



Molecular Energies PLC

REPORT AND
CONSOLIDATED
FINANCIAL STATEMENTS
2022

MOLECULAR ENERGIES

AT THE FOREFRONT OF ENERGY DEVELOPMENT FOCUSED ON HIGH MARGIN OPPORTUNITIES ACROSS THE ENERGY SPECTRUM AND GLOBALLY.

Our focus is to be at the forefront of energy development across the energy spectrum, from oil and gas projects to subdivisions in the green and alternative energy sub-sectors.

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CHAIRMAN'S STATEMENT

Summary

The year under report was challenging and volatile in certain ways, rewarding in others and, considering all the circumstances, the results were sound, not spectacular. However, activities since the start of the year point to a more stable future and there is potential for some exciting developments in the Group as a whole going forward which will be explained later in this statement.

Argentina

The year 2022 saw the completion of three successfully drilled wells in Salta Province, Argentina. Despite running over budget due to various unforeseen down hole issues, the three wells continue to successfully contribute to production over one year later.

Later in 2022 saw an incident in our production facility in Rio Negro caused by third party negligence which caused dislocation and disruption to our deliveries. Due to the sterling efforts of our current management and teams, production was restored but has impacted our results. Insurance is covering the damage to facilities. The capacity constraints continued into the first part of 2023, but we are now seeing production in Rio Negro stabilising and being brought back to levels not seen in the last 12 months. In any event, as announced recently, Argentina remains profitable with audited EBITDA of US\$ 2 million for Q1, 2023 (on an Argentine accounting basis).

In 2022, the Matorras and Ocular exploration licences were formally relinquished as non-prospective and the investment written off, set off against further work at the Puesto Guardian concession in Salta.

Paraguay

The preparations for the drilling of the exploration well in the Pirity Concession, Chaco, continued through the year and to date. As shareholders know this is a joint drill with OPIC part of CPC, the State Energy Company of Taiwan.

The Hernandarias Concession has been relinquished as non-prospective, and the investment written off.

Louisiana

This non-core asset proved a disappointment. Starting satisfactorily after a long-delayed workover, the two wells dwindled to a non-commercial amount and consequently, an impairment of US\$1.4 million was recognised in 2022. We have now disposed of this asset as at June 2023 for a nominal consideration with the abandonment liabilities thereby being taken off our books which is expected to benefit the Group's Balance Sheet in the current year.

Green House Capital ("GHC" or "Green House")

Throughout 2022 and into this year, this division has gone from strength to strength with new ground floor opportunities identified and instigated. This division currently includes businesses relating to carbon credit trading, dual fuel technologies as well as other related alternative energy projects.

For more on this business, please see under Current Trading and Outlook.

Atome Energy

This investment by the Group remained very rewarding to the Group in 2022.

It is important to point out that, without our presence, knowledge, reputation and past investment into Paraguay, Atome and its exciting future simply would not have happened. With the share price up some 30% since the IPO in December 2021, I am also pleased to see that so many shareholders have kept their dividend in specie shares in Atome given at the time of the IPO and grateful to those who have subsequently re-invested in Atome.

Financial

- Adjusted EBITDA contribution from Argentina US\$9.8 million (2021: US\$10.5 million) with adjusted Group EBITDA* of US\$7.0 million (2021: US\$7.5 million)
- Group revenue of US\$33.2 million (2021: US\$34.1 million) as lower sales volumes, due in part to the Rio Negro incident, were offset by higher realised prices in both Argentina and the USA; the average Group product price was US\$55.9/boe (2021: US\$40.7/boe) due to the recovery in market prices in the year.
- Net cash generated by operating activities increased by 3% to US\$11.4 million (2021: US\$11.1 million)
- Free cash generation from core operations* (excluding workovers) of US\$11.3 million (2021: US\$12.8 million)
- Year-end cash balances US\$7.9 million (2021: US\$2.0 million)
- After depreciation, depletion and amortisation of US\$8.8 million (2021: US\$11.5 million) loss after tax of US\$10.5 million (2021 profit US\$4.6 million),
- Borrowings at year end increased to US\$47.5 million (2021: US\$29.3 million). Of this, US\$35 million is third party financial debt in Argentina with no recourse to the Group. The majority of this is dollar-based debt at

low average interest rates of less than 5%. This has no material impact on the Group as it is a dollar-based business. The balance is in effect peso-denominated which is advantageous to the Group. The balance of US\$11.9 million is owed by the Group to IYA, an affiliate company of Executive Chairman, Peter Levine. The increase in third party debt in Argentina relates to the heavy capex programme last year and the incident at the Puesto Flores facility. All borrowings are being serviced in accordance with their terms.

