Unaudited interim condensed consolidated financial statements of Energy Development Oman SAOC ("EDO") for the six-month period ended 30 June 2023

Energy Development Oman SAOC

Contents

Board of Directors report

Responsibilities of the Board of Directors for the Energy Development of Oman ("EDO") unaudited interim condensed consolidated financial statements

The members of EDO Board hereby declare that, to the best of their knowledge, the unaudited interim condensed consolidated financial statements for the six-months ended 30 June 2023, which have been prepared in accordance with IAS 34 "Interim Financial Reporting", present fairly, in all material respects, the unaudited interim condensed consolidated financial position of EDO as at 30 June 2023 and the related unaudited interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes.

The Board of Directors of EDO approved the information contained in the unaudited interim condensed consolidated financial statements of EDO on 05 September 2023.

On behalf of the Board

Mazin Al Lamki

Chief Executive Officer
Energy Development Oman
September 07, 2023

Sultan Al Mamari

Chief Financial Officer
Energy Development Oman
September 07, 2023

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REPORT ON REVIEW OF UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF ENERGY DEVELOPMENT OMAN SAOC

Introduction

We have reviewed the accompanying unaudited interim condensed consolidated statement of financial position of Energy Development Oman SAOC ("the Company") and its subsidiaries (collectively referred to as "the Group") as of 30 June 2023 and the related unaudited interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of these unaudited interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "*Interim Financial Reporting*" ("IAS 34"). Our responsibility is to express a conclusion on these unaudited interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of unaudited interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unaudited interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLC

Muscat
7 September 2023

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Energy Development Oman SAOC
Unaudited interim condensed consolidated statement of profit or loss and other comprehensive income
For the six-month period ended

	Note	*Unaudited* *30-Jun-23* *US$'000*	*Unaudited* *30-Jun-22* *US$'000*
Revenue	*3*	**8,082,348**	8,423,948
Other operating income	*5*	**58,141**	172,128
Finance income		**1,941**	606
Total revenues and other income		**8,142,430**	8,596,682
Production expenses		**(617,446)**	(647,947)
Royalty expenses		**(3,159,946)**	(3,621,976)
Depreciation, depletion and amortisation		**(2,031,062)**	(1,830,160)
Other expenses		**(11,911)**	(3,618)
Profit before interest and tax		**2,322,065**	2,492,981
Finance costs	*6*	**(292,204)**	(181,694)
Profit before tax		**2,029,861**	2,311,287
Income tax expenses			
Income tax expenses	*14*	**(1,874,056)**	(1,960,533)
Profit for the period		**155,805**	350,754
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods			
Re-measurement of pension fund obligation		**31,186**	(1,040)
Total comprehensive income for the period		**186,991**	349,714

The attached notes 1 to 16 form part of these unaudited interim condensed consolidated financial statements

Energy Development Oman SAOC
Unaudited interim condensed consolidated statement of financial position
As at

	Note	*Unaudited* *30-Jun-23* *US$'000*	*Audited* *31-Dec-22* *US$'000*
Non-current assets			
Property, plant and equipment	7	22,772,455	22,898,658
Right-of-use assets		823,505	823,720
Net retirement benefit assets	12	360,386	241,575
Receivables and prepayments		18,735	18,593
Housing loans	9	7,604	9,357
Other non current asset		4,149	4,623
Total of Non-current assets		23,986,834	23,996,526
Current assets			
Inventories	8	439,793	413,470
National objective investment		-	4,834
Receivables and prepayments		73,812	97,306
Due from related parties	9	2,055,383	2,282,035
Housing loans	9	2,984	2,804
Cash and bank balances	10	268,441	227,901
Total of current assets		2,840,413	3,028,350
Assets held for sale		-	52,315
Total assets		26,827,247	27,077,191
Shareholders' equity			
Share capital		1,300	1,300
Retained earnings		12,586,917	14,086,975
Total equity		12,588,217	14,088,275
Non current liabilities			
Non-Omani and other staff pension liabilities		8,152	11,962
Lease liabilities	9	667,639	681,110
Abandonment provision	11	2,789,413	2,506,968
Deferred tax liabilities		1,838,338	1,535,363
Loans and borrowings	9	6,248,382	4,447,903
Total of Non-current liabilities		11,551,924	9,183,306
Liabilities associated with assets held for sale		-	52,315
Current liabilities			
Loans and borrowings	9	250,579	1,445,292
Payables and accruals		1,878,397	1,926,070
Tax payables	14	217,642	49,973
Due to related parties		95,183	98,324
Lease liabilities	9	238,878	226,640
National objective liability		6,427	6,997
Total of current liabilities		2,687,106	3,753,296
Total liabilities		14,239,030	12,988,917
Total equity and liabilities		26,827,247	27,077,191

These unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 07 September 2023 and are signed on their behalf by:

Mazin Al Lamki
Chief Executive Officer
Energy Development Oman SAOC

Sultan Al Mamari
Chief Financial Officer
Energy Development Oman SAOC

The attached notes 1 to 16 form part of these unaudited interim condensed consolidated financial statements

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Energy Development Oman SAOC
Unaudited interim condensed consolidated statement of changes in equity
For the six-month period ended 30 June

	Note	Share capital	Retained earnings	Total
		US$'000	US$'000	US$'000
Balance at 1 January 2023 (audited)		**1,300**	**14,086,975**	**14,088,275**
Profit for the period (unaudited)		**-**	**155,805**	**155,805**
Other comprehensive income/ (costs) - Re-measurement of pension fund obligation (unaudited)		**-**	**31,186**	**31,186**
Interim dividend (unaudited)	*13*	**-**	**(1,664,002)**	**(1,664,002)**
Distribution of assets in specie (unaudited)	*13*	**-**	**(23,047)**	**(23,047)**
Balance 30 June 2023 (unaudited)		**1,300**	**12,586,917**	**12,588,217**
Balance at 1 January 2022 (audited)		1,300	18,757,909	18,759,209
Profit for the period (unaudited)		-	350,754	350,754
Other comprehensive income/ (costs) - Re-measurement of pension fund obligation (unaudited)		-	(1,040)	(1,040)
Interim dividend (unaudited)	*13*		(2,085,027)	(2,085,027)
Distribution of assets in specie (unaudited)	*13*		(23,838)	(23,838)
Balance 30 June 2022 (unaudited)		1,300	16,998,758	17,000,058

