

COMPANY REGISTRATION NUMBER 01851671



PANOCEANIC ENERGY LIMITED

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2022



**PANOCEANIC ENERGY LIMITED
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022**

Contents	Pages
Company Information	1
Directors Report	2 to 5
Statement of Directors' Responsibilities	6
Independent Auditor's Report	7 to 9
Statement of Profit and Loss and Other Comprehensive Income	10
Balance Sheet	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13 to 18

**PANOCEANIC ENERGY LIMITED
REPORT AND FINANCIAL STATEMENTS
COMPANY INFORMATION**

Directors G Langseth
 C Steen-Nilsen (resigned 30 June 2023)
 M Bryn (appointed 30 June 2023)

Auditor Ernst & Young LLP
 4th Floor
 2 Marischal Square
 Broad Street
 Aberdeen
 AB10 1BL

Registered office 4, The Heights
 Brooklands
 Weybridge
 Surrey
 KT13 ONY

Registered number 01851671

PANOCEANIC ENERGY LIMITED
DIRECTORS REPORT (continued)

The directors present their Report and the financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of the company is to process seismic data related to owned exploration licences.

The company is a member of the PGS ASA Group ("the group"), a Norwegian registered oil services group providing geophysical services worldwide. The group provides a broad range of geophysical and reservoir services, including seismic data acquisition, processing, interpretation and field evaluation. It also possesses a substantial international MultiClient seismic data library.

Business review and future developments

The loss for the year after taxation is \$78,000 (2021: \$203,000). The directors do not recommend payment of a dividend (2021: \$nil).

The only operational activity of the company related to its licenses in 3 offshore exploration licenses in Tunisia, which expired in December 2022. The company will consequently have limited operational activity in 2023 and going forward.

Directors of the company

The directors who held office during the year, and to the date of this report, were as follows:

C Steen-Nilsen (resigned 30 June 2023)

M Bryn (appointed 30 June 2023)

G Langseth

Principal risks and uncertainties of the company

From the perspective of the company, the principal risks and uncertainties are so integrated with the principal risks of the group that they are not managed separately. Accordingly, the principal risks and uncertainties of the Petroleum Geo-Services Group, which include those of the company, are discussed below.

Principal risks and uncertainties of the group

Financial Market Risk

The group is exposed to market risks such as interest rate risk, currency exchange risk, credit risk, liquidity risk and commodity price risk, as discussed below. The group's risk management policies are approved by the Board of Directors. The treasury function reports regularly to group management and any breach of limits set in the policy is reported to the Board of Directors.

Interest Rate Risk

PGS has a mixture of fixed and floating interest rate debt combined with financial instruments, such as interest rate swaps, to manage the impact of interest rate fluctuations.

Currency Exchange Risk

PGS conducts business primarily in US dollars but also in several other currencies. PGS is subject to foreign currency exchange rate risk on cash flows related to sales, expenses, financing, and investment transactions in currencies other than the US dollar. The company did not have any open foreign currency forward contracts as of 31 December in 2022 or 2021.

Credit Risk

PGS' accounts receivable is primarily from multinational, integrated energy companies and independent oil and natural gas companies, including companies that are owned in whole or in part by governments. PGS manages the exposure to credit risk through ongoing credit evaluations of clients. Due to the nature of PGS' client base, a low level of losses on accounts receivable has been incurred over the years. PGS has a structured approach to monitor the credit risk of the group's banking partners, including derivatives counterparties and the institutions in which cash is held on deposit. Amounts owing to the company under the group credit facility are managed centrally by the treasury function of the PGS Group. The directors assess the financial position of the PGS Group on a regular basis, and recoverability of intercompany balances

PANOCEANIC ENERGY LIMITED
DIRECTORS REPORT (continued)

Principal risks and uncertainties of the group (continued)

