

**Latina Desarrollos  
Energéticos, S. A. de C. V. and  
Subsidiaries**

Consolidated Financial Statements  
for the Years Ended December 31,  
2023 and 2022 and Independent  
Auditors' Report Dated of April 30,  
2024



# **Latina Desarrollos Energéticos, S. A. de C. V. and Subsidiaries**

## **Report of the independent auditors and consolidated financial statements 2023 and 2022**

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## Report of the independent auditors to the Board of Directors and Shareholders of Latina Desarrollos Energéticos, S. A. de C. V. and Subsidiaries

### **Opinion**

We have audited the accompanying consolidated financial statements of Latina Desarrollos Energéticos, S. A. de C. V. and Subsidiaries (the Entity), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, the consolidated statements of profit and loss and other comprehensive income (loss), the consolidated statements of changes in stockholders' equity and the consolidated statements of cash flows for the years then ended, as well as the explanatory notes to the financial , including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Latina Desarrollos Energéticos, S. A. de C. V. and Subsidiaries as of December 31, 2023 and 2022, as well as their consolidated financial performance and consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

### **Basis of the opinion**

We conduct our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are explained more fully in the *Responsibilities of the auditor in relation to the audit of the consolidated financial statements* of this report. We are independent of the Entity in accordance with the *Code of Ethics for Accounting Professionals of the International Ethical Standards Board for Accountants* (IESBA Code of Ethics) and with that issued by the *Mexican Institute of Public Accountants* (IMCP Code of Ethics), and we have fulfilled our other ethics responsibilities in accordance with the IESBA Code of Ethics and the IMCP Code of Ethics. We believe that the audit evidence we have obtained provides a sufficient and adequate basis for our opinion. The excess of current liabilities over current assets such as the loss of more than two-thirds of equity capital is reduced as a result of the bond restructuring mentioned below.

### **Material uncertainty related to going concern**

We draw your attention to Note 2a of the accompanying consolidated financial statements that describe the plans for the Entity to continue as a going concern. As mentioned in Note 1a, during 2023 the Entity carried out the restructuring of international bonds, improving the financial situation. As of December 31, 2023 and 2022, the Entity has suffered recurring net losses of \$241,539 y \$234,891, respectively; likewise, at that date, the current liabilities of the Entity exceeded its current assets by \$118,876 y \$322,314, respectively. The Entity has suffered recurring net losses, as of December 31, 2022 has lost more than two thirds of its share capital, which according to the General Law of Mercantile Companies could be cause for the dissolution of the Entity at the request of an interested third.

As mentioned in Note 1, the Entity provides services exclusively to Petróleos Mexicanos, S.A.de C.V. (PEMEX) who in their financial statements show material going concern uncertainty.



Due to what is mentioned in the previous paragraphs, it is possible that the Entity requires financial support to meet its short- and long-term obligations; however, Management plans for the Entity to continue as a going concern are also indicated in Notes 2a.

The accompanying 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 may be necessary in the event that the Entity is unable to continue in operation have been prepared under the assumption that the Entity will continue as a going concern.

Our opinion has not changed regarding to this uncertainty.

### ***Other Matter***

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

### ***Responsibilities of Management and Those Charged with Governance of 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 deems necessary to enable the preparation of the consolidated financial statements free from material misstatement due to fraud or error.

In the preparation of the financial statements Consolidated management, is responsible for assessing the ability of the Entity to continue as a going concern, disclosing as appropriate, matters relating to the going concern and using the going concern accounting principle, unless management intends to liquidate the Entity or cease operations, or there is no realistic alternative.

Those responsible for the governance of the Entity are responsible for overseeing the Entity's consolidated financial reporting process.

### ***Responsibilities of the auditor in relation to the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance that the consolidated financial statements as a whole are free from material misstatement, due to fraud or error, and to issue an audit report containing our opinion. Reasonable security is a high level of security, but does not guarantee that an audit conducted in accordance with ISAs will always detect a material error where it exists. Errors may be due to fraud or error and are considered material if, individually or in the aggregate, they can reasonably be expected to influence the economic decisions that users make based on the 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures that responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide the basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than in the case of a material misstatement due to error, as fraud may involve collusion, falsification, deliberate omissions, intentionally misrepresentations, or circumvention of internal control.



- Obtain knowledge of internal control relevant to the audit, in order to design audit procedures that are appropriate in the circumstances and not in order to express an opinion on the effectiveness of the internal control of the Entity.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of the 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 information disclosed, and whether the consolidated financial statements represent the relevant transactions and events in a manner that achieves fair presentation.
- We obtain sufficient and adequate evidence in relation to the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and conduct of the Group's audit. We are 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 of Deloitte Touche Tohmatsu Limited

C.P.C. Juan Carlos Reynoso Degollado

Mexico City, Mexico  
April 30, 2024



Latina Desarrollos Energéticos, S. A. de C. V. and Subsidiaries

**Consolidated Statements of Financial Position**

As of December 31, 2023 and 2022

(In thousands of US dollars)

<b>Assets</b>	Notes	2023	2022
Current assets:			
Cash and restricted cash	5	\$ 12,696	\$ 18,574
Trade accounts receivable – Net	6	118,266	101,196
Due from related parties	17	5,779	386
Recoverable taxes and other accounts receivable		48,485	53,820
Inventory		24,867	29,811
Advance payments	7	<u>6,559</u>	<u>10,787</u>
Total current assets		216,652	214,574
Jack-ups and equipment - Net	10	334,607	366,642
Right-of-use assets	8	47,589	72,966
Investment in wells and infrastructure - Net	11	30,778	45,335
Deferred income taxes	18	89,369	64,345
Other assets - Net		<u>2,891</u>	<u>589</u>
Total		<u>\$ 721,886</u>	<u>\$ 764,451</u>

<b>Liabilities and stockholders' equity</b>	Notes	2023	2022
Current liabilities:			
Current portion of long-term debt	14	\$ 146,782	\$ 343,568
Accounts payable to suppliers		65,843	72,153
Lease liabilities	9	26,784	28,223
Taxes payable		61,408	49,136
Accrued expenses		30,088	37,708
Accounts payable to related parties	17	<u>4,623</u>	<u>6,100</u>
Total current liabilities		335,528	536,888
Long-term debt	14	253,642	108,785
Lease liabilities	9	24,334	45,451
Asset retirement obligation		4,157	4,107
Employee benefits	15	4,897	4,212
Other liabilities		3,933	3,273
Deferred income taxes	18	<u>1,583</u>	<u>2,292</u>
Total long-term liabilities		<u>292,546</u>	<u>168,120</u>
Total liabilities		628,074	705,008
Stockholders' equity:			
Capital contributed:			
Share capital	16	241,343	241,343
Contributions for future capital increases		51,147	51,147
Benefit from subsidiary share subscription premium		40,179	-
Capital generated:			
Accumulated deficit		(241,539)	(234,891)
Reserve fund		2,738	2,199
Actuarial gains and losses		<u>(56)</u>	<u>(355)</u>
Total stockholders' equity		<u>93,812</u>	<u>59,443</u>
Total		<u>\$ 721,886</u>	<u>\$ 764,451</u>

See accompanying notes to the consolidated financial statements.