The attached notes 1 to 16 form part of these unaudited interim condensed consolidated financial statements

Energy Development Oman SAOC
Unaudited interim condensed consolidated statement of cash flows
For the six-month period ended

	Note	Unaudited 30-Jun-23 US$'000	Unaudited 30-Jun-22 US$'000
Operating activities:			
Profit before tax		**2,029,861**	2,311,287
Adjustments for:			
Pension scheme costs		**34,692**	46,811
Depreciation, depletion and amortization	7	**1,995,530**	1,787,598
Depreciation on right of use assets		**35,532**	42,562
Gain on change in estimates of abandonment liabilities	5	**(3,605)**	(120,547)
Gains on disposals of property, plant and equipment	5	**(14,258)**	(9,664)
Finance cost	6	**292,204**	181,694
Finance income		**(1,941)**	(606)
Contribution towards Omani staff pension scheme		**(84,201)**	(78,947)
		4,283,814	4,160,188
Working capital changes:			
Changes in inventories		**(26,323)**	74,898
Changes in receivables and prepayments		**23,352**	(72,247)
Changes in amounts due from related parties		**226,652**	(1,388,775)
Changes in national objective investments		**4,834**	22,968
Changes in payables and accruals		**(47,673)**	699,948
Changes in amounts due to related parties		**(3,141)**	6,004
Changes in national Objective Liability		**(570)**	(22,690)
Changes in Non-Omani and other staff pension liabilities		**(3,810)**	(2,219)
		4,457,135	3,478,075
Income tax paid		**(1,441,529)**	(1,236,132)
Cost associated with distribution of assets in specie	13	**(23,047)**	(23,838)
Net cash from operating activities		**2,992,559**	2,218,105
Investing activities:			
Acquisition of property, plant, and equipment		**(1,435,142)**	(1,396,676)
Expenditure on exploration and evaluation assets	7	**(195,151)**	(85,554)
Proceeds from disposal of property, plant and equipment		**61,347**	9,664
Finance income		**1,941**	606
Net movement in housing loans and other non-current assets		**2,047**	(7,431)
Net cash used in investing activities		**(1,564,958)**	(1,479,391)
Financing activities:			
Payment of loans and borrowings		**(1,060,860)**	(305)
Payment of lease liability		**(134,047)**	(130,771)
Dividend paid	13	**-**	(528,000)
Finance cost		**(192,154)**	(71,347)
Net cash used in financing activities		**(1,387,061)**	(730,423)
Increase in cash and bank balances		**40,540**	8,291
Cash and bank balances at beginning of the period	10	**227,901**	340,781
Cash and bank balances at end of the period	10	**268,441**	349,072

For details of non-cash transactions refer note 7 and 16
The attached notes 1 to 16 form part of these unaudited interim condensed consolidated financial statement.

Notes to the unaudited interim condensed consolidated financial statements

1. Background and Basis of Preparation

1.1 Background

Formation of EDO

Energy Development Oman SAOC ("EDO" or the "Company") was established on 3 December 2020 in the Sultanate of Oman. EDO was registered on 24 December 2020 through Royal Decree as a 100% owned subsidiary of the Government of the Sultanate of Oman (the "Government"). The Company together with its subsidiaries (hereinafter referred to as 'the Group') has a presence in Oman.

The Group has taken over the participating rights/interests of the Oil and Gas Operations of Block 6 from the Ministry of Energy and Minerals (the "MoEM"). Block 6 is the Sultanate's largest and most significant oil and gas operation and covers a geographic area of approximately 90,000 square km., which includes a substantial part of the Oman Mountain Fold belt and Rub al Khali basins, including the Ghaba and Fahud salt basins.

The MoEM's 60% interest in Petroleum Development Oman LLC ("PDO"), a limited liability company registered in the Sultanate of Oman in accordance with the Commercial Companies Law, as amended, and 100% interest in Gas Operations were transferred to the Group on 24 February 2021 and 6 May 2021, respectively (also referred to as the "Royal Decree"). Gas Operations are managed by PDO.

PDO is responsible for the following activities:

i. undertaking all projects, operations, and activities directly or indirectly related to the exploration, development, extraction, transportation, storage, and delivery of crude oil in accordance with the terms of an "Oil Concession Agreement" (see below) for Block 6 (the "Oil Operations"); and

ii. undertaking all projects, operations, and activities directly or indirectly related to the exploration, development, extraction, and transportation of NAG in accordance with the terms of "Gas Agreements" (see below) between the Government and PDO (the "Gas Operations").

After the formation of EDO, EDO incorporated the following three sole proprietor companies:

- Hydrogen Oman SPC ("HDO") on 13 June 2022 having commercial registration certificate number 1428787. The objective of HDO is to structure and accelerate the development of the green hydrogen sector in Oman.
- Oman New Energies SPC ("One") on 24 November 2022 having commercial registration number 1458799. One is incorporated to explore future power-related business. As of 17 August 2023, the company is not operational, and no transactions are recorded in its books.
- EDO Gas SPC ("GasCo") on 25 June 2023 having commercial registration certificate number 1491751. The objective of GasCo is to take over the participating right/interest of the Gas Operations of Block 6 from the EDO. No changes are expected in terms of the business model and underlying arrangement of existing gas operations under EDO.

