This document comprises a supplementary prospectus (the "**Supplementary Prospectus**") for the purposes of Article 23 of Regulation (EU) 2017/1129, as amended as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Prospectus Regulation**"), relating to Premier Oil plc ("**Premier**" and together with its subsidiaries, the "**Premier Group**") and has been approved by the Financial Conduct Authority (the "**FCA**"), as competent authority under the UK Prospectus Regulation in accordance with section 87A of Financial Services and Markets Act, as amended (the "**FSMA**") and prepared and made available to the public in accordance with the Prospectus Regulation Rules of the FCA made under section 73A of FSMA (the "**Prospectus Regulation Rules**"). The FCA only approves this Supplementary Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation and such approval should not be considered as an endorsement of the securities that are the subject of this Supplementary Prospectus. Investors should make their own assessment as to the suitability of investing in the securities. This Supplementary Prospectus has: (i) been filed with the FCA and made available to the public in accordance with paragraph 3.2.1 of the Prospectus Regulation Rules; and (ii) been prepared to provide details of the Consideration Shares and the Creditor Shares.

The Company, the Directors and the Proposed Directors, whose names appear in section 1.2 of Part XII of the Prospectus and section 6 of Part I of this Supplementary Prospectus, accept responsibility for the information contained in this document. To the best of the knowledge of the Company, the Directors and the Proposed Directors, the information contained in this document is in accordance with the facts and this document makes no omission likely to affect its import.

This Supplementary Prospectus is supplementary to, and must be read in conjunction with, the prospectus published by the Company on 16 December 2020 in relation to the Merger and the Debt Restructuring (the "**Prospectus**"). Capitalised terms used and not otherwise defined in this Supplementary Prospectus shall have the meaning given to such terms in the Prospectus.

The distribution of this Supplementary Prospectus and any accompanying documents into jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this Supplementary Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, such documents should not be distributed in, forwarded to or transmitted in or into Australia, Canada, Hong Kong, Indonesia, Japan, New Zealand, Singapore, South Africa or the United States or any other state or jurisdiction in which the same would be unlawful.

PREMIER OIL PLC

(to be renamed HARBOUR ENERGY PLC)

(incorporated and registered in Scotland with registered number SC234781)

Supplementary Prospectus relating to the readmission of Existing Ordinary Shares, admission of 14,253,203,210 Consideration Shares, admission of up to 3,331,917,634 Creditor Shares and offer of up to 148,085,228 New Equity Warrants, in connection with the Merger with Chrysaor and the Debt Restructuring

Sponsor

RBC Capital Markets

You should read this Supplementary Prospectus and the Prospectus (including any documents incorporated herein and therein by reference) as a whole, carefully and in their entirety.

Save as disclosed in this Supplementary Prospectus, no other significant new factor, material mistake or inaccuracy relating to the information contained in the Prospectus has arisen or been noted, as the case may be, since the publication of the Prospectus.

As the Merger is classified as a reverse takeover under the Listing Rules, the listing of the Existing Ordinary Shares will be cancelled and application has been made to the FCA for the Existing Ordinary Shares to be readmitted to the premium listing segment of the Official List and to the London Stock Exchange for the Existing Ordinary Shares to be readmitted to trading on the London Stock Exchange's main market for listed securities (together, "**Readmission**").

Application has been made to the FCA for the Consideration Shares and Creditor Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the Consideration Shares and Creditor Shares to be admitted to trading on the London Stock Exchange's main market for listed securities (together, "**Admission**"). Readmission and Admission are expected to take place simultaneously.

No Consideration Shares or Creditor Shares or any other securities in Premier have been marketed to, or are available for purchase, in whole or in part, by the public in the UK or elsewhere in connection with the admission of the Consideration Shares or the Creditor Shares to the premium listing segment of the Official List and the London Stock Exchange's main market for listed securities, except to Chrysaor's shareholders (in respect of the Consideration Shares) and Restructuring Plan Creditors (in respect of the Creditor Shares). Save as aforesaid, this Supplementary Prospectus does not constitute or form part of any invitation to purchase, subscribe for, sell or issue, or any solicitation of any offer to purchase, subscribe for, sell or issue Ordinary Shares.

No person has been authorised to give any information or make any representations other than those contained in the Supplementary Prospectus, the Prospectus, the Circular and any document incorporated by reference and, if given or made, such information or representation must not be relied upon as having been so authorised by Premier, Chrysaor, the Directors, the Proposed Directors or RBC. Premier will comply with its obligation to publish further supplementary prospectuses containing further updated information required by law or by any regulatory authority but assumes no further obligation to publish additional information.

The release, publication or distribution of this Supplementary Prospectus in jurisdictions other than the UK may be restricted by law and, therefore, any persons who are subject to the laws of any jurisdiction other than the UK should inform themselves about, and observe, any applicable requirements. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction. This Supplementary Prospectus has been prepared to comply with requirements of English law, the Listing Rules, the UK Prospectus Regulation, the Prospectus Regulation Rules and the rules of the London Stock Exchange and information disclosed may not be the same as that which would have been disclosed if this Supplementary Prospectus had been prepared in accordance with the laws of jurisdictions outside England.

This Supplementary Prospectus is not for release, publication or distribution, directly or indirectly, in whole or in part, in, into or from Australia, Canada, Hong Kong, Indonesia, Japan, New Zealand, Singapore, South Africa or the United States or any other state or jurisdiction in which the same would be restricted, unlawful or unauthorised (each an "**Restricted Territory**"). This Supplementary Prospectus does not constitute an offer to purchase, subscribe for, sell or issue or the solicitation of an offer to purchase, subscribe for, sell or issue shares in the capital of Premier in any Restricted Territory or to any person to whom it is unlawful to make such offer or solicitation. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions. Subject to certain exemptions, the securities referred to herein may not be offered or sold in any Restricted Territory or for the account or benefit of any national resident or citizen of any Restricted Territory.

The Company is prohibited from making any invitation to members of the public of the Cayman Islands to subscribe for the Consideration Shares, the Creditor Shares or any other securities in Premier and this Supplementary Prospectus does not constitute an invitation or offer to members of the public in the Cayman Islands with respect to the Consideration Shares, the Creditor Shares or any other securities in Premier, whether by way of sale or subscription. For these purposes, "members of the public" has the meaning given in the Securities Investment Business Law of the Cayman Islands. However, the Consideration Shares, the Creditor Shares or any other securities in Premier may be beneficially owned by persons resident, domiciled, established, incorporated or registered pursuant to the laws of the Cayman Islands. Chrysaor does not undertake business with any person in the Cayman Islands except in furtherance of the business of the company carried on outside of the Cayman Islands.

The securities referred to in this Supplementary Prospectus have not been and will not be registered under the US Securities Act of 1933, as amended (the "**US Securities Act**"), or under the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, directly or indirectly, in the United States absent registration under the US Securities Act or an available exemption from the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. The securities referred to in this Supplementary Prospectus have not been approved by the US Securities and Exchange Commission, any state securities commission or any other regulatory authority in the United States, nor have any of the foregoing authorities passed upon, determined or endorsed the merits of the Merger or the accuracy or adequacy of the information contained in this Supplementary Prospectus. Any representation to the contrary is a criminal offence in the United States. No public offering of the Consideration Shares or Creditor Shares is being made in the United States or any other Restricted Territory.

RBC Europe Limited (trading as RBC Capital Markets) ("**RBC**") which is regulated by the FCA in the United Kingdom and is authorised and regulated by the PRA in the United Kingdom, is acting solely for Premier and no one else in connection with the Merger and the Admission and any other matter referred to in this document and will not be responsible to anyone other than Premier for providing the protections afforded to clients of RBC nor for providing advice in relation to the Merger, Admission or any other matter referred to in this document.

BMO Capital Markets Limited ("**BMO**"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for Chrysaor E&P Services Limited and no one else in

connection with the Merger and will not be responsible to anyone other than Chrysaor E&P Services Limited for providing the protections offered to clients of BMO nor for providing advice in relation to the Merger or any other matters referred to in this document.

Barclays Bank PLC, acting through its Investment Bank ("**Barclays**"), which is authorised by the PRA and regulated in the United Kingdom by the FCA and the PRA, is acting exclusively for Chrysaor E&P Services Limited and no one else in connection with the Merger and will not be responsible to anyone other than Chrysaor E&P Services Limited for providing the protections afforded to clients of Barclays nor for providing advice in relation to the Merger or any other matter referred to in this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on RBC in its capacity as a sponsor by FSMA or the regulatory regime established thereunder, RBC does not accept any responsibility or liability whatsoever for the contents of this Supplementary Prospectus, including its accuracy, completeness or for any other statement made or purported to be made by it, or on its behalf, in connection with the Premier Group, the Chrysaor Group, the Ordinary Shares (including the Consideration Shares and the Creditor Shares), the Merger or Admission. RBC and each of its subsidiaries, branches and affiliates accordingly disclaim to the fullest extent permitted by law all and any responsibility and liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this Supplementary Prospectus or any such statement. Nothing in this Supplementary Prospectus excludes, or attempts to exclude, the liability of RBC for fraud or fraudulent misrepresentation.

THE CONTENTS OF THIS SUPPLEMENTARY PROSPECTUS OR ANY SUBSEQUENT COMMUNICATION FROM PREMIER, CHRYSAOR OR ANY OF THEIR RESPECTIVE AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS ARE NOT TO BE CONSTRUED AS LEGAL, FINANCIAL OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT THEIR OWN SOLICITOR, INDEPENDENT FINANCIAL ADVISER OR TAX ADVISER FOR LEGAL, FINANCIAL OR TAX ADVICE. THIS SUPPLEMENTARY PROSPECTUS DOES NOT CONSTITUTE AN OFFER OF, AND MAY NOT BE USED FOR THE PURPOSES OF, AN OFFER TO SELL OR AN INVITATION TO SELL, OR THE SOLICITATION OF AN OFFER TO SUBSCRIBE FOR OR BUY, ANY SECURITIES. NONE OF THE SECURITIES REFERRED TO IN THIS SUPPLEMENTARY PROSPECTUS SHALL BE SOLD, ISSUED OR TRANSFERRED IN OR INTO ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW.

This document is dated 26 March 2021.

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PART I

SUPPLEMENTARY INFORMATION

This Supplementary Prospectus is supplemental to, and should be read in conjunction with, the Prospectus. To the extent that there is any inconsistency between a statement in this Supplementary Prospectus and a statement contained in the Prospectus, the statement in this Supplementary Prospectus will prevail. This Supplementary Prospectus has been prepared in accordance with Article 23 of the UK Prospectus Regulation and the Prospectus Regulation Rules.

1. BACKGROUND

The publication of this Supplementary Prospectus is a regulatory requirement under the Prospectus Regulation Rules and the UK Prospectus Regulation following the occurrence of the events referred to below. The Prospectus Regulation Rules and the UK Prospectus Regulation require the issue of a supplementary prospectus if, in the relevant period, there exists or is noted a significant new factor, material mistake or material inaccuracy relating to the information included in the Prospectus. This Supplementary Prospectus is required in connection with the occurrence of the following events: (i) the announcement by the Company of its full year results for the year ended 31 December 2020 (the "**Premier Group's 2020 Annual Results**") on 18 March 2021 and publication of its report and accounts for the year ended 31 December 2020 (the "**Premier Group's 2020 Report and Accounts**") on 25 March 2021, (ii) the publication by Chrysaor of its full year results for the year ended 31 December 2020 on 18 March 2021 (the "**Chrysaor Group's 2020 Annual Results**"), and (iii) the announcement of additional proposed directors of the Company. The Supplementary Prospectus also provides an update on the satisfaction of certain terms and conditions of the Merger.

The Supplementary Prospectus includes or incorporates by reference financial statements for the year ended 31 December 2020 for each of the Premier Group and the Chrysaor Group.

The following extract from Premier Group's 2020 Annual Results (as amended) sets out the operational and financial highlights in respect of the Premier Group and the Chrysaor Group for the financial year ending 31 December 2020:

Premier operational highlights

- 2020 production averaged 61.4 kboepd (2019: 78.4 kboepd); Premier's 2021 guidance of 61-66 kboepd reiterated (excludes Chrysaor assets)
- Tolmount: platform installed and first of the four development wells successfully completed. First gas on track for Q2 2021, adding 20-25 kboepd (net) once at plateau later in 2021
- Significant growth optionality retained
  - Zama (Mexico): FEED completed, unitisation progressed; project sanction targeted end 2021
  - Tuna (Indonesia): Fully funded appraisal of c. 100 mmboe (gross) field to start in Q2 2021
  - Sea Lion (Falkland Islands): licence extension and farm down arrangements agreed
  - Highly encouraging results from new 3D seismic data sets across Indonesia and Mexico exploration acreage

Premier financial highlights and outlook

- Operating cash flow of US$630 million (2019: US$1,080 million) (before the movement in joint venture cash balances in the period of US$19.5 million) with a net cash outflow of US$90 million; 2020 year-end net debt of US$2,078 million (2019: US$1,990 million)
- US$1,302 million loss after tax (2019: US$164 million profit after tax) driven by one-off non-cash charges, including US$817 million relating to the partial derecognition of Premier's UK ring fence tax losses, decommissioning asset and allowances which are expected to be re-recognised on completion of the Chrysaor merger

- 2020 operating costs (ex-lease costs) of US$12.2/boe and full year total capex (including decommissioning spend) of US$315 million, reflecting full year savings and deferrals of over US$250 million
- 2021 guidance of US$15/boe operating costs (ex-lease costs) is unchanged. 2021 total capex guidance is expected to be approximately US$300 million capex (previously US$275 million), reflecting phasing of some costs from 2020 and increased Balmoral Area decommissioning spend
- Premier's total gross debt of c. US$2.7 billion, which includes letters of credit and certain hedging liabilities, to be repaid and cancelled on completion of the merger with Chrysaor

Chrysaor 2020 highlights

- Production in 2020 of 173 kboepd (2019: 137 kboepd), in line with guidance, and underpinned by a full year's contribution from the assets acquired from ConocoPhillips and exceptionally high uptime; 2021 production forecast of 140-155 kboepd unchanged
- Free cash flow after capex, tax and interest of US$562 million, underpinned by increased production, a strong hedging programme and capex deferrals
- EBITDAX of US$1,784 million (2019: US$1,692 million). Loss after tax of US$778 million (2019: US$219 million profit) reflecting one off non-cash impairment charges of US$1,055 million driven by weaker commodity prices and movements in foreign exchange rates compared to the outlook before the pandemic
- Chrysaor's operating costs (including net tariff costs) averaged US$11.5/boe; 2021 guidance of less than US$15/boe operating costs (including net tariff costs) unchanged
- 2020 total capex (including exploration and decommissioning) was US$718 million, approximately US$575 million lower than forecast at the outset of the year; 2021 capex guidance of US$750-850 million, including US$170 million for decommissioning (pre-tax relief), unchanged
- Significant hedging programme with 74 per cent. of 2021 oil volumes and 85 per cent. of 2021 gas volumes hedged at an average price of US$58/boe and 44 pence/therm, respectively

Corporate Transaction highlights

- Forecast net debt of Combined Group on completion now approximately US$2.9 billion (previously US$3.2 billion), reflecting higher commodity prices and full take up of Harbour Energy shares by creditors

2. SUMMARY

As a result of the meeting of creditors held on 22 February 2021 and as announced by the Company on the same day, paragraph 2.1 of the summary which forms part of the Prospectus is hereby supplemented as follows:

Following the elections made by the Senior Creditors and the Senior XCCY Hedge Counterparties, it is expected that immediately following completion of the Merger and the Debt Restructuring the shares in the Combined Group will be held as follows:

- Harbour North Sea, its concert parties and other Chrysaor shareholders: 77 per cent; and
- Premier stakeholders: 23 per cent, comprising: (i) Premier shareholders: 5 per cent, and (ii) Restructuring Plan Creditors: 18 per cent.

As a result of the publication of Premier Group's 2020 Report and Accounts and Chrysaor's 2020 Annual Results, paragraph 2.2 of the summary which forms part of the Prospectus is hereby supplemented as follows:

What is the key financial information regarding the issuer?

The tables below set out selected key financial information for the Premier Group for the year ended 31 December 2020.

Table 1: Income statement *US$ millions*	*Year ended 31 December 2019 (audited)*	*Year ended 31 December 2020 (audited)*
Total revenue [1]	1,584.7	949.4
Operating profit /(loss)[1]	455.0	(343.8)
Profit from discontinued operations	9.3	—
Profit/(loss) after tax	164.3	(1,302.2)
Basic earnings/(loss) per share (cents)	19.9	(146.7)

Note: (1) From continuing operations

Table 2: Balance sheet		
Total assets	6,092.4	4,660.0
Total liabilities	(4,960.9)	(4,822.9)
Net debt	(1,989.8)	(2,078.4)
Total equity	1,131.5	(162.9)

Table 3: Cash flow statement		
Operating cash flows	1,108.7	610.6
Investing cash flows	(262.2)	(291.5)
Financing cash flows	(884.3)	(398.9)
Cash and cash equivalents at the beginning of the year	244.6	198.1
Net increase / (decrease) in cash and cash equivalents	(46.5)	(89.8)
Cash and cash equivalents at the end of the period	198.1	108.3

The tables below set out selected key financial information for the Chrysaor Group for the year ended 31 December 2020.

Table 1: Income statement *US$ millions*	*Year ended 31 December 2019 (audited)*	*Year ended 31 December 2020 (audited)*
Total revenue	2,357.8	2,413.9
Operating profit /(loss)	762.5	(687.4)
Profit/(loss) after tax	218.8	(778.4)
Table 2: Balance sheet		
Total assets	11,328.6	9,482.5
Total liabilities	(9,419.6)	(8,415.2)
Net debt	(1,889.8)	(1,399.6)
Total equity	1,909.0	1,067.3
Table 3: Cash flow statement		
Operating cash flows	1,518.7	1,373.4
Investing cash flows	(2,776.1)	(603.1)
Financing cash flows	1,508.4	(899.5)
Cash and cash equivalents at the beginning of the year	316.3	573.2
Net increase / (decrease) in cash and cash equivalents	251.0	(129.3)
Cash and cash equivalents at the end of the period	573.2	445.4

3. TERMS AND CONDITIONS OF THE MERGER

As a result of the satisfaction of certain terms and conditions of the Merger, paragraph 4.8 of Part I (*Background to and Reasons for the Merger and the Debt Restructuring*) of the Prospectus is hereby supplemented as follows:

4.8 Conditions

Completion of the Merger is subject to, and can only occur upon the satisfaction or waiver of, the conditions set out in Part III (*Terms and Conditions of the Merger*) of the Circular and paragraph 4.8 of Part I (*Background to and Reasons for the Merger and the Debt Restructuring*) of the Prospectus by no later than 30 September 2021 (unless agreed otherwise by the parties to the Merger Agreement). As at the date of this document only the following conditions remain outstanding:

(A) the FCA having confirmed to Premier that its application for the readmission of all of the Existing Ordinary Shares and admission of all of the New Ordinary Shares, in each case to the premium listing segment of the Official List of the FCA has been approved; and

(B) the London Stock Exchange having confirmed to Premier that its application for the readmission of all of the Existing Ordinary Shares and admission of all of the New Ordinary Shares, in each case to trading on the main market for listed securities of the London Stock Exchange have been approved.