**Latina Desarrollos Energéticos, S. A. de C. V. and Subsidiaries**

**Consolidated Statements of Profit and Loss and Other Comprehensive Income (Loss)**

For the years ending December 31, 2023 and 2022

(In thousands of US dollars)

	Notes	2023	2022
Revenue	22	\$ 314,701	\$ 381,170
Lease cost	19	22,929	30,588
Cost of services and maintenance of wells	19	138,748	201,077
Impairment loss		15,700	7,488
Depreciation and amortization		<u>83,527</u>	<u>77,172</u>
Gross profit		53,797	64,845
Administrative expenses	19	4,718	3,246
Other (income) expenses - Net	20	(580)	4,518
Financing costs	21	47,929	49,120
Interest expense		(4,557)	(283)
Exchange loss - Net		<u>20,675</u>	<u>7,881</u>
(Loss) Profit before income taxes		(14,388)	363
Income tax benefit	18	<u>(8,279)</u>	<u>(799)</u>
Consolidated net (loss) profit		(6,109)	1,162
Other comprehensive (loss) income:			
Remeasurement of defined benefit obligations	15	427	278
Deferred income taxes	18	<u>(128)</u>	<u>(83)</u>
		<u>299</u>	<u>195</u>
Consolidated comprehensive (loss) profit for the year		<u>\$ (5,810)</u>	<u>\$ 1,357</u>

See accompanying notes to the consolidated financial statements.



**Latina Desarrollos Energéticos, S. A. de C. V. and Subsidiaries**

**Consolidated statements of changes in stockholders' equity**

For the years ending December 31, 2023 and 2022  
(Thousands of US dollars)

	Contributed capital			Generated capital			Total stockholders' equity
	Share capital	Contributions for future capital increases	Benefit from subsidiary share subscription premium	Accumulated deficit	Legal reserve	Actuarial gains and losses	
Balance at the beginning of 2022	\$ 241,343	\$ 51,147	\$ -	\$ (236,053)	\$ 2,199	\$ (550)	\$ 58,086
Comprehensive income for the year	-	-	-	1,162	-	195	1,357
Balances as of December 31, 2022	241,343	51,147	-	(234,891)	2,199	(355)	59,443
Share subscription premium	-	-	40,179	-	-	-	40,179
Legal Reserve	-	-	-	539	(539)	-	-
Comprehensive loss for the year	-	-	-	(6,109)	-	299	(5,810)
Balances as of December 31, 2023	<u>\$ 241,343</u>	<u>\$ 51,147</u>	<u>\$ 40,179</u>	<u>\$ (241,539)</u>	<u>\$ 2,738</u>	<u>\$ (56)</u>	<u>\$ 93,812</u>

See accompanying notes to the consolidated financial statements.





# Latina Desarrollos Energéticos, S. A. de C. V. and Subsidiaries

## Consolidated Cash Flow Statements

For the years ending December 31, 2023 and 2022  
(In thousands of US dollars)

	Notes	2023	2022
<b>Cash flows from operating activities:</b>			
Consolidated net (loss) profit for the year		\$ (6,109)	\$ 1,162
Adjustments for:			
Income tax benefit	18	(8,279)	(799)
Depreciation and amortization		83,527	77,172
Impairment loss		15,700	7,488
Disposal of jack-ups and equipment		114	(39)
Unrealized exchange income		16,274	5,682
Current labor cost service	15	1,383	853
Financing costs	21	53,201	47,465
Benefit from amortized cost of debt	21	(6,898)	-
Amortization of bond issuance costs	21	1,626	1,655
Interest income		(4,557)	(283)
		<u>145,982</u>	<u>140,356</u>
Changes in working capital:			
(Increase) decrease in:			
Trade accounts receivable		(17,070)	(23,401)
Due from related parties		(5,393)	(38)
Recoverable taxes and other accounts receivable		5,335	(8,491)
Inventories		4,944	11,484
Advanced payments		4,228	1,233
Increase (decrease) in:			
Accounts payable to suppliers		(6,310)	10,080
Customer advance		-	(19,729)
Taxes payable		(5,310)	10,159
Accounts payable to related parties		(1,477)	362
Other accounts payable		(6,910)	3,319
Employee benefits		(681)	(187)
Net cash flow generated from operating activities		<u>117,338</u>	<u>125,147</u>
<b>Cash flows from investing activities:</b>			
Acquisition of Jack-ups and equipment	10	(23,681)	(11,068)
Investment in wells		(1,972)	(22,662)
Investment in other assets		(3,343)	1,393
Interest collected		4,557	283
Net cash flow used in investing activities		<u>(24,439)</u>	<u>(32,054)</u>
<b>Cash flows from financing activities:</b>			
Payment of lease liabilities		(29,258)	(21,619)
Debt obtained		58,805	15,495
Debt payments		(70,798)	(51,670)
Interest paid		(51,621)	(41,634)
Bonus commission		(5,905)	(540)
Net cash used in financing activities		<u>(98,777)</u>	<u>(99,968)</u>
Net decrease in cash and restricted cash		(5,878)	(6,875)
Cash and restricted cash at the beginning of the year		<u>18,574</u>	<u>25,449</u>
Cash and restricted cash at the end of the year		<u>\$ 12,696</u>	<u>\$ 18,574</u>

See accompanying notes to the consolidated financial statements.



## **Notes to the consolidated financial statements**

**For the years ending December 31, 2023 and 2022**  
**(In thousands of US dollars, except where indicated)**

### **1. Activities**

Latina Desarrollos Energéticos, S.A. de C.V. and Subsidiaries (the Entity). The Entity is a limited company with variable capital incorporated in Mexico, the main domicile of the business is located at Horacio 1855, 5th floor, Los Morales Polanco, México City, Mexico, Zip Code, 11510. The core business of the Entity is the leasing of two Jack-ups “La Santa María” y “La Covadonga”, and a “Modular” rig for oil drilling in shallow waters (offshore), providing services of drilling and oil extraction (onshore) to Pemex Exploración y Producción (PEMEX).

The Entity provides services exclusively to 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.

#### ***Operations during 2023 and 2022***

- a) ***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 y 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 an 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.

### b) ***Changes to the lease agreements with Pemex with La Santa Maria, 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 as of 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, as of the date of issuance of this report remains inactive.

### c) ***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 2022 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, was signed the agreement of the Cluster 1.

For the drilling activities 2 marine drilling platforms were leased, the contract ends on December 1, 2025, with three months' notice of early termination.

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

As of December 31, 2020, start-up costs and expenses of the projects were incurred for \$47,718, which correspond mainly to adaptations, transportation expenses and equipment rentals, personnel and logistics expenses. Expenses are amortized in proportion to the income accrued from the projects and the amortization as of December 31, 2022 amounts to \$47,718.