Under the Fiscal Protocol (defined on page 11 of these unaudited interim condensed consolidated financial statements), which applies to the Group's share of crude oil and gas production, including the applicability of royalties and taxes under the pre-existing Block 6 Oil Concession agreement, various additional agreements have been entered into between the Government and the Group. The agreements define the fiscal terms applicable to the Group's revenue from the Block 6 Operations (defined on page 11 of these unaudited interim condensed consolidated financial statements). The key agreements entered between the Government and the Group are as follows:

- Oil concession agreement
- Oil operating agreement
- PDO shareholders' agreement
- the Block 6 Gas Concession Agreement which applies to NAG and condensate, including its related taxes
- the Oman Export Blend sale and purchase agreement; and
- the Natural gas sales agreement
- Fiscal Protocol
- Shareholder's bridge facility agreement

Oil Concession Agreement

The Government and Private Oil Holdings Oman Limited ("POHOL") had entered into an Oil Concession Agreement for Block 6 effective 1 January 2005 and expiring on 31 December 2044. Under this agreement, PDO operated as a cost centre, wherein all costs related to the Block 6 oil operations were

Notes to the unaudited interim condensed consolidated financial statements (continued)

1. Background and Basis of preparation (continued)

1.1 Background (continued)

Formation of EDO (continued)

Oil Concession Agreement (continued)

incurred. PDO had no entitlement to proceeds from crude oil. The property, plant, and equipment ("PPE") relating to the Oil Operations were recognised in the books of PDO. The investment in PPE, operational costs and other costs were funded 60% by the Government and 40% by POHOL as shareholders' contributions. The Oil Concession Agreement includes the right to use associated gas, which was internally consumed by PDO as part of the production process relating to the Oil Operations. The Government has novated the Oil Concession Agreement in favour of the Group effective 24 February 2021.

Oil Operating Agreement

The Government and POHOL (acting in their capacities as participants in the Oil Concession Agreement) and PDO (acting in its capacity as the Block 6 operator) entered into an operating agreement for Block 6, which took effect on 1 January 2005 (the "Oil Operating Agreement"). The Oil Operating Agreement will remain in effect for as long as the Concession Agreement remains in force. On 24 December 2020, the Government transferred its rights and obligations under the Oil Operating Agreement to EDO with effect from 24 February 2021 in accordance with the terms of the Oil Operating Agreement.

Under the terms of the Oil Operating Agreement, PDO is authorised to act as operator of the Block 6 operations under the terms of the Oil Concession Agreement

PDO Shareholders' Agreement

The Government, PDO, Shell, TotalEnergies and PTTEP entered into the Petroleum Development Oman LLC shareholders' agreement (the "PDO Shareholders' Agreement"). The PDO Shareholders' Agreement became effective on 1 January 2005. On 24 December 2020, the Government transferred its rights and obligations under the agreement to EDO with effect from 24 February 2021 in accordance with the terms of the PDO Shareholders' Agreement.

The purpose of the PDO Shareholders' Agreement is to regulate the parties' respective rights and obligations with respect to the management and operation of PDO.

Gas Agreements and Gas Concession Agreements

In the capacity of the manager of the Gas Operations, PDO undertook all projects, operations, and activities directly or indirectly related to the exploration, development, extraction, and transportation of NAG in accordance with the directions of the Government. PDO had no entitlement to the proceeds from the sale of NAG. The gas sales agreements were entered into by the MoEM with the end customers. PDO had no ownership of the PPE relating to the Gas Operations. The investment in PPE, operational costs, and other costs was fully funded by the Government.

The Government has granted the Group the rights to explore, search and drill for, produce, develop, and sell NAG and Condensate in the Gas Concession Area in accordance with the terms of this Gas Concession Agreement effective 6 May 2021 and expiring on 31 December 2044. By virtue of this Gas Concession Agreement, the Group has exclusive ownership of all NAG at the point of gas production, exclusive ownership of condensate, and exclusive ownership of all gas assets, in accordance with the terms of this Gas Concession Agreement.

Subsequent to the period end, on 16 July 2023, EDO Board approved the amendment and novation of the Gas Concession Agreement and the NAG sales agreement, and the transfer thereof to GasCo by the Company.

Oman Export Blend Sale and Purchase Agreement

The Group has entered into an agreement with the Government for the sale of 'Oman Export Blend' crude oil (OEB). Under the terms of this agreement, the Group shall sell its share of crude oil and condensate production to the MoEM or designated MoEM customers at the Mina Al Fahal ("MAF") terminal or at the designated delivery point. The MoEM maintains all the contracts with the end customers. The sale price for OEB is set out in the relevant oil sales agreement between the MoEM and the MoEM's customers. The Group will deliver the OEB to the relevant MoEM customer at the vessel's permanent manifold flange connection.

Notes to the unaudited interim condensed consolidated financial statements (continued)

1. Background and Basis of preparation (continued)

1.1 Background (continued)

Formation of EDO (continued)

Natural Gas Sales Agreement

The Group has entered into an agreement with the Government to sell its entire NAG production to the Government at agreed fixed prices for the first 5 years of the agreement as determined in the agreement effective 6 May 2021. The agreed fixed price (per MMBTU) for 2021, 2022, 2023, 2024, and 2025 is US$ 2.51, US$ 2.59, US$ 2.69, US$ 2.77, and US$ 2.89 respectively. Post the first 5 years, annual prices shall be determined for each subsequent 5-year period according to a blended transfer price calculation methodology, as defined in the agreement.

Fiscal Protocol

The Group has entered into an agreement with the government to determine the provisions applicable to the Group in the capacity of a participant under the Block 6 Concession Agreement. This agreement also elaborates on royalties and taxes applicable to the Group.

Shareholder's bridge facility agreement

The Group's funding policy requires Block 6 capital costs to be funded (i) through debt up to the debt capacity of FFO (Funds From Operations) / Debt of 45%, and (ii) the remaining balance of the Block 6 capital cost through Block 6 revenue.

The Group ("Borrower") entered into a shareholder bridge facility agreement ("Shareholder Loan Agreement" or "the bridge facility") with The Government of the Sultanate of Oman represented by the Ministry of Finance ("Government" or "Lender"). Under this agreement, Government makes available to the Group a finance facility. Any amounts drawn down pursuant to the Bridge Facility may be effected by way of cash funds transfer or through Offsets (Offsets means any Bridge Loan or part thereof which, rather than being paid by way of a funds transfer, is satisfied / paid by way of making an adjustment / offset agreed by the Parties against funds payable by the Borrower to the Lender).

The Block 6 Operations

The Oil and Gas Operations of Block 6 (the "Block 6 Operations") were conducted by the MoEM, the Ministry of Finance (the "MOF"), and PDO. PDO was a joint operation between the MoEM (60%) and Private Oil Holdings Oman Limited ("POHOL") (40%).