Liquidity Risk

Liquidity risk is the risk that the group will encounter difficulty in meeting its financial obligations as they fall due. As of 31 December 2022, PGS had cash and cash equivalents totalling \$363.8 million, compared to \$170.0 million as of 31 December 2021. During 2022, PGS raised close to \$250 million of new equity and increased cash flow generation in an improving market which enabled a reduction of net interest-bearing debt; and as a result PGS is close to reaching its targeted maximum level for net interest-bearing debt (excluding lease liabilities) of \$500 to \$600 million. Additionally, in Q1 2023 PGS placed a new \$450 million senior secured bond which will be used to repay \$600 million of the group's Term Loan B maturing in March 2024. The remaining \$138 million Term Loan B from is expected to be paid from operational cash flows, supported by an additional \$75million term loan facility secured in July 2023; however there is a risk that sufficient cash flows will not be achieved and further financing will be required. The directors have considered this risk in their assessment of going concern.

Commodity Risk

Operation of seismic vessels requires substantial fuel purchases, thus PGS is exposed to fuel price fluctuations. The company seeks to pass fuel price risk to clients on a majority of contract work.

Climate Risk

PGS is exposed to both transition risk and physical risks associated with climate change. The group has a structured approach to monitoring the development of the seismic exploration market and opportunities created by the transition to renewable energy sources globally. The group's strategy is based on market scenario analysis and positioning of PGS for the energy transition by establishing the 'New Energy' business unit, which is a core component of the group's strategy. The physical risks associated with climate change may directly affect both onshore and offshore operations through increased occurrence of extreme weather conditions. The group mitigates this risk through reducing the dependency of on-premise computing by shifting data and processing to the Cloud, careful planning of projects, and by leveraging the inherent weather resilience of the Ramform fleet and GeoStreamer technology.

Operational and Other Risks

Demand for the group's products and services depends on the level of spending by energy companies on hydrocarbon-resource exploration, field development, and production. Spending levels are heavily influenced by oil and gas prices and energy companies' focus areas. The ongoing energy transition may cause structural changes in demand. During 2020 and 2021 there was an increasing focus on extracting more resources from producing fields and infrastructure lead exploration. Alongside this trend, more traditional exploration activity in greenfield areas came into play in 2022, benefitting both the contract and the MultiClient markets.

The group is subject to many risk factors including, but not limited to the demand for seismic services, the demand for data from the group's MultiClient library, increased competition, the attractiveness of technology, changes in governmental regulations affecting the markets, the speed and impact of the energy transition and its effect on client behaviour, technical downtime, licenses and permits, currency and fuel price fluctuations, potential COVID-19 outbreaks on the vessels causing project delays, and operational hazards such as weather conditions.

The principal risks and uncertainties of the PGS Group, which include those of the company, are discussed in more detail on pages 52 to 53 of the group's annual report, which is available from <https://www.pgs.com/company/investor-relations/>.

Indemnification of directors

In accordance with the Articles of Association, the directors have the benefit of indemnity provisions. In addition the PGS Group maintains a directors' and officers' liability insurance policy throughout the financial year, and up to the date of approval of the financial statements

PANOCEANIC ENERGY LIMITED
DIRECTORS REPORT (continued)

Charitable and political donations

The company made no political or charitable donations during 2022 (2021: \$nil).

Going concern

The company is dependent for its working capital on funds provided to it by PGS ASA, the company's ultimate parent undertaking. The directors have considered the financial position of PGS ASA, including centralised treasury arrangements.

During 2022, the improving seismic market improved cash flow generation, and the PGS Group's liquidity position was further strengthened by strong shareholder support in two private placements raising close to \$250 million of new equity. In March 2023, PGS successfully placed a new \$450 million senior secured bond with 4-year tenor, the proceeds of which were, together with cash held on balance sheet, used to repay \$600 million of the Group's Term Loan B (the "TLB") maturing in March 2024. PGS expects to repay the remaining \$138 million TLB from operational cash flows, supported by a separate \$75million term loan facility secured in July 2023.

