, S. A. de C. V.,

The relevant covenants for the offshore business are as follows (International Bounds issued):

- Not to pay more than 50% of dividends over income from offshore business.
- Not to incur new debt over assets.

At the date of issuance of the consolidated financial statements, management of the Entity has satisfactorily complied with the agreements.

15. Employee benefits

The entity is subject to payment by the PTU and recognizes the corresponding labor liabilities described in this note.

- a) The PTU is charged at the rate of 10% on the fiscal result, which differs from the accounting profit mainly due to permanent differences such as the annual adjustment for inflation and expenses that are not deductible, among others. The PTU paid in the year or the tax losses pending amortization are not reduced.
- b) For the year ended December 31, 2023 and taking into account the application that the Entity made due to the changes to the labor reform, for the calculation of the "PTU" for the year, the Entity opted for the option mentioned in the Federal Labor Law in its article 127, section VIII, within which it mentions that the amount of PTU to be distributed will be a maximum of 90 days of salary, or the average of the last three periods, whichever is most favorable to the worker at the ceiling set by the Law.

Long-Term Defined Benefit Plan

The Entity has a defined benefit plan that includes the seniority and retirement premium.



This plan exposes the Entity to actuarial risks such as: interest rate, longevity, and salary.

<i>Interest rate risk</i>	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
<i>Longevity risk</i>	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
<i>Salary risk</i>	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

There are no retirement or post-retirement benefits provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were made as of December 31, 2023 and 2022 by independent actuaries, members of the National College of Actuaries, A.C. The present value of the defined benefit obligation and the labor cost of current service and past service cost were calculated using the projected unit credit method.

The main assumptions used for actuarial valuation purposes are as follows:

	2023	2022
	%	%
Discount rate	9.20	9.50
Expected rate of salary increase	4.5	4.50
Increase in the minimum wage	variable	3.50

The amounts recognized in the results of these defined benefit plans are:

	2023	2022
Service cost:		
Current service cost	\$ 1,383	\$ 853
Financial cost	<u>420</u>	<u>254</u>
Components of defined benefit costs recognized in loss or profit	<u>\$ 1,793</u>	<u>\$ 1,107</u>

The present value and changes in the liability generated by the defined benefit obligation included in the consolidated statements of financial position as of December 31, 2023, and 2022 are: \$4,897 and \$4,212, respectively.

Changes in the present value of the seniority premium defined benefit obligation:

	2023	2022
Opening balance for defined benefit obligation	\$ 4,212	\$ 3,570
Current service cost	1,383	853
Financial cost	410	254
Benefits paid	(682)	(187)
Actuarial gains and losses for the period	<u>(426)</u>	<u>(278)</u>
Closing balance for defined benefit obligation	<u>\$ 4,897</u>	<u>\$ 4,212</u>



The significant actuarial assumptions for the determination of the defined obligation are the discount rate, the expected wage increase and mortality. The sensitivity analyses presented below were determined based on reasonably possible changes in the respective assumptions that occurred at the end of the reporting period, while all other assumptions remain constant.

The sensitivity analysis presented above may not be representative of the actual variation in the defined benefit obligation, since it is unlikely that the change in the assumptions would occur in isolation from one to the other since some of the assumptions that can be correlated.

On the other hand, in presenting the sensitivity analysis above, the present value of defined benefit liabilities is calculated using the unit credit method projected at the end of the reporting period, which is the same as that applied in the calculation of the defined obligation liability recognized in the consolidated statements of financial position.

There has been no change in the process followed by the Entity to manage its risks from prior periods. Other sensitivity analyses are not considered significant.

16. Capital stock.

- a. As of December 31, 2023 and 2022, the share capital is integrated as follows:

	Shares	Amount
Fixed portion-		
Nominative Series "A" Share	200	\$ 21
Variable portion-		
Nominative Series "A1" Share	<u>78,773,312</u>	<u>341,224</u>
	<u>78,773,512</u>	<u>\$ 341,245</u>

The share capital is composed of common nominal shares without expression of nominal value. The increase.