On May 4, 2023, the Cluster 2 was signed for the drilling of exploratory or development wells by \$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.



d) ***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 duration 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.

e) ***Campo Pitepec -hydrocarbon production***

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

f) ***Merger between subsidiaries***

In the Minutes of the Extraordinary General Shareholders' Meeting, held on January 25, 2023, it was agreed to carry out the merger between Perforaciones Marítimas Latina, S.A. de C.V. (PML) with Constructora y Perforadora Latina, S.A. de C.V. (CPL), the latter subsisting as the merging company and PML disappearing as the merged company, acquiring all rights and obligations of PML effective December 31, 2023. The transaction did not require or generate cash.

In the Minutes of the Extraordinary General Shareholders' Meeting, held on December 15, 2022, it was agreed to carry out the merger between Equipamiento Latina, S.A. de C.V. (Equipment) with CPL Servicios de Perforación S.A. de C.V. (CPL Servicios) related parties of the Entity, The latter subsisting as the merging company and Equipment disappearing as the merged company, acquiring all the rights and obligations of CPL Services as of January 1, 2023. The transaction did not require or generate cash.

In the Minutes of the Extraordinary General Shareholders' Meeting, held on December 15, 2022, the merger was carried out between Intubac, S.A. de C.V. (Intubac) with Petroservicios y Desviaciones, S.A. de C.V. (Petroservicios) related parties of the Entity, the latter subsisting as the merging company and Intubac disappearing as the merged company, acquiring all the rights and obligations of Petroservicios as of January 1, 2023. The transaction did not require or issue 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.



b. ***Going concern***

The Entity's consolidated financial statements have been prepared by Management assuming that the Entity will continue to operate as a going concern. As shown in the accompanying consolidated financial statements, as of December 31, 2023 and 2022, the Entity has suffered net recurring losses, has an accumulated deficit of \$241,539 y \$234,891, respectively, and, at those dates, the Entity's current liabilities exceeded its current assets at \$118,876 y \$322,314, respectively. The Entity has suffered recurring net losses and has lost more than two thirds of its share capital, which according to the General Law of Mercantile Companies could be cause for the dissolution of the Entity at the request of an interested third.

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.

What was mentioned before 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 the event that the Entity could not continue in operation.

The plans of the Management 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 Management, 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 SAD or IAS") that are mandatory for the current year***

In the year, the Group has applied amendments to IFRS the ISPS issued by the International Financial Reporting Standards Council (IASB) that are mandatory for accounting periods beginning on or after January 1, 2023. Your 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 with regard to disclosure of accounting policies. The amendments replace all instances of the term ‘significant accounting policies’ with ‘material accounting policy information’.

Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

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.

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

The Group 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 Pillar Two model rules published by the “OCDE”, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

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



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

<p>Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates</p>	<p>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.</p>
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***New and revised IFRS Accounting Standards in issue but 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:

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

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

The effective date of the amendments 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 has to comply with a covenant after the reporting period. However, if the entity’s right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

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

The 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.

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

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

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

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

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

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

The 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. Main accounting policies**

#### **a. *Statement of compliance***

The Entity's consolidated financial statements have been prepared in accordance with IFRS, as 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 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 Impairment of assets.

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' share 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.

Latina's direct or indirect equity interest in the share capital of the subsidiaries as of December 31 is shown below:

Offshore	Activity	% Ownership 2023 and 2022 %
Constructora y Perforadora Latina, S.A. de C.V. (1)	Leasing of drilling rigs and maintenance of geothermal wells	100
Latina Offshore Holding Limited	Holding	100
Latina Offshore Limited	Holding	100
Santa Maria Offshore Limited	Leasing of a Jack-up	100
La Covadonga Limited	Leasing of a Jack-up	100
Latina Modular Holding Limited	Holding	100
Latina Modular 01 Limited	Leasing of a modular rig	100
<b>Onshore Oil</b>		
Perfolatina, S. A. de C. V.	Oil exploration and production	100
CPL Servicios de Perforación, S.A. de C.V. (2)	Oil exploration and production	100
<b>Corporate entity</b>		
Petroservicios y Desviaciones, S. A. de C. V. (3)	Drilling and maintenance of geothermal wells	100
Servicios Corporativos Latina, S. A. de C. V.	Administrative services	100

- (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 CPL, the latter subsisting as the merging company and PML disappearing as the merged company, acquiring all the rights and obligations of PML as of December 31, 2022. The transaction did not require or generate cash.



- (2) As mentioned in Note 1, in the Minutes of the Extraordinary General Shareholders' Meeting, held on December 15, 2022, it was agreed to carry out the merger between Equipamiento with CPL Servicios, related parties of the Entity, with the latter subsisting as the merging company and disappearing. Equipamiento as a merged company, acquiring all the rights and obligations of CPL Servicios as of January 1, 2022.
- (3) As mentioned in note 1, in the Minutes of the Extraordinary General Shareholders' Meeting, held on December 15, 2022, it was agreed to carry out the merger between Intubac and Petroservicios related parties of the Entity, the latter subsisting as the merging company and Intubac disappearing as merged company, acquiring all the rights and obligations of Petroservicios as of January 1, 2022.

#### *Changes in the Entity's holdings in existing subsidiaries*

Changes in investments in the Entity's subsidiaries that do not result in a loss of control are recorded as capital transactions.

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

When the Entity loses control of a subsidiary, the drawdown gain or loss is calculated as the difference between (i) the sum of the fair value of the consideration received and the fair value of any retained interest and (ii) the prior carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognized in other comprehensive income items relating to the subsidiary are recorded in the same manner as established in the event that the relevant assets or liabilities are disposed of (i.e., reclassified to profit or loss or transferred directly to other stockholders' equity items as specified/permitted by applicable IFRS).

The fair value of any investment held in the subsidiary at the date control is lost is considered to be the fair value for initial recognition under IAS 39 or, as applicable, the cost at initial recognition of an investment in an associate or joint venture.

#### d. ***Foreign currency transactions***

In preparing the financial statements of each entity, transactions in foreign currencies other than the functional currency of the Entity (U.S. dollar) are recognized using the exchange rates prevailing on the dates on which the transactions are carried out. At the end of each period, monetary items denominated in foreign currency are reconverted at the exchange rates prevailing at that date. Non-cash items that are calculated in historical cost terms, in foreign currency, are not converted.

Exchange rate differences are recognized in the results for the period, except for:

- Exchange rate differences arising from loans denominated in foreign currencies related to assets under construction for future productive use, which are included in the cost of such assets when considered as an adjustment to interest costs on such loans denominated in foreign currencies;
- Differences in exchange rate arising from monetary items receivable or payable to a foreign operation for which payment is not planned or possible (thus forming part of the net investment in the foreign operation), which are initially recognized in the other comprehensive income and reclassified from stockholders' equity to gains or losses upon sale in whole or in part, net investment.

For purposes of the presentation of the consolidated financial statements, the foreign currency assets and liabilities of the Entity are expressed in U.S. dollars, using the exchange rate in effect at the end of the period.