On 18 September 2023, PGS ASA and TGS ASA, a seismic company based in Norway, announced that principal terms had been agreed to perform a statutory merger of the two companies, with completion expected in the first half of 2024. The transaction remains subject to certain conditions, including a confirmatory due diligence by both parties, finalising and executing a definitive merger plan, as well as customary closing conditions such as relevant regulatory approvals and consents and expiry of statutory waiting periods and no material adverse change occurring. The transaction is also subject to approval by extraordinary general meetings in both TGS and PGS with at least two-thirds majority. In connection with the planned transaction, PGS obtained an additional \$40 million of equity in September 2023 which was not conditional upon the merger completing.

The directors are confident that the PGS Group will generate sufficient cash flows to repay the TLB balance by March 2024 and remain within financial covenants for the period, and have obtained a letter of support from the PGS Group confirming that support will be provided for the company to meet its liabilities up to 31 October 2024. The directors acknowledge, however, that the planned merger represents a material uncertainty in the continuation of support following the completion date. The events subsequent to the merger date are not yet planned or known, and the ownership and governance structure are likely to change from the current ownership/governance structure upon which the ability to provide support is based, resulting in a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern.

Notwithstanding the material uncertainty, on the basis of the assessment described above, as the directors have obtained sufficient information in terms of the financial situation of PGS ASA until 31 October 2024, they consider it appropriate to continue to adopt the going concern basis of accounting in preparing these financial statements for the year ended 31 December 2022.

The financial statements do not contain the adjustments that would result if the company was unable to continue as a going concern.

Information to the auditor

Each of the directors at the date of approval of this report confirms that:

1. So far as the director is aware, there is no relevant audit information of which the auditor is unaware; and
2. the director has taken all steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditor

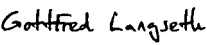
Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and Ernst & Young LLP will therefore continue in office.

PANOCEANIC ENERGY LIMITED
DIRECTORS REPORT *(continued)*

Small companies provision statement

The accounts have been prepared in accordance with the special provisions applicable to companies subject to the small companies regime.

Signed on behalf of the Board by:

DocuSigned by:

.....
3FF93C1EC860404...
G Langseth
Director

19 October 2023

PANOCEANIC ENERGY LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PANOCEANIC ENERGY LIMITED

Opinion

We have audited the financial statements of Panoceanic Energy Limited for the year ended 31 December 2022 which comprise the Statement of Profit and Loss and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 15, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty relating to Going Concern

We draw attention to Note 3 in the financial statements, which indicates that the company is dependent on financial support from PGS ASA, the ultimate parent, to allow the company to continue its operations to 30 June 2024.

A material uncertainty around the availability of support from PGS ASA exists due to:

- The events subsequent to the planned merger date between PGS ASA and TGS ASA are not yet planned or known, and the ownership and governance structure are likely to change from the current ownership/governance structure upon which the ability to provide support is based.
- As stated in Note 3, these events or conditions, along with the other matters as set forth in note 3, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a Going Concern. In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our opinion is not modified in respect of this matter.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PANOCEANIC ENERGY LIMITED *(continued)*

Other information

The other information comprises the information included in the Report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and from the requirements to prepare a strategic report.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PANOCEANIC ENERGY LIMITED *(continued)*

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

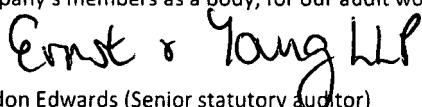
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulation, including anti-bribery and corruption in the United Kingdom and any other areas of operation.
- We understood how Panoceanic Energy Limited is complying with those frameworks by making enquiries of management to understand how the company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation. We also reviewed correspondence with relevant authorities.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override. Our procedures involved testing journal entries identified by specific risk criteria.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures included a focus on compliance with the accounting and regulatory frameworks and obtaining sufficient audit evidence in line with the level of risk identified, in conjunction with compliance with relevant legislation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Gordon Edwards (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen

20 October 2023

PANOCEANIC ENERGY LIMITED
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2022

	Note	2022 \$ 000	2021 \$ 000
Turnover		-	-
Cost of sales		<u>(127)</u>	<u>(240)</u>
Gross loss		(127)	(240)
Administrative expenses		<u>(3)</u>	<u>(4)</u>
Operating loss	5	(130)	(244)
Interest receivable	7	<u>49</u>	<u>41</u>
Loss before taxation		(81)	(203)
Taxation	8	<u>-</u>	<u>-</u>
Loss for the year		(81)	(203)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss		<u>(81)</u>	<u>(203)</u>

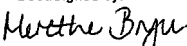
The company's results are derived from continuing operations.