The Block 6 Operations did not have a separate legal entity or group of entities. The Government and the MoEM believed that the Oil & Gas Operations of Block 6 meets the definition of a reporting entity under the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB), considering the revised Conceptual Framework for Financial Reporting (Conceptual Framework) issued in March 2018 by the International Financial Reporting Interpretations Committee ("IFRIC"). The Block 6 Operations represented a circumscribed area of economic activities whose financial information has the potential to be useful to existing and prospective investors, lenders and other creditors.

1.2 Basis of Preparation

The unaudited interim condensed consolidated financial statements for the six-months ended 30 June 2023 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the complete set of consolidated financial statements prepared in accordance with IFRS and should be read in conjunction with the consolidated financial statements of the Group as of and for the year ended 31 December 2022.

These unaudited interim condensed consolidated financial statements have been prepared on a going concern basis under the historical cost convention, unless otherwise indicated.

1.3 Going Concern

The unaudited interim condensed consolidated financial statements have been prepared on the basis that the group will continue to operate as a going concern. The Board of Directors considers that there are no material uncertainties that may cast doubt significant doubt over this assumption.

The Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

Notes to the unaudited interim condensed consolidated financial statements (continued)

2. Significant accounting policies

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any standard, interpretation, or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2023, but do not have an impact on the unaudited interim condensed consolidated financial statements of the Group.

2.1 New standards, interpretations and amendments adopted by the Group

IFRS 17 *Insurance Contracts*

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. IFRS 17 replaces IFRS 4 *Insurance Contracts* that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

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

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

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

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no impact on the Group’s unaudited interim condensed consolidated financial statements but are expected to affect the accounting policy disclosures in the Group’s annual consolidated financial statements.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent’s consolidated financial statements, based on the parent’s date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. This amendment does not have any material impact on the Company’s unaudited interim condensed consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS *12*

The amendments to IAS 12 *Income Tax* narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Group’s unaudited interim condensed consolidated financial statements.

Notes to the unaudited interim condensed consolidated financial statements (continued)

3. Disclosure segment information

The Group is a combination of the following three components:

- the cost of exploration and production of crude oil from PDO,
- the cost of exploration and production of NAG and condensate from the Gas operations, and
- the sales & marketing of the crude oil, NAG and condensate undertaken by the MoEM.

For the purpose of the unaudited interim condensed consolidated financial statements, the operating segment is organised into business units based on the types of products and various activities in which the Group is engaged and thus has three reportable segments, as follows:

- Crude oil segment - includes all activities related to the crude oil exploration, production, sales and marketing. This segment is further split into export and domestic sales categories.
- NAG & Condensate segment - includes activities related to:
  - the non-associated gas reserves that are developed; and
  - the condensate exploration, production, sales and marketing, which is blended with crude oil and sold at the same price.
- Corporates & others – includes leading strategic initiative for new business streams, raising external debt, etc.

Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the unaudited interim condensed consolidated financial statements.

The following tables present revenue and profit information for the Group's operating segments for the six-months ended 30 June 2023 and 30 June 2022, respectively:

	Crude Oil	***NAG & Condensate***	***Corporate and others***	***Adjustments & eliminations***	***Total***
30 June 2023 (unaudited)	***US$'000***	***US$'000***	***US$'000***	***US$'000***	***US$'000***
Revenue					
External customers - Crude oil	**5,708,442**		**-**	**-**	**5,708,442**
External customers - NAG	**-**	**956,973**	**-**	**-**	**956,973**
External customers - Condensate	**-**	**1,416,933**	**-**	**-**	**1,416,933**
Total revenue from contracts with customers	**5,708,442**	**2,373,906**	**-**	**-**	**8,082,348**
Depreciation and amortisation	**1,363,718**	**631,812**	**-**	**-**	**1,995,530**
Depreciation on ROU	**28,069**	**7,205**	**258**	**-**	**35,532**
Interest income	**(28)**		**(1,913)**	**-**	**(1,941)**
Interest expense on lease liabiities	**9,762**	**2,838**	**69**	**-**	**12,669**
Other expenses	**-**	**-**	**11,911**	**-**	**11,911**
Profit before tax	**1,248,552**	**1,165,244**	**(383,935)**	**-**	**2,029,861**
30 June 2022 (unaudited)					
Revenue					
External customers - Crude oil	5,514,521		-	-	5,514,521
External customers - NAG	-	1,007,196	-	-	1,007,196
External customers - Condensate	-	1,902,231	-	-	1,902,231
Total revenue from contracts with customers	5,514,521	2,909,427	-	-	8,423,948
Depreciation and amortisation	1,114,541	673,055	2	-	1,787,598
Depreciation on ROU	34,135	8,427			42,562
Interest income	(20)	-	(586)	-	(606)
Interest expense on lease liabiities	18,205	4,453			22,658
Other expenses	-	-	3,618	-	3,618
Profit before tax	1,261,218	1,124,034	(73,965)	-	2,311,287

Notes to the unaudited interim condensed consolidated financial statements (continued)

3. Disclosure segment information (continued)

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2023 and 31 December 2022, respectively:

	Crude Oil	NAG & Condensate	Corporate and others	Adjustments & eliminations	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
30 June 2023 (unaudited)					
Segment assets	**15,896,426**	**10,734,263**	**227,684**	**(31,126)**	**26,827,247**
Segment liabilities	**3,391,672**	**1,383,237**	**9,495,248**	**(31,126)**	**14,239,030**
Other disclosures					
Capital expenditure	**1,217,264**	**497,859**	**-**	**-**	**1,715,123**
31 December 2022 (unaudited)					
Segment Assets	15,733,131	10,825,014	554,095	(35,049)	27,077,191
Segment Liabilities	4,791,140	2,229,457	6,003,368	(35,049)	12,988,917
Other disclosures					
Capital expenditure	2,482,495	972,919	-	-	3,455,414

Adjustments and eliminations

The Group's organisational structure reflects the various activities in which the Group is engaged. On 30 June 2023 and 31 December 2022, the Group had three reportable segments: crude oil, NAG & Condensate, and corporate & others.

The outstanding balances between the crude oil segment and the NAG & condensate segment for six-months ended 30 June 2023 amounted to US$ 31,126 ('000) (31 December 2022: US$ 35,049 ('000)).