Income and expense items are translated at exchange rates on the date the transactions are made. Exchange rate differences that arise, if any, are recognized in other comprehensive income and are accumulated in stockholders' equity (attributed to non-controlling interests where appropriate).

In the sale of a foreign operation (i.e., sale of the Entity's entire interest in a foreign operation, or a disposition involving a loss of control in the subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all accumulated exchange rate differences related to that transaction attributable to the Entity are reclassified to profit or loss. Any difference in changes that has previously been attributed to non-controlling interests is deregistered, but not reclassified to results.

The exchange rates used to convert Mexican pesos to U.S. dollars were as follows:

	December 31,	
	2023	2022
Mexican pesos per 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);
- It may irrevocably designate a debt instrument that meets the amortized cost or fair value criteria through other comprehensive results 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 Measurement-time through other integral results. 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 in Fair Value Measurement the through other end-to-end results are initially measured at Fair Value Measurement the plus transaction costs. Subsequently, they are measured at Fair Value Measurement the time with gains and losses arising from changes in Fair Value Measurement the time-based system recognized in other integral results and accumulated in the investment revaluation reserve. The accumulated gain or loss cannot be reclassified to profit or loss in the disposition of capital investments, but is transferred to retained earnings.

Dividends from these investments in capital instruments are recognized in profit or loss according to IFRS the 9-point, 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 results (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 results in the initial recognition (see (iii) above).
- Debt instruments that do not meet amortized cost criteria or fair value criteria through other comprehensive results (see (i) and (ii) above) are classified as fair value through earnings. In addition, debt instruments that meet the amortized cost criteria or the fair value through other comprehensive results criteria may be designated as fair value through earnings at the time of initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (referred to as "accounting disparity") that would arise from the measurement of assets or liabilities or the recognition of gains and losses on them on different bases. The Entity has not designated any debt instruments with fair value through profits.

Financial assets in 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 substantiated, 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 to 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.

(i) *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.

(ii) *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.

(iii) *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.

(iv) *Write-off policy*

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**

They consist mainly of bank deposits in checking accounts. Cash is presented at face value. As mentioned in Notes 5 and 14, the Entity has restricted cash from the Offshore business, which corresponds to cash.

g. **Inventories**

They are presented at acquisition cost or net realization value (estimated selling price minus all costs necessary for sale), whichever is lower. They are valued through average costs. Inventories correspond to materials and supplies for drilling and maintenance of wells and consumable spare parts. Reductions in the value of inventories are made up of reserves representing inventory impairment.

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

They 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. **Oil rigs and equipment**

Oil rigs and equipment are initially recorded at acquisition cost, less the cost of accumulated depreciation and any impairment losses.

Properties that are under construction are recorded at cost less any recognized impairment losses. The cost includes professional fees and, in the case of qualifying assets, the costs of capitalized loans in accordance with the Entity's accounting policy. The depreciation of these assets, as in other properties, begins when the assets are ready for their planned use.

Depreciation is recognized in earnings based on their useful lives using the straight line method. The estimated useful life and depreciation method are reviewed at the end of each year, and the effect of any change in the recorded estimate is recognized on a forward-looking basis.

Rights 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.

An item of oil rigs and equipment is decommissioned when it is sold or when no future economic benefits are expected to derive from the continued use of the asset. The profit or loss arising from the sale or retirement of an item of oil rigs and equipment is calculated as the difference between the proceeds received from the sale and the carrying value of the asset and is recognized in the income statements and other comprehensive income.

The average useful life of oil platforms and equipment are:

	2022
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
Heli platform	3 years



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

They correspond mainly to investments in drilled wells, infrastructure investments, 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 the estimated useful life of each well. The estimated useful life and amortization method are revised 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 Obligation***

Asset Retirement Obligations ("AROs") are defined as a liability for the costs to return a tangible asset to its initial condition upon disposal.

The Entity 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. Likewise, at the end of the useful life of the wells, facilities, materials and equipment, the Entity makes a technical opinion that supports the convenience of abandonment. The main objective is to execute abandonment activities, such as plugging installations and well dismantling.

At the beginning of the contract, the Entity determines the budget for the abandonment cost of each one of the wells. This reserve is capitalized to the investment in wells and is depreciated 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. **Leases**

– *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.

Rights 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 rights-of-use asset, unless such costs are incurred to generate inventories.

Rights 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 1.

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 of 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 ("PTU")*

The "PTU" 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, for its acronym in Spanish) 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) as a result 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, taking into account 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. *By leasing platforms*

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

ii. *By 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. *By hydrocarbon production*

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

iv. *By 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. *Revenues from drilling shallow water wells*

Revenues from drilling shallow water wells and associated costs are recognized with reference to the degree of progress of 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 in order to make its accounting and fiscal results efficient to the extent possible. Taxes are caused in Mexican pesos and between 2014 and 2022 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 banks deposits	\$ 12,696	\$ 8,143
Restricted cash (1) (See Note 14)	<u>-</u>	<u>10,431</u>
	<u>\$ 12,696</u>	<u>\$ 18,574</u>

## 6. Customer receivables – Net

	2023	2022
PEMEX	\$ 115,570	\$ 99,624
Others	2,898	2,203
Allowance for doubtful debts	<u>(202)</u>	<u>(631)</u>
	<u>\$ 118,266</u>	<u>\$ 101,196</u>

The Entity has PEMEX as its main customer, therefore, there is a significant concentration of credit. The average collection term is 133 days for 2023 and 98 days for 2022. No interest charge is made and no reservation of uncollectible accounts is recognized due to the category, history of collections with PEMEX and the nature of the contracts.



## 7. Inventories

	2023	2022
Spare parts	\$ 11,789	\$ 12,641
Material and supplies	11,462	13,812
Goods in transit	536	614
Advances to suppliers	<u>1,080</u>	<u>2,744</u>
	<u>\$ 24,867</u>	<u>\$ 29,811</u>

## 8. Right-of-use assets

The analysis of the maturity of lease liabilities is presented in Note 9.

Assets for rights of use (Platforms)	2023
<b>Cost:</b>	
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	<u>\$ 141,546</u>
<b>Accumulated depreciation:</b>	
At the beginning of 2022	\$ (45,792)
Depreciation of the period	<u>(22,110)</u>
As of December 31, 2023	(67,902)
Depreciation of the period	<u>(26,055)</u>
As of December 31, 2023	<u>\$ (93,957)</u>
<b>Book value:</b>	
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 into 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 consolidated income statement	2023	2022
Depreciation expense of the asset for use rights	\$ 26,055	\$ 22,110
Finance expense caused by lease liabilities	<u>\$ 5,362</u>	<u>\$ 1,107</u>

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

## 9. Lease liabilities

The Entity leases various assets, including two platforms. The average lease term is 5 months for 2022.