The notes on pages 13 to 18 form an integral part of these financial statements

PANOCEANIC ENERGY LIMITED
BALANCE SHEET
31 DECEMBER 2022

	Note	2022 \$ 000	2021 \$ 000
Current assets			
Debtors	9	432	524
Creditors: Amounts falling due within one year	10	(14)	(25)
Net assets		418	499
Capital and reserves			
Called up share capital	11	1,675	1,675
Profit and loss account		(1,257)	(1,176)
Shareholders' funds		418	499

These financial statements have been prepared in accordance with the special provisions applicable to companies subject to the small companies regime and were approved by the Board on 19 October 2023, and signed on its behalf by:

DocuSigned by:

 4430F7C6076740A.....

M Bryn
 Director

Registered number: 01851671

The notes on pages 13 to 18 form an integral part of these financial statements

PANOCEANIC ENERGY LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2022

	Share capital \$ 000	Profit and loss account \$ 000	Total \$ 000
At 1 January 2022	1,675	(1,176)	499
Loss for the year	-	(81)	(81)
Other comprehensive income	-	-	-
Total comprehensive loss	-	(81)	(81)
At 31 December 2022	1,675	(1,257)	418

	Share capital \$ 000	Profit and loss account \$ 000	Total \$ 000
At 1 January 2021	1,675	(973)	702
Loss for the year	-	(203)	(203)
Other comprehensive income	-	-	-
Total comprehensive loss	-	(203)	(203)
At 31 December 2021	1,675	(1,176)	499

The notes on pages 13 to 18 form an integral part of these financial statements

PANOCEANIC ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Panoceanic Energy Limited is a private company and is incorporated and domiciled in England and Wales. The address of its registered office is 4, The Heights, Brooklands, Weybridge, Surrey KT13 0NY.

2 Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Panoceanic Energy Limited (the "company") for the year ended 31 December 2022 were authorised for issue by the board of directors on 19 October 2023 and the balance sheet was signed on the board's behalf by M Bryn.

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101') and in accordance with applicable accounting standards. The company's financial statements are presented in US dollars as this is the currency in which the company operates.

3 Accounting policies

The following accounting policies have been consistently applied in deciding the items which are considered material in relation to the financial statements.

Basis of preparation

The company has been determined to meet the criteria of a 'qualifying entity' under the definition in FRS 101. The financial statements in which the company is consolidated are available from the ultimate parent company as detailed in note 15.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2022.

Summary of disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment, because the share based payment arrangement concerns the instruments of another group entity;
- the requirements of IFRS 7 Financial Instruments: Disclosures,
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement,
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - (iii) paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

PANOCEANIC ENERGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Accounting policies (*continued*)

Going concern

The company is dependent for its working capital on funds provided to it by PGS ASA, the company's ultimate parent undertaking. The directors have considered the financial position of PGS ASA, including centralised treasury arrangements.

During 2022, the improving seismic market improved cash flow generation, and the PGS Group's liquidity position was further strengthened by strong shareholder support in two private placements raising close to \$250 million of new equity. In March 2023, PGS successfully placed a new \$450 million senior secured bond with 4-year tenor, the proceeds of which were, together with cash held on balance sheet, used to repay \$600 million of the Group's Term Loan B (the "TLB") maturing in March 2024. PGS expects to repay the remaining \$138 million TLB from operational cash flows, supported by a separate \$75million term loan facility secured in July 2023.