To satisfy these outstanding conditions, Premier has made the applications to the FCA and the London Stock Exchange required for Admission and Readmission. Completion of the Merger is expected to take place on 31 March 2021 and Admission and Readmission are expected to take place by 8.00 a.m. on 1 April 2021.

4. PUBLICATION OF PREMIER GROUP'S 2020 ANNUAL RESULTS AND AUDITED ACCOUNTS

4.1 Operating and Financial Review relating to the Premier Group

In Part V (*Operating and Financial Review relating to the Premier Group*) of the Prospectus, the following information shall be included as a new row in the table in section 1:

Reference Document	*Information incorporated by reference into this document*	*Page number(s) in reference document*
Premier Group's 2020 Report and Accounts	Independent Audit Report	111 to 122
	Consolidated Income Statement	130
	Consolidated Statement of Comprehensive Income	131
	Consolidated Balance Sheet	132
	Consolidated Statement of Changes in Equity	133
	Consolidated Cash Flow Statement	134
	Notes to the Consolidated Financial Statements	135 to 170
	Business performance reconciliation table	48

The parts of Premier Group's 2020 Report and Accounts which are not incorporated by reference are either not relevant for investors or are covered elsewhere in this Supplementary Prospectus. To the extent that any part of any information referred to below itself contains information which is incorporated by reference, such information shall not form part of this Supplementary Prospectus.

4.2 Historical Financial Information relating to the Premier Group

In Part VII (*Historical Financial Information relating to the Premier Group*) of the Prospectus, the following information shall be included as a new section 2.5:

2020 Annual Report and Financial Statements (for the financial year ended 31 December 2020)

- Independent Audit Report – pages 111 to 122.
- Consolidated Income Statement – page 130.
- Consolidated Statement of Comprehensive Income – page 131.
- Consolidated Balance Sheet – page 132.
- Consolidated Statement of Changes in Equity – page 133.
- Consolidated Cash Flow Statement – page 134.
- Notes to the Consolidated Financial Statements – pages 135 to 170.
- Business Performance reconciliation table – page 48.

5. PUBLICATION OF CHRYSAOR GROUP'S 2020 ANNUAL FINANCIAL STATEMENTS

5.1 Operating and Financial Review relating to the Chrysaor Group

In Part VI (*Operating and Financial Review relating to the Chrysaor Group*) of the Prospectus, Section A (*Operating and Financial Review relating to the Chrysaor Group*) shall be supplemented as set out below:

Results of Operations

Results of Operations for the year ended 31 December 2020 compared to the year ended 31 December 2019

The following table summarises the Chrysaor Group's results of operations for the year ended 31 December 2019 and 2020.

	For the year ended 31 December	
	2019	*2020*
	(US$ millions)	
Revenue	2,357.8	2,413.9
Other income	9.0	23.9
Revenue and other income	2,366.8	2,437.8
Cost of sales	(1,516.5)	(1,827.5)
Gross Profit	**850.3**	**610.3**
Impairment of property, plant and equipment	—	(644.0)
Impairment of goodwill	—	(411.4)
Provision for onerous service contracts.	—	(18.5)
Exploration and evaluation expenses	(15.1)	(13.1)
Exploration costs written-off	(0.2)	(160.8)
Loss on disposal of exploration and evaluation asset	—	(0.1)
Remeasurements	3.0	(1.2)
General and administrative expenses	(75.5)	(48.6)
Operating profit	**762.5**	**(687.4)**
Finance income	31.6	7.5
Finance expenses	(338.6)	(297.8)
Profit/(loss)/ before taxation	**455.5**	**(977.7)**
Income tax (expense)/credit	(236.7)	199.3
Profit/(loss) for the financial period	**218.8**	**(778.4)**

Revenue

Revenue for the year ended 31 December 2020 was US$2,413.9 million, an increase of US$56.1 million, or 2.4 per cent., compared to US$2,357.8 million for the year ended 31 December 2019. This increase was principally as a result of increased production volumes due to the COP Acquisition, offset by lower realised prices.

Crude oil production in the year ended 31 December 2020 averaged 69 mboepd compared to 63 mboepd in the period ended 31 December 2019. Crude oil revenue, including realised hedging results, decreased to US$1,430.1 million for the year ended 31 December 2020 from US$1,568.2 million for the year ended 31 December 2019, driven by lower realised commodity prices offset by increased production. Average post-hedge realised oil prices decreased to US$63.1/boe for the year ended 31 December 2020 from US$67.9/boe for the year ended 31 December 2019. In comparison, the Brent crude price averaged US$42/bbl for 2020 compared with US$64/bbl for 2019. Realised oil prices for each of the fields in the Chrysaor Group's portfolio do not strictly follow the Brent crude oil price pattern with production from some fields sold at a discount or premium to Brent and under contracts with differing timescales for pricing.

Gas production in the year ended 31 December 2020 averaged 91 mboepd compared to 63 mboepd in the period ended 31 December 2019. Gas revenues increased to US$805.2 million for the year ended 31 December 2020 from US$625.5 million for the year ended 31 December 2019, driven by increased production and offset by lower realised commodity prices. Average realised gas price for the year decreased to 33 pence/therm for the year ended 31 December 2020 compared to 36 pence/therm for the year ended 31 December 2019. In comparison, the average market gas price averaged 25 p/therm for 2020 compared with 35 p/therm for 2019.

NGL production in the year ended 31 December 2020 averaged 14 mboepd compared to 11tgc mboepd in the period ended 31 December 2019. NGL sales revenue of US$138.4 million for the year ended 31 December 2020 decreased from revenue of US$145.5 million for the year ended 31 December 2019. This decrease was caused by lower realised prices offset by the additional volumes from the COP Acquisition.

Tariff and other revenue increased by US$21.6 million to US$40.2 million for the year ended 31 December 2020 from US$18.6 million for the year ended 31 December 2019, driven by additional interests from the COP Acquisition.

Other income represents the recovery from partners on operated leases under IFRS 16 Leases. Other income increased from US$23.9 million in the period ended 31 December 2020 compared to US$9.0 million in the period ended 31 December 2019 due to the additional leases included from the COP Acquisition.

Cost of sales

Cost of sales for the year ended 31 December 2020 was US$1,827.5 million, an increase of US$311.0 million or 20.5 per cent. compared to US$1,516.5 million for the year ended 31 December 2019. This increase was principally as a result of a corresponding increase in total production on account of the COP Acquisition.

Field operating costs less tariff income increased significantly to US$730.0 million for the year ended 31 December 2020 from US$572.3 million for the year ended 31 December 2019, with net unit costs unchanged at approximately US$11.5/boe for the year ended 31 December 2020.

DD&A charges on oil and gas assets (including capacity rights) also increased significantly to U$1,193.0 million for the year ended 31 December 2020 from US$899.6 million for the year ended 31 December 2019, with net unit costs increasing to approximately US$18.9/boe for the year ended 31 December 2020 from approximately US$18.0/boe for the year ended 31 December 2019.

Impairments

For the period ended 31 December 2020, a net pre-tax impairment charge of US$644.0 million (post-tax US$386.4 million) was recognised within the income statement. This represents a write-down of property, plant and equipment of US$712.1 million. This is offset by a pre-tax impairment credit of US $68.1 million in respect of reductions to decommissioning estimates on the Group's non-producing assets with no remaining net book value.

This arises primarily based on the change of commodity price assumptions for impairment purposes to US$60 per barrel for crude oil and 40p per therm for natural gas rather than a fundamental change in the nature of the producing assets. These assumptions reflect a reduction compared to the US$65 per barrel for crude oil and 50p per therm used for the purchase price accounting for the acquisition of the ConocoPhillips business. Impairments on property, plant and equipment are potentially reversible in the future.

In addition, the Chrysaor Group recorded a goodwill impairment charge of US$411.4 million in the period (2019: nil). This was also attributable to changes in the Group's assessment of long-term commodity prices and is not reversible in the future.

Provision for onerous service contracts

For the year ended 31 December 2020, an onerous service contract provision was recorded for US$18.5 million for long-term standby costs on the rig, which has been operating within the Schiehallion field. Given there were no future approved activities, which would have resulted in the rig remaining on standby until April 2022, the rig contract was terminated by the Operator.

Exploration and evaluation expenses

Exploration and evaluation expenses for the year ended 31 December 2020 were US$13.1 million, a decrease of US$2.0 million compared to US$15.1 million for the year ended 31 December 2019. This decrease was principally related to corporate licence applications, Norwegian regional seismic and time-writing costs.

Exploration costs written-off

Exploration costs written-off for the year ended 31 December 2020 were US$160.8 million, an increase of US$160.6 million from US$0.2 million for the year ended 31 December 2019. The increase in exploration costs written-off was primarily associated with acquired acreage which is now considered less prospective.

General and administrative expenses

General and administrative expenses for the year ended 31 December 2020 were US$48.6 million, a decrease of US$26.9 million compared to US$75.5 million for the year ended 31 December 2019. For the year ended 31 December 2020 the underlying business incurred $31.5 million compared to $26.4 million in 2019. For the year ended 31 December 2020, one-off business development expenses were $13.5 million which were primarily professional fees incurred in relation to the proposed merger with Premier Oil plc; this compares to $38.2 million for the year ended 31 December 2019which consists mainly of one-off costs related to the acquisition of the ConocoPhillips business. Also included in 2020 was a share-based payments expense of US$3.6 million compared to US$10.9 million in 2019.

Finance income

Finance income for the year ended 31 December 2020 was US$7.5 million, a decrease of US$24.1 million compared to US$31.6 million for the year ended 31 December 2019. This decrease was principally due to lower bank interest income earned on the bank balances and income from a specific financing agreement with Baker Hughes due to less drilling activity. This agreement was an innovative deal providing Baker Hughes exposure to risk and return on well performance for which it also provided services and materials as a service company.

Finance expenses

Finance expenses for the year ended 31 December 2020 were US$297.8 million, a decrease of US$40.8 million, compared to US$338.6 million for the year ended 31 December 2019. This decrease was principally as a result of lower foreign exchange losses and reduced interest expense on loan notes offset by higher unwinding of discount on decommissioning provision obligations.

Income tax expense

Income tax for the year ended 31 December 2020 resulted in a credit of US$199.3 million, a decrease of US$436.0 million compared to an expense of US$236.7 million in the year ended 31 December 2019. The total tax credit for the year represents an effective tax rate of 20 per cent. (2019: 52 per cent.). The low effective tax rate for the year ended 31 December 2020 is predominantly driven by a non-tax deductible goodwill impairment, losses relievable at lower tax rates, and unrecognised tax losses, partly offset by the benefit of investment allowance.

Liquidity and capital resources

The Chrysaor Group's liquidity requirements arise principally from its capital investment, working capital demands and debt servicing requirements. For the periods presented, the Chrysaor Group met its liquidity requirements primarily from ongoing cash flow generation from its producing assets and debt financing under the Chrysaor Existing RBL Facility, the Chrysaor Junior Facility and other loans.

In addition to amounts available under the Chrysaor Group's debt facilities, the Chrysaor Group also held cash and cash equivalents of US$573.2 million and US$445.4 million as at 31 December 2019 and 2020, respectively.

Cash flow

The following table presents a summary of the Chrysaor Group's consolidated cash flow for the year ended 31 December 2019 and 2020.

	For the year ended 31 December	
	2019	*2020*
	(US$ millions)	
Net cash flows from operating activities	1,518.7	1,373.4
Net cash flows (used in) investing activities	(2,776.1)	(603.1)
Net cash flows from/(used in) financing activities	1,508.4	(899.5)
Cash and cash equivalents at the end of the period	573.2	445.4

Net cash flows from operating activities consist of:

	For the year ended 31 December	
	2019	*2020*
	(US$ millions)	
Profit/(loss) before taxation	455.6	(977.7)
Finance cost, excluding foreign exchange	256.4	261.7
Finance income, excluding foreign exchange	(31.6)	(7.5)
Share based payments	10.9	11.8
Depreciation, depletion and amortisation	917.0	1,222.1
Impairment of property, plant and equipment	—	644.0
Impairment of goodwill	—	411.4
Onerous contract provision	—	18.5
Taxes paid	(90.1)	(189.6)
Exploration write-off	0.2	160.8
Movement in realised cash-flow hedges not yet settled	(23.7)	(5.7)
Remeasurement in commodity-price-contingent consideration	7.2	—
Remeasurement on exploration contingent consideration	(7.8)	—
Remeasurement of acquisition-completion adjustments	—	0.4
Onerous contract payments	—	(5.4)
Decommissioning payments	(29.0)	(162.1)
Unrealised foreign-exchange loss	63.8	34.7
Decrease in royalty consideration receivable	0.6	2.4
Gain on termination of IFRS16 lease	—	(0.5)
Loss on disposal of exploration and evaluation asset	—	0.1
Working-capital adjustments		
Decrease /(increase) in inventories	0.2	(11.2)
(Increase)/decrease in trade and other receivables	(6.1)	41.5
Decrease in trade and other payables	(4.9)	(76.3)
Net cash inflow from operating activities	**1,518.7**	**1,373.4**

Net cash generated from operating activities was US$1,373.4 million for the year ended 31 December 2020 compared to US$1,518.7 million generated for the year ended 31 December 2019. Whilst revenue less operating costs increased, this was more than offset by increased tax and decommissioning payments plus decreases in net working capital.

Net cash used in investing activities

	For the year ended 31 December	
	2019	*2020*
	(US$ millions)	
Expenditure on exploration and evaluation assets	(82.6)	(88.3)
Expenditure on property, plant and equipment	(439.8)	(457.6)
Expenditure on non-oil and gas intangible assets	(7.9)	(52.1)
Expenditure on business combinations and acquisitions	(2,255.2)	(12.5)
Interest Income	9.4	7.4
Net cash flows used in investing activities	(2,776.1)	(603.1)

Net cash used in investing activities was US$603.1 million for the year ended 31 December 2020, compared to US$2,776.1 million of net cash used in investing activities for the year ended 31 December 2019. The decrease was primarily due to the COP Acquisition in 2019 offset by higher capital expenditure in 2020 as a result of the greater asset portfolio from the acquisition and non-oil and gas projects.

Net cash from financing activities

	For the year ended 31 December	
	2019	*2020*
	(US$ millions)	
Repayment of borrowings	(200.0)	(784.3)
Proceeds from new financing arrangement	29.6	—
Lease payments	(20.6)	(60.5)
Proceeds from new borrowings	1,843.3	170.3
Redemption of loan notes	—	(77.2)
Interest paid and bank charges	(143.9)	(147.8)
Net cash inflow/(outflow) from financing activities	1,508.4	(899.5)

Net cash outflow from financing activities was US$899.5 million for the year ended 31 December 2020, compared to US$1,508.4 million net cash inflow in financing activities for the year ended 31 December 2019. This decrease in cash flows from 2019 was primarily associated with the proceeds from the refinancing of the Chrysaor Existing RBL Facility to fund the COP Acquisition in 2019 in addition to higher net repayments of borrowings in 2020.

Capital Resources

The Chrysaor Group's liquidity requirements arise principally from its capital investment, working capital demands and debt servicing requirements. For the periods presented, the Chrysaor Group met its capital investment, working capital and debt servicing requirements primarily from cash flows from operations and the proceeds of debt financing.

Borrowings and Facilities

As at 31 December 2020, the Chrysaor Group had US$2,161.4 million in total borrowings, principally relating to the Chrysaor Existing RBL facility and the Chrysaor Junior Facility, described below.

Chrysaor Existing RBL Facility

As at 31 December 2020, the outstanding balance under the Chrysaor Existing RBL Facility, excluding incremental transaction costs was US$1,518 million and US$1,013 million remained available for drawdown.

Chrysaor Junior Facility

As at 31 December 2020, the outstanding junior loan balance, excluding incremental transactions costs, was US$400 million and remained fully drawn.

Letters of credit

As at 31 December 2020 the Chrysaor Group had US$557 million in letters of credit outstanding mainly relating to security obligations under certain decommissioning security agreements. The Chrysaor Group does not currently have surety bonds.

Cash and Cash equivalents

As at 31 December 2020, the Chrysaor Group held US$445.4 million of cash and cash equivalents.

5.2 Historical Financial Information relating to the Chrysaor Group

Section A

Accountant's Report in respect of the Historical Financial Information relating to the Chrysaor Group

In Part VIII (*Historical Financial Information relating to the Chrysaor Group*) of the Prospectus, Section A (*Accountant's Report in respect of the Historical Financial Information relating to the Chrysaor Group*) shall be supplemented as follows:

The Directors and Proposed Directors (together the "**Directors**")
Premier Oil plc
23 Lower Belgrave St
Belgravia
London SW1W 0NR
United Kingdom

RBC Europe Limited
100 Bishopsgate
London EC2N 4AA
United Kingdom

26 March 2021

Dear Ladies and Gentlemen

The reverse takeover of Premier Oil plc ("Premier") by Chrysaor Holdings Limited ("Chrysaor") and the proposed readmission of the ordinary shares of Premier to the premium segment of the Official List maintained by the Financial Conduct Authority (the "FCA") and the proposed admission of those shares to trading on the London Stock Exchange's main market for listed securities (the "Transaction").

We report on the financial information of Chrysaor for the year ended 31 December 2020 set out in Section B of Paragraph 5.2 of the Supplementary Prospectus (the "**Historical Financial Information relating to the Chrysaor Group**").

This report is required by item 18.3.1 of Annex 1 to the PR Regulation and is given for the purpose of complying with that item and for no other purpose.

Opinion on financial information

In our opinion, the Historical Financial Information relating to the Chrysaor Group gives, for the purposes of the supplementary prospectus dated 26 March 2021 (the "**Supplementary Prospectus**") of Premier, a true and fair view of the state of affairs of the Chrysaor Group as at the dates stated and of its profits and losses, cash flows and changes in equity for the year ended 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the European Union.

Conclusions Relating to Going Concern

We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the Historical Financial Information relating to the Chrysaor Group about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Historical Financial Information relating to the Chrysaor Group and the Directors'

identification of any material uncertainties to the Chrysaor Group's ability to continue as a going concern over a period of at least twelve months from the date of this Supplementary Prospectus.

Responsibilities

The Proposed Directors and the Directors of Premier (together the "**Directors**") are responsible for preparing the Historical Financial Information relating to the Chrysaor Group in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the Historical Financial Information relating to the Chrysaor Group and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.3.2R(2)(f) of the Prospectus Regulation Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex 1 to the PR Regulation, consenting to its inclusion in the Supplementary Prospectus.