	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



	2023	2022
Less: interest to be accrued	(4,412)	(9,602)
	<u>\$ 51,118</u>	<u>\$ 73,674</u>
Analyzed as:		
Short term	\$ 26,784	\$ 28,223
Long term	<u>24,334</u>	<u>45,451</u>
	<u>\$ 51,118</u>	<u>\$ 73,674</u>

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	Low	Impairment	Balance as of December 31, 2023
Investment:					
Land	\$ 497	\$ -	\$ -	\$ -	\$ 497
Building and constructions	2,993	-	-	-	2,993
Jack-ups	558,143	14,753	-	-	572,896
Modular rig	122,049	-	-	(15,700)	106,349
Drilling equipment	48,253	2,176	(13)	-	50,416
Peripheral equipment	3,522	-	-	-	3,522
Furniture and fixtures	188	57	-	-	245
Vehicles	919	10	(126)	-	803
Computer equipment	642	38	-	-	680
Enhancements to leased platforms	-	6,647	-	-	6,647
Spare parts	5,698	-	(61)	-	5,637
Total investment	<u>742,904</u>	<u>23,681</u>	<u>(200)</u>	<u>(15,700)</u>	<u>750,685</u>
Depreciation:					
Building and constructions	(1,228)	(150)	-	-	(1,378)
Jack-ups	(274,234)	(27,644)	-	-	(301,878)
Modular rig	(65,997)	(6,690)	-	-	(72,687)
Drilling equipment	(29,921)	(5,020)	13	-	(34,928)
Peripheral equipment	(3,476)	(7)	-	-	(3,483)
Furniture and fixtures	(108)	(15)	-	-	(123)
Vehicles	(684)	(82)	73	-	(693)
Enhancements to leased platforms	-	(277)	-	-	(277)
Computer equipment	(614)	(17)	-	-	(631)
Total accumulated depreciation	<u>(376,262)</u>	<u>(39,902)</u>	<u>86</u>	<u>-</u>	<u>(416,078)</u>
Net investment	<u>\$ 366,642</u>	<u>\$ (16,221)</u>	<u>\$ (114)</u>	<u>\$ (15,700)</u>	<u>\$ 334,607</u>

	Balance as of December 31, 2021	Additions	Low	Transfers	Balance as of December 31, 2022
Investment:					
Land	\$ 497	\$ -	\$ -	\$ -	\$ 497
Building and constructions	2,993	-	-	-	2,993
Jack-ups	549,683	8,460	-	-	558,143
Modular rig	128,907	630	-	(7,488)	122,049
Drilling equipment	46,397	1,856	-	-	48,253
Peripheral equipment	3,522	-	-	-	3,522
Furniture and fixtures	187	1	-	-	188
Vehicles	955	44	(80)	-	919
Computer equipment	626	16	-	-	642
Spare parts	5,637	61	-	-	5,698
Total investment	<u>739,404</u>	<u>11,068</u>	<u>(80)</u>	<u>(7,488)</u>	<u>742,904</u>





	Balance as of December 31, 2021	Additions	Low	Transfers	Balance as of December 31, 2022
Depreciation:					
Building and constructions	(1,078)	(150)	-	-	(1,228)
Jack-ups	(247,488)	(26,746)	-	-	(274,234)
Modular rig	(55,909)	(10,088)	-	-	(65,997)
Drilling equipment	(25,926)	(4,051)	56	-	(29,921)
Peripheral equipment	(3,469)	(7)	-	-	(3,476)
Furniture and fixtures	(97)	(11)	-	-	(108)
Vehicles	(667)	(80)	63	-	(684)
Computer equipment	(603)	(11)	-	-	(614)
Total accumulated depreciation	<u>(335,237)</u>	<u>(41,144)</u>	<u>119</u>	<u>-</u>	<u>(376,262)</u>
Net investment	<u>\$ 404,167</u>	<u>\$ (30,076)</u>	<u>\$ 39</u>	<u>\$ (7,488)</u>	<u>\$ 366,642</u>

The Oil Platforms and the Modular are granted as collateral for the debt indicated in Note 14.

#### 11. Investment in wells and infrastructure – Neto

	2023	2022
Investment in wells and infrastructure in the Pitepec field (1)	\$ 87,717	\$ 85,745
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>
	97,177	96,684
Amortization of wells	(57,720)	(49,224)
Impairment in wells	<u>(8,679)</u>	<u>(2,125)</u>
	<u>\$ 30,778</u>	<u>\$ 45,335</u>

- (1) **Investment in wells and infrastructure of the Pitepec field** - It 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.
- (2) **Ineligible expenses** - Expenses necessary for the realization of the Pitepec field, which will be amortized once the contract ends and the income to face these during the life of the field is obtained.
- (3) **Eligible expenses** - They are expenses disbursed by the Entity for the production of hydrocarbons which are recovered through the sale of barrels.

#### 12. Financial instruments

The Entity manages a diversified business portfolio with participation in several industrial sectors at the national level, so it has exposure to financial risks that include market risk (exchange rate and interest rate), credit risk and liquidity risk. The Board of Directors establishes and oversees policies and procedures to measure and manage these 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 returns to its shareholders through the optimization of debt and equity balances. The general strategy of the Entity has not been modified compared to the previous year.

The capital structure of the Entity consists of net debt (loans as detailed in Note 14 offset by cash balances and restricted cash) and the capital of the Entity (composed of issued share capital, reserves and accumulated deficit as disclosed in Note 16).



As of December 31, 2022, the Entity has restricted cash of \$10,431, as mentioned in Note 14.

*Debt ratio* - Debt ratio as of December 31, 2023 and 2022, is as follows:

	2023	2022
Bank loans and long-term debt	\$ 400,424	\$ 452,353
Cash and restricted cash	<u>(12,696)</u>	<u>(18,574)</u>
Net debt	<u>\$ 387,728</u>	<u>\$ 433,779</u>
Stockholders' equity	<u>\$ 93,812</u>	<u>\$ 59,443</u>
Net debt to stockholders' equity	<u>4.1 times</u>	<u>7.3 times</u>

b. *Categories of financial instruments*

	2023	2022
<b><i>Financial assets</i></b>		
Cash and restricted cash	\$ 12,696	\$ 18,574
<i>Loans and receivable at amortized cost -</i>		
Trade accounts receivable	118,266	101,196
Due from related parties	<u>5,779</u>	<u>386</u>
	<u>\$ 136,741</u>	<u>\$ 120,156</u>
<b><i>Financial liabilities:</i></b>		
<i>Financial liabilities held at amortized cost</i>		
Bank loans and long-term debt	\$ 400,424	\$ 452,353
Accounts payable to suppliers	65,843	72,153
Lease liabilities	51,118	73,674
Due to related parties	<u>4,623</u>	<u>6,100</u>
	<u>\$ 522,008</u>	<u>\$ 604,280</u>

c. *Financial risk management objectives*

The Treasury function of the Entity offers services to businesses, coordinates access to national and international financial markets, supervises and manages financial risks related to its operations through internal risk reports, which analyze exposures by grade and the magnitude of risks. These risks include market risk (including exchange rate risk and interest rate risk), credit risk and liquidity.

d. *Foreign exchange risk management*

The Entity carries out transactions denominated in currency foreigner; consequently it is exposed to fluctuations in the exchange rate. Exchange rate exposures are managed within the parameters of authorized policies.