- Since the end of the period, the IYA debt has been converted to an interest free loan with a maturity now out to the end of 2025 and financial borrowings in Argentina have been measurably reduced with much of the remaining debt refinanced and extended on attractive terms.

Corporate

- Name of Company changed from 'President Energy PLC' to 'Molecular Energies PLC' to reflect the expansion of our interests in alternative energies and related technologies.
- Further tranche of US\$3.585 million in bonds issued to the Argentine market to fund further working capital and capital expenditure. The interest rate was 3.89% with a 25-month repayment period and an initial 16 capital repayment month holiday.
- Market value of retained 22.5% holding in Atome Energy PLC, the Company's green hydrogen affiliate, increased in US dollar terms by approximately 28% throughout the year, whilst the share price in GB pound terms increased by approximately 50%.
- Became 75% beneficial shareholder in Green House Capital, an incubator company for alternative energy projects.
- Capital reorganisation consolidating every 200 existing ordinary shares into one consolidated share, and the sub-division of every such consolidated share into one new ordinary share and one deferred share.

Operations

- Group net average production 1,708 boepd (2021: 2,473 boepd)
- Production in Argentina adversely impacted by the incident in Rio Negro concession that impacted on production from the Puesto Flores oil field in the latter parts of the year
- Three new well drilling programme in Salta, Argentina commenced late 2021 and successfully completed during the year
- Argentina well operating costs per boe in 2022, excluding royalties and workovers* US\$25.9 per boe (2021: US\$17.0) due to lower production
- Group-wide administrative costs stable at US\$4.5m (2021: US\$4.4m) excluding directly attributable Atome expenses in 2021).
- Work on our Paraguay exploration well progressed with our partners
- Studies continued regarding potential secondary recovery project in the Rio Negro concession
- Exploration planning continued at the Martinez del Tineo field which, subject to rig availability, is slated to be drilled towards the end of 2023.
- Matorras and Ocular licences in Salta successfully relinquished.

Production and reserves

- Net 2P (proven and probable) reserves in Argentina at year end, as confirmed by an independent reserves audit, increased to 18.9 mmmboe (2021: 24.4 mmmboe).
- Louisiana 1P current proven producing reserves to be written off completely this year and contingency for liabilities released.

* calculation of all quoted metrics not directly corresponding to GAAP measures are detailed in the Alternative Performance Measure glossary and cross referenced to the Notes where applicable

Production

Country	Oil (bbls)		Natural Gas (mmcf)		Total (mmboe)	
	2022	2021	2022	2021	2022	2021
Argentina	408,999	561,947	1,172.5	1,838.9	604.4	868.4
USA	15,470	19,831	22.6	87.0	19.2	34.3
	424,469	581,778	1,195.1	1,925.9	623.6	902.7

CHAIRMAN'S STATEMENT

continued

Net Reserves (mboe)

	Argentina	USA	Total
As at 31 December 2021	24,399.5	723.8	25,123.3
Revisions in reserves	(4,894.2)	(681.6)	(5,575.8)
Production	(604.4)	(19.2)	(623.6)
As at 31 December 2022	18,900.9	23.0	18,923.9

Reserve revisions in Argentina reflect the results of production performance, drilling and workovers in the year and the subsequent independent auditor's reserve report by J&R Consultora. It is important to note that the reserves as at 31 December 2022 do not represent the total of what is present and/or recoverable in the respective fields in Rio Negro but only rather what are present and/or recoverable over the remaining term of Molecular's current licenses to 2026 / 2027. It is contemplated that, in due course, Molecular's core licences will be extended for a further 10 years which would then increase the reserves, ceteris paribus.

Climate Change

Molecular acknowledges and takes due regard to the increasing emphasis on climate change around the World as evidenced by the activities regarding Atome, an entity we created to focus on green hydrogen and ammonia as well as the Green House initiative. With regards to our core non renewables business, we acknowledge climate change as a risk facing Molecular that will continue to be considered regularly by the Board.

Current Trading and Outlook

Argentina

With a second separator this month brought up to full capacity in the core area of Puesto Flores, oil production is climbing, with an anticipated level from that field by the beginning of July of over 150m³/day. This excludes oil and gas production from our other fields in Rio Negro such as Estancia Vieja and Puesto Prado. Production from Salta Province is stable at approximately 60m³/day.