Basis of Preparation

The Historical Financial Information relating to the Chrysaor Group has been prepared for inclusion in the Supplementary Prospectus of Premier on the basis of the accounting policies set out in Note 1 to the Historical Financial Information.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. We are independent in accordance with the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our work included an assessment of evidence relevant to the amounts and disclosures in the Historical Financial Information relating to the Chrysaor Group. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Declaration

For the purposes of Prospectus Regulation Rule PRR 5.3.2 R (2)(f) we are responsible for this report as part of the Supplementary Prospectus and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and that the report make no omission likely to affect its import. This declaration is included in the Supplementary Prospectus in compliance with item 1.2 of Annex 1 of the PR Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

Section B

Historical Financial Information relating to the Chrysaor Group

In Part VIII (*Historical Financial Information relating to the Chrysaor Group*) of the Prospectus, Section B (*Historical Financial Information relating to the Chrysaor Group*) shall be supplemented as follows:

Consolidated income statement
For the year ended 31 December

	Note	*2020 $000*	*2019 $000*
Revenue	4	2,413,939	2,357,789
Other income	4	23,911	8,995
Revenue and other income		2,437,850	2,366,784
Cost of sales		(1,827,503)	(1,516,498)
Gross profit		610,347	850,286
Impairment of property, plant and equipment	12	(643,977)	—
Impairment of goodwill	10	(411,435)	—
Provision for onerous service contracts	21	(18,475)	—
Exploration and evaluation expenses	5	(13,173)	(15,033)
Exploration costs written-off	5	(160,806)	(222)
Remeasurements	5	(1,211)	2,974
Loss on disposal of exploration and evaluation asset		(55)	—
General and administrative expenses		(48,584)	(75,488)
Operating (loss)/profit	5	(687,369)	762,517
Finance income	7	7,463	31,611
Finance expenses	7	(297,841)	(338,570)
(Loss)/profit before taxation		(977,747)	455,558
Income tax credit/(expense)	9	199,308	(236,711)
(Loss)/profit for the financial year		(778,439)	218,847

Consolidated Statement of Comprehensive Income

For the year ended 31 December

	2020 *$000*	*2019* *$000*
(Loss)/profit for the financial year	(778,439)	218,847
Items that may be classified to income statement in subsequent periods		
Fair value losses on cash flow hedges	(173,685)	(53,722)
Tax credit on cash flow hedges	71,302	21,625
Share based payments [(1)]	11,800	10,905
Currency exchange differences	27,366	99,787
Total other comprehensive (loss)/income for the financial year, net of tax	(63,217)	78,595
Total comprehensive (loss)/income for the financial year	(841,656)	297,442
Total comprehensive (loss)/income attributable to:		
Equity holders of the parent	(841,656)	297,442

(1) Only item above not expected to be reclassified subsequently to the income statement.

Consolidated balance sheet
As at 31 December

	Note	2020 $000	2019 $000
Assets			
Non-current assets			
Goodwill	10	990,053	1,404,334
Other intangible assets	11	454,063	453,604
Property, plant and equipment	12	6,522,429	7,656,530
Right of use assets	13	132,206	221,223
Other receivables	17	3,577	2,604
Other financial assets	23	90,371	202,230
Total non-current assets		8,192,699	9,940,525
Current assets			
Inventories	16	160,528	146,881
Trade and other receivables	17	461,352	474,118
Other financial assets	23	222,588	193,888
Cash and cash equivalents	18	445,377	573,182
Total current assets		1,289,845	1,388,069
Total assets		9,482,544	11,328,594
Equity and liabilities			
Equity			
Share capital	25	71	71
Share premium		910,020	910,020
Cash flow hedge reserve		80,264	176,123
Costs of hedging reserve		9,765	16,289
Currency translation reserve		103,971	76,605
(Accumulated losses)/retained earnings		(36,795)	729,844
Equity		1,067,296	1,908,952
Total equity		1,067,296	1,908,952
Non-current liabilities			
Borrowings	22	2,160,312	2,205,322
Provisions	21	4,020,768	3,766,739
Deferred tax	9	1,031,381	1,649,290
Trade and other payables	20	29,825	52,375
Lease creditor	13	80,820	145,403
Other financial liabilities	23	52,490	3,663
Total non-current liabilities		7,375,596	7,822,792
Current liabilities			
Trade and other payables	20	540,339	676,436
Borrowings	22	21,546	617,363
Lease creditor	13	60,120	79,525
Provisions	21	190,167	183,081
Current tax liabilities		153,314	—
Other financial liabilities	23	74,166	40,445
Total current liabilities		1,039,652	1,596,850
Total liabilities		8,415,248	9,419,642
Total equity and liabilities		9,482,544	11,328,594

Consolidated statement of changes in equity
For the year ended 31 December 2020

	Share capital $000	Share premium $000	Cash flow hedge reserve $000	Costs of hedging reserve $000	Currency translation reserve $000	(Accumulated losses)/ Retained earnings $000	Total equity $000
As at 1 January 2019	22	234,801	219,678	4,831	(23,182)	500,092	936,242
Profit for the financial year	—	—	—	—	—	218,847	218,847
Issue of new shares	49	675,219	—	—	—	—	675,268
Share based payments	—	—	—	—	—	10,905	10,905
Other comprehensive income	—	—	(43,555)	11,458	99,787	—	67,690
At 31 December 2019	71	910,020	176,123	16,289	76,605	729,844	1,908,952
Loss for the financial year	—	—	—	—	—	(778,439)	(778,439)
Share based payments	—	—	—	—	—	11,800	11,800
Other comprehensive (loss)	—	—	(95,859)	(6,524)	27,366	—	(75,017)
At 31 December 2020	71	910,020	80,264	9,765	103,971	(36,795)	1,067,296

Consolidated statement of cash flows
For the year ended 31 December

	Note	2020 $000	2019 $000
Net cash inflow from operating activities	26	1,373,362	1,518,661
Cash flows from investing activities			
Expenditure on exploration and evaluation assets		(88,333)	(82,634)
Expenditure on property, plant and equipment		(457,648)	(439,706)
Expenditure on non-oil and gas intangible assets		(52,124)	
Proceeds from sale of exploration and evaluation asset		20	—
Expenditure on business combinations and acquisitions net of cash acquired		(12,495)	(2,255,236)
Interest received		7,463	9,453
Net cash outflow from investing activities		(603,117)	(2,776,060)
Cash flows from financing activities			
Repayment of borrowings	22	(784,338)	(200,000)
Proceeds from new financing arrangement	22	—	29,600
Proceeds from share issue		—	4
Proceeds from new borrowings	22	170,358	1,843,275
Lease payments	13	(60,543)	(20,598)
Redemption of loan notes	22	(77,140)	—
Interest paid and bank charges		(147,832)	(143,914)
Net cash (outflow)/inflow from financing activities		(899,495)	1,508,367
Net (decrease)/increase in cash and cash equivalents		(129,250)	250,968
Effect of exchange rates on cash and cash equivalents		1,445	5,903
Cash and cash equivalents at 1 January		573,182	316,311
Cash and cash equivalents as at 31 December	18	445,377	573,182

Notes to the financial statements

1. Corporate information

The consolidated financial statements of Chrysaor Holdings Limited for the year ended 31 December 2020 which comprise the parent company, Chrysaor Holdings Limited ("**Chrysaor**") and all its subsidiaries (the "**Chrysaor Group**"), were authorised for issue in accordance with a resolution of the directors on 17 March 2021. Chrysaor is a private company limited by share capital incorporated in the Cayman Islands and domiciled in the United Kingdom. Chrysaor's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman.

The Chrysaor Group's principal activities are the acquisition, exploration, development and production of oil and gas reserves on the UK and Norwegian Continental Shelves.

2. Accounting policies

Basis of preparation

The principal accounting policies applied in the preparation of the consolidated historical financial information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial information presented is at and for the financial years ended 31 December 2019 and 31 December 2020. Financial year ends have been referred to as 31 December throughout the consolidated historical financial information as per the Chrysaor Group's accounting reference date. Financial years are referred to as 2019 and 2020 in this historical financial information.

The consolidated financial statements of the Chrysaor Group have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and as adopted by the European Union. The Chrysaor Group financial statements are presented in US Dollars ("**USD**") and all values are rounded to the nearest thousand dollars (US$'000) except when otherwise stated.

The Financial Statements have been prepared on the historical cost basis, except for certain financial assets and liabilities (including derivative financial instruments) which have been measured at fair value.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2020. All accounting policies have been applied consistently other than where new policies have been adopted.

The Chrysaor Group historical financial information has been prepared under accounting policies consistent with those of Premier Oil plc in its last published Annual Report.

Basis of consolidation

The Chrysaor Group financial statements consolidate the financial statements of Chrysaor and its subsidiary undertakings drawn up to 31 December 2020. Subsidiaries are those entities over which the Chrysaor Group has control. Control is achieved where Chrysaor has the power over the subsidiary, is exposed, or has rights to variable returns from the subsidiary and has the ability to use its power to affect its returns. All subsidiaries are 100 per cent. owned by Chrysaor and therefore the Chrysaor Group does not have any non-controlling interests.

All intercompany balances have been eliminated on consolidation.

Segment reporting

The Chrysaor Group's activities consist of one class of business – the acquisition, exploration, development and production of oil and gas reserves and related activities in two geographical areas presently being the UK North Sea and the Norwegian North Sea.

Pensions

Contributions made to defined contribution pension schemes are recognised in the income statement in the period in which they become payable.

Joint arrangements

Exploration and production operations are usually conducted through joint arrangements with other parties. The Chrysaor Group reviews all joint arrangements and classifies them as either joint

operations or joint ventures depending on the rights and obligations of each party to the arrangement and whether the arrangement is structured through a separate vehicle. All interests in joint arrangements held by the Chrysaor Group are classified as joint operations.

In relation to its interests in joint operations, the Chrysaor Group recognises its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Expenses, including its share of any expenses incurred jointly

Foreign currency translation

Each entity in the Chrysaor Group determines its own functional currency, being the currency of the primary economic environment in which the entity operates, and items included in the financial statements of each entity are measured using that functional currency.

The consolidated financial statements are presented in US Dollars.

Transactions recorded in foreign currencies are initially recorded in the entity's functional currency by applying an average rate of exchange. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the income statement. Non-monetary assets and liabilities denominated in foreign currencies are measured at historic cost based on exchange rates at the date of the transaction and subsequently not retranslated.

On consolidation, the assets and liabilities of the Chrysaor Group's operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average monthly exchange rates for the year. Equity is held at historic costs and is not retranslated. The resulting exchange differences are recognised as other comprehensive income or expense and are transferred to the Chrysaor Group's translation reserve.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of completion of the acquisition. Acquisition costs incurred are expensed and included in administrative expenses. Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its fair value at acquisition.

The identifiable assets, liabilities and contingent liabilities acquired that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- Liabilities or equity instruments related to the replacement by the Chrysaor Group of an acquirer's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and discontinued operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Chrysaor Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. The measurement period is the period from the date of acquisition to the date the Chrysaor Group obtains complete information about facts and circumstances that existed as of the acquisition date, subject to a maximum of one year.

Goodwill

In the event of a business combination or acquisition of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, the acquisition method of accounting is applied. Goodwill represents the difference between the aggregate of the fair value of purchase consideration transferred at the acquisition date and the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment. Goodwill is treated as an asset of the relevant entity to which it relates and accordingly non-US Dollar goodwill is translated into US Dollars at the closing rate of exchange at each reporting date.

Goodwill, as disclosed in note 10, is reviewed for impairment at least annually by assessing the recoverable amount of the cash generating units ("**CGUs**") to which the goodwill relates. Where the carrying amount of the CGU and related goodwill is higher than the recoverable amount of the CGU, an impairment loss is recognised in the income statement. Impairment losses relating to goodwill cannot be reversed in future periods. Consistent with the reporting segment, the CGU for the purposes of the goodwill test is the UK Continental Shelf ("**UKCS**").

Intangible assets – exploration and evaluation assets

Exploration and evaluation expenditure is accounted for using the successful efforts method of accounting.

(a) Pre-licence costs

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

(b) Licencing and property acquisition costs

Licence and property acquisition costs paid in connection with a right to explore in an existing exploration area are capitalised as exploration and evaluation costs within intangible assets.

Licence and property acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. If no future activity is planned or the related licence has been relinquished or has expired, the carrying value of the property acquisition costs is written off through the income statement. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas properties within development and production assets.

(c) Exploration and evaluation costs

Once the legal right to explore has been acquired, costs directly associated with the exploration are capitalised as exploration and evaluation intangible non-current assets until the exploration is complete and the results have been evaluated. If no potential commercial resources are discovered, the exploration asset is written off.

All such capitalised costs are subject to technical, commercial and management review, as well as review for indicators of impairment at least annually. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off through the income statement.

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

(d) Farm-outs – in the exploration and evaluation phase

The Chrysaor Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements but re-designates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

Property, plant and equipment – oil and gas development and production assets

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

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

All costs relating to a development are accumulated and not depreciated until the commencement of production. Depreciation is provided using the unit of production method based on proven and probable reserves. When there is a change in the estimated total recoverable proven and probable reserves of a field, that change is accounted for in the depreciation charge over the revised remaining proven and probable reserves.

An item of development and production expenditure and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

Expenditure on major maintenance refits, inspections or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset, or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Chrysaor Group, the expenditure is capitalised. All other day-to-day repairs and maintenance costs are expensed as incurred.

Fixtures and fittings and office equipment

Fixtures and fittings and office equipment (non-oil and gas property, plant and equipment) is stated at cost less accumulated depreciation and impairment. Depreciation is provided for on a straight-line basis at rates sufficient to write off the cost of the asset less any residual value over their estimated useful economic lives. The depreciation periods for the principal categories of assets are as follows:

Fixtures and fittings	Up to 10 years
Office furniture and equipment	Up to 5 years

Intangible assets

Intangible assets, which principally comprise IT software, are carried at cost less any accumulated amortisation. These assets are amortised on a straight-line basis over their useful economic lives of up to three years.

Impairment of non-current assets (excluding goodwill)

In accordance with IAS 36, impairment tests are carried out on items of property, plant and equipment and intangible assets where there is an indication that the assets may be impaired. Such indications may be based on events or changes in the market environment, or on internal sources of information.

Impairment indicators

Property, plant and equipment and intangible assets with finite useful lives are only tested for impairment when there is an indication that they may be impaired. This is generally the result of significant changes to the environment in which the assets are operated or when asset performance is worse than expected.

The main impairment indicators used by the Chrysaor Group are described below:

- external sources of information:

– significant changes in the economic, technological, political or market environment in which the entity operates or to which an asset is dedicated;

– fall in demand; and

- changes in energy prices and exchange rates.
- internal sources of information:
- evidence of obsolescence or physical damage;
- worse than expected production or cost performance;
- reduction in reserves and resources, including as a result of unsuccessful results of drilling operations;
- pending expiry of licence or other rights; and
- in respect of capitalised exploration and evaluation costs, lack of planned future activity on the prospect or licence.

Measurement of recoverable amount

In order to review the recoverable amount in an impairment test, the assets are grouped, where appropriate, into CGUs and the carrying amount of each unit is compared with its recoverable amount. The recoverable amount of an asset corresponds to the higher of its fair value less costs to sell and its value in use. The recoverable amount is primarily determined based on the fair value less cost of disposal method. Standard valuation techniques are used based on the discount rates based on the specific characteristics of the operating entities concerned; discount rates are determined on a post-tax basis and applied to post-tax cash flows.

Any impairment loss is recorded in the consolidated income statement under 'Impairment of property, plant and equipment'. Impairment losses recorded in relation to property, plant and equipment may be subsequently reversed if the recoverable amount of the assets subsequently increases above carrying value. The increased carrying amount of an item of property, plant or equipment attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined (net of depreciation/amortisation) had no impairment loss been recognised in prior periods.

Financial instruments

a. Financial assets

Chrysaor uses two criteria to determine the classification of financial assets: Chrysaor's business model and contractual cash flow characteristics of the financial assets. Where appropriate Chrysaor identifies three categories of financial assets: amortised cost, fair value through profit or loss ("**FVTPL**"), and fair value through other comprehensive income ("**FVOCI**").

Financial assets held at amortised cost

Financial assets held at amortised cost are initially measured at fair value except for trade debtors which are initially measured at cost. Both are subsequently carried at amortised cost using the effective interest rate ("**EIR**") method, less impairment. The EIR amortisation is presented within finance income in the income statement.

Cash and cash equivalents

Cash at bank and in hand in the balance sheet comprise cash deposits with banks and in hand.

Impairment of financial assets

Chrysaor recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that Chrysaor expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from 'default events' that are possible within the next 12-months (a 12-month ECL).

Default events could include:

- payment default, i.e. the failure to pay principal or interest when it falls due for payment;

- prospective default, when payment is not yet due, but it is clear that it will not be capable of being paid when it does fall due; and
- covenant default, when the borrower fails to keep a promise (a covenant) that it has made in the contract.

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Chrysaor Group applies a simplified approach in calculating ECLs. Provision rates are calculated based on estimates including the probability of default by assessing counterparty credit ratings, as adjusted for forward-looking factors specific to the debtors and the economic environment and the Chrysaor Group's historical credit loss experience.

Credit impaired financial assets

At each reporting date, the Chrysaor Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer
- a breach of contract such as default or past due event
- the restructuring of a loan or advance by the Chrysaor Group on terms that the Chrysaor Group would otherwise not consider
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation, or
- the disappearance of an active market for a security because of financial difficulties

b. Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Borrowings and loans

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

c. Derivative financial instruments

Derivative financial instruments are initially recognised and subsequently re-measured at fair value. Certain derivative financial instruments are designated as cash flow hedges in line with Chrysaor's risk management policies. When derivatives do not qualify for hedge accounting or are not designated as accounting hedges, changes in the fair value of the instrument are recognised within the income statement.

Cash flow hedges

The effective portion of gains and losses arising from the remeasurement of derivative financial instruments designated as cash flow hedges are deferred within other comprehensive income and subsequently transferred to the income statement in the period the hedged transaction is recognised in the income statement. When a hedging instrument is sold or expires, any cumulative gain or loss previously recognised in other comprehensive income remains deferred until the hedged item affects profit or loss or is no longer expected to occur. Any gain or loss relating to the ineffective portion of a cash flow hedge is immediately recognised in the income statement. Hedge ineffectiveness could arise if volumes of the hedging instruments are greater than the hedged item of production, or where the credit worthiness of the counterparty is significant and may dominate the transaction and lead to losses.

d. Fair values

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques.

Equity

Share capital

Share capital includes the total net proceeds, both nominal and share premium, on the issue of ordinary and preference shares of Chrysaor.

Cash flow hedge reserve

The cash flow hedge and cost of hedging reserves represents gains and losses on derivatives classified as effective cash flow hedges. Upon the designation of option instruments as hedging instruments, the intrinsic and time value components are separated, with only the intrinsic component being designated as the hedging instrument and the time value component is deferred in Other Comprehensive Income as a ‘cost of hedging’.