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

	<u>Assets</u>		<u>Liabilities</u>	
	2023	2022	2023	2022
Thousands of Mexican pesos	<u>35,103</u>	<u>96,311</u>	<u>3,086,398</u>	<u>2,959,464</u>



**Sensitivity analysis for foreign currency** - The Entity is mainly exposed to Mexican pesos. The Entity conducts periodic analyses on the sensitivity of a 10% increase or decrease in the peso against the relevant foreign currencies. The 10% represents the sensitivity rate used when reporting foreign exchange risk internally to key management personnel, and represents management's assessment of the possible reasonable change in exchange rates. The sensitivity analysis includes only outstanding currency items denominated in foreign currency and adjusts its translation at the end of the period for a 10% change in exchange rates. The sensitivity analysis mainly includes foreign currency loans. A positive figure (as can be seen in the table below) indicates an increase in results where the peso weakens by 10% against the relevant currency. If there were a strengthening of 10% in the peso with respect to the currency in reference, then there would be a comparable impact on the results and the following balances would be negative.

If the exchange rate of the Mexican peso with the US dollar had been devalued by 10% and all other variables remained constant, the gain in results would have been:

	2023	2022
Results	\$ <u>16,420</u>	\$ <u>13,444</u>

e. **Interest Rate Risk Management**

The Entity is exposed to risks in the variable interest rate because in some cases it has debt contracted at variable rates. Hedging activities are regularly evaluated to align with interest rates and their related risk, ensuring that the most cost-effective hedging strategies are applied.

The Entity exposures for interest rate risk are mainly in equilibrium interbank interest rate (TIIE) and Libor on financial liabilities. The sensitivity analysis determined by the Entity is prepared based on the exposure to interest rates of its total uncovered financial debt held at variable rates, an analysis is prepared assuming that the amount of outstanding liabilities at the end of the reporting period has been the outstanding liability for the entire year. The Entity reports internally to the Board of Directors on the risk in interest rates.

**Sensitivity analysis for interest rates** - The following sensitivity analyses have been determined based on interest rate exposure for debt contracts. For variable-rate liabilities, an analysis is prepared assuming that the amount of liabilities in effect at the end of the reporting period has been the outstanding liability for the full year. In reporting internally to key management personnel on interest rate risk, an increase or decrease of 50 basis points is used, which represents management's assessment of the possible reasonable change in interest rates.

If interest rates had been 50 basis points higher and all other variables remained constant:

Consolidated net loss for the year ended December 31, 2023 would increase by \$714 (2022: loss would increase by \$544). This is primarily attributable to the Bank's exposure to interest rates on its variable-rate loans.

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 engaging with solvent parties and obtaining sufficient assurance, where appropriate, as a means of mitigating the risk of financial loss caused by default. The Entity's exposure and credit ratings of its counterparties are continuously monitored and the cumulative value of completed transactions is distributed among approved counterparties. Credit exposure is minimal because historically there have been no losses with PEMEX.



g. **Liquidity risk management**

The Management of the Entity is the one that has the final responsibility for the management of liquidity, who has established the appropriate policies for the control of this, through the monitoring of working capital, which allows management to manage the financing requirements in the short, medium and long term of the Entity, maintaining cash reserves, drawing down credit lines, continuously monitoring cash flows, projected and real, reconciling the maturity profiles of financial assets and liabilities.

The following table details the contractual maturities of the Entity for its financial liabilities considering the agreed repayment periods. The table has been designed based on the projected cash flows of financial liabilities based on the date on which the Entity must make payments. The table includes both projected interest cash flows and financial debt capital disbursements included in the consolidated statements of financial position. To the extent that interest is at a variable rate, the undiscounted amount is derived from the curves in the interest rate at the end of the reporting period. The contractual maturity is based on the minimum date on which the Entity must make the payment.

	Effective weighted average interest Rate	As of December 31, 2023		
		One year	One and three years	Total
Bank loans and long-term debt	14 %	\$ 146,782	\$ 253,642	\$ 400,424
Interest payable		20,536	39,838	60,374
Accounts payable to suppliers		65,843	-	65,843
Lease liabilities		26,784	24,334	51,118
Due to related parties		<u>4,623</u>	<u>-</u>	<u>4,623</u>
Total		<u>\$ 264,568</u>	<u>\$ 317,814</u>	<u>\$ 582,382</u>

  

	Effective weighted average interest Rate	As of December 31, 2022		
		One year	One and three years	Total
Bank loans and long-term debt	10.49%	\$ 343,568	\$ 108,785	\$ 452,353
Interest payable		47,597	106,019	153,616
Accounts payable to suppliers		72,153	-	72,153
Lease liabilities		28,223	45,451	73,674
Due to related parties		<u>6,100</u>	<u>-</u>	<u>6,100</u>
Total		<u>\$ 497,641</u>	<u>\$ 260,255</u>	<u>\$ 757,896</u>

The amounts included in the debt with credit institutions include fixed and variable rate instruments. Variable rate financial liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

**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
<b><i>Financial liabilities:</i></b>				
International bonds	\$ 254,493	\$ 178,362	\$ 333,124	\$ 212,510

#### 14. Bank loans and long-term debt

	2023	2022
<b><i>Bonds guaranteed with the Oil Rigs and the Modular:</i></b>		
International Bond Issue for \$350,000 that pays quarterly interest at the fixed annual rate of 8.875%, and maturing on October 15, 2023. The principal is amortized quarterly based on the totality of the surplus cash.	\$ -	\$ 277,379
Senior secured callable bond for \$123,198 maturing on April 13, 2028, bearing interest, payable on quarterly basis, at a fixed 7% rate. Principal will be paid in a quarterly basis on the total excess of cash flow.	119,487	-
Senior secured callable bond (Exit Bond) for \$54,935 maturing on April 13, 2028, bearing interest, payable on quarterly basis, at a fixed 7% rate. 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) for \$35,000 maturing on April 13, 2028, bearing interest, payable on quarterly basis, at a fixed 10% rate. 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	-