A frac campaign is slated to commence in the Puesto Flores field by September targeting, on a success case, an initial additional 60m³/day of oil production. A mobile workover/light drilling rig has been identified to be acquired by the Group and put into working order within the next few months which will enable Molecular to react to downhole issues in wells as and when they arise and reactivate relevant shut-in wells whether in Rio Negro or Salta Province. The rig is intended to be funded out of Molecular's own resources.

A new high-impact exploration well is scheduled to start to be drilled before the end of the year at the Martinez del Tineo field in the Puesto Guardian Concession, Salta. Previously considered as a farm-out candidate, Molecular has decided to go it alone. The well is going through its planning and permission stages, and it will be targeting both an oil rim with existing 2P reserves of 1.1 mboe in the Martinez del Tineo field and a deeper gas exploration reservoir of a potentially larger size of some 110 mboe of unrisks resources (as estimated by Gaffney, Cline) but with a lower chance of success. The size of the prize is however too big to ignore. The well's cost is still being assessed but is likely to be in the region of US\$5 million and is intended to be funded without recourse to equity dilution.

With elections coming up later this year, it is hoped that 2024 will see a more stable macro environment for Argentina with the EBITDA for our Argentine business expected to increase for Q2 from the US\$2 million in Q1.

Paraguay

The high-impact well to be drilled at the Tapir location in the Chaco, Paraguay is now scheduled to commence mid-August with the further delay due to a further inspection of the rig by Molecular requiring the drilling company to make additional repairs with drill safety a paramount concern. The delays place no further cost burden on Molecular or its partner, CPC.

All other necessary preparations are in hand and we look forward to at last getting down to business. I plan to be on site when this happens.

Atome

This spin-out from Molecular has proved to be a great success with the Company founding Atome from scratch within the last three years. Since the IPO at the end of 2021, Atome has gone from strength to strength with the share price increasing approximately 30% since the IPO. With a market capitalisation of some US\$55 million, Molecular retains a solid investment of 22.5% in Atome after providing Molecular shareholders with a substantial dividend in specie at the time of the 2021 IPO.

With the recent Baker Hughes investment into Atome, Molecular looks forward to Atome's future with confidence.

Green House

Following on from the success of the spin-off of Atome, Molecular has initiated steps towards spinning-off this division in the latter part of this year in order to unlock the value for shareholders not currently demonstrated by the market and to expose Green House to a wider, more green-identified audience in a similar manner to Atome. Reference is made to the separate announcement made by the Group in this regard on the date of announcement of this report and accounts.

Management

The Board appointed Jordan Coleman as CEO (non-board) of our hydrocarbons division late last year and these results prove the positive impact he is having on operations. Similarly, the Board now intends to appoint a CEO of our Green House division in the near term.

Outlook

The outlook for Molecular is looking a tad brighter. With good traction and new elections in Argentina this year, two high-impact wells planned, material progress on the business within Green House, allied with its potential spin-off later this year, there are many moving parts. Whilst one has to be severely realistic as to the chances of success in exploration wells, the Group has positives to look forward to over the next 12 months.

Peter Levine

Executive Chairman

27 June 2023

Principal Activities

The Group currently conducts an international business principally focused on the exploration for and the evaluation and production of oil and gas. The name change of the Company during the period reflects the evolving wide scope of operations and potential businesses of the Group as well as its interest in alternative energy companies which reflects the intention of the Group for the future.

A comprehensive review of the development of the business of the Group is contained in the Chairman's Statement on pages 02 to 05. Details of the statement by the Directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006 is included in the Corporate Governance Statement on page 15. Details on the principal risks and uncertainties are included in the Directors' Report on page 10.

Financial Review

2022 has proved a challenging year as production decline in both Argentina and USA hydrocarbon businesses have impacted on the financial returns. While world oil prices have been higher than 2021, controlled prices in Argentina and restricted access to export markets has limited the ability of the Group to benefit from these. However, efforts have continued to focus on developing alternative energy businesses with the establishment of Green House Capital to pursue opportunities akin to that achieved with Atome in 2021 which will assist in rebalancing the assets and business of the Group going forward. The Group retains a 22.5% stake in Atome, with the accounting rules governing consolidation of investments in associate undertakings with significant influence, shareholders will need to look to the Company Balance Sheet to see the improvement in the market value of the investment in the period as highlighted in Note 33.