Currency translation reserve

This reserve comprises exchange differences arising on consolidation of the Chrysaor Group’s operations with a functional currency other than the USD.

Share based payment

The Chrysaor Group has applied the requirements of IFRS 2 Share-based Payment. The Chrysaor Group has share-based awards that are equity and cash settled as defined by IFRS 2. The fair value of the equity settled awards has been determined at the date of grant of the award allowing for the effect of any market-based conditions. For cash-settled awards, a liability is recognised for the goods or service acquired. This is measured initially at the fair value of the liability. The fair value of the liability is subsequently remeasured at each balance sheet date until the liability is settled, and at the date of settlement, with any changes in fair value recognised in the income statement.

Inventories

Hydrocarbon inventories are stated at net realisable value with movements recognised in the income statement. All other inventories are stated at the lower of cost and net realisable value. The cost of materials is the purchase cost, determined on first-in, first-out basis.

Leases

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Chrysaor Group. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of lease term and useful life. The Chrysaor Group recognises right-of-

use assets and lease liabilities on a gross basis and the recovery of lease costs from joint operations' partners is recorded as other income.

Right-of-use assets and lease liabilities arising from a lease are initially measured on a present value basis reflecting the net present value of the fixed lease payments and amounts expected to be payable by the Chrysaor Group assuming leases run to full term. The Chrysaor Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Chrysaor Group is reasonably certain to exercise such options impacts the lease term, which significantly impacts the amount of lease liabilities and right-of-use assets recognised.

The lease payments are discounted using the Chrysaor Group's incremental borrowing rates of between 4.2 per cent. and 5.9 per cent., being the rate that the Chrysaor Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Chrysaor Group where possible:

- uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- makes adjustments specific to the lease, for example term, country, currency and security

The Chrysaor Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs and restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.

Provisions for liabilities

A provision is recognised when the Chrysaor Group has a legal or constructive obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as part of finance costs in the income statement.

The estimated cost of dismantling and restoring the production and related facilities at the end of the economic life of each field is recognised in full at the commencement of oil and gas production. The amount provided is the present value of the estimated future restoration cost. A non-current asset is also recognised. Any changes to estimated costs or discount rates are dealt with prospectively.

Trade payables

Initial recognition of trade payables is at fair value. Subsequently they are stated at amortised cost.

Taxes

i. Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Chrysaor Group operates and generates taxable income.

Current income tax related to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or directly in equity not in the income statement.

ii. Deferred tax

Deferred taxation is recognised in respect of all timing differences arising between the tax bases of the assets and liabilities and their carrying amounts in the financial statements with the following exceptions:

- Deferred income tax assets are recognised only to the extent that it is probable that the taxable profit will be available against which the deductible temporary difference, carried forward tax credits or tax losses can be utilised
- Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the reporting date. The carrying amount of the deferred income tax asset is reviewed at each balance sheet date
- Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to offset current assets against current tax liabilities, the deferred income tax relates to the same tax authority and that same tax authority permits the Chrysaor Group to make a single net payment

Revenue from contracts with customers

Revenue from contracts with customers is recognised when Chrysaor satisfies a performance obligation by transferring a good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. Revenue associated with the sale of crude oil, natural gas, and natural gas liquids ("NGLs") is measured based on the consideration specified in contracts with customers with reference to quoted market prices in active markets, adjusted according to specific terms and conditions as applicable according to the sales contracts. The transfer of control of oil, natural gas, natural gas liquids and other items sold by Chrysaor occurs when title passes at the point the customer takes physical delivery. Chrysaor principally satisfies its performance obligations at this point in time.

Over/underlift

Revenues from the production of oil and natural gas properties in which the Chrysaor Group has an interest with partners are recognised based on the Chrysaor Group's working interest in those properties (the entitlement method). Differences between the production sold and the Chrysaor Group's share of production result in an overlift or an underlift. Overlift and underlift are valued at market value and included within payables or receivables respectively. Movements during the accounting period are recognised within cost of sales in the income statement such that gross profit is recognised on an entitlement basis.

Interest income

Interest income is recognised on an accruals basis, by reference to the principal outstanding and at the effective interest rate method.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the respective assets.

New accounting standards and interpretations

The Chrysaor Group adopted new and revised accounting standards and interpretations relevant to its business and effective for accounting periods beginning on or after 1 January 2020, including:

Amendments to IFRS 3: Definition of a business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarified the minimum requirements for a business, removed the assessment of whether market participants are capable of replacing any missing elements, added guidance to help entities assess whether an acquired process is substantive, narrowed the definitions of a business and of outputs, and introduced an optional fair value concentration test. New illustrative examples were provided along with the amendments. This amendment is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020, and to asset acquisitions that occurred on or after the beginning of that period. Application of this amendment was effective post EU endorsement which occurred in April 2020.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Chrysaor Group was not affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of material

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material did not have a significant impact on the Chrysaor Group's consolidated financial statements.

The other pronouncements did not have any impact on the Chrysaor Group's accounting policies and did not require retrospective adjustments.

Accounting standards issued but not yet effective

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

IFRS17 insurance contracts

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted as long as IFRS 9 is also applied. The standard combines current measurement of the future cash flows with the recognition of profit over the period that services are provided under the contract. Insurance service results (including presentation of insurance revenue) are presented separately from insurance finance income or expenses. It also requires an entity to make an accounting policy choice of whether to recognise all insurance finance income or expenses in profit or loss or to recognise some of that income or expenses in other comprehensive income. The Chrysaor Group does not expect any existing contracts to be impacted by the new standard however, this will be assessed closer to adoption of 1 January 2023.

Amendments to IAS 1, 'Presentation of financial statements' – classification of liabilities as current or non-current

On 23 January 2020, the IASB issued a narrow-scope amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The Chrysaor Group will

consider if its liabilities are either current or non-current when the standard is effective from 1 January 2023.

IBOR reform and the effects on financial reporting

The International Accounting Standards Board (Board) issued Interest Rate Benchmark Reform—Phase 2, which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases. The Board identified two groups of accounting issues that could have financial reporting implications. In 2019, the Board issued its initial amendments in Phase 1 of the project, applicable to 2020 reporting, it covers reporting in the period before the replacement of an existing interest rate benchmark with an alternative RFR (Risk Free Rate). This addressed hedge accounting requirements: the highly probable requirement; prospective assessments; and separately identifiable risk components. The Chrysaor Group has assessed the requirements of Phase 1 which apply for the first time in 2020, none of which impact the financial statements of the Chrysaor Group because there is no material hedge accounting of interest rate exposures. Phase 2 addresses financial reporting when an existing interest rate benchmark is replaced with an alternative RFR, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues). The Chrysaor Group has not early adopted Phase 2 requirements.

Critical accounting judgements and estimates

The preparation of the Chrysaor Group's financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions at the date of the financial statements. Estimates and assumptions are continuously evaluated and are based on management experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods. In particular, the Chrysaor Group has identified the following areas where significant judgement, estimates and assumptions are required.

Judgements

- *Exploration and evaluation expenditure*

As at 31 December 2020, the Chrysaor Group held a balance of US$391.3 million (2019: US$425.3 million) relating to expenditure on unproved hydrocarbon resources within other intangible assets which represent active exploration and evaluation activities. The application of the Chrysaor Group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of commercial reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on how the resources are classified. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in the income statement in the period when the new information becomes available.

Key sources of estimation uncertainty

- *Goodwill*

The Chrysaor Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised in the income statement.

The recoverable amount of goodwill is based on estimates and assumptions, regarding in particular the expected market outlook (including future commodity prices) used for the measurement of cash flows, estimates of the volume of commercially recoverable reserves and resources of oil and gas future production rates and costs to develop reserves and resources, and the determination of the discount rate. Any changes in these assumptions may have a material impact on the measurement

of the recoverable amount and could result in adjustments to any impairment losses to be recognised.

See note 10 for further information.

Impairment losses relating to goodwill cannot be reversed in future periods.

- *Recoverability of oil and gas assets*

For impairment review purposes, the Chrysaor Group's oil and gas assets are analysed into cash-generating units as identified in accordance with IAS36. A review is carried out at each reporting date for any indicators that the carrying value of the Chrysaor Group's assets may be impaired. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal and value-in-use, then compared to the carrying value of the asset or CGU. The assessments of fair value less cost of disposal, generally referenced by the present value of the future net cash flows expected to be derived from production of commercial reserves, requires the use of estimates and assumptions on uncontrollable parameters such as long-term oil prices (considering current and historical prices, price trends and related factors), foreign exchange rates and discount rates.

The Chrysaor Group's estimate of the recoverable value of its assets is sensitive to commodity prices and discount rates. A change in the long-term price assumptions of 10 per cent., an increase in the long-term foreign exchange rate of 4 per cent. and a 1 per cent. change in the post-tax discount rate are considered to be reasonably possible for the purposes of sensitivity analysis, the result of which can be found in notes 10 and 12.

- *Decommissioning costs*

Decommissioning costs will be incurred by the Chrysaor Group at the end of the operating life of most of the Chrysaor Group's facilities and properties. The Chrysaor Group assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including the expected timing, extent and amount of expenditure. On the basis that all other assumptions in the calculation remain the same a 10 per cent. increase in the cost estimates, and a 10 per cent. decrease in the discount rates used to assess the final decommissioning obligation, would result in increases to the decommissioning provision of approximately US$458 million and US$118 million respectively. This change would be principally offset by a change to the value of the associated asset unless the asset is fully depreciated, in which case the change in estimate is recognised directly within the income statement.

- *Climate change*

The Chrysaor Group recognises that there may be potential financial implications in the future from climate change risk. The Chrysaor Group expects that climate change policies, legislation and regulation will increase, and likely on accelerating timelines in order to meet the Government targets which, although will result in intended benefits, is likely to increase associated costs and administration requirements as well as potentially limiting the investment capital available to the industry. These in due course may well have an impact across a number of areas of accounting including impairment, fair values, increased costs, onerous contracts and contingent liabilities. However as at the balance sheet date the Chrysaor Group believes there is no material impact on balance sheet carrying values of assets or liabilities. Although this is an estimate, it is not considered a critical estimate, as management's view is that at the end of the current reporting period there is no significant risk of climate change resulting in a material adjustment to the carrying amounts of assets and liabilities, within the next financial year.

3. Segment information

The chief operating decision maker, who is responsible for allocating resources and assessing performance of the Chrysaor Group's business segments, has been identified as the Chief Executive Officer.

The Chrysaor Group's activities consist of one class of business being the acquisition, exploration, development and production of oil and gas reserves and related activities, and are split geographically and managed in two regions, namely the UK North Sea and the Norwegian North

Sea. The Norwegian business unit currently does not generate revenue or have any material operating income, and as such all revenues are attributable to the UK.

Information on major customers can be found in note 4.

Income statement

	2020 *$000*	*2019* *$000*
UK	(681,003)	772,820
Norway	(6,366)	(10,303)
Group Operating (Loss)/Profit	(687,369)	762,517
Finance income	7,463	31,611
Finance expenses	(297,841)	(338,570)
(Loss)/profit before taxation	(977,747)	455,558
Income tax credit/(expense)	199,308	(236,711)
(Loss)/profit for the financial year	(778,439)	218,847

Balance sheet

	2020 *$000*	*2019* *$000*
Segment assets		
UK	9,433,252	11,296,039
Norway	49,292	32,555
Total assets	9,482,544	11,328,594

	2020 *$000*	*2019* *$000*
Segment liabilities		
UK	(8,379,988)	(9,404,440)
Norway	(35,260)	(15,202)
Total liabilities	(8,415,248)	(9,419,642)

Other information

	2020 *$000*	*2019* *$000*
Capital expenditure		
UK	539,236	545,953
Norway	17,001	5,670
Total capital expenditure	556,237	551,623

	$000	$000
Depreciation, depletion and amortisation		
UK	1,221,573	916,603
Norway	530	412
Total depreciation, depletion and amortisation	1,222,103	917,015

	2020 *$000*	*2019* *$000*
Exploration and evaluation expenses		
UK	7,770	5,052
Norway	5,403	9,981
Total exploration and evaluation expenses	13,173	15,033

All exploration costs written-off of US$160.8 million (2019: US$0.2 million) relate to the UK business unit and primarily relate to acquisition expenditure relating to acreage which is considered less prospective.

4. Revenue and other income

	2020 *$000*	*2019* *$000*
Crude oil sales	1,430,093	1,568,166
Gas sales	805,239	625,489
Condensate sales	138,360	145,501
Hydrocarbon revenue	2,373,692	2,339,156
Tariff income	24,160	13,972
Other revenue	16,087	4,661
Total revenue from production activities	2,413,939	2,357,789
Other income – IFRS16 lease accounting-partner recovery	23,911	8,995
Total revenue and other income	2,437,850	2,366,784

Revenue of US$1,624.6 million (2019: US$2,195.7 million) were from contracts with customers. This excludes realised hedging gains on crude and gas sales in the year of US$789.0 million (2019: US$162.2 million) and realised hedging gains of US$0.3 million on carbon emissions swaps (2019: nil).

Approximately 95 per cent. (2019: 97 per cent.) of the revenues were attributable to energy trading companies of the Shell group.

The revenues for 2019 reflect the three months of oil and gas production from the ConocoPhillips UK business following the acquisition described in note 15.

5. Operating profit

This is stated after charging/(crediting):

	2020 *$000*	*2019* *$000*
Movement in over/under-lift balances and hydrocarbon inventories	(119,872)	26,249
Production, insurance and transportation costs	754,204	586,224
Depreciation of oil and gas assets (note 12)	1,168,938	889,226
Depreciation of non-oil and gas assets (note 12)	5,659	4,905
Amortisation of non-oil and gas intangible assets (note 11)	17,196	9,275
Depreciation of right of use oil and gas assets (note 13)	50,583	16,963
Depreciation of right of use non-oil and gas assets (note 13)	6,177	3,244
Amortisation of capacity rights (note 11)	1,749	2,097
Capitalisation of IFRS16 lease depreciation on oil and gas assets (note 13)	(28,199)	(8,695)
Impairment of property, plant and equipment (note 12)	643,977	—
Impairment of goodwill (note 10)	411,435	—
Onerous contract provision (note 21)	18,475	—
Share based payments expense	11,800	10,905
Exploration and evaluation expenditure	13,173	15,033
Exploration costs written-off (note 11)	160,806	222
Remeasurement of royalty valuation	1,300	(2,400)
Remeasurement of commodity price contingent consideration	—	7,199
Remeasurement of exploration contingent consideration	—	(7,773)
Remeasurement of acquisition completion adjustments	426	—
Remeasurement – gain on termination of lease (note 13)	(515)	—
Auditors' remuneration – audit of the financial statements	1,159	1,357
– other fees to auditors – taxation services	233	400
– other fees to auditors – transaction services	380	—

6. Staff costs

	2020 *$000*	*2019* *$000*
Wages and salaries	146,393	82,479
Social security costs	21,498	12,408
Pension costs	18,650	11,173
Other staff costs including benefits	32,975	20,031
	219,516	126,091

	2020 No.	*2019* No.
Offshore based	373	206
Office and administration	676	357
	1,049	563

Staff costs above are recharged to joint venture partners or are capitalised to the extent that they are directly attributable to capital or decommissioning projects. The above costs include share-based payments to key management as disclosed in note 5.

Employment contracts are held by three subsidiaries of the Chrysaor Group, Chrysaor E&P Services Limited, Chrysaor Norge AS and from 1 October 2019, Chrysaor Production (U.K.) Limited.

All employees were engaged in the acquisition, exploration, development and production of oil and gas reserves.

The Chrysaor Group operates a defined contribution pension plan and the amounts charged to the income statement represent the contributions payable in the year.

7. Finance income and finance expenses

	2020 *$000*	*2019* *$000*
Finance income:		
Bank interest receivable	2,797	9,345
Other interest	4,666	22,266
	7,463	31,611
Finance expenses:		
Interest payable on Reserves Based Loan and junior facilities	98,464	83,955
Interest payable on loan notes	25,385	69,767
Other interest	6,551	3,072
Lease interest	7,240	2,541
Foreign exchange losses	36,148	82,171
Bank and financing fees	36,137	39,272
Unwinding of discount on deferred consideration	93	80
Unwinding of discount on contingent consideration	—	83
Unwinding of discount on decommissioning and other provisions	87,823	57,629
	297,841	338,570

Bank and financing fees include an amount of US$17.0 million (2019: US$15.6 million) relating to the amortisation of transaction costs capitalised against the Chrysaor Group's long-term borrowings (note 22).

Net other interest includes a US$4.9 million charge (2019: US$19.7 million credit) which represents interest under a financing arrangement (note 22) and US$0.7 million realised losses (2019: nil) on interest rate swaps.

Foreign exchange losses of US$36.1 million (2019: US$82.2 million) are net of US$3.9 million realised gains (2019: nil) on forward foreign exchange contracts.

8. Directors' remuneration

	2020 *$000*	*2019* *$000*
Directors' remuneration	2,172	1,952
Payments made in lieu of pension contributions	213	171
Pension costs	11	20
	2,396	2,143

Included above are the emoluments of the two Executive Directors of the Chrysaor Group. The payments made in lieu of pension contributions were made at the same rate as pension contributions made to employees. The other Directors who served during the year received no emoluments from Chrysaor Group companies in respect of their services.

The directors did not receive any other remuneration.

The above amounts for remuneration include the following in respect of the highest paid director:

	2020 *$000*	*2019* *$000*
Directors' remuneration	1,259	1,114
Payments made in lieu of pension contributions	129	101
Pension costs	6	10
	1,394	1,225

9. Income tax

The major components of income tax (credit)/expense for the years ended 31 December 2020 and 2019 are:

	2020 *$000*	*2019* *$000*
Current income tax expense:		
UK corporation tax	355,708	105,076
Overseas tax	(18,184)	(11,779)
Adjustments in respect of prior years	(1,938)	1,521
Total current income tax expense	335,586	94,818
Deferred tax (credit)/expense:		
UK corporation tax	(545,624)	155,234
Overseas tax	12,987	2,170
Adjustments in respect of prior years	(2,257)	(15,511)
Total deferred tax (credit)/expense	(534,894)	141,893
Tax (credit)/expense in the income statement	(199,308)	236,711
The tax (credit)/expense in the income statement is disclosed as follows:		
Income tax (credit)/expense on continuing operations	(199,308)	236,711
	(199,308)	236,711

A reconciliation between total tax (credit)/expense and the accounting profit multiplied by the standard rate of corporation tax and supplementary charge applying to UK oil and gas production operations for the years ended 31 December 2020 and 2019 is as follows:

	2020 *$000*	*2019* *$000*
(Loss)/profit before taxation	*(977,747)*	*455,558*
Group (loss)/profit before taxation at 40.0% weighted average (2019: 40.0%)	(391,099)	182,224
Effects of:		
Expenses not deductible for tax purposes	176,558	13,143
Interest not deductible for supplementary charge	7,576	9,544
Adjustments in respect of prior years	(4,195)	(13,990)
Movement in unrecognised deferred tax assets	17,346	29,231
Income not taxable	(5,675)	—
Impact of losses relieved at different rates	20,710	43,514
Investment allowance	(20,529)	(27,150)
Currency translation adjustment	—	195
Total tax (credit)/ expense reported in the consolidated income statement	(199,308)	236,711

The origination of and reversal of temporary differences are, as shown in the next table, related primarily to movements in the carrying amounts and tax base values of expenditure and the timing of when these items are charged and/or credited against accounting and taxable profit.