On 18 September 2023, PGS ASA and TGS ASA, a seismic company based in Norway, announced that principal terms had been agreed to perform a statutory merger of the two companies, with completion expected in the first half of 2024. The transaction remains subject to certain conditions, including a confirmatory due diligence by both parties, finalising and executing a definitive merger plan, as well as customary closing conditions such as relevant regulatory approvals and consents and expiry of statutory waiting periods and no material adverse change occurring. The transaction is also subject to approval by extraordinary general meetings in both TGS and PGS with at least two-thirds majority. In connection with the planned transaction, PGS obtained an additional \$40 million of equity in September 2023 which is not conditional upon the merger completing.

The directors are confident that the PGS Group will generate sufficient cash flows to repay the TLB balance by March 2024 and remain within financial covenants for the period, and have obtained a letter of support from the PGS Group confirming that support will be provided for the company to meet its liabilities up to 31 October 2024. The directors acknowledge, however, that the planned merger represents a material uncertainty in the continuation of support following the completion date. The events subsequent to the merger date are not yet planned or known, and the ownership and governance structure are likely to change from the current ownership/governance structure upon which the ability to provide support is based, resulting in a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern.

Notwithstanding the material uncertainty, on the basis of the assessment described above, as the directors have obtained sufficient information in terms of the financial situation of PGS ASA until 31 October 2024, they consider it appropriate to continue to adopt the going concern basis of accounting in preparing these financial statements for the year ended 31 December 2022.

The financial statements do not contain the adjustments that would result if the company was unable to continue as a going concern.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the USD exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into USD at the rates prevailing on the reporting period date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of realised and unrealised monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

PANOCEANIC ENERGY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

3 Accounting policies (continued)

Taxation

Income tax expense is comprised of current and deferred tax. Income tax is recognised in the Statement of Profit and Loss, except to the extent that it relates to items taken directly to the Statement of Other Comprehensive Income.

Current tax is the tax expected to be paid to or recovered from taxation authorities in respect of taxable income for the year, using tax rates enacted or substantially enacted during the period.

Deferred tax assets and liabilities are measured using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. The amount of deferred tax provided is based on tax rates that are expected to apply in the year of realisation or settlement, using tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is not recognised on temporary differences arising from the initial recognition of goodwill, or relating to investments in subsidiaries to the extent that the temporary difference can be controlled by the Company and will probably not reverse in the foreseeable future.

Deferred tax assets are recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be sufficient taxable profits in the foreseeable future against which the asset can be utilised.

Deferred tax assets and deferred tax liabilities are offset when a legally enforceable right exists to set off current tax assets against current tax liabilities, and the deferred taxes are related to the same taxable entity and the same taxation authority. Deferred tax assets and liabilities are classified as long-term in the Balance Sheet.

Financial assets and liabilities

Financial assets and financial liabilities are recognised when the company becomes party to the contractual obligations of the relevant instrument.

The company classifies its financial instruments in the following categories: at fair value through profit and loss, at fair value through Other Comprehensive Income or at amortized cost. The company determines the classification of financial instruments at initial recognition.

Financial instruments at fair value through profit and loss

This category comprises financial assets and liabilities held for trading, including all derivative instruments. Financial instruments in this category are initially recorded at fair value, and transaction costs are expensed in the Statement of Profit and Loss. Realised and unrealised gains and losses arising from changes in the fair value are included in the Statement of Profit and Loss in the period in which they arise. The company did not hold any financial instruments at fair value through profit and loss at 31 December 2022 or 2021.

Financial instruments at fair value through other comprehensive income

On initial recognition, an election can be made to classify investments in equity instruments at fair value through Other Comprehensive Income. Financial instruments in this category are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognised in Other Comprehensive Income. The company did not hold any financial instruments at fair value through profit and loss at 31 December 2022 or 2021.