Revenue fell by 3% to US\$33.2 million (2021: US\$34.1 million) as lower sales volumes were offset by higher realised prices in both Argentina and the USA; the average Group product price was US\$55.9/boe (2021: US\$40.7/boe) due to the recovery in market prices in the year. Overall Group production fell by 31% to 1,708 boepd (2021: 2,473 boepd).

Production in Argentina was adversely impacted by an incident in our Rio Negro concession that impacted on production from the Puesto Flores oil field in the latter part of the year although the financial impact was partially offset by a successful insurance claim.

Cost of sales decreased to US\$30.3 million (2021: US\$33.4 million) due to lower production related depreciation and a one-off credit arising on the release of an abandonment provision.

Free cash generation from core operations excluding changes in working capital, administrative expense and non-recurring workovers fell by 12% to US\$11.3 million (2021: US\$12.8 million).

After depreciation, depletion and amortisation of US\$8.8 million (2021: US\$11.5 million) and administrative expenses of US\$4.5 million (2021: US\$5.8 million), the Group recorded a reduced operating loss of US\$1.6 million (2021: loss US\$5.0 million).

Included within administrative expenses in 2021 were US\$1.4 million of directly attributable Atome expenses largely offset by the US\$1.3 million non-operating gain arising on migration to an associate investment, and directly linked to the US\$1.3 million receivable ultimately recovered in 2022. The overall impact of Atome related expenses was essentially neutral in 2021.

An impairment of US\$10.0 million (2021: US\$0.1 million) was recognised in the period. Following a decision to focus exploration efforts the Hernadarias concession was relinquished in 2023 resulting in an impairment of the carrying value at the end of 2022 of US\$8.5 million. While the reduction in USA reserves triggered an impairment review and an impairment of US\$1.4 million.

Non-operating gains largely arising on recoveries of previously impaired costs, insurance proceeds and asset disposals resulted in a US\$1.3 million gain (2021: gain US\$14.5 million) in contrast to the Atome related gains in the prior period. Higher interest on Argentina related borrowings were offset by foreign exchange gains including related treasury income. Loss before tax for the year was US\$12.2 million (2021: profit US\$5.7 million) with loss after tax totalling US\$10.5 million (2021 profit: US\$4.6million).

Argentine operating performance

Production in Argentina decreased by 30% to 604,411 boe (2021: 868,427 boe) or 1,656 boepd (2021: 2,379 boepd). Average realised sales prices in Argentina rose by 35% to US\$54.7 per boe (2021: US\$40.6 per boe) benefitting from partial exposure to world market prices on export sales.

Well operating costs in Argentina before non-recurring items* rose by 52% to US\$25.9/boe (2021: US\$17.0/boe) on lower volumes associated with production decline. Depreciation fell during the year to US\$12.1/boe (2021: US\$12.9/boe)* reflecting changes in future reserve development cost estimates. The extension of the Rio Negro licence period and/or the secondary recovery project which are both under discussion with the Neuquén Province would lead to a significant reduction in depreciation rates. Overall, following the annual independent review, proved and probable reserves in Argentina decreased by 21% largely on the Rio Negro assets. This change triggered an impairment review for these cash generating units, but no impairment was considered necessary.

USA operating performance

Overall production from the Group's working interest in US operations fell by 44% to 53 boepd (2021: 94 boepd). Despite production rates returning to previous levels in May 2022, production stagnated in middle of the year requiring a two-month shut-in and further workover of the well. Production resumed in early November, but it became apparent by the end of the year that future performance from the new reservoir zone would be materially below historic levels triggering a reduction in future reserves and an impairment review. Subsequent to the higher depreciation charge an impairment of US\$1.4 million was recognised.

Average realised prices in the US more than doubled over the prior year to US\$87.8/boe (2021: US\$43.1/boe). Well operating costs excluding royalty related expenses and non-recurring workovers* rose to US\$44.1 /boe (2021: US\$14.3 /boe) due to lower production levels. Depreciation rose during the year to US\$72.4/boe (2021: US\$6.3/boe)* due to the reduction in future reserves estimates.

This asset has now been sold by the Group and the accounts for 2023 will show a release of the associated contingent liabilities.

Corporate

While much of the focus in 2021 was on the value creation in bringing Atome to the market, development drilling in Argentina and concluding the farm out of the Pirity Concession in Paraguay, activity through 2022 focused on transition. The Group changed its name to Molecular Energies plc and with the sub-division of shares in October 2022, the emphasis was on preparing the business for the future. New entities have been created under the Green House Capital division that are expected to develop new alternative energy opportunities in future periods. Argentina remains the

core hydro-carbon division and continues to self-fund through access to local capital markets. Through 2022, preparations to drill the exploration well on the Pirity concession in 2023 continued. Accordingly, management consider that it is appropriate to continue to capitalise the balance of US\$46 million at 31 December 2022 (2021: US\$54 million).