Deferred tax

Deferred tax is presented net on the Chrysaor Group balance sheet as follows:

	Accelerated Capital Allowances $000	*Abandonment $000*	*Losses $000*	*Fair value on derivatives $000*	*Other $000*	*Total $000*
As at 1 January 2019	(1,492,476)	587,264	257,611	(150,420)	29,275	(768,746)
Deferred tax (expense)	138,882	11,848	(255,651)	—	(36,972)	(141,893)
Comprehensive income/(loss)	(20,061)	15,647	—	21,625	5,044	22,255
Acquisition accounting	(1,790,753)	974,065	—	—	55,782	(760,906)
As at 31 December 2019	(3,164,408)	1,588,824	1,960	(128,795)	53,129	(1,649,290)
Deferred tax credit	519,060	25,830	125	—	(10,121)	534,894
Comprehensive income	—	—	—	71,302	—	71,302
Foreign exchange	(24,322)	26,039	194	414	1,274	3,599
Acquisition accounting	—	—	—	—	8,114	8,114
As at 31 December 2020	(2,669,670)	1,640,693	2,279	(57,079)	52,396	(1,031,381)

The Norwegian related tax losses are not expected to be recovered within the next twelve months. Companies operating on the Norwegian Continental Shelf under the offshore tax regime can claim the tax value of any unused tax losses or other tax credits related to its offshore activities to be paid in cash (including interest) from the tax authorities when operations cease. Deferred tax assets that are based on offshore tax losses carried forward are therefore normally recognised in full. There is no time limit on the right to carry tax losses forward in Norway.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the tax assets can be utilised, under relevant tax law.

The Chrysaor Group has tax losses, mainly from non-ring fence activities, of US$192.5 million (2019: US$132.4 million), a portion of which may potentially be available for offset against future taxable profits. An associated deferred tax asset of US$37.3 million (2019: US$27.7 million) has not

been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Chrysaor Group due to uncertainty of recovery. The Chrysaor Group has recognised a deferred tax asset of US$2.3 million (2019: US$2.0 million) in relation to tax losses only to the extent of anticipated future taxable profits.

The Chrysaor Group has not recognised a deferred tax asset of US$6.3m (2019: US$2.8m) in relation to accelerated capital allowances on the basis that these deferred tax assets will not be recoverable in the foreseeable future.

Changes in tax rate

Legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax for non-ring fence profits from 19 per cent. to 25 per cent. from 1 April 2023. This is not expected to have a material impact on the Chrysaor Group.

10. Goodwill

Cost and Net Book Value:	*2020* *$000*	*2019* *$000*
At 1 January	1,404,334	493,084
Additions (note 15)	—	908,359
Impairment charge	(411,435)	—
Finalisation of 2019 business combination (note 15)	(5,302)	—
Currency translation adjustment	2,456	2,891
At 31 December 2020	990,053	1,404,334

Goodwill represents the difference between the aggregate of the fair value of purchase consideration transferred at the acquisition date and the fair value of the identifiable assets.

The goodwill balance arose on the acquisition of the ConocoPhillips UK business which completed on 30 September 2019, the acquisition of UK North Sea assets from Shell which completed on 1 November 2017, and on the acquisition of additional equity in the Armada, Maria and Seymour fields from Spirit Energy, which completed on 1 June 2018.

Goodwill acquired through business combinations has been allocated to a single cash generating unit the UK Continental Shelf and this is therefore the lowest level at which goodwill is reviewed.

Impairment testing of goodwill

In accordance with 'IAS 36: Impairment of Assets', goodwill has been reviewed for impairment at the year-end. In assessing whether goodwill has been impaired, the carrying amount of the CGU for goodwill is compared with its recoverable amount.

The Chrysaor Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. At the year-end, the Chrysaor Group tested for impairment in accordance with accounting policy and following changes to the Chrysaor Group's long-term commodity price assumptions for impairment purposes linked to the deterioration in the macroeconomic environment for the oil and gas industry, a goodwill impairment of US$411.4 million was recognised.

Determining recoverable amount

The recoverable amounts of the CGU and fields have been determined on a fair value less costs to sell basis. The key assumptions used in determining the fair value are often subjective, such as the future long-term oil price assumption, or the operational performance of the assets. Discounted cash flow models comprising asset-by-asset life of field projections using Level 3 inputs (based on IFRS 13 fair value hierarchy) have been used to determine the recoverable amounts. The cash flows have been modelled on a post-tax and post-decommissioning basis at the Chrysaor Group's post-tax discount rate of 6 per cent. (2019: 6 per cent.). Risks specific to assets within the CGU are reflected within the cash flow forecasts.

Key assumptions used in calculations

Assumptions involved in impairment measurement include estimates of commercial reserves and production volumes, future oil and gas prices, discount rates and the level and timing of expenditures, all of which are inherently uncertain.

Management's commodity price curve assumptions are benchmarked against a range of external forward price curves on a regular basis. The first three years reflect the market forward prices curves transitioning to a flat long-term price from 2023. The long-term commodity prices used were US$60 per barrel for crude and 40p per therm for gas.

Production volumes are based on life of field production profiles for each asset within the CGU. Proven and probable reserves are estimates of the amount of oil and gas that can be economically extracted from the Chrysaor Group's oil and gas assets. The Chrysaor Group estimates its reserves using standard recognised evaluation techniques and is assessed at least annually by management and by an independent consultant. Proven and probable reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices.

Operating expenditure, capital expenditure and decommissioning costs are derived from the Chrysaor Group's Business Plan.

The discount rate reflects management's estimate of the Chrysaor Group's Weighted Average Cost of Capital ("**WACC**"), considering both debt and equity. The cost of equity is derived from an expected return on investment by the Chrysaor Group's investors, and the cost of debt is based on its interest-bearing borrowings. Segment risk is incorporated by applying a beta factor based on publicly available market data. The discount rate is based on an assessment of a relevant peer group's post-tax WACC.

Foreign exchange rates are based on management's long-term rate assumptions, with reference to a range of underlying economic indicators.

Sensitivity to changes in assumptions used in calculations

The Chrysaor Group has run sensitivities on its long-term commodity price assumptions, which have been based on long range forecasts from external financial analysts, using alternate long-term price assumptions, foreign exchange rates and discount rates. These are considered to be reasonably possible changes for the purposes of sensitivity analysis. Sensitivity analysis indicates that a 10 per cent. reduction in the long-term oil and gas price deck applied in the impairment test would result in a further impairment to goodwill of US$324.0 million, and a 10 per cent. increase in the long-term oil and gas price deck applied in the impairment test would result in a reduction to the goodwill impairment of US$355.6 million. A 1 per cent. increase in the discount rate would result in a further impairment to goodwill of US$100.4 million, and a 4 per cent. increase in the long-term foreign exchange rate assumption would result in a further impairment to goodwill of US$44.3 million.

11. Other intangible assets

Cost:	*Oil and gas assets $000*	*Non-oil and gas assets $000*	*Capacity rights $000*	*Total $000*
At 1 January 2019	52,543	20,812	9,634	82,989
Additions	81,792	12,773	—	94,565
Additions from business combinations and joint arrangements (note 15)	325,880	4,912	—	330,792
Transfers to property, plant & equipment	(39,002)	—	—	(39,002)
Unsuccessful exploration written-off	(222)	—	—	(222)
Currency translation adjustment	4,262	1,476	374	6,112
At 31 December 2019	425,253	39,973	10,008	475,234
Additions	90,069	50,217	—	140,286
Reduction in decommissioning asset (note 21)	(2,996)	—	—	(2,996)
Disposals	(75)	—	—	(75)
Transfers from property, plant & equipment	32,600	—	—	32,600
Unsuccessful exploration written-off	(160,806)	—	—	(160,806)
Currency translation adjustment	7,232	4,687	318	12,237
At 31 December 2020	391,277	94,877	10,326	496,480
Accumulated amortisation:				
At 1 January 2019	—	6,210	3,248	9,458
Charge for the year	—	9,275	2,097	11,372
Currency translation adjustment	—	592	208	800
At 31 December 2019	—	16,077	5,553	21,630
Charge for the year	—	17,196	1,749	18,945
Currency translation adjustment	—	1,559	283	1,842
At 31 December 2020	—	34,832	7,585	42,417
Net book value:				
At 31 December 2020	391,277	60,045	2,741	454,063
At 31 December 2019	425,253	23,896	4,455	453,604

Exploration costs written-off relates to costs associated with licence relinquishments and uncommercial well evaluations.

Non-oil and gas assets relate primarily to group IT software. In addition, there is expenditure on the Acorn project, a project focussed on carbon dioxide (CO_2) capture and storage which is planned to use existing technology to this new area of application that may help accelerate decarbonisation. Acorn project costs are held within intangible assets until an assessment of its economic commerciality is determined.

The capacity rights represent National Transmission System ("**NTS**") entry capacity at Bacton and Teesside acquired as part of the business combination completed in 2017. These rights have a remaining useful life of two years and are amortised on a contractual volume basis.

12. Property, plant and equipment

	Oil and gas assets $000	*Fixtures and fittings & office equipment $000*	*Total $000*
Cost:			
At 1 January 2019	4,437,097	12,717	4,449,814
Additions	452,059	4,999	457,058
Additions from business combinations and joint arrangements (note 15)	4,248,567	2,606	4,251,173
Increase in decommissioning asset	24,062	—	24,062
Transfer from intangible assets	39,002	—	39,002
Currency translation adjustment	57,532	832	58,364
At 31 December 2019 restated	9,258,319	21,154	9,279,473
Additions	414,886	1,065	415,951
Transfers to intangible assets	(32,600)	—	(32,600)
Increase in decommissioning asset (note 21)	257,587	—	257,587
Currency translation adjustment	97,784	652	98,436
At 31 December 2020	9,995,976	22,871	10,018,847
Accumulated depreciation:			
At 1 January 2019	716,042	4,549	720,591
Charge for the year	889,226	4,905	894,131
Currency translation adjustment	7,873	348	8,221
At 31 December 2019 restated	1,613,141	9,802	1,622,943
Charge for the year	1,168,938	5,659	1,174,597
Impairment charge	643,977	—	643,977
Currency translation adjustment	54,237	664	54,901
At 31 December 2020	3,480,293	16,125	3,496,418
Net book value:			
At 31 December 2020	6,515,683	6,746	6,522,429
At 31 December 2019	7,645,178	11,352	7,656,530

During the year, the Chrysaor Group recognised a net pre-tax impairment charge of US$644.0 million (post-tax US$386.4 million) within the income statement. This represents a write-down of property, plant and equipment assets of US$712.1 million offset by a pre-tax impairment credit of US$68.1 million in respect of reductions to decommissioning estimates on the Chrysaor Group's non-producing assets with no remaining net book value (see note 21).

This arises primarily due to the reduction in the Chrysaor Group's commodity price assumptions for impairment purposes to US$60 per barrel for crude oil and 40p per therm for natural gas rather than a fundamental change in the nature of the producing assets. These assumptions show a reduction compared to the US$65 per barrel for crude oil and 50p per therm used for the purchase price accounting for the acquisition of the ConocoPhillips business. Impairments on property, plant and equipment are reversible in the future.

In addition, the Chrysaor Group recorded a goodwill impairment charge of US$411.4 million in the period (2019: US$nil). This was also attributable to changes in the Chrysaor Group's assessment of long-term commodity prices and are not reversible in the future.

While the strong hedge programme has protected the balance sheet position and revenue performance, the programme cannot be taken into account for impairment purposes.

Key assumptions used in calculations

Assumptions involved in impairment measurement include estimates of commercial reserves and production volumes, future oil and gas prices, discount rates and the level and timing of expenditures, all of which are inherently uncertain.

The Chrysaor Group uses the fair value less cost of disposal method ("**FVLCD**") to calculate the recoverable amount of the CGU consistent with a level 3 fair value measurement. In determining FVLCD, appropriate discounted-cash-flow valuation models were used, incorporating market-based assumptions. Management's commodity price curve assumptions are benchmarked against a range of external forward price curves on a regular basis. Individual field price differentials are then applied. The first three years reflect the market forward prices curves transitioning to a flat long-term price from 2023. The long-term commodity prices used were US$60 per barrel for crude and 40p per therm for gas.

Production volumes are based on life of field production profiles for each asset within the CGU. Proven and probable reserves are estimates of the amount of oil and gas that can be economically extracted from the Chrysaor Group's oil and gas assets. The Chrysaor Group estimates its reserves using standard recognised evaluation techniques and is assessed at least annually by management and by an independent consultant. Proven and probable reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices.

Operating expenditure, capital expenditure and decommissioning costs are derived from the Chrysaor Group's Business Plan. The discount rate reflects management's estimate of the Chrysaor Group's WACC, see note 10 for further details. Foreign exchange rates are based on management's long-term rate assumptions, with reference to a range of underlying economic indicators.

A reduction or increase in the long-term oil and gas prices of 10 per cent. are considered to be reasonably possible changes for the purpose of sensitivity analysis. Decreases to the long-term oil and gas prices specified above would result in a further post-tax impairment of US$344.5 million. A 10 per cent. increase in the long-term oil and gas price deck would reduce the post-tax impairment charge by US$204.6 million. Considering the discount rates, the Chrysaor Group believes a 1 per cent. increase in the post-tax rate is considered to be a reasonable possibility for the purpose of sensitivity analysis.

A 1 per cent. increase in the post-tax rate would lead to a further post-tax impairment of $9.9 million, and an increase in the long-term foreign exchange rate assumption of 4 per cent., which the Chrysaor Group believes to be a reasonable possibility, would result in a further impairment of $100.8 million. The impairment was calculated as detailed above.

An increase in the decommissioning assets of US$257.6 million (2019: US$24.1 million) was made during the year as a result of both new obligations and an update to the decommissioning estimates (note 21).

Further information on additions from business combinations and joint arrangements can be found in note 15.

Included within property, plant and equipment additions of US$416.0 million (2019: US$457.1 million) are associated cash flows of US$457.6 million (2019: $439.7 million) and non-cash flow movements of US$41.6 million (2019: (US$17.4 million)), represented by a US$58.2 million movement in capital accruals (2019: (US$17.5 million)) less US$16.6 million of capitalised leased depreciation (2019: US$3.9 million).

13. Leases – right of use assets

(i) This note provides information for leases where the Chrysaor Group is a lessee.

Right of use assets

	2020 *$000*	*2019* *$000*
Land and buildings	54,917	58,092
Drilling rigs	75,631	159,945
Equipment	1,658	3,186
	132,206	221,223

Lease liabilities

	2020 *$000*	*2019* *$000*
Current	60,120	79,525
Non-Current	80,820	145,403
	140,940	224,928

There were no additions to the right-of-use assets during the year (2019: US$226.4 million, including US$207.0 million from business combinations, see note 15). During the year, a lease contract in relation to a drilling rig, and equipment to support the rig, was terminated, resulting in a remeasurement gain of US$0.5 million (2019: nil).

(ii) The consolidated income statement includes the following amounts relating to leases:

Depreciation charge of right of use assets

	2020 *$000*	*2019* *$000*
Land and buildings	7,197	3,244
Drilling rigs	48,276	16,585
Equipment	1,287	378
	56,760	20,207
Capitalisation of IFRS16 lease depreciation		
Land and buildings	—	—
Drilling rigs	(27,369)	(8,580)
Equipment	(830)	(115)
Depreciation charge included within Consolidated Income Statement	28,561	11,512

Of the US$28.2 million (2019: US$8.7 million) capitalised IFRS16 lease depreciation, US$16.6 million (2019: US$3.9 million) has been capitalised within property, plant and equipment and US$11.6 million (2019: US$4.8 million) within provisions (note 21).

	2020 *$000*	*2019* *$000*
Lease interest (included in finance expenses – note 7)	7,240	2,541

The total cash outflow for leases in 2020 was US$60.5 million (2019: US$20.6 million).

14. Investments and amounts due from subsidiary undertakings

At 31 December 2020, the subsidiary undertakings of Chrysaor which were all wholly owned were:

Name of Company	*Country of incorporation*	*Main activity*
Chrysaor E&P Limited	UK	Holding company
Chrysaor Production Holdings Limited (i)	UK	Holding company
Chrysaor Resources (UK) Holdings Limited (i)	UK	Holding company
Chrysaor E&P Finance Limited (i)	UK	Financing company
Chrysaor E&P Services Limited (i)	UK	Service company
Chrysaor North Sea Limited (i)	UK	Oil and gas
Chrysaor Limited (i)	UK	Oil and gas
Chrysaor CNS Limited (i)	UK	Oil and gas
Chrysaor Norge AS (i)	Norway	Oil and gas
Chrysaor Resources (Irish Sea) Limited (ii)	UK	Oil and gas
Chrysaor Marketing Limited (i)	UK	Oil and gas
Chrysaor Production Limited (iii)	UK	Holding company
Chrysaor Production (U.K.) Limited (v)	UK	Oil and gas
Chrysaor Petroleum Company U.K. Limited (iii)	UK	Oil and gas
Chrysaor (U.K.) Theta Limited (vii)	UK	Oil and gas
Chrysaor (U.K.) Alpha Limited (vi)	UK	Oil and gas
Chrysaor (U.K.) Beta Limited (xi)	UK	Oil and gas
Chrysaor Developments Limited (vi)	UK	Oil and gas
Chrysaor Petroleum Limited (vi)	UK	Oil and gas
Chrysaor (U.K.) Sigma Limited (viii)	UK	Oil and gas
Harbour Energy Developments Limited (formerly Chrysaor (Glen) Limited (vi)	UK	Dormant company
Chrysaor (U.K.) Zeta Limited (vi)	UK	Non-trading holding company
Chrysaor (U.K.) Eta Limited (x)	UK	Non-trading
Chrysaor (U.K.) Delta Limited (vi)	UK	Non-trading holding company
Harbour Energy Limited (formerly Chrysaor Supply & Trading Limited) (iii)	UK	Dormant company
Chrysaor Energy Limited (i)	UK	Non-trading
Chrysaor (U.K.) Lambda Limited (ix)	ROI	Dormant company
Chrysaor Investments Limited (vi)	UK	Dormant company
Harbour Energy Production Limited (formerly Chrysaor Production Oil (GB) Limited) (iv)	UK	Dormant company
Harbour Energy Services Limited (formerly Chrysaor Petroleum Chemicals U.K. Limited) (iv)	UK	Dormant company
Chrysaor (U.K.) Britannia Limited (vi)	UK	Dormant company

(i) Held by Chrysaor E&P Limited

(ii) Held by Chrysaor Resources (UK) Holdings Limited

(iii) Held by Chrysaor Production Holdings Limited

(iv) Held by Chrysaor Petroleum Company U.K. Limited

(v) Held by Chrysaor Production Limited

(vi) Held by Chrysaor Production (U.K.) Limited

(vii) Held by Chrysaor (U.K.) Sigma Limited

(viii) 98.04 per cent. held by Chrysaor Production (U.K.) Limited and 1.96 per cent. held by Chrysaor (U.K.) Delta Limited

(ix) 99.999 per cent. held by Chrysaor (U.K.) Theta Limited and 0.001 per cent. held by Chrysaor (U.K.) Eta Limited

(x) Held by Chrysaor (U.K.) Zeta Limited

(xi) Held by Chrysaor (U.K.) Alpha Limited

Chrysaor holds 100 per cent. of the share capital and voting rights in each of the companies above, unless otherwise stated.