4. Staff cost

	Unaudited 30-Jun-23 US$'000	Unaudited 30-Jun-22 US$'000
Basic salaries and allowances	**264,274**	258,763
Retirement benefit costs	**1,733**	2,073
Staff pension scheme	**77,601**	72,668
Other associated costs	**27,989**	29,449
	371,597	362,953

During the six months ended 30 June 2023 and 2022, staff costs of US$ 42,902 ('000) and US$ 47,145 ('000) respectively, were capitalised in "Production wells & production facilities" and "Work in progress".

Staff costs of US$ 328,694 ('000) and US$ 315,808 ('000) for the six months ended 30 June 2023 and 2022, respectively, are included within production expenses.

Notes to the unaudited interim condensed consolidated financial statements (continued)

5. Other operating income

	Unaudited 30-Jun-23 US$'000	*Unaudited 30-Jun-22 US$'000*
OBRDA compensation	**36,618**	41,501
Changes in abandonment estimates	**3,605**	120,638
Gains on disposals of property, plant and equipment	**14,258**	9,573
Foreign exchange gain	**2,785**	416
Tender fee	**853**	-
ECL reversal	**22**	-
	58,141	172,128

6. Finance costs

	Unaudited 30-Jun-23 US$'000	*Unaudited 30-Jun-22 US$'000*
Unwinding cost on abandonment provision (note 11)	**(84,757)**	(87,689)
Interest expense on lease liabilities	**(12,669)**	(22,658)
Bank interest	**(119,682)**	(58,903)
Shareholder's loan interest	**(75,096)**	(12,444)
	(292,204)	(181,694)

Notes to the unaudited interim condensed consolidated financial statements (continued)

7. Property, plant and equipment

	Production wells & production facilities US$'000	*Concession & preliminary expenses US$'000*	*Building, repair shop, air port and instrumentation US$'000*	*Movables, vehicle, software, computing & communication US$'000*	*Main Oil/Gas Line & other facilities US$'000*	*Exploration and evaluation assets US$'000*	*Work in progress US$'000*	*Abandonment assets US$'000*	*Total (including abandonment) US$'000*
Cost									
At 1 January 2023	56,614,625	4,620	1,717,683	935,176	726,344	181,242	2,113,465	1,507,478	63,800,633
Additions	317,842	-	11,203	19,748	9,680	195,151	1,161,499	75,640	1,790,763
Change in estimates	-	-	-	-	-	-	-	154,917	154,917
Transfers	1,831,297	-	13,117	364	620	(241,383)	(1,604,015)	-	-
Assets written-off and/ or disposed	(47,535)	-	-	(921)	-	(7,190)	-	(29,264)	(84,910)
At 30 June 2023	58,716,229	4,620	1,742,003	954,367	736,644	127,820	1,670,949	1,708,771	65,661,403
Depreciation & impairment									
At 1 January 2023	(38,020,245)	(4,620)	(838,928)	(769,633)	(449,491)	-	(846)	(818,212)	(40,901,975)
Charge for the period	(1,867,933)	-	(30,258)	(19,887)	(8,130)	-	-	(69,322)	(1,995,530)
Assets written-off and/ or disposed	7,636	-	-	921	-	-	-	-	8,557
At 30 June 2023	(39,880,542)	(4,620)	(869,186)	(788,599)	(457,621)	-	(846)	(887,534)	(42,888,948)
Net book value									
At 30 June 2023	18,835,687	-	872,817	165,768	279,023	127,820	1,670,103	821,237	22,772,455

1. The net book value of Assets written-off and/ or disposed (excluding abandonment assets) for the six-month period ended 30 June 2023 amounting to US$ 47,089 ('000) and the sale consideration received against the disposal of asset is US$ 61,347 ('000). Therefore, the gain on disposals of property, plant and equipment amounting to US$ 14,258 ('000) is recognised to 'other operating income' in the unaudited interim condensed consolidated statement of profit or loss and other comprehensive income.
2. Additions to property, plant and equipment includes non-cash additions on account of depreciation expenses relating to right-of-use assets, interest expense on lease liabilities and additions to abandonment assets amounting to US$ 71,833 ('000), US$ 12,997 ('000) and US$ 75,640 ('000) respectively.

Notes to the unaudited interim condensed consolidated financial statements (continued)

7. Property, plant and equipment (continued)

	Production wells & production facilities US$'000	*Concession & preliminary expenses US$'000*	*Building, repair shop, airport and instrumentation US$'000*	*Movables, vehicle, software, computing & communication US$'000*	*Main Oil/Gas Line & other facilities US$'000*	*Exploration and evaluation assets US$'000*	*Work in progress US$'000*	*Abandonment assets US$'000*	*Total US$'000*
Cost									
At 1 January 2022 (audited)	52,207,879	4,620	1,615,030	807,801	658,893	137,697	3,474,775	1,889,924	60,796,619
Additions (audited)	728,734	-	34,225	44,088	8,804	183,629	2,455,934	129,048	3,584,462
Change in estimates								(443,498)	(443,498)
Transfers	3,732,582	-	68,656	87,605	58,869	(130,468)	(3,817,244)	-	-
Assets written-off and/ or disposed	(54,570)	-	(228)	(4,318)	(222)	(9,616)	-	(67,996)	(136,950)
31 December, 2022 (audited)	56,614,625	4,620	1,717,683	935,176	726,344	181,242	2,113,465	1,507,478	63,800,633
Depreciation & impairment									
At 1 January 2022 (audited)	(34,772,798)	(4,620)	(778,823)	(728,391)	(433,762)	(0)	(846)	(718,859)	(37,438,099)
Charge for the period	(3,277,316)	-	(60,177)	(45,558)	(15,951)	-	-	(99,353)	(3,498,355)
Assets written-off and/ or disposed	29,869	-	72	4,316	222	-	-	-	34,479
31 December, 2022 (audited)	(38,020,245)	(4,620)	(838,928)	(769,633)	(449,491)	(0)	(846)	(818,212)	(40,901,975)
Net book value									
31 December, 2022 (audited)	18,594,380	-	878,755	165,543	276,853	181,242	2,112,619	689,266	22,898,658

1. The net book value of Assets written-off and/ or disposed (excluding abandonment assets) for the year ended 31 December 2022 amounting to 34,475 ('000) has been charged to the 'other expenses' in the consolidated statement of profit or loss and other comprehensive income. The sale consideration amounting to US$ 55,445 ('000) is recognised as gain on disposals of property, plant and equipment to 'other operating income' in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022.