Investment in the Oil & Gas Assets component of Property, Plant and Equipment in the year amounted to US\$24.2 million (2021: US\$ 14.7 million) with the completion and re-entry of four wells in the Salta Concession in Argentina, installation of new facilities in Rio Negro following fire damage and capitalised workovers in Argentina. In the USA, ownership of the Pacific Enterprises well was acquired for future use as a saltwater disposal well.

Overall, Trade and Other Payables increased to US\$24.1 million (2021: US\$22.0 million) due to obligations arising on drilling commitments.

Trade and Other Receivables decreased to US\$11.7 million (2021: US\$11.9 million). In financing Argentine drilling activity, the Group managed currency exposure by prepaying for US\$1.6 million (2021: US\$3.2 million) of drilling costs to be discharged on future activity. Under borrowing arrangements, proceeds are received net of interest earned in future periods resulting in a prepayment of interest.

At the end of the year, the Group had a net current liability of US\$19.4 million (2021: US\$9.2 million). However, after deducting the liabilities on drilling and capital accruals, which are periodic in nature as detailed in Note 19, the underlying net current liability from ongoing operations is lower at US\$7.1 million (2021: US\$3.2 million). Year-end cash balances were US\$7.9 million (2021: US\$2.0 million).

Key Performance Indicators

Key Performance Indicators are used to measure the extent to which Directors and management are reaching key business objectives for the Group. The principal methods by which the Directors monitor the Group's performance are volumes of net production, well operating costs and the extent of exploration success. The Directors also carry out a regular review of cash available for exploration and development and review actual capital expenditure and operating expenses against forecasts and budgets.

STRATEGIC REPORT

continued

	2022	2021	Increase/ (Decrease)
Production mboe			
USA	19.2	34.3	-44.0%
Argentina	604.4	868.4	-30.4%
Total net hydrocarbons	623.6	902.7	-30.9%
Well operating costs US\$000*			
USA	1,000	488	104.9%
Argentina	15,917	15,538	2.4%
Total operating costs	16,917	16,026	5.6%
Well operating costs per boe US\$*			
USA	52.1	14.2	266.1%
Argentina	26.3	17.9	47.2%
Total well operating costs per boe US\$	27.1	17.8	52.8%

* calculation of all quoted metrics not directly corresponding to GAAP measures are detailed in the Alternative Performance Measure glossary and cross referenced to the Notes where applicable

Underlying operating costs excluding non-recurring items have been calculated and detailed in the Alternative Performance Measure section of this report.

ON BEHALF OF THE BOARD

Rob Shepherd

Group Finance Director

27 June 2023

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of Molecular Energies PLC for the year ended 31 December 2022. The Group changed its name to Molecular Energies plc and with the sub-division of shares in October 2022, the emphasis was on preparing the business for the future.

Directors

The Directors of the Company and those who served during the year, except as noted, were as follows:

Peter Levine
Robert Shepherd
Alex Moody-Stuart
Jorge Bongiovanni
Martin Urdapilleta (resigned on 22 July 2022)

None of the Directors has a service agreement of more than one year's duration. Aside from those disclosed in the Directors' Remuneration Report starting on page 12, no Director has a material interest in any contract of significance with the Company or its subsidiaries during the year. Details of the Directors' interests in the shares of the Company are also set out in the Directors' Remuneration Report.

Results and Dividends

The loss for the year after taxation amounted to US\$10.5 million (2021: profit US\$4.6 million). The Directors do not recommend a dividend. (2021: US\$13.1 million interim dividend in specie). Distributable Reserves of over US\$ 90 million available for any future distribution.

Capital Structure

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in Note 24. Each ordinary share carries the right to one vote at general meetings of the Company.

Subsequent Events

In April, shareholders approved certain amendments to the IYA loan facility providing net cost savings to the Company of US\$5 million by reducing the interest costs to zero over the revised maturity period, enabling further funds to be available for working capital purposes and expansion of the Company and its hydrocarbon and alternative energy divisions. On 2nd June 2023, the Group disposed of the USA business, including all assets and liabilities, for a nominal consideration.