All the subsidiaries are registered in England and Wales, with the exception of Chrysaor Norge AS, which is registered in Norway, and Chrysaor (U.K.) Lambda Limited, which is registered in the Republic of Ireland. The registered office of all subsidiaries noted above is Brettenham House, Lancaster Place, London, United Kingdom, WC2E 7EN, apart from Chrysaor Norge AS whose registered office is Haakon VII's gate 1, 4th Floor, 0161 Oslo, Norway, and Chrysaor (U.K.) Lambda Limited whose registered office is Riverside One, Sir John Rogerson's Quay, Dublin 2, Ireland.

15. Business combinations and acquisition of interests in joint arrangements

Business combinations during the year ended 31 December 2019

In April 2019, Chrysaor entered into an agreement to acquire the ConocoPhillips UK business for a headline consideration of US$2.675 billion.

The transaction completed on 30 September 2019 and adds two new operated hubs to Chrysaor's portfolio in the UK Central North Sea, Greater Britannia Area and J-Area, in addition to a non-operated interest in the Clair Field area. The fair values of the net identifiable assets acquired from the transaction are as follows:

	Total *$000*
Exploration, evaluation and other intangible assets	330,792
Property, plant and equipment – oil and gas assets	4,248,567
Property, plant and equipment – non-oil and gas assets	2,606
Property, plant and equipment – right of use assets	206,978
Total fixed assets	4,788,943
Inventories	54,203
Cash	247,034
Trade and other receivables	223,884
Trade and other payables	(324,753)
Deferred tax	(752,869)
Provision for decommissioning	(2,408,211)
IFRS16 lease liabilities	(206,978)
Fair value of identifiable net assets acquired	1,621,253
Cash consideration	2,424,747
Additional completion adjustments	99,563
Total consideration transferred	2,524,310
Goodwill Recognised	903,057
As reported at 31 December 2019	
Fair value of identifiable net assets acquired	1,613,139
Cash consideration transferred	2,430,049
Additional completion adjustments	91,449
Goodwill recognised at 31 December 2019	908,359
Movement in the year	
Fair value of identifiable net assets acquired (deferred tax)	8,114
Cash consideration	(5,302)
Additional completion adjustments	8,114
Adjusted Goodwill recognised at 31 December 2020	903,057

Business combinations during the year ended 31 December 2019

In November 2019, US$38.2 million of additional completion adjustments were paid to ConocoPhillips US, representing the first of four annual payments to be made during 2019 to 2022.

Acquisition related costs of US$7.6 million were incurred during 2019 and recognised as an expense within General and Administrative costs.

The cash consideration was funded from existing cash resources and additional RBL funding of US$1.68 billion from the upsized US$3 billion debt facility.

The adjusted goodwill of US$903.1 million, which has arisen principally due to the requirement to recognise deferred tax on the difference between the assigned fair values and the tax bases of assets and liabilities acquired in a business combination, has been recognised on the acquisition, representing the excess of the total consideration transferred over the fair value of the net assets acquired. The fair values for the oil and gas assets recognised as property, plant and equipment were determined by reference to commodity forward price curves for the first three years following the acquisition date and, for subsequent years, based on a market consensus. None of the goodwill is deductible for corporation tax.

From the date of acquisition, the business contributed US$264.6 million of revenue and US$88 million loss before tax from continuing operations of the Chrysaor Group. Had the acquisition been affected at 1 January 2019, the business would have contributed revenue of US$1.0 billion in the year to 31 December 2019, and US$32.4 million of a loss towards profit before taxation.

In April 2019, Chrysaor entered into an agreement to acquire the ConocoPhillips UK business for a headline consideration of US$2.675 billion. Taking into account the interim period cashflows since the effective date of 1 January 2018 and conventional working capital adjustments, the price payable at completion of the acquisition was US$2.521 billion. During 2020, the fair value of net asset acquired increased by US$8.1 million due to a revised deferred tax value at completion, with a corresponding increase to additional completion adjustments. Pursuant to a settlement agreement between Chrysaor and ConocoPhillips dated 31 December 2020, a reduction to cash consideration of US$5.3 million was received on 22 January 2021. Combined, these adjustments have resulted in a decrease to goodwill of US$5.3 million.

Chrysaor and ConocoPhillips are in dispute concerning certain adjustments to be made to the specified consideration of US$2.675 billion relating to Chrysaor's purchase of ConocoPhillips' UK oil and gas business in 2019. The dispute is due to be heard in the High Court of England and Wales in May 2021. If ConocoPhillips succeeds in the case, there will be no further payment to ConocoPhillips but, if Chrysaor succeeds in the case, it will be entitled to a refund in respect of overpaid consideration of approximately US$120 million.

16. Inventories

	2020 *$000*	*2019* *$000*
Hydrocarbons	34,112	35,170
Consumables and subsea supplies	126,416	111,711
	160,528	146,881

Hydrocarbon inventories are measured at net realisable value. Inventories of consumables and subsea supplies include a provision of US$8.9 million (2019: US$9.7 million) where it is considered that the net realisable value is lower than the original cost.

Inventories recognised as an expense during the year ended 31 December 2020 amounted to US$3.3 million (2019: US$8.1 million). These expenses are included within production costs.

17. Trade and other receivables

	2020 $000	2019 $000
Trade debtors	189,532	186,593
Under-lift position	93,077	34,358
Other debtors	98,736	177,072
Prepayments	60,976	60,417
Corporation tax receivable	19,031	15,678
	461,352	474,118

Trade debtors are non-interest bearing and are generally on 20 to 30 days' terms. As at 31 December 2020, there were no trade receivables that were past due (2019: US$nil).

Other debtors mainly relate to amounts due from joint venture partners.

The carrying value of the trade and other receivables are equal to their fair value as at the balance sheet date. No provision for doubtful debts has been recorded as at 31 December 2020 or 31 December 2019.

Non-current

	2020 $000	2019 $000
Other receivables	3,577	2,604
	3,577	2,604

18. Cash and cash equivalents

	2020 $000	2019 $000
Cash at bank and in hand	445,377	573,182

Cash at bank earns interest at floating rates based on daily bank deposit rates. The Chrysaor Group only deposits cash with major banks of high-quality credit standing.

19. Commitments

Capital commitments

As at 31 December 2020, the Chrysaor Group had commitments for future capital expenditure amounting to US$231.1 million (2019: US$420.5 million). Where the commitment relates to a joint arrangement, the amount represents the Chrysaor Group's net share of the commitment. Where the Chrysaor Group is not the operator of the joint arrangement then the amounts are based on the Chrysaor Group's net share of committed future work programmes.

20. Trade and other payables

Current

	2020 *$000*	*2019* *$000*
Trade payables	108,492	116,221
Overlift position	20,047	83,370
Other payables	105,698	40,970
Accruals	271,988	427,861
Deferred income	34,114	8,014
	540,339	676,436

Non-current

	2020 *$000*	*2019* *$000*
Other payables	29,825	52,375
	29,825	52,375

Other payables, within both current, US$46.0 million (2019: US$19.9 million) and non-current US$24.4 million (2019: US$39.7 million) 'trade and other payables', includes the present value of additional completion payments payable to ConocoPhillips Company as part of the acquisition of the ConocoPhillips UK business. The amounts are payable in 3 further instalments between 2021 and 2022.

21. Provisions

	Decom-missioning provision $000	*Other $000*	*Total $000*
At 1 January 2019	1,468,044	7,690	1,475,734
Additions from business combinations and joint arrangements (note 15)	2,408,211	—	2,408,211
Additions	28,389	—	28,389
Changes in estimates – decrease to decommissioning asset	(4,327)	—	(4,327)
Remeasurements	—	(7,773)	(7,773)
Amounts used	(46,816)	—	(46,816)
Interest on decommissioning lease	(1,076)	—	(1,076)
Depreciation, depletion & amortisation on decommissioning right-of-use leased asset	(4,821)	—	(4,821)
Unwinding of discount	57,629	83	57,712
Currency translation adjustment	44,587	—	44,587
At 31 December 2019	3,949,820	—	3,949,820
Additions	29,948	18,475	48,423
Changes in estimates – increase to oil and gas tangible decommissioning assets	227,639	—	227,639
Changes in estimates – decrease to oil and gas intangible decommissioning assets	(2,996)	—	(2,996)
Amounts used	(142,035)	(5,429)	(147,464)
Amounts recovered from prior owner	3,997	—	3,997
Interest on decommissioning lease	(1,414)	—	(1,414)
Depreciation, depletion & amortisation on decommissioning right-of-use leased asset	(11,608)	—	(11,608)
Unwinding of discount	87,823	—	87,823
Currency translation adjustment	55,898	817	56,715
At 31 December 2020	4,197,072	13,863	4,210,935

Classified within:

	Non-current liabilities $000	*Current Liabilities $000*	*Total $000*
At 31 December 2020	4,020,768	190,167	4,210,935
At 31 December 2019	3,766,739	183,081	3,949,820

The Chrysaor Group provides for the estimated future decommissioning costs on its oil and gas assets at the balance sheet date. The payment dates of expected decommissioning costs are uncertain and are based on economic assumptions of the fields concerned. The Chrysaor Group currently expects to incur decommissioning costs over the next 40 years, the majority of which are anticipated to be incurred between the next 15 to 25 years. Decommissioning provisions are discounted at a risk-free rate of between 1.2 per cent. and 1.9 per cent. (2019: 2.3 per cent. and 2.8 per cent.) and the unwinding of the discount is presented within finance costs.

These provisions have been created based on internal and third-party estimates. Assumptions based on the current economic environment have been made, which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly

to consider any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon market prices for the necessary decommissioning work required, which will reflect market conditions at the relevant time. In addition, the timing of decommissioning liabilities will depend upon the dates when the fields become economically unviable, which in itself will depend on future commodity prices, which are inherently uncertain.

Other provisions relate to a provision for an onerous contract in respect of the termination cost of the rig which had been operating on the Schiehallion field, but no future approved activities have resulted in the contract being terminated.

22. Borrowings and facilities

The Chrysaor Group's borrowings are carried at amortised cost and denominated in US Dollars.

	2020 *$000*	*2019* *$000*
Reserves based loan facility	1,448,550	2,067,339
Junior facility	396,422	395,613
10% Unsecured C loan notes 2027	—	34,355
10% Unsecured D loan notes 2027	264,751	282,151
Exploration finance facility	14,151	8,999
Other loans	37,541	34,228
	2,161,415	2,822,685
Classified within		
Non-current liabilities	2,160,312	2,205,322
Current liabilities	21,546	617,363
	2,181,858	2,822,685
Non-current assets (deferred fees)	(141)	—
Current assets (deferred fees)	(20,302)	—
	2,161,415	2,822,685

The deferred fees shown in current and non-current assets reflects the expected amortisation of fees within earlier periods where there is no expected repayment of principal.

Interest of US$2.8 million (2019: US$11.7 million) on the Reserve Based Loan ("**RBL**") and junior facilities had accrued by the balance sheet date and has been classified within accruals and deferred income.

Since the original RBL facility in 2017 to the present day, the Chrysaor Group has made various amendments to the terms of the RBL facility, these include:

- term extended to 31 December 2025
- facility size now at US$3 billion (with US$1 billion accordion option)
- debt availability currently at US$2.5 billion
- debt availability to be redetermined on an annual basis
- interest at USD LIBOR plus a margin of 3.25 per cent., rising to a margin of 3.5 per cent. from June 2023
- the incorporation of a margin adjustment linked to carbon-emission reductions
- the syndication group now stands at 18 banks.

Certain fees are also payable, including fees on available commitments at 40 per cent. of the applicable margin and commission on letters of credit issued at 50 per cent. of the applicable margin. The junior facility of US$400 million carries interest at six-month USD LIBOR plus a margin

of 5.25 per cent., rising to a margin of 5.5 per cent. from June 2023, and is repayable in semi-annual instalments between 30 June 2022 and 30 June 2026.

The extensions and amendments made to the senior and junior facilities were such that they were not deemed to be a replacement of the existing Chrysaor Group's borrowing facilities.

During 2019, Chrysaor entered into a NOK 750 million exploration finance facility with Skandinaviska Enskilda Banken in relation to part-financing the exploration activities of Chrysaor Norge AS. At the balance sheet date, the amount drawn down on the facility was NOK 124 million (2019: NOK 83 million).

Incremental transaction costs of US$53.6 million and US$8 million were incorporated into the initial carrying amount of the RBL and junior facilities respectively, when those facilities were completed in 2017, and a further US$45.1 million and US$18.4 million of transaction costs were capitalised when the terms of the RBL were amended in June 2019 and June 2020; these amounts are being amortised over the term of the relevant arrangement. During the year US$16.9 million (2019: US$15.5 million) of transaction costs in relation to the RBL and junior facilities, and US$0.1 million (2019: US$0.1 million) in relation to the exploration finance facility, have been amortised, and are included within financing costs. At the balance sheet date, the outstanding RBL and junior loan balances excluding incremental transaction costs were US$1,518 million and US$400 million respectively (2019: US$2,134 million and US$400 million). As at 31 December 2020, the junior facility remained fully drawn and US$1,013 million remained available for drawdown under the RBL facility.

The unsecured loan notes were issued in 2017 and are listed on The International Stock Exchange (formerly the Channel Islands Securities Exchange). They incur interest of 10 per cent. per annum which, at the election of Chrysaor, is capitalised and added to the principal amount each 31 December. The C loan notes and D loan notes rank junior to any senior bank debt. None of the loan notes carry voting rights.

In February 2020, a partial cash redemption of the C Loan Notes of US$4.9 million and D Loan Notes of US$42.0 million took place, and in November 2020 a full redemption of the remaining C Loan Notes took place, of US$30.2 million.

The Chrysaor Group has facilities to issue up to US$750 million of Letters of Credit, of which US$557 million was in issue as at 31 December (2019: US$599 million), mainly in respect of future abandonment liabilities.

Other loans represent a commercial financing arrangement with BHGE, covering a 3-year work programme for drilling, completion and subsea tie-in of development wells on Chrysaor's operated assets. As part of the deal, BHGE contribute to the costs of the work programme by funding a portion of the capital expenditure, in exchange for a greater exposure to returns, as well as risks, should certain targets and success criteria, both operational and geological, be met. Interest on this financing arrangement has been calculated using the effective interest method with reference to the expected cash flows, using an estimated reserve case.

The table below details the change in the carrying amount of the Chrysaor Group's borrowings arising from financing cash flows.

	$000
Total borrowings as at 1 January 2019	1,804,889
Repayment of senior debt	(200,000)
Proceeds from drawdown of borrowing facilities	1,834,000
Proceeds from financing arrangement	29,600
Proceeds from exploration financing facility	9,275
Conversion of E loan notes to equity	(675,264)
Transaction costs on senior debt paid and capitalised	(45,134)
Transaction costs on exploration financing facility paid and capitalised	(507)
Currency translation adjustments	174
Loan notes interest capitalised	69,767
Financing arrangement interest (receivable)	(19,696)
Amortisation of transaction costs	15,581
Total borrowings as at 31 December 2019	2,822,685
Repayment of senior debt	(774,000)
Repayment of financing arrangement	(1,634)
Repayment of exploration financing facility	(8,704)
Proceeds from drawdown of borrowing facilities	157,500
Proceeds from exploration financing facility	12,858
Loan notes redemption	(77,140)
Transaction costs on senior debt paid and capitalised	(18,385)
Currency translation adjustments	851
Loan notes interest capitalised	25,385
Financing arrangement interest payable	4,947
Amortisation of transaction costs	17,052
Total borrowings as at 31 December 2020	2,161,415

23. Other financial assets and liabilities

The Chrysaor Group held the following financial instruments at fair value at 31 December 2020. The fair values of all derivative financial instruments are based on estimates from observable inputs and are all level 2 in the IFRS 13 hierarchy, except for the royalty valuation and the Shell contingent consideration, which both include estimates based on unobservable inputs and are level 3 in the IFRS 13 hierarchy.

	31 December 2020		*31 December 2019*	
	Assets $000	*Liabilities $000*	*Assets $000*	*Liabilities $000*
Measured at fair value through profit and loss				
Royalty consideration	3,000	—	3,000	—
Commodity derivatives – contingent consideration	—	—	—	(12,495)
	3,000	—	3,000	(12,495)
Measure at fair value through other comprehensive income				
Commodity derivatives – cash flow hedges	191,606	(74,166)	190,888	(27,950)
Foreign exchange derivatives – cash flow hedges	12,565	—	—	—
Carbon swaps – cash flow hedges	15,417	—	—	—
	219,588	(74,166)	190,888	(27,950)
Total current	222,588	(74,166)	193,888	(40,445)
Measured at fair value through profit and loss				
Royalty consideration	6,720	—	9,100	—
Measured at fair value through other comprehensive income				
Commodity derivatives – cash flow hedges	72,792	(48,448)	193,130	(3,663)
Interest rate derivatives – cash flow hedges	—	(4,042)	—	—
Carbon swaps – cash flow hedges	10,859	—	—	—
	83,651	(52,490)	193,130	(3,663)
Total non-current	90,371	(52,490)	202,230	(3,663)
Total current and non-current	312,959	(126,656)	396,118	(44,108)

Fair value measurements

All financial instruments that are initially recognised and subsequently re-measured at fair value have been classified in accordance with the hierarchy described in IFRS 13 "Fair Value Measurement". The hierarchy groups fair value measurements into the following levels based on the degree to which the fair value is observable.

Level 1: fair value measurements are derived from unadjusted quoted prices for identical assets or liabilities.

Level 2: fair value measurements include inputs, other than quoted prices included within level 1, which are observable directly or indirectly.

Level 3: fair value measurements are derived from valuation techniques that include significant inputs not based on observable data.