2. Additions to property, plant and equipment includes non-cash additions on account of depreciation expenses relating to right-of-use assets, interest expense on lease liabilities and additions to abandonment assets amounting to US$ 135,719 ('000), US$ 25,290 ('000) and US$ 129,048 ('000) respectively.

Notes to the unaudited interim condensed consolidated financial statements (continued)

8. Inventories

As of 30 June 2023, the provision for obsolete inventories is US$ 29,435 (‘000) (31 December 2022: US$ 29,435 (‘000)). This includes provisions recognised during the six-month period ended 30 June 2023 amounting to NIL (30 June 2022: US$ 6,000 (‘000)) and provisions derecognised during the six-month period ended 30 June 2023 amounting to NIL (‘000) (30 June 2022: US$ 6,552 (‘000)), which is accounted in the unaudited interim condensed consolidated statement of profit or loss and other comprehensive income under ‘production expenses.

9. Financial assets and financial liabilities

There are no assets and liabilities for which fair value is measured or disclosed in the unaudited interim condensed consolidated financial statements. The fair values of financial assets and financial liabilities are the same as their carrying values. Set out below, is an overview of financial assets, other than cash and bank balances, (net off provision for expected credit loss) held by the Group as at 30 June 2023 and 31 December 2022:

	***Unaudited* *30-Jun-23* US$'000**	*Audited* *31-Dec-22* US$'000
Financial assets at amortised cost		
Current		
Due from related parties	**2,055,383**	2,282,035
Housing loans	**2,984**	2,804
Trade receivables (part of receivables and prepayments)	**15,458**	17,764
Other receivables (part of receivables and prepayments)	**58,354**	79,542
Non-current		
Housing loans	**7,604**	9,357
Other receivables (part of receivables and prepayments)	**18,735**	18,593
	2,158,518	2,410,095
Total Current	**2,132,179**	2,382,145
Total Non-current	**26,339**	27,950
	2,158,518	2,410,095

Provision for expected credit loss

	***Trade and other receivables* US$'000**	***Housing loans receivables* US$'000**	***Related party receivables* US$'000**
Provision for expected credit loss			
At 31 Dec 2022 (audited)	16,122	690	1,612
Additions (unaudited)	-	-	(22)
At 30 June 2023 (unaudited)	**16,122**	**690**	**1,590**

Notes to the unaudited interim condensed consolidated financial statements (continued)

9. Financial assets and financial liabilities (continued)

Set out below is an overview of financial liabilities held by the Group as at 30 June 2023 and 31 December 2022:

	***Unaudited* 30-Jun-23 US$'000**	*Audited* *31-Dec-22* US$'000
Financial liabilities at amortised cost		
Current		
Due to related parties	**95,183**	98,324
Lease liabilities	**238,878**	226,640
Trade payables	**320,544**	334,343
Accrued expenses	**541,873**	626,324
Other payables	**237,537**	181,933
Royalty payables	**774,949**	781,139
Loans and borrowings	**250,579**	1,445,292
Non-current		
Lease liabilities	**667,639**	681,110
Loans and borrowings	**6,248,382**	4,447,903
	9,375,564	8,823,008
Total current	**2,459,543**	3,693,995
Total non-current	**6,916,021**	5,129,013
	9,375,564	8,823,008

Risk management

Market risk - The risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprises three types of risk: commodity price risk, interest rate risk, and foreign currency risk.

Commodity price risk

Based on the assumption that the crude oil price moves +/- 20% this would result in a change of US$ 16/bbl for six-month period ended 30 June 2023 (30 June 2022: US$ 19/bbl), with a consequent:

- increase in profit before tax of US$ 388,719 ('000) in case of 20% increase in crude oil price for the six-month period ended 30 June 2023 (30 June 2022: US$ 277,656 ('000)) and
- decrease in profit before tax of US$ 449,225 ('000) in case of 20% decrease in crude oil price for the six-month period ended 30 June 2023 (30 June 2022: US$ 277,011 ('000)), respectively, where all other variables are held constant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk from changes in interest rates that affect the fair value or future cash flows of financial instruments, is significant for the Group as there are material interest-bearing instruments.

The sensitivity analyses below have been determined based on the exposure to interest rates for instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the floating rate term loans, with all other variables held constant, of the Group's profit before tax for the period (through the impact on floating rate borrowings rates). There is no direct impact on the Company's equity.

Notes to the unaudited interim condensed consolidated financial statements (continued)

9. Financial assets and financial liabilities (continued)

Risk management (continued)

30 June 2023 (Unaudited)	***Increase/Decrease in basis points***	***Effect on profit before tax US$ 000***
	+50	**(6,250)**
	-50	**6,250**

30 June 2022 (Unaudited)	*Increase/Decrease in basis points*	*Effect on profit before tax US$ 000*
	+50	(6,027)
	-50	6,027

Foreign currency risk - Currency risk in respect of the Group is mitigated significantly via a policy of awarding contracts and purchase orders mainly in US$ or Omani Rials only. The Omani Rial is effectively pegged to the US$. Only in exceptional cases, based on a commercial evaluation, are contracts/purchase orders awarded denominated in other currencies and therefore are not considered to have significant impact on the Group.

Credit risk - Credit risk is the risk that counterparties might not fulfil their contractual payment obligations towards an entity.

The Group is exposed to credit risk in respect of its trade and other receivables, housing loans, due from related parties and bank balances. Credit risk is controlled as balances are regularly reviewed and, where necessary an appropriate recovery action is taken.

The expected credit loss model is applied for recognition and measurement of impairments in financial assets measured at amortised cost. Such credit losses have historically been nominal and the loss allowance for trade and other receivables, housing loans, due from related parties is presented in Note 6. Other financial assets consist of cash and cash at bank held with leading and reputed banks. (Refer Note 7).