Substantial Shareholders

As at 11 May 2023, the Company had been notified in accordance with the requirements of provision 5.1.2 of the Financial Conduct Authority's Disclosure Guidance

and Transparency Rules of the following significant holdings in the Company's ordinary share capital:

PLLG Investments Limited	29.01%
Urion Holdings (Malta) Limited	16.67%
Schroders Investment Management	8.95%
Michinoko Limited	7.21%

Percentages are based on the issued share capital at the date of notification.

Directors' interests in the share capital of the Company are disclosed in the Directors' Remuneration Report.

Further details of PLLG Investments Limited are set out in Note 32.

Going Concern

The Group is impacted by the uncertainties in the sector and volatility in the commodity price environment as it is reliant on production revenues from existing producing wells. The principal uncertainty in the Group's forecasts and projections relates to the level of future production and consequent revenues and the estimates of future capital and operating costs. The Group consults with industry specialists to ensure operational projections are accurate.

The Directors continue to monitor cash forecasts closely and apply sensitivity analyses to manage liquidity risk effectively. Cashflow forecasts incorporate the projected settlement of the net current liabilities related to investment activity as detailed in the Strategic Report. In arriving at their view on going concern, reasonable downside sensitivities are considered under which scenarios the Group can elect not to proceed with discretionary capital expenditure that may lead to a reduction in the forecast production, consider further cost reductions or sell non-core assets to mitigate risks accordingly.

The cash position at the year-end was US\$7.9 million (2021: US\$2.0 million). To supplement its cash generation in Argentina, the Group periodically accesses the local capital markets as well as domestic bank financing. Additionally, currently none of the oil or gas production of the Group is subject to any prepay arrangement from any offtaker.

Based on their review of cash forecasts and related sensitivity analysis and supported by the continued availability of domestic financing in Argentina, the realisable value of the Company's residual 22.5% interest in Atome Energy Limited (estimated market value as at 16 June 2023 of US\$12.4mln), overriding support from

DIRECTORS' REPORT

continued

Peter Levine as well as the Directors reasonable expectation that the Group will successfully spin out the Green House Capital business activities during the next six months, the Directors believe that the Group will have available to it the financial resources to meet all commitments as they fall due. Further details of the Group's commitments are set out in Note 28.

The Directors expect that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Environment

Molecular Energies ensures that it understands and effectively manages the actual and potential environmental impact of its current and future activities. All local and national environmental regulations are observed in the countries in which the Group operates, and the Company follows the relevant performance standards of the World Bank Group.

Principal Risks and Uncertainties Facing the Group and Company

The principal risks and uncertainties arise first from unsuccessful drilling. The risks fall into three main areas:

- Although seismic data may indicate the possibility of a resource, a test drilling may reveal that there is no significant oil or gas.
- Detailed evaluation after the test drilling may demonstrate that, after production costs, the well is not commercially viable.
- Before production commences, unforeseen technical problems may result in cost overruns that make the well uneconomic.

These risks are potentially mitigated by geological analysis prior to significant expenditure being incurred. Once a well is in production the principal risks and uncertainties from operating the well are:

- Environmental objections causing the well to be shut in.
- Technical failure of the plant causing significant down time when the well is not producing.
- Production performance may not be in line with initial expectations.

These risks are mitigated by managing our responsibilities as operator and working closely with our partners on the fields that we do not operate.

The Group is also exposed to non-operational risks such as oil price, geopolitical risk and economic risk. These risks are mitigated by maintaining a strong business model with the focus on cost control and quick decision-making. The Group have acknowledged climate change as a risk facing Molecular that will continue to be considered regularly by the Board.

A key focus of the Company's strategy is to pursue acquisition opportunities. There is a potential risk of executing an acquisition which subsequently fails to meet the Company's value criteria. To mitigate this risk, the Company has assembled a management team with appropriate skills and experience in identifying and executing value enhancing transactions. Financial risks and their mitigation are summarised below.

Financial Risk Management Objectives and Policies

Exchange rate risk

The Group has principally financed its operations from equity issues raised in pounds sterling that have been converted to US Dollars and Argentine Pesos from time to time to match expected expenditure plans. These principally consist of exploration expenditure on the Purity concession in Paraguay and ongoing capital investment in the Puesto Guardian and Puesto Flores concessions in Argentina.