	2023	2022
Payable -		
Corporate Services Latina, S.A. de C. V. (ii)	\$ 962	\$ 928
Petroservicias y Diversions, S.A. de C. V.	<u>841</u>	<u>791</u>
	<u>\$ 1,803</u>	<u>\$ 1,719</u>

17. Income taxes

The Entity is subject to Income tax (ISR for its acronym in Spanish). Under the ISR Law the rate for 2023 and 2022 was 30%, and will continue to 30% for later years:

- The taxes to the income are integrated as follows:

	2023	2022
Current income tax	\$ 15,769	\$ 2,618
Deferred income tax	<u>(25,645)</u>	<u>(3,705)</u>
	<u>\$ (9,876)</u>	<u>\$ (1,087)</u>



- The reconciliation of the legal rate and the effective rate expressed as a percentage of the (loss) profit before income taxes, is as follows:

	2023	2022
	%	%
Legal rate	30	30
Add (less) effect of permanent differences:		
Effects of inflation	17	27
Non-deductible	8	10
Reservation of tax losses	43	56
Tax losses carryforward - effects of inflation	(55)	(56)
Others	(92)	(73)
Effective tax rate	<u>(49)</u>	<u>(6)</u>

- The main items that originate the balance of the (asset) liability for deferred ISR as of December 31 are:

	2023	2022
Jack-ups and equipment	\$ 61,213	\$ 40,732
Revenue provisions and advances from customers	7,103	4,864
Accumulated expenses	11,262	5,267
Other assets	1,474	6,093
Effect of tax losses carry forwards	<u>6,045</u>	<u>4,620</u>
Net deferred ISR liability	<u>87,097</u>	<u>61,576</u>
Deferred tax assets	<u>\$ 88,680</u>	<u>\$ 63,868</u>
Deferred tax liability	<u>\$ (1,583)</u>	<u>\$ (2,292)</u>

- The benefits of the current tax losses pending amortization for which the deferred ISR asset has already been recognized can be recovered by complying with certain requirements. The years of maturity and their amounts updated as of December 31, 2023, are:

Year of maturity	Tax loss Carryforwards
2026	\$ 5,219
2027	2,384
2028	4,285
2029	168
2030	13,565
2031	6,230
2032	2,131
2033	<u>14,758</u>
	<u>\$ 48,740</u>

The amount of tax losses not recognized as a deferred tax asset due to the low probability of recovery is 28,591.



18. Cost and expenses by nature

	2023	2022
Services of drilling and equipment	\$ 53,509	\$ 128,330
Expenses of employee benefits	56,476	40,903
Materials	1,871	2,800
Corporate expenses	5,885	5,083
Logistics	26,110	33,858
Insurance and securities	6,043	6,611
Legal and other fees	2,657	1,761
Maintenance expenses and spare parts to the platform	18,077	9,900
Other expenses	<u>810</u>	<u>3,742</u>
Total	<u>\$ 171,438</u>	<u>\$ 232,998</u>

19. Financial costs

	2023	2022
Interest from bank loans	\$ 7,462	\$ 815
Interests from international bonds	26,379	33,333
Interest from subsidiary loans	(2,661)	(925)
Amortized cost benefit of debt	(6,898)	-
Interest on employee benefits	410	254
Other interest paid, net	9,694	5,018
Amortization of the cost of bond issuance	<u>1,564</u>	<u>1,655</u>
	<u>\$ 35,950</u>	<u>\$ 40,150</u>

20. Authorization to issue the consolidated financial statements.

The accompanying consolidated financial statements as of December 31, 2023, were authorized for issuance on June 14, 2024, by C.P.C. Miguel Ruiz Tapia, Chief Executive Officer, the Audit Committee and the Board of Directors, consequently they do not reflect events occurring after that date, and are subject to the approval of the Ordinary General Assembly of Shareholders of the Entity, which may decide to modify them in accordance with the provisions of the General Law of Commercial Companies. The consolidated financial statements for the year ended December 31, 2022, were approved at the Ordinary General Shareholders' Meeting held on April 24, 2023.

* * * * *