Liquidity risk - This is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Management regularly monitors future liquidity requirements. Royalty payables, trade payables, accrued expenses, other payables and due to related parties are generally settled within 30 to 45 days of receipt of invoice, based on the contractual terms. For loans and borrowings and lease liabilities, it is based on the term and conditions of respective agreements with relevant counter parties.

10. Cash and bank balances

	Unaudited 30-Jun-23 US$'000	*Audited 31-Dec-22 US$'000*
Cash at bank	**268,353**	227,746
Cash in hand	**88**	155
	268,441	227,901

For the Group, cash equivalents comprise cash at bank (in current accounts). These balances earn some small amount of interest and can be withdrawn on demand. Considering the macroeconomic factors, the management has not assumed any probability of default relating to these financial assets.

Notes to the unaudited interim condensed consolidated financial statements (continued)

11. Abandonment provision

	Unaudited	*Audited*
	30-Jun-23	*31-Dec-22*
	US$'000	US$'000
At 1st January	**2,506,968**	2,808,406
Additions in provisions due to assets acquisition	**75,640**	129,048
Remeasurements and change in estimates*	**151,312**	(536,125)
Reduction in provision due to disposal	**(29,264)**	(67,996)
Unwinding interest cost	**84,757**	173,635
At 30 June / 31 December	**2,789,413**	2,506,968

*Changes in existing decommissioning, restoration, and similar liabilities, are deducted from the cost of related abandonment assets and shall not exceed the carrying amount of the related abandonment asset. If a decrease in the liability exceeds the carrying amount of the related abandonment asset, the excess shall be recognised in the statement of profit or loss and other comprehensive income. During the six-month period ended 30 June 2023, the Group booked a gain on remeasurements and change in estimates of abandonment provision amounting to US$ 3,605 ('000) (30 June 2022: US$ 120,638 ('000)). Accordingly, the gain has been recognised under the other operating income in the unaudited interim condensed consolidated statement of profit or loss and other comprehensive income.

Legal claims contingency

The Group is subject to claims and actions for which no provisions have been recognised. The facts and circumstances relating to particular cases are evaluated regularly in determining whether a provision relating to specific litigation should be recognised or revised. Accordingly, significant management judgement relating to provisions and contingent liabilities is required, since the outcome of litigation is difficult to predict.

12. Due to Omani pension scheme

Due to Omani pension scheme includes provision for staff end of service and other retirement benefits. PDO has a separately administered unregistered pension scheme for the benefit of its Omani staff. The Omani Staff Pension Scheme ("the pension scheme") is a defined benefit retirement scheme. The contribution by Omani staff is 7% of their basic salaries plus allowances whilst the contributions made by PDO are 29.3% (30 June 2022: 36.6%) of their basic salaries plus allowances.

	Unaudited	*Audited*
	30-Jun-23	*31-Dec-22*
	US$'000	US$'000
Fair value of pension scheme net assets	**2,243,142**	2,025,432
Present value of funded obligations	**(1,882,756)**	(1,783,857)
Net retirement benefit assets	**360,386**	241,575

In April 2021, Royal Decree 33/2021 was issued, in which the subject of integration of pension funds was addressed. The decree stipulated that all local pension funds be merged into two funds, one concerned with civil funds and the other with military and security funds.

In July 2023, Royal Decrees 50/2023 and 52/2023 (the "Royal Decrees"), establishing the Social Protection Fund (SPF), and concurrently, the Social Protection Law (the "Law") has been enacted. The Law, as per the Royal Decrees, will take effect on 1 January 2024, and is the date by when the PDO Omani Pension Fund (OPF) is mandated to transfer a segment of the OPF's assets and liabilities to the Social Protection Fund.

PDO is still finalizing its post-integration arrangements and is in discussion with the authority to finalise the key assumptions which will enable PDO to quantify the liability which needs to be transferred to the SPF. This exercise is expected to be completed before 1 January 2024.

Notes to the unaudited interim condensed consolidated financial statements (continued)

13. Related party transactions

The Group is ultimately held and controlled by the Government of the Sultanate of Oman. The Group operates in an economic environment dominated by entities directly or indirectly controlled by the Government of the Sultanate of Oman through its government authorities, agencies, affiliations, and other organisations, collectively referred to as government-related entities.

The Group has elected to take the exemption available under IAS 24 Related Party Disclosures, to disclose only the key transactions and outstanding balances, including commitments, with the Government of the Sultanate of Oman and any other entity that is considered to be a related party because the same government has control, joint control or significant influence over itself and the other entity.

The Group has transactions with other government-related entities, including but not limited to sales and purchases of goods, rendering and receiving services, and use of public utilities. These transactions are conducted in the ordinary course of the Group on terms comparable to those with other entities that are not government related.

The nature of the related party transaction with the Government entities that are considered to be significant transactions and that have significant balances outstanding as at the end of the reporting periods are detailed below:

Revenue

The Group's 100% NAG revenue is from Government entities amounting to US$ 956,973 ('000) for the six-months ended 30 June 2023 (30 June 2022: US$ 1,007,196 ('000)) with corresponding receivables of US$ 289,544 ('000) as at 30 June 2023 (31 December 2022: US$ 516,921 ('000)).

With respect to crude oil, 100% revenue is from Government amounting to US$ 5,708,422 ('000) during the six-month period ended 30 June 2023 (30 June 2022: US$ 5,514,521 ('000)) with a corresponding receivable of US$ 1,274,609 ('000) as at 30 June 2023 (31 December 2022: US$ 1,290,714 ('000)).

With respect to condensate revenue, 100% of the revenue is from Government amounting to US$ 1,416,933 ('000) during the six-month period ended 30 June 2023 (30 June 2022: US$ 1,902,231 ('000)) with a corresponding receivable of US$ 420,997 ('000) as at 30 June 2023. (31 December 2022: US$ 425,054 ('000))

Other operating income

Other operating income includes compensation received from a related Government entity for the lower grade of crude oil and condensate of US$ 36,618 ('000) during the six-month period ended 30 June 2023 (30 June 2022: US$ 41,501 ('000)) with corresponding receivables of US$ 1,780 ('000) as at 30 June 2023 (31 December 2022: US$ 38,208 ('000)).