The Group has oil and gas production in both Argentina and the US and receives revenue in Argentine Pesos and US Dollars. Currently planned Group expenditure is across the three main currencies of US Dollars, Paraguayan Guarani and Argentine Pesos. The Group mitigates currency risk by holding cash reserves in the currencies it requires for expenditure and also takes out currency options from time to time to hedge significant currency exposure. Sterling is retained for central corporate costs. Further details are provided in Note 29.

Price risk

The Group's financial performance is related to oil and gas prices. The Group reviews its financing requirements and its hedging policies when required. At present the Directors believe there is no requirement to enter into hedging contracts for current production.

Payment Policy and Practice

It is company and group policy to settle all debts with creditors on a timely basis and in accordance with the terms of credit agreed with each supplier. Normal payment terms are about 30 days or less. The Group had

no trade creditors overdue at 31 December 2022 beyond agreed tended credit terms.

The average creditor days were 32 (2021: 32). Average creditor days are calculated on year-end creditors against purchases in the year.

Third Party Indemnities

The Group has taken out Directors and Officers liability insurance and Third-Party liability insurance.

Related Parties

Details of the Group's related party transactions are outlined in Note 32.

Auditor

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Annual General Meeting

Attention is drawn to the Notice of Meeting enclosed with this Annual Report which sets out the resolutions to be proposed at the forthcoming Annual General Meeting.

The Annual General Meeting will be held on 25 July 2023 at Carrwood Park, Selby Road, Leeds, LS15 4LG at 1:00 p.m.

ON BEHALF OF THE BOARD

Peter Levine

Executive Chairman

27 June 2023

DIRECTORS' REMUNERATION REPORT (UNAUDITED)

Whilst the Company is not required to present a directors' Remuneration Report as it is not subject to the requirements of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, AIM notice 36 states that the annual accounts must provide disclosure of directors' remuneration for the year by each director. The Company has chosen to present this information in this separate directors' Remuneration Report.

The current Directors are:

Peter Levine – Executive Chairman

Mr. Levine is a graduate and Honorary Fellow of Trinity College, Oxford. He founded the former FTSE 250 company Imperial Energy Corporation PLC, where he was Executive Chairman until its sale in 2009. Previously he was also Chairman of Severfield-Rowan PLC. He is also the Chairman of Atome Energy PLC and currently a 20.4% beneficial shareholder.

Rob Shepherd –Group Finance Director

Rob is a former Vice President for Emerging Markets Oil & Gas at ABN-AMRO, a former Non-Executive Director of Imperial Energy Plc and a former CFO of Dominion Petroleum and former CEO of Azonto Petroleum. Rob is a qualified Facilities Engineer, having trained with Shell. Rob served as a senior independent non-executive director for the Company from October 2015 until his appointment as an executive director.

Jorge Dario Bongiovanni –Independent Non-Executive Director

Jorge, an Argentine citizen, has some 39 years' experience in the oil and gas industry. After University in both Argentina and the United States of America, Jorge commenced work as a Production Engineer in Argentina, rising up the ranks to lead the initial upstream exploration and production operations for Repsol in South America, before going on to work for Petrobras in senior positions. Jorge joined IFC in 2007, part of the World Bank Group, and was Principal Petroleum Engineer from 2010-14 based out of IFC's headquarters in Washington DC. After retirement from full-time employment in 2014, Jorge continued to provide consultancy services to IFC for a further two years until recently.

Alexander Charles Moody-Stuart –Independent Non-Executive Director

Alex left Schlumberger in 2018 after a career spanning 29 years. A graduate of Imperial College, London, he started as a field engineer before spending subsequent years in senior managerial roles in South America and latterly as VP Business Development and New Ventures managing Business Development for Production Management worldwide.

Remuneration Committee

The Remuneration Committee's primary objective is to provide recommendations to the Board on the Group's remuneration policies and to determine the remuneration of the Executive Directors and other key employees. The Remuneration Committee comprised Jorge Bongiovanni (Chairman) and Alex Moody-Stuart. Other directors may be invited to attend meetings of the Remuneration Committee, but no director participates in any decision affecting his own remuneration. The Remuneration Committee meets as necessary, and during the year met formally once.

Remuneration Policy

The Group's policy is to maintain levels of remuneration to attract, motivate and retain directors and other key employees of the highest calibre who can contribute their experience and views to the Group's strategy and operations. Individual remuneration packages are structured to align rewards with the performance of the Group and the interests of shareholders.

Directors' Terms, Conditions and Remuneration

The Directors have been engaged under the terms of executive service agreements and letters of appointment. Their engagements can be terminated by either party upon six months' notice in the case of Executive Directors, and upon three months' notice in the case of Non-Executive Directors. Further to the Subscription Agreement with Trafigura in 2020, Trafigura can appoint a Non-Executive Director while their equity investment in the Company remains above 3%.