	2023	2022
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
Senior secured callable bond for \$49,000 maturing in January, 2030, bearing interest, payable on quarterly basis, at a fixed 7% rate. Principal will be paid in a quarterly basis on the total excess of cash flow.	49,000	-
<b>Bank loans - in US dollars:</b>		
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	-
<b>Bank loans - in Mexican pesos:</b>		
Credit up to \$86.9 million Mexican pesos (\$4.5 million US dollars), with UNIFIN Financiera, S. A. B. de C. V., with a term of 24 months, starting on April 25, 2023.	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., with a term of 24 months, beginning on September 24, 2024.	17,758	15,495
Credit up to \$46.3 million Mexican pesos (\$2.4 million US dollars), with UNIFIN Financiera, S. A. B. de C. V., with a term of 24 months, starting on May 25, 2023.	-	1,642
Credit for 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., with a term of 24 months, beginning on March 29, 2025.	3,552	-
Line with Banco Inbursa, S. A. for 1,421 million Mexican pesos (\$69 million US dollars), maturing on December 6, 2024, which causes monthly interest at the TIEE rate plus 300 basis points, with maturity of the promissory note every 3 months.	62,509	53,715
Line of credit with stock market collateral for 422 million Mexican pesos (\$20.5 million US dollars), with Banco Actinver, S. A. that causes monthly interest at the TIEE rate plus 300 basis points. The principal is amortized at maturity on April 22, 2024.	24,980	21,796
Line of credit with collateral for 255 million Mexican pesos (\$12.4 million US dollars), with Banco Actinver, S. A. that causes monthly interest at the TIEE rate plus 300 basis points. The principal is amortized at maturity on August 12, 2024.	15,095	13,170
	398,603	442,061



	2023	2022
Cost of debt issued at amortized cost	(4,431)	(152)
Interest payable	<u>6,252</u>	<u>10,444</u>
	400,424	452,353
Less: current portion	<u>(146,782)</u>	<u>(343,568)</u>
Long-term debt	<u>\$ 253,642</u>	<u>\$ 108,785</u>

a. Maturities of the long-term debt 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 entered into an agreement with the holders of the International Bonds of \$205,493 y \$49,000 to modify certain conditions set forth in the contracts, mostly the expiration dates, see Note 23. The International Bonds are collateralized by oil platforms and modular equipment, respectively.

The Entity may redeem the International Bonus of \$205,493 (option to purchase at any time without payment of the prize), and in the case of the International Bonus of \$49,000, if chosen, a prize of 2% must be paid.

Pledge bank loans with national institutions are secured with shares owned by the shareholders of a Mexican public entity, the coverage is 1.5 times the value of the debt in the case of Inbursa and 1.35 times, in the case of Actinver and 1.10 with Bank Ve por Más, S.A.

International Bonds establish the following restrictions on offshore business:

- No payment of more than 50% dividends on the profit of the Offshore business.
- Do not incur new liens on assets.

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

## 15. Employee benefits

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

- 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.
- 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 its acronym in Spanish 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 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:

	<b>2023</b>	<b>2022</b>
	%	%
Discount rate	9.20	9.50
Expected rate of salary increase	4.50	4.50
Increase in the minimum wage	Variable	3.50

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

	<b>2023</b>	<b>2022</b>
Service cost:		
Current service cost	\$ 1,383	\$ 853
Financial cost	<u>410</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 y \$4,212, respectively.

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

	<b>2023</b>	<b>2022</b>
Opening balance for defined benefit obligation	\$ 4,212	\$ 3,570
Current service cost	1,383	853
Financial cost	410	254
Benefits paid	(681)	(187)
Actuarial gains and losses for the period	<u>(427)</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 on the basis of 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. Stockholders' equity

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

	Shares	Amount
Fixed portion-		
Nominative shares Series "A"	36	\$ 5,662
Variable portion-		
Nominative shares Series "B"	<u>5,591,635,066</u>	<u>235,681</u>
	<u>5,591,635,102</u>	<u>\$ 241,343</u>

The share capital consists of registered common shares without expression of par value. The increase in the share subscription premium is derived from the restructuring of the bonds mentioned in Note 1a; The shares issued for this operation were a total of 473 with a value of \$1 dollar per share.

- b. The net profit of each year is subject to the legal provision that requires that 5% of this amount be transferred to the reserve fund, until it is equal to 20% of its share capital. The reserve fund is not capable of being distributed to shareholders during the existence of each entity, except in its dissolution. As of December 31, 2023 and 2022, the reserve fund stands at \$2,738 y \$2,199 respectively.
- c. The distribution of stockholders' equity, except for the updated amounts of the share capital contributed and the tax retained profits, will cause the ISR to be borne by the Entity at the rate in force at the time of distribution. The tax paid for such distribution may be credited against the ISR of the year in which the dividend tax is paid and in the two immediately following years, against the tax of the year and the provisional payments thereof.

Dividends paid from profits generated from 1° of January 2014 to individuals resident in Mexico and residents abroad, may be subject to an additional ISR of up to 10%, which must be withheld by the Entity.

- d. The balances of the fiscal accounts of stockholders' equity as of December 31 are:

	2023	2022
Capital contribution account	\$ 342,074	\$ 259,174
Net tax profit account at the end of 2013	<u>63,528</u>	<u>49,467</u>
Total	<u>\$ 405,602</u>	<u>\$ 308,641</u>



## 17. Transactions and balances with related parties

- a. The related party transactions in the ordinary course of their business were as follows:

	2023	2022
Reimbursement	\$ -	\$ 104
Donations	357	96
Interest expenses	116	-
Expense for fees to directors	-	6,278

- b. The balances with related parties are:

	2023	2022
Due from related parties-		
Adro Servicios Aéreos, S.A. de C.V.	\$ 331	\$ 331
Physical person	5,325	-
Other	<u>123</u>	<u>55</u>
	<u>\$ 5,779</u>	<u>\$ 386</u>
Payable-		
Physical person	<u>\$ 4,623</u>	<u>\$ 6,100</u>

## 18. Income taxes

The Entity is subject to ISR. According to the ISR Law, the rate for 2023 and 2022 was 30% and will continue at 30% for subsequent years.

- a. The benefit to income taxes is integrated as follows:

	2023	2022
ISR		
Current tax	\$ 17,582	\$ 2,365
Deferred tax benefit	<u>(25,861)</u>	<u>(3,164)</u>
	<u>\$ (8,279)</u>	<u>\$ (799)</u>

- b. The reconciliation of the statutory rate and the effective rate expressed as a percentage of the loss before income taxes is as follows:

	2023	2022
	%	%
Current tax	30	30
Add (less) effect of permanent differences:		
Effects of inflation	43	2,419
Unrecognized tax losses benefit	<u>(15)</u>	<u>(2,669)</u>
Effective tax rate	<u>58</u>	<u>(220)</u>

- c. Deferred income taxes recognized in other items of comprehensive income:

	2023	2022
Remeasurement of defined benefit obligations	<u>\$ 128</u>	<u>\$ 83</u>



- d. The main items that give rise to a deferred income tax assets (liability) as of December 31, are as:

	2023	2022
Provision of income and customer advances	\$ 7,104	\$ 4,864
Jack-ups and equipment	61,299	40,696
Accrued expenses	11,483	5,498
Other assets	1,639	6,265
Effect of tax loss carry forwards	<u>6,261</u>	<u>4,730</u>
Net deferred ISR asset	<u>\$ 87,786</u>	<u>\$ 62,053</u>
Deferred tax assets	<u>\$ 89,369</u>	<u>\$ 64,345</u>
Deferred tax liability	<u>\$ (1,583)</u>	<u>\$ (2,292)</u>

- e. Benefits from outstanding tax losses for which the deferred income tax asset has already been partially recognized may be recovered by meeting certain requirements. The expiration years and their updated amounts as of December 31, 2023, are:

Maturity	Amount
2026	\$ 5,219
2027	2,384
2028	4,285
2029	168
2030	13,774
2031	6,284
2032	2,202
2033	<u>15,144</u>
	<u>\$ 49,460</u>

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

## 19. Costs and expenses by nature

The administrative expenses are basically composed of travel expenses and fees.