	Financial assets		*Financial liabilities*	
As at 31 December 2020	*Level 2 $000*	*Level 3 $000*	*Level 2 $000*	*Level 3 $000*
Royalty valuation	—	9,720	—	—
Commodity derivatives – cash flow hedges	264,398	—	(122,614)	—
Foreign exchange derivatives – cash flow hedges	12,565	—	—	—
Carbon swaps – cash flow hedges	26,276	—	—	—
Interest rate derivatives – cash flow hedges	—	—	(4,042)	—
	303,239	9,720	(126,656)	—

	Financial assets		*Financial liabilities*	
As at 31 December 2019	*Level 2 $000*	*Level 3 $000*	*Level 2 $000*	*Level 3 $000*
Royalty valuation	—	12,100	—	—
Commodity derivatives – cash flow hedges	384,018	—	(31,613)	—
Commodity derivatives – contingent consideration	—	—	—	(12,495)
	384,018	12,100	(31,613)	(12,495)

There were no transfers between fair value levels in the year. The movements in the year associated with financial assets and liabilities measured in accordance with level 3 of the fair value hierarchy are shown below:

	Financial assets		*Financial liabilities*	
	2020 $000	*2019 $000*	*2020 $000*	*2019 $000*
Fair value as at 1 January	12,100	12,700	(12,495)	(39,354)
Additions	—	—	—	—
Settlements	(1,080)	(3,000)	12,495	34,058
Gains and losses recognised in the income statement	(1,300)	2,400	—	(7,199)
Currency translation adjustments	—	—	—	—
Fair value as at 31 December	9,720	12,100	—	(12,495)

Part of the consideration received on the sale of the Chrysaor Group's interest in a pre-production development in 2015 was a royalty interest, which is recognised on the balance sheet as a financial asset. At 31 December 2020, the Chrysaor Group valued the outstanding consideration receivable at US$9.7 million (2019: US$12.1 million) of which US$3.0 million (2019: US$3.0 million) is considered to be receivable within one year.

The agreement with the sellers of the UK North Sea assets purchased by the Chrysaor Group in 2017 includes contingent consideration dependent on future commodity prices over the four-year period ended 31 December 2021. These contingent payments and receipts represent a series of option contracts. The fair value of the contingent payments are presented as a financial liability and estimated using valuation techniques, the key inputs for which include future commodity prices and volatility.

Fair value movements recognised in the income statement on financial instruments are shown below.

	2020 $000	2019 $000
(Expense) included in the income statement		
Remeasurement of royalty valuation	(1,300)	2,400
Remeasurement of commodity price contingent consideration	—	(7,199)
	(1,300)	(4,799)

Fair values of other financial instruments

The following financial instruments are measured at amortised cost and are considered to have fair values different to their book values.

	2020		2019	
	Book value $000	Fair value $000	Book value $000	Fair value $000
Long-term borrowings – loan notes	(264,751)	(298,955)	(316,506)	(357,676)

The fair values of the loan notes are within level 2 of the fair value hierarchy and have been estimated by discounting all future cash flows by the relevant market yield curve at the balance sheet date adjusted for an appropriate credit margin. The fair values of other financial instruments not measured at fair value including cash and short-term deposits, trade receivables, trade payables and floating rate borrowings approximate their carrying amounts.

Cash flow hedge accounting

The Chrysaor Group uses a combination of fixed price physical sales contracts and cash-settled fixed price commodity swaps, and options to manage the price risk associated with its underlying oil and gas revenues. As at 31 December 2020, all of the Chrysaor Group's cash-settled fixed price commodity swap derivatives have been designated as cash flow hedges of highly probable forecast sales of oil and gas.

The following table indicates the volumes, average hedged price and timings associated with the Chrysaor Group's financial commodity derivatives. Volumes hedged through fixed price contracts with customers for physical delivery are excluded.

Position as at 31 December 2020	*2021*	*2022*	*2023*	*2024*	*2025*
Oil volume hedged (thousand bbls)	20,006	1,095	—	—	—
Weighted average hedged price ($/bbl)	57.51	60.07	—	—	—
Gas volume hedged (million therms)	1,235	1,392	1,136	433	90
Weighted average hedged price (p/therm)	44p	44p	41p	43p	45p

As at 31 December 2020, the fair value of net financial commodity derivatives designated as cash flow hedges was US$141.8 million (2019: US$352.4 million) and net unrealised pre-tax gains of US$113.0 million (2019: gains US$321.2 million) was deferred in other comprehensive income in respect of the effective portion of the hedge relationships. Amounts deferred in other comprehensive

income will be released to the income statement as the underlying hedged transactions occur. As at 31 December 2020, net deferred pre-tax gains of US$117.4 million (2019: gains US$162.9 million) are expected to be released to the income statement within one year.

24. Financial risk factors and risk management

The Chrysaor Group's principal financial assets and liabilities comprise trade and other receivables, cash and short-term deposits accounts, trade payables, interest bearing loans and derivative financial instruments. The main purpose of these financial instruments is to manage short-term cash flow and price exposures and raise finance for the Chrysaor Group's expenditure programme. Further information on the Chrysaor Group's financial instrument risk management objectives, policies and strategies are set out in the discussion of capital management policies in the Strategic Report.

Risk exposures and responses

The Chrysaor Group manages its exposure to key financial risks in accordance with its financial risk management policy. The objective of the policy is to support the delivery of the Chrysaor Group's financial targets while protecting future financial security. The main risks that could adversely affect the Chrysaor Group's financial assets, liabilities or future cash flows are; market risks comprising commodity price risk, interest rate risk and foreign currency risk, liquidity risk, and credit risk. Management reviews and agreed policies for managing each of these risks are summarised in this note.

The Chrysaor Group's senior management oversees the management of financial risks. The Chrysaor Group's senior management ensures that financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Chrysaor Group policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Chrysaor Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

Market risk

Market risk is 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. Financial instruments mainly affected by market risk include loans and borrowings, deposits and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 December 2020 and 2019.

The sensitivity analyses have been prepared on the basis that the number of financial instruments are all constant. The sensitivity analyses are intended to illustrate the sensitivity to changes in market variables on the composition of the Chrysaor Group's financial instruments at the balance sheet date and show the impact on profit or loss and shareholders' equity, where applicable.

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the relevant profit before tax item and/or equity is the effect of the assumed changes in respective market risks for the full year based on the financial assets and financial liabilities held at the balance sheet date
- The sensitivities indicate the effect of a reasonable increase in each market variable. Unless otherwise stated, the effect of a corresponding decrease in these variables is considered approximately equal and opposite
- Fair value changes from derivative instruments designated as cash flow hedges are considered fully effective and recorded in shareholders' equity, net of tax
- Fair value changes from derivatives and other financial instruments not designated as cash flow hedges are presented as a sensitivity to profit before tax only and not included in shareholders' equity

a. Commodity price risk

The Chrysaor Group is exposed to the risk of fluctuations in prevailing market commodity prices on the mix of oil and gas products. On a rolling basis, the Chrysaor Group's policy is to hedge the commodity price exposure associated with 50 to 70 per cent. of the next 12 months' production ('year 1'), between 40 and 60 per cent. of 'year 2' production, between 30 and 50 per cent. of 'year 3' production and up to 40 per cent. of 'year 4' production. The Chrysaor Group manages these risks through the use of fixed priced contracts with customers for physical delivery and derivative financial instruments including fixed priced swaps and options.

The following table summarises the impact on the Chrysaor Group's pre-tax profit and equity from a reasonably foreseeable movement in commodity prices on the fair value of commodity based derivative instruments held by the Chrysaor Group at the balance sheet date.

As at 31 December 2020	*Market movement*	*Effect on profit before tax $000*	*Effect on equity $000*
Brent oil price	USD10/bbl increase	—	(123,347)
Brent oil price	USD10/bbl decrease	—	123,347
NBP gas price	GBP 0.1/therm increase	—	(261,881)
NBP gas price	GBP 0.1/therm decrease	—	261,881

As at 31 December 2020	*Market movement*	*Effect on profit before tax $000*	*Effect on equity $000*
Brent oil price	USD10/bbl increase	—	(208,370)
Brent oil price	USD10/bbl decrease	—	208,370
NBP gas price	GBP 0.1/therm increase	—	(135,893)
NBP gas price	GBP 0.1/therm decrease	—	135,893)

b. Interest rate risk

Floating rate borrowings comprise loans under the RBL and junior facilities which incur interest fixed either one month, three months or six months in advance at USD LIBOR plus a margin of 3.25 to 5.25 per cent. Fixed rate borrowings comprise a series of shareholder loan notes which incur interest at 10 per cent. per annum. At the option of Chrysaor, interest on the shareholder loan notes can be capitalised into the principal amount and settled at maturity. Floating rate financial assets comprise cash and cash equivalents which earn interest at the relevant market rate. The Chrysaor Group monitors its exposure to fluctuations in interest rates and uses interest rate derivatives to manage the fixed and floating composition of its borrowings.

The below represents interest rate financial instruments in place at 31 December 2020:

Derivative	*Currency*	*Period of hedge*	*Terms*
Interest rate swaps	US$700 million	Jun 20 – Jun 25	Average 0.5561%

There were no interest rate financial instruments in place at 31 December 2019.

The interest rate and currency profile of the Chrysaor Group's interest-bearing financial assets and liabilities is shown below.

As at 31 December 2020	*Cash at bank $000*	*Fixed rate borrowings $000*	*Floating rate borrowings $000*	*Total $000*
US Dollars	414,629	(264,751)	(1,882,513)	(1,732,635)
Pound Sterling	27,232	—	—	27,232
Norwegian Krone	3,324	—	(14,151)	(10,827)
Other	192	—	—	192
	445,377	(264,751)	(1,896,664)	(1,716,038)

As at 31 December 2019	*Cash at bank $000*	*Fixed rate borrowings $000*	*Floating rate borrowings $000*	*Total $000*
US Dollars	510,109	(316,506)	(2,497,180)	(2,303,577)
Pound Sterling	53,694	—	—	53,694
Norwegian Krone	15	—	(8,999)	(8,984)
Other	9,364	—	—	9,364
	573,182	(316,506)	(2,506,179)	(2,249,503)

The following table illustrates the indicative pre-tax effect on profit and equity of applying a reasonably foreseeable increase in interest rates to the Chrysaor Group's financial assets and liabilities at the balance sheet date.

	Market movement	*Effect on profit before tax $000*	*Effect on equity $000*
2020			
US interest rates	+100 basis points	(15,029)	25,232
2019			
US interest rates	+100 basis points	(20,239)	—

c. *Foreign currency risk*

The Chrysaor Group is exposed to foreign currency risk primarily arising from exchange rate movements in US Dollar against Pounds Sterling. To mitigate exposure to movements in exchange rates, wherever possible financial assets and liabilities are held in currencies that match the functional currency of the relevant entity. The Chrysaor Group has subsidiaries with functional currencies of Pounds Sterling, US Dollar and Norwegian Krone. Exposures can also arise from sales or purchases denominated in currencies other than the functional currency of the relevant entity, such exposures are monitored and hedged with agreement from the Board.

The Chrysaor Group enters into forward contracts as a means of hedging its exposure to foreign exchange rate risks. As at 31 December 2020, the Chrysaor Group had £135.0 million hedged at forward rates of between US$1.2321 and US$1.2990: £1 for the period January 2021 to November 2021.

As at 31 December 2019, the Chrysaor Group had not entered into any exchange rate derivatives.

The following table demonstrates the sensitivity to a reasonably foreseeable change in US Dollar against Pounds Sterling with all other variables held constant, of the Chrysaor Group's profit before

tax (due to foreign exchange translation of monetary assets and liabilities). The impact of translating the net assets of foreign operations into US Dollars is excluded from the sensitivity analysis.

	Market movement	*Effect on profit before tax $000*	*Effect on equity $000*
2020			
US dollar/Sterling	10% strengthening	163,766	18,452
US dollar/Sterling	10% weakening	(163,766)	18,452
2019			
US dollar/Sterling	10% strengthening	133,595	—
US dollar/Sterling	10% weakening	(133,595)	—

d. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to financial loss. The Chrysaor Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and derivative financial instruments.

The Chrysaor Group only sells hydrocarbons to recognised and creditworthy parties, typically the trading arm of large, international oil and gas companies. An indication of the concentration of credit risk on trade receivables is shown in note 4, whereby the revenue from one customer exceeds 95 per cent. of the Chrysaor Group's consolidated revenue

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are internationally recognised banking institutions and are considered to represent minimal credit risk.

There are no significant concentrations of credit risk within the Chrysaor Group unless otherwise disclosed, and credit losses are expected to be near to zero. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date.

e. *Liquidity risk*

The Chrysaor Group monitors the amount of borrowings maturing within any specific period and proposes to meet its financing commitments from the operating cash flows of the business and existing committed lines of credit.

The table below summarises the maturity profile of the Chrysaor Group's financial liabilities at 31 December 2020 and 2019 based on contractual undiscounted payments.

As at 31 December 2020	*Within one year $000*	*1 to 2 years $000*	*2 to 5 years $000*	*Over 5 years $000*	*Total $000*
Non-derivative financial liabilities					
Reserves Based Loan facility	53,038	73,107	1,595,880	—	1,722,025
Junior facility	22,324	175,178	225,201	45,685	468,388
Loan notes	—	—	—	507,905	507,905
Exploration finance facility	14,702	—	—	—	14,702
Other loans	7,254	14,929	31,283	5,736	59,202
Trade and other payables	673,606	29,825	—	—	703,431
Lease obligations	60,120	44,892	23,865	31,489	160,366
	831,044	337,931	1,876,229	590,815	3,636,019
Derivative financial liabilities					
Net-settled commodity derivatives	74,166	20,361	28,087	—	122,614
Net-settled interest rate derivatives	—	—	4,042	—	4,042
Total as at 31 December 2020	905,210	358,292	1,908,358	590,815	3,762,675

As at 31 December 2019	*Within one year $000*	*1 to 2 years $000*	*2 to 5 years $000*	*Over 5 years $000*	*Total $000*
Non-derivative financial liabilities					
Reserves based loan facility	713,412	580,844	1,030,513	79,060	2,403,829
Junior facility	29,154	29,075	354,062	105,674	517,965
Loan notes	—	—	—	660,052	660,052
Exploration finance facility	9,732	—	—	—	9,732
Other loans	16,046	13,290	23,856	—	53,192
Trade and other payables	593,066	32,575	19,800	—	645,441
Lease obligations	80,045	72,220	54,938	30,302	237,505
	1,441,455	728,004	1,483,169	875,088	4,527,716
Derivative financial liabilities					
Net-settled commodity derivatives	40,445	1,330	2,333	—	44,108
Total as at 31 December 2019	1,481,900	729,334	1,485,502	875,088	4,571,824

The maturity profile in the above tables reflect only one side of the Chrysaor Group's liquidity position. Interest bearing loans and borrowings and trade payables mainly originate from the financing of assets used in the Chrysaor Group's ongoing operations such as property, plant and equipment and working capital such as inventories. These assets are considered part of the Chrysaor Group's overall liquidity risk.

25. Called up share capital

Allotted, called up and fully paid	*No.*	*2020 $000*	*No.*	*2019 $000*
F Ordinary shares of £0.01 each	4,994,624	61	4,994,624	61
G Ordinary shares of £0.40 each	18,900	10	18,900	10
M Ordinary shares of £0.01 each	9,865	—	9,865	—
		71		71

As at 31 December 2020 and 31 December 2019, the share capital comprised of three classes of ordinary shares. Each F and G ordinary share carries equal voting and dividend rights.

M ordinary shares carry no voting rights and are subordinate to both F and G ordinary shares regarding rights to dividend and other distributions.

26. Notes to the statement of cash flows

Net cash flows from operating activities consist of:

	2020 $000	*2019 $000*
(Loss)/profit before taxation	(977,747)	455,558
Finance cost, excluding foreign exchange	261,693	256,399
Finance income, excluding foreign exchange	(7,463)	(31,611)
Depreciation, depletion and amortisation	1,222,103	917,015
Impairment of property, plant and equipment	643,977	—
Impairment of goodwill	411,435	—
Taxes paid	(189,592)	(90,183)
Share based payments	11,800	10,905
Decommissioning payments	(162,071)	(28,955)
Onerous contract provision	18,475	—
Exploration costs written-off	160,806	222
Remeasurement on commodity price contingent consideration	—	7,199
Remeasurement on exploration contingent consideration	—	(7,773)
Remeasurement of acquisition completion adjustments	426	—
Onerous contract payments	(5,429)	—
Decrease in royalty consideration receivable	2,380	600
Gain on termination of IFRS16 lease	(515)	—
Loss on disposal of exploration and evaluation asset	55	—
Movement in realised cashflow hedges not yet settled	(5,658)	(23,746)
Unrealised foreign exchange loss	34,681	63,767
Working capital adjustments:		
(Increase)/decrease in inventories	(11,186)	208
Decrease/(increase) in trade and other receivables	41,530	(6,086)
Decrease in trade and other payables	(76,338)	(4,858)
Net cash inflow from operating activities	1,373,362	1,518,661

Reconciliation of net cash flow to movement in net borrowings

	2020 $000	*2019 $000*
Proceeds from drawdown of borrowing facilities	(157,500)	(1,834,000)
Proceeds from financing arrangement	—	(29,600)
Conversion of E loan notes to equity	—	675,264
Proceeds from exploration financing facility loan	(12,858)	(9,275)
Repayment of senior debt	774,000	200,000
Loan notes partial redemption	77,140	—
Repayment of exploration financing facility loan	8,704	—
Repayment of financing arrangement	1,634	—
Transaction costs capitalised	18,385	45,641
Financing arrangement interest (payable)/receivable	(4,947)	19,696
Amortisation of transaction costs capitalised	(17,052)	(15,581)
Currency translation adjustment on EFF loan	(848)	(175)
Currency translation adjustment on transaction costs	(3)	1
Loan notes interest capitalised	(25,385)	(69,767)
Movement in total borrowings	661,270	(1,017,796)
Movement in cash and cash equivalents	(127,805)	256,871
Decrease/(increase) in net borrowings in the year	533,465	(760,925)
Opening net borrowings	(2,249,503)	(1,488,578)
Closing net borrowings	(1,716,038)	(2,249,503)

Analysis of net borrowings

	2020 $000	*2019 $000*
Cash and cash equivalents	445,377	573,182
Reserves Based Loan facility	(1,448,550)	(2,067,339)
Junior facility	(396,422)	(395,613)
Net debt	(1,399,595)	(1,889,770)
Shareholder loan notes	(264,751)	(316,506)
Exploration financing facility	(14,151)	(8,999)
Financing arrangement	(37,541)	(34,228)
Closing net borrowings	(1,716,038)	(2,249,503)

27. Related party disclosures

The consolidated financial statements include the financial statements of Chrysaor and its subsidiaries, a list of which is contained in note 14.

The Chrysaor Group's main related parties comprise members of key management personnel and Harbour Energy Limited ("**Harbour Energy**") along with affiliated persons and entities. Harbour Energy is an energy investment vehicle formed by EIG Global Energy Partners and is the Chrysaor Group's primary private equity investor. Transactions with these related parties are disclosed below.