Financial instruments at amortised cost

Financial assets and liabilities in this category are initially recognized at fair value, and subsequently carried at amortised cost, using the effective interest method less any allowance for impairment. This category includes accounts receivable, accounts payable and loans and other borrowings.

PANOCEANIC ENERGY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

3 Accounting policies (continued)

Impairment of financial assets

At each reporting date, the company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses. For accounts receivables and contract assets, the company uses a simplified approach in calculating expected credit losses. The company recognises a loss allowance using factors including aging of accounts, historical experience, customer concentration, customer creditworthiness and current industry and economic trends. An impairment loss, amounting to any difference between the carrying amount of the loss allowance and the expected credit losses at the reporting date, is recognised in the Statement of Profit and Loss.

4 Critical accounting judgements, estimates and assumptions

Management do not consider there to be any sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5 Operating loss

Arrived at after charging:

	2022	2021
	\$ 000	\$ 000
Auditor's remuneration - Audit of the financial statements	<u>3</u>	<u>3</u>

6 Directors' remuneration

None of the directors received any fees or remunerations for services as a director of the company during the financial year (2021: Nil).

The remuneration of the directors is paid by the parent company, which makes no recharges to the company. The directors act in a group capacity only and do not allocate specific time to the company and therefore it is not possible to make an accurate apportionment of their emoluments in respect of the company.

7 Interest receivable

	2022	2021
	\$ 000	\$ 000
Interest receivable on group loans	<u>49</u>	<u>41</u>

PANOCEANIC ENERGY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

8 Income tax

Factors affecting current tax charge

There is no tax charge/(credit) on the loss before tax for either year. This differs from the standard rate of corporation tax in the UK of 19% (2021: 19%) applied to the loss before tax. The differences are reconciled below:

	2022 \$ 000	2021 \$ 000
Loss before tax	(81)	(203)
Corporation tax at standard rate	(15)	(39)
Tax losses on which no deferred tax asset has been recognised	-	39
Group relief surrendered for nil consideration	15	-
Total tax charge	-	-

Deferred tax

The company does not have any temporary differences, brought forward or carried forward, for which deferred tax should be recognised.

9 Debtors

	2022 \$ 000	2021 \$ 000
Prepaid expenses	-	3
Amounts receivable from intermediate parent undertaking	432	521
	432	524

Amounts receivable from the intermediate parent undertaking, Petroleum Geo-Services AS, are payable on demand and unsecured, and bear interest at 3-month LIBOR plus 3% per annum.

10 Creditors

	2022 \$ 000	2021 \$ 000
Trade payables	9	19
Accrued expenses	5	6
	14	25

PANOCEANIC ENERGY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

11 Share capital**Allotted, called up and fully paid shares**

	2022		2021	
	No.	\$ 000	No.	\$ 000
Ordinary shares of £1 each	1,000,000	1,675	1,000,000	1,675

12 Foreign exchange

The financial statements are presented in US Dollars. The exchange rate at 31 December 2022 applied was 1.20 USD to 1.0 GBP.

13 Related party transactions

As a wholly owned subsidiary of PGS ASA the company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with other wholly owned group companies. There were no other related party transactions.

14 Subsequent events

Other than the developments in the PGS Group financing arrangements as described in the going concern disclosures, the below event requires disclosure.

Subsequent to the balance sheet date, a letter has been received from the Tunisian government claiming compensation in relation to a lack of activity on the Company's Tunisian exploration licences which expired in December 2022. Management considers that the possibility of an outflow of economic resources to settle the claim is not remote, however a reliable estimate of the obligation cannot be made at this time.

15 Ultimate parent undertaking

The company's immediate parent undertaking is Petroleum Geo-Services (UK) Limited, a company incorporated in the United Kingdom. The ultimate parent and controlling party is PGS ASA, a company registered in Norway.

The smallest and largest group in which the results of the company are consolidated is that headed by PGS ASA. These financial statements are available upon request from PGS ASA, Lilleakerveien 4C, P.O. Box 251 Lilleaker, 0216 Oslo, Norway.