Purchase cost

The purchase of residue reinjected by a related Government entity amounts to NIL for the six-month period ended 30 June 2023 (30 June 2022: US$ 2,017 ('000)) with corresponding payables of US$ 30,528 as at 30 June 2023 (31 December 2022: US$ 30,528 ('000)).

Royalty

The Royalty is paid by the Group to the Government on its weekly revenue. For the six-months period ended 30 June 2023 the Group has recognised royalty expense of US$ 3,159,946 ('000) and US$ 3,621,976 ('000) for the six-months period ended 30 June 2022 with a corresponding payable of US$ 774,949 ('000) as of 30 June 2023. (31 December 2022: US$ 781,139 ('000)).

Distribution of assets in specie

During six-month period ended on 30 June 2023, out of the total Group's share of oil production, the Group transferred production volumes of 905 ('000) barrels (30 June 2022: 905 ('000)) to the Government. This arrangement amounting to US$ 23,047 ('000) for the six-months period ended 30 June 2023 and US$ 23,838 ('000) for the six-months period ended 30 June 2022 is considered as an equity transaction and accounted for as a distribution of asset in specie to the Government. under retained earnings.

Notes to the unaudited interim condensed consolidated financial statements (continued)

13. Related party transactions (continued)

Supply of crude oil barrels to the Government

During the six-month period ended 30 June 2023, no FSA barrels were transferred to the Government. However, during the six-month period ended 30 June 2022 production expenses and depreciation, depletion and amortisation include the cost of FSA barrels transferred to the Government amounted to US$ 126,943 (‘000) and US$ 360,515 (‘000), respectively. The total cost of FSA barrels amounted to US$ 487,457 (‘000) for six-month period ended 30 June 2022.

Loan from the Omani Pension Fund

PDO has entered into a credit facility with the Omani Pension Fund, under which PDO has utilised the loan proceeds in the development of a project in Ras Al Hamra (“RAH”). The amount due to the Omani Pension Fund and related accrued interest amounts to US$ 64,622 (‘000) for the six-month period ended 30 June 2023 (31 December 2022: US$ 63,855 (‘000)).

Interim dividend

During the six-months ended 30 June 2023, the Group has declared interim dividends amounting to US$ 1,664,002 ('000) (30 June 2022: US$ 2,085,027 ('000)) out of which it has paid no dividend to its shareholder (30 June 2022: US$ 528,000 ('000)). Please refer to the note below ‘Shareholder Loan’ for the settlement of the balance, which amounted to US$ 1,664,002 ('000) during the six-month period ended 30 June 2023 (30 June 2022: US$ 1,557,027 (‘000)).

Shareholder loan

The Group has contractually agreed with its shareholder to classify the remaining amount of dividend payable as an outstanding non-current loan to fund the Block 6 capital costs. The repayment of this loan (the shareholder loan) will be based on terms specified in the agreement with an interest of 5% p.a. payable on the outstanding amount.

Transactions with Key managerial personnel* (“KMP”)

	Unaudited 30-Jun-23 US$’000	*Unaudited 30-Jun-22 US$’000*
Salaries and other benefits	**14,546**	15,610

*KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of that Group. The Group considers the Chief Executive Officer, Chief Financial Officer, the directors and the senior members of EDO / PDO / Gas operations as KMP.

14. Income tax

The Group’s obligation to pay current tax is defined in the Fiscal Protocol and shall be recurring in nature. The Group is liable to pay tax at an amount equal to fifty-five percent (55%) of its income chargeable to tax from 24 February 2021 for oil operations and from 06 May 2021 for NAG & condensate operations.

Since the taxes were applicable only from the financial year 2021 there is an opening non-deductible element arising on account of the difference between the accounting base (IFRS) and continuing tax base (as per concession agreement) of depreciation on property plant and equipment as the Group availed the initial recognition exception under IAS 12 - *‘Income Taxes’*. Accordingly, the effective tax rate is expected to be significantly higher than the tax rate of 55% due to the non-deductible element on initial recognition. The major components of income tax expense in the interim condensed consolidated statement of profit or loss and other comprehensive income are:

Notes to the unaudited interim condensed consolidated financial statements (continued)

14. Income tax (continued)

	Unaudited	*Unaudited*
	30-Jun-23	*30-Jun-22*
	US$'000	US$'000
Income taxes		
Current income tax expense	**(1,609,198)**	(1,527,564)
Deferred income tax expense relating to origination and reversal of temporary:		
Deferred tax asset	**155,345**	336,167
Deferred tax liabilities	**(420,203)**	(769,136)
Income tax expense recognised in the interim condensed consolidated statement of profit or loss	**(1,874,056)**	(1,960,533)

Tax liability amounting to US$ 217,642 ('000) is payable as of 30 June 2023 (31 December 2022: US$ 49,973 ('000)).

15. Capital commitments

	Unaudited	*Audited*
	30-Jun-23	*31-Dec-22*
	US$'000	US$'000
Future capital expenditure authorised by the Board of Directors of PDO and Gas operations:		
1-2 years	**8,359,520**	8,139,960
Above 2 years	**13,034,270**	13,016,320
	21,393,790	21,156,280

16. Assets held for sale

During 2019, EDO Gas Operations entered into agreement with Shell Integrated Gas Oman BV and Total E&P Oman Development BV ("Shell & TEEPOD") wherein Shell & TEEPOD required EDO Gas Operations to design, develop and execute services related to operations in the Concession Area of Block 10 and Block 11 (Mabrouk North East Area 1 and Area 2 respectively) (together the 'Concession Area').

The Royal Decrees for Block 10 (Mabrouk North East Area 1) and Block 11 (Mabrouk North East Area 2) were issued in 2022. In compliance with the Royal Decree, EDO Gas Operations relinquished its interest and rights in the exploration and exploitation of Block 10 NAG and NAG condensate in 2022, and the related asset held for sale and the associated liabilities amounting to USD 733 million were derecognized during 2022.

In 2023, the necessary preparatory work and reconciliations by EDO Gas Operations for relinquishment of Block 11 as effected by the Royal Decree has been implemented, and the handover of related assets and operations to Shell Development Oman L.L.C has been completed having a value of USD 52.4 million (2022: USD 52.3 million). Accordingly, as at 30 June 2023, "the related asset held for sale and the associated liabilities amounting to USD 52.4 million has been derecognized.