Share capital

On 31 August 2019, the 10 per cent. Unsecured E Loan notes held by Harbour Energy, with a principal and accrued interest value of US$675.3 million, were exchanged for 4,013,524 F ordinary shares of £0.01 each. In November 2019, 225 M ordinary shares of £0.01 each were issued to certain members of key management for a cash consideration of £10 per share.

Shareholder loan notes

At the end of 2018, Harbour Energy held E loan notes with a principal value of US$566.9 million plus accrued interest. On 31 August 2019, all the E Loan Notes including accrued interest were exchanged for F ordinary shares, at a value of US$675.3 million. The main impact of the exchange is that Harbour Energy's direct equity interest in CHL increased to 89.6 per cent. from 48 per cent. In February 2020, a partial redemption of both the C Loan Notes and D Loan Notes took place, of US$4.9 million and US$42.0 million respectively, and in November 2020, a full redemption of the remaining C Loan Notes took place, of US$30.3 million.

As at 31 December 2020, the carrying amount of D loan notes due to Harbour Energy was US$264.8 million (2019: US$282.2 million) and the value of C loan notes due to key management personnel was $nil million (2019: US$2.0 million). The amount of interest charged to the income statement associated with all loan notes payable to Harbour Energy and key management was US$24.6 million and US$0.1 million respectively (2019: US$67.3 million and US$0.1 million respectively).

Chrysaor also pays governance and monitoring fees to its institutional shareholders. For the year ended 31 December 2020, the total fees payable to Harbour Energy amounted to US$8.6 million (2019: US$8.6 million) and to other shareholders US$1.0 million (2019: US$1.0 million) with US$0.6 million outstanding as at the balance sheet date (2019: US$1.0 million).

Controlling party

The immediate parent undertaking is Harbour Chrysaor Equity Holdings Ltd (Cayman). The ultimate parent undertaking and the largest and smallest group to consolidate these financial statements is Harbour Energy Holdings Ltd (Cayman). Copies of the Harbour Energy Holdings Ltd consolidated financial statements can be obtained from the company secretary at 7th Floor, 20 St. James's Street, London, SW1A 1ES.

Key management compensation

Remuneration of key management personnel, including directors of the Chrysaor Group, is shown below. The remuneration of the Non-Executive Chairman is wholly paid by EIG Management Company. The remuneration of the Harbour-appointed directors for their board roles of Chrysaor is wholly paid by Harbour Energy.

	2020 *$000*	*2019* *$000*
Salaries and short-term benefits	13,576	10,811
Payments made in lieu of pension contributions	802	517
Pension benefits	120	190
	14,498	11,518

Post balance sheet events

The merger with Premier continues per deal plans and is expected to complete around 31 March 2021, with the admission of the new group to the London Stock Exchange.

On 19 March 2021, certain amendments to the RBL became effective in readiness to complete the merger with Premier. The amendments included:

- Term extended from 31 December 2025 to 23 November 2027
- Facility size increased from $3.0 billion to $4.5 billion
- Debt availability from $2.5 billion to $3.3 billion
- Margin increase from 3.25 per cent to 3.5 per cent moved from June 2023 to March 2025
- Increase in the syndication group from 18 to 19 banks

In February 2021, the Board approved a partial redemption of the D Loan Notes of US$135.7 million, for which the payment was made on 15 March 2021.

Glossary

- 2C — Contingent resources
- 2P — Proven and probable reserves
- bbl — Barrel
- BMS — Business management system
- boe — Barrel of oil equivalent
- boepd — Barrel of oil equivalent per day
- CEO — Chief executive officer
- CUI — Corrosion under insulation
- DD&A — Depreciation, depletion and amortisation
- DNV — Det Norske Veritas-Germanischer Lloyd
- EFF — Exploration financing facility
- ESR — Elected safety representative
- FID — Final investment decision
- FEED — Front End Engineering & Design
- FPS — Forties pipeline system
- HSEx — Health & Safety Executive
- HSEQ — Health, safety, environment and quality
- MAE — Major accident event
- mboepd — Thousand barrels of oil equivalent per day
- mmboe — Million barrels of oil equivalent
- MPE — Ministry of Petroleum and Energy, Norway
- OPPC — Oil pollution prevention and control
- OPRED — Offshore Petroleum Regulator for Environment & Decommissioning
- OSDR — Offshore Safety Directive Regulator
- PCOA — Put and call options agreement
- POP — Platform operating procedure
- SWE — Safe working essentials
- TAR — Turnaround
- TRIF — Total recordable incident frequency
- WOSPS — West of Shetland pipeline system

Non-IFRS measures

The Chrysaor Group uses certain measures of performance that are not specifically defined under IFRS or other generally accepted accounting principles. These non-IFRS measures, which are presented within the Financial Review are EBITDAX, Cost per barrel, Depreciation, depletion and amortisation per barrel, free cash flow and net debt and are defined below:

- *EBITDAX*: is defined as earnings before tax, interest, depreciation and amortisation, remeasurements and exploration expenditure. This is a useful indicator of underlying business performance
- *Operating cost per barrel*: direct operating costs (excluding over/underlift) for the year including tariff expense and insurance costs less tariff income, divided by working interest production

This is a useful indicator of ongoing operating costs from the Chrysaor Group's producing assets

- *Depreciation, depletion and amortisation (DD&A) per barrel*: depreciation and amortisation of oil and gas properties for the year divided by working interest production. This is a useful indicator of ongoing rates of depreciation and amortisation of the Chrysaor Group's producing assets
- *Free Cash Flow*: defined as EBITDAX less capital expenditure
- *Net Debt*: the cash and cash equivalents less total senior and junior debt recognised on the consolidated balance sheet. This is an indicator of the Chrysaor Group's indebtedness and contribution to capital structure

6. PROPOSED DIRECTORS

On 7 January 2021, the Company announced the proposed appointment of three Independent Non-executive Directors to its Board: Alan Ferguson, Margareth Øvrum and Andy Hopwood (together the "**New Proposed Non-Executive Directors**"). On 25 January 2021, the Company announced the proposed appointment of Alexander Krane as Chief Financial Officer (the "**New Proposed Executive Director**" and together with the New Proposed Non-Executive Directors, the "**New Proposed Directors**").

In the Definitions section of the Prospectus, the definition of "**Proposed Directors**" shall be as set out below:

Proposed Directors	Linda Cook, Phil Kirk, R. Blair Thomas, G. Steven Farris, Simon Henry, Anne Stevens, Alan Ferguson, Margareth Øvrum, Andy Hopwood and Alexander Krane;

Following completion of the Merger, the Board will include the Proposed Directors, together with Anne Marie Cannon, who will remain on the Board as an Independent Non-Executive Director.

6.1 New Board of Directors

In Part XII (*Directors, Employees and Corporate Governance*) of the Prospectus, the following information be included as new rows in the table in section 1.3:

Name	*Position after completion of the Merger*
Alan Ferguson	Independent Non-Executive Director
Margareth Øvrum	Independent Non-Executive Director
Andy Hopwood	Independent Non-Executive Director
Alexander Krane	Chief Financial Officer

6.2 Biographies of the New Proposed Directors

In Part XII (*Directors, Employees and Corporate Governance*) of the Prospectus, section 1.4 is supplemented by the information set out below:

(H) Alan Ferguson (*Independent Non-Executive Director designate*)

Alan Ferguson has over 20 years of executive experience in the mining and automotive industries. Alan worked at Inchcape for 22 years and was Group Finance Director from 1999 until 2005. He then served as Group Finance Director of The BOC Group from 2005 to 2006, and Chief Financial Officer of Lonmin from 2007 to 2010. Alan has been a non-executive director of Johannesburg and New York listed AngloGold Ashanti since 2018, where he chairs the Audit Committee and a non-executive director of AIM listed Marshall Motor Holdings since 2015, where he is the Senior Independent Director and chairs the Audit Committee. Alan has also previously served as a non-executive director on the boards of Croda International from 2011 to 2020, where he was the Senior Independent Director and chaired the Audit Committee; Weir Group from 2011 to 2018, where he chaired the Audit Committee; Johnson Matthey from 2011 to 2020, where he was the Senior Independent Director and chaired the Audit Committee; and London Mining from 2013 to 2014, where he chaired the Audit Committee. Alan is a chartered accountant and sits on the Business Policy Panel of the Institute of Chartered Accountants of Scotland, as well as serving as a director of the Audit Committee Chairs' Independent Forum. Alan holds a B.Sc. in accountancy and business economics from Southampton University.

Alan will serve as Chairman of the Audit and Risk Committee from completion of the Merger.

(I) Margareth Øvrum (*Independent Non-Executive Director designate*)

Margareth Øvrum has nearly 40 years of experience in the energy industry. Margareth worked for Equinor and its predecessor companies from 1982 until January 2021, and held multiple business unit and central management positions within the company. She was the first female and youngest platform manager of one of the company's oldest fields in the North Sea (Gullfaks), and sat on the company's corporate Executive Committee for 16 years. Since 2004, Margareth has been an Executive Vice President at Equinor and has experience in HSE, technology, renewables, major projects, procurement and drilling, amongst others. In 2018, Margareth moved to Brazil to preside

over Equinor's operations in the country. Margareth has served as a non-executive director at TechnipFMC since October 2020, where she also sits on the Environmental Social and Governance Committee. She has also served as a non-executive director of FMC Corporation since 2016, where she is a member of the Sustainability Committee and the Nomination and Corporate Governance Committee. She has previously served as a non-executive director on the boards of Alfa Laval, Atlas Copco, Ratos and Siemens Norway. Margareth has also agreed to become a non-executive director of Transocean from May 2021. She has also been a board member of various non-profit organisations, including the Norwegian Research Council, the University of Bergen and Chairman at Helse Bergen Hospital Group. Margareth graduated with a Master of Science in Technical Physics from the Norwegian Technical University in 1981.

Margareth will serve as Chairman of the Health, Safety, Environment and Security Committee from the later of 1 April 2021 and completion of the Merger.

(J) Andy Hopwood (*Independent Non-Executive Director designate*)

Andy has over 40 years' experience in the global oil and gas industry gained during his long association with BP. He retired from BP at the end of 2020, having spent the last 10 years as Executive Vice President serving on both the BP Group Executive Team and as Chief Operating Officer of Upstream. He was responsible for Upstream strategy, portfolio and leading the Regional business leaders. Prior to joining BP's Executive Team, Andy held several positions leading BP's businesses: in the onshore North America, in Trinidad & Tobago and in Azerbaijan. He has also held various commercial, operational and engineering roles in a wide range of geographies including in the North Sea, Venezuela, Mexico and Indonesia. He also served as chair of the BP Foundation. Andy received a B.Sc. in Chemical Engineering from the University of Birmingham.

The letters of appointment for Alan Ferguson, Margareth Øvrum and Andy Hopwood are on terms consistent with the current Non-Executive Directors' letters of appointment set out at page 95 of Premier's 2019 Annual Report and Financial Statements.

(K) Alexander Krane (*Chief Financial Officer designate*)

Alexander Krane has over 20 years of experience from accounting, controlling and executive roles in the energy industry. Alexander started his career with KPMG, working in both Norway and the US from 1999 to 2006. After working as the Group Controller for Norse Energy Corp., a junior E&P company with operations in Brazil and onshore US, Alexander joined Aker ASA as the Corporate Controller in 2010. In 2012, Alexander joined Det norske oljeselskap ASA as the Chief Financial Officer, responsible for all finance functions as well as strategy, business development and M&A. After the merger with BP Norway in 2016, Alexander remained Chief Financial Officer in the merged entity Aker BP ASA. In 2019, Alexander left Aker BP to become Investment Director back at Aker ASA, being responsible for Aker's oil and gas investments. Alexander holds a Master of Science in Business from The University of Nordland (1999) and an MBA from The Norwegian School of Economics (2002). Alexander is also a State Authorized Public Accountant in Norway.

6.3 Other directorships and partnerships

In Part XII (*Directors, Employees and Corporate Governance*) of the Prospectus, the following information be included as new rows in the table in section 1.6:

Directors	*Interests*	*Status (Current / Previous)*
Alan Ferguson	Anglogold Ashanti Limited	Current
	Marshall Motor Holdings Plc	Previous
	Johnson Matthey Plc	Previous
	Croda International Plc	Previous
	Weir Group Plc	Previous
	Link House Consultants Limited(1)	Previous
Margareth Øvrum	Technip FMC Plc	Current
	FMC Corporation	Current
	Atlas Copco AB	Previous
	Alfa Laval AB	Previous
Andy Hopwood	BP America Production Co.	Previous
Alexander Krane	Fool's Gold AS	Current

Notes:
(1) Wound-up pursuant to a members' voluntary liquidation in June 2017.

This table only includes references to commercial, profit-making companies and partnerships. It does not include positions held in charitable, non-profit or voluntary initiatives, industry associations, professional bodies, educational institutions or interest groups.

6.4 Potential conflicts of interest

In Part XII (*Directors, Employees and Corporate Governance*) of the Prospectus, the following information be included as a new row in the table in section 1.7:

Directors	*Potential conflict(s)*
Margareth Øvrum	Ms Øvrum is a member of the board of directors of Technip FMC plc, which provides services to the oil and gas industry. Ms Øvrum has also agreed to become a non-executive director of Transocean Limited, an offshore drilling contractor, from May 2021.

6.5 Confirmations

In Part XII (*Directors, Employees and Corporate Governance*) of the Prospectus, section 1.8 shall be as set out below:

As at the date of this document, none of the New Proposed Directors have, during the five years prior to the date of this document:

- been convicted in relation to a fraudulent offence;
- been associated with any bankruptcies, receiverships or liquidations while acting in the capacity of a member of the administrative, management or supervisory bodies or as a partner, founder or senior manager of any partnership or company (save as set out in paragraph 6.3 of the Supplementary Prospectus);
- been subject to any official public incrimination and/or sanctions by any statutory or regulatory authorities (including any designated professional bodies); or
- been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of the affairs of any company.

There are no family relationships between any of the Directors or Proposed Directors.

6.6 Interests of the Proposed Directors

In Part XII (*Directors, Employees and Corporate Governance*) of the Prospectus, the following information be included as a new row in the table in section 2.1:

	As at the Latest Practicable Date		*Immediately following the Merger*	
	Number of Existing Ordinary Shares held	*Percentage of issued share capital of Premier (%)*	*Number of New Ordinary Shares held*[(1)]	*Percentage of issued share capital of Premier (%)*[(1)]
Proposed Directors:				
Alan Ferguson	0	0	0	0
Margareth Øvrum	0	0	0	0
Andy Hopwood	0	0	0	0
Alexander Krane	0	0	0	0

Notes:

(1) Assuming that all of the New Ordinary Shares available pursuant to the Top-Up Election are subscribed for in full

6.7 Proposed Directors' service contracts and letters of appointment

In Part XII (*Directors, Employees and Corporate Governance*) of the Prospectus, the following information be supplemented by the information set out below:

Alexander Krane will be appointed as Chief Financial Officer of the Company, with effect from the later of completion of the Merger and 15 April 2021. A service agreement will be put in place between the New Proposed Executive Director and a member of the Premier Group following completion of the Merger. The terms, including remuneration arrangements, will be considered and reviewed by the Remuneration Committee after completion of the Merger. It is intended that the terms will be appropriate for an executive director of a group of the size, complexity and nature of the Combined Group, which will take into account appropriate and recognised benchmarking and existing remuneration arrangements.

Each of Alan Ferguson, Andy Hopwood and Margareth Øvrum will be appointed as Independent Non-Executive Director of the Company. Alan Ferguson and Andy Hopwood will be appointed with effect from completion of the Merger. Margareth Øvrum will be appointed with effect from the later of completion of the Merger and 1 April 2021. Each of Alan Ferguson, Andy Hopwood and Margareth Øvrum have entered into a letter of appointment with the Company to that effect, provided that certain provisions will be agreed in due course including appointments to Board Committees and fees. Such letters of appointment are on terms consistent with the current Non-Executive Directors' letters of appointment set out at page 95 of the Premier Group's 2019 Annual Report and Financial Statements. The terms of the New Proposed Non-Executive Directors' appointments will, when such appointments take effect, also be in accordance with Premier's current directors' remuneration policy but it is intended that the Remuneration Committee will review those terms following completion of the Merger, considering the size, complexity and nature of the Combined Group.

PART II

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the times and dates in the table below is indicative only and may be subject to change.[1][2]

Publication and posting of this document	**26 March 2021**
Subdivision Record Date	29 March 2021
Existing Ordinary Shares subdivided into Ordinary Shares and Non-Voting Deferred Shares	30 March 2021
Completion of the Merger and Debt Restructuring becomes effective	**31 March 2021**
Readmission and Admission and dealings in New Ordinary Shares, fully paid, commence on the London Stock Exchange	**by 8.00 a.m. on 1 April 2021**
New Ordinary Shares issued in connection with the Merger and the Debt Restructuring credited to CREST accounts (uncertificated holders only)	as soon as practicable after 8:00 a.m. on 1 April 2021

Notes:

(1) These times and dates and those mentioned throughout this document may be adjusted by Premier in consultation with Chrysaor and the Sponsor, in which event details of the new times and dates will be notified to the FCA, the London Stock Exchange and, where appropriate, Shareholders.

(2) References to times in this timetable are to London time.

PART III

ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

The Company, the Directors and the Proposed Directors, whose names appear in section 1.2 of Part XII of the Prospectus and section 6 of Part I of this Supplementary Prospectus, accept responsibility for the information contained in this document. To the best of the knowledge of the Company, the Directors and the Proposed Directors, the information contained in this document is in accordance with the facts and makes no omission likely to affect its import.

2. NO SIGNIFICANT CHANGE

2.1 Premier Group

There has been no significant change in the financial position or financial performance of the Premier Group since 31 December 2020, being the date to which the latest annual consolidated financial statements were prepared.

2.2 Chrysaor Group

There has been no significant change in the financial position or financial performance of the Chrysaor Group since 31 December 2020, being the date to which the most recent financial information has been prepared.

3. CONSENTS

RBC has given and not withdrawn its written consent to the inclusion of its name in this document.

PwC has given and has not withdrawn its written consent to the inclusion of its reports included in section A of paragraph 5.2 of Part I of this Supplementary Prospectus, and has authorised the contents of these reports as part of the document for the purposes of Rule 5.3.2R(2)(f) of the Prospectus Regulation Rules and item 1.3 of Annex 3 of Commission Delegated Regulation (EU) 2019/980, as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended). Since the New Ordinary Shares have not been and will not be registered under the US Securities Act, PwC has not filed and will not file a consent under the US Securities Act.

4. DOCUMENTS AVAILABLE FOR INSPECTION

In addition to those documents set out in paragraph 15 (*Documents available for inspection*) of Part XIII (*Additional Information*) of the Prospectus, copies of the following documents will be published on the Company's website at http://www.premier-oil.com/investors/ results-centre for a period of 12 months from the date of this document:

(A) Premier Group's 2020 Report and Accounts; and

(B) this Supplementary Prospectus.