	2023	2022
Expenses of employees	\$ 55,234	\$ 42,417
Services of drilling and equipment	64,059	129,400
Operative leases	1,308	4,820
Logistic	26,110	33,858
Insurance and bail bonds	6,043	6,611
Travel expenses	1,174	886
Other expenses	<u>12,467</u>	<u>16,919</u>
Total	<u>\$ 166,395</u>	<u>\$ 234,911</u>



**20. Other expenses (income) - Net**

	2023	2022
(Loss) profit on sale of materials	\$ 39	\$ (637)
Profit on disposal of equipment	(99)	(47)
Board fees	188	6,278
Other income, net	<u>(708)</u>	<u>(1,076)</u>
Total	<u>\$ (580)</u>	<u>\$ 4,518</u>

**21. Financial costs**

	2023	2022
Interest from international bonds	\$ 23,718	\$ 31,891
Interest from bank loans	19,266	11,190
Interest from employee benefits	410	254
Benefit on amortizes cost debt	(6,898)	-
Other interest paid, net	9,807	4,130
Cost amortized by bonds issued	<u>1,626</u>	<u>1,655</u>
	<u>\$ 47,929</u>	<u>\$ 49,120</u>

**22. Information by segments**

The segments of the Entity are organized according to the approach that management has established, which translates into three divisions: i) Shallow water drilling of oil wells integrated by its subsidiary Cosntructora y Perforadora Latina, S.A. de C.V. (offshore) ii) Lease is Rigs Oil integrated by its subsidiary Constructora y Perforadora Latina, S. A. de C. V., Santa María Limited, La Covadonga Limited y Latina Modular 01 Limited its main activity is the lease to PEMEX of two oil platforms and a modular offshore drilling platform and Onshore oil drilling and production integrated by its subsidiaries Perfolatina, S.A. de C.V. and CPL Servicios de Perforación, S.A. de C.V., with activity within the contractual area or field Pitepec (onshore).

The information by segments is presented in the same format used by the management of the Entity to evaluate each business. An operating segment is defined as a component of the Entity engaged in business activities, from which the Entity derives revenue and incurs costs and expenses, for which information is prepared for decision-making and from which management periodically evaluates the allocation of resources.

The main items of financial information by operating segments in 2023 and 2022 were as follows:

	Cluster		Jack-ups and Modular Rig		Drilling on land		Others		Total		Elimination		Total consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Revenue	\$ 185,355	\$ 268,020	\$ 93,182	\$ 70,901	\$ 23,803	\$ 28,302	\$ 3,036	\$ 14,997	\$ 305,376	\$ 382,220	\$ 9,325	\$ (1,050)	\$ 314,701	\$ 381,170
Depreciation and amortization	(43,173)	(28,396)	(18,535)	(37,272)	(17,776)	(7,596)	(4,043)	(3,908)	(83,527)	(77,172)	-	-	(83,527)	(77,172)
Impairment loss	-	-	(15,700)	(7,488)	-	-	-	-	(15,700)	(7,488)	-	-	(15,700)	(7,488)
Interest income	358	-	4,180	4,745	3	-	20	171	4,561	4,916	(4)	(4,633)	4,557	283
Financial costs	(6,301)	(5,797)	(29,518)	(34,60)	(2,919)	(815)	(14,694)	(12,534)	(53,432)	(53,753)	5,503	4,633	(47,929)	(49,120)
Provision (benefit) income taxes	(12,780)	14,798	21,296	(17,047)	1,361	5,030	2,342	142	12,219	2,923	(3,940)	(2,124)	8,279	799
Consolidated net (loss) income	<u>17,167</u>	<u>22,607</u>	<u>9,071</u>	<u>19,220</u>	<u>(9,466)</u>	<u>2,621</u>	<u>(10,490)</u>	<u>202</u>	<u>6,282</u>	<u>44,650</u>	<u>(12,391)</u>	<u>(43,488)</u>	<u>(6,109)</u>	<u>1,162</u>
Total current assets	112,948	88,492	138,182	211,777	13,474	13,495	36,747	61,460	301,351	375,224	(84,699)	(160,650)	216,652	214,574



	Cluster (drilling of shallow water wells)		Jack-ups and Modular Rig		Drilling on land		Others		Total		Elimination		Total consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Jack-ups, modular rig and equipment - Net	14,873	8,535	309,939	345,716	914	846	8,881	11,545	334,607	366,642	-	-	334,607	366,642
Investment in wells and infrastructure - Net	-	-	-	-	43,541	52,715	-	-	43,541	52,715	(12,763)	(11,487)	30,778	41,228
Total assets	<u>178,116</u>	<u>168,912</u>	<u>525,708</u>	<u>629,379</u>	<u>86,912</u>	<u>97,765</u>	<u>333,004</u>	<u>258,072</u>	<u>1,123,740</u>	<u>1,154,125</u>	<u>(401,853)</u>	<u>(389,674)</u>	<u>721,887</u>	<u>764,451</u>
Total current liabilities	37,636	130,627	149,862	442,309	77,181	78,710	204,394	88,363	469,073	740,009	(133,544)	(203,121)	335,529	536,888
Long-term debt	<u>38,904</u>	<u>20,194</u>	<u>253,642</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,591</u>	<u>292,546</u>	<u>108,785</u>	<u>-</u>	<u>-</u>	<u>292,546</u>	<u>108,785</u>
Total liabilities	<u>205,824</u>	<u>162,011</u>	<u>269,981</u>	<u>461,485</u>	<u>81,420</u>	<u>83,044</u>	<u>209,115</u>	<u>159,116</u>	<u>766,340</u>	<u>865,656</u>	<u>(138,265)</u>	<u>(160,648)</u>	<u>628,075</u>	<u>705,008</u>
Total stockholders' equity	<u>\$ (27,708)</u>	<u>\$ 6,901</u>	<u>\$ 255,727</u>	<u>\$ 167,891</u>	<u>\$ 4,868</u>	<u>\$ 14,721</u>	<u>\$ 124,512</u>	<u>\$ 98,956</u>	<u>\$ 357,399</u>	<u>\$ 288,469</u>	<u>\$ (263,587)</u>	<u>\$ (229,026)</u>	<u>\$ 93,812</u>	<u>\$ 59,443</u>

**25. Authorization of issuance of the consolidated financial statements**

The accompanying consolidated financial statements as of December 31, 2023 were authorized for issuance on April 30, 2024 by C.P.C. Miguel Ruiz Tapia, Chief Executive Officer, and C.P. Víctor Escalante Torres, Chief Financial 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.

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