Re-appointment is subject to the Company's Articles of Association, which provide for retirement by rotation of one third of the board at each Annual General Meeting. For the year ended 31 December 2022, the Directors' remuneration comprised a basic salary, discretionary annual bonus and the granting of share options. There were no taxable benefits or payments to pension schemes.

Salary

The remuneration of directors, which includes salary and bonus, for the year ended 31 December 2022 is set out below.

	Note	2022 US\$000	2021 US\$000
Peter Levine	a	542	592
Jorge Bongiovanni	b	42	46
Robert Shepherd	c,d	178	257
Alex Moody-Stuart		51	58
Martin Urdapilleta (resigned 22 July 2022)		–	–
		813	953

Note:

Further details on share options can be found in Note 25. Other than amounts paid directly to the individual, amounts were also paid to related parties as follows.

- Further details are set out in Note 32 Transactions with Directors and other related parties. All of the salary earned in 2022 was paid in the year. Under an agreement, US\$294,823 of the 2021 salary included above was deferred. As at 31 December 2022, US\$1,137,699 remains outstanding under the agreement (2021: US\$1,275,726).
- Payment of the salary earned in the year as reported above was deferred by agreement. US\$21,935 of the reported 2021 salary was prepaid in 2020 with the remainder also deferred. As at 31 December 2022, US\$ 63,286 remains outstanding (2021: US\$23,668).
- Under a deferred salary arrangement US\$13,409 (2021: US\$ 15,306) remained outstanding at the year-end. There were no changes during the year other than foreign exchange revaluations.
- Includes remuneration of US\$134,837 (2021: US\$207,991) due to Utas Petroleum Services Limited, a company of which Robert Shepherd is a shareholder and director. As at 31 December 2022, US\$153,621 (2021: US\$248,169) remained outstanding.

Directors' Interests in the Share Capital of the Company

The beneficial interests of the current Directors in the Ordinary Shares of the Company are:

	31-May-23 1p shares	31-May-23 % interest	03-Jun-22 1p shares	03-Jun-22 % interest
Peter Levine	3,007,267	29.01%	3,007,267	29.22%
Rob Shepherd	45,853	0.44%	45,853	0.45%
Jorge Bongiovanni	18,522	0.18%	18,522	0.18%
Alexander Moody-Stuart	500	0.00%	500	0.00%

Peter Levine holds his shares through PLLG Investments Limited ("PLLG"). Further details of that company are set out in Note 32.

Executive Bonus Scheme

The Remuneration Committee sets targets for directors and staff which contain both operational and strategic targets.

Share Options Granted to Directors

With the assistance of independent remuneration consultants, a Global Incentive Plan was adopted during 2010 to provide the framework to provide a long-term incentive plan for existing and new members of staff. Details of options granted and held during the year are set out in Note 25.

This report was approved by the Board on 27 June 2023 and was signed on its behalf by:

Peter Levine
Company Secretary
27 June 2023

CORPORATE GOVERNANCE STATEMENT

The Directors recognise the importance of good corporate governance and have chosen to apply the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code'). The QCA Code was developed by the QCA in consultation with several significant institutional small company investors, as an alternative corporate governance code applicable to AIM companies. The underlying principle of the QCA Code is that "the purpose of good corporate governance is to ensure that the Company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term". The Directors anticipate that, whilst the Company will continue to comply with the QCA Code, given the Group's size and plans for the future it will also endeavour to have regard to the provisions of the UK Corporate Governance Code as best practice guidance to the extent appropriate for a company of its size and nature. To see how the Company addresses the key governance principles defined in the QCA Code, please refer to the section on corporate governance on our website.

The Board

Molecular's business is international in scope and carries political, commercial and technical risks. Accordingly, particular attention is paid to the composition and balance of the Board to ensure that it has wide experience of the sector and regulatory environment in which Molecular Energies operates and appropriate financial and risk management skills. In each Board appointment, whether executive or non-executive, the Board considers that objectivity and integrity, as well as skills, experience and ability which will assist the Board in its key functions, are pre-requisites for appointment. The Board currently comprises the Executive Chairman, an executive Director and three non-executive Directors.

Board Committees

The audit committee and remuneration committee comprised non-executive Directors, Jorge Bongiovanni and Alex Moody-Stuart.

The role of the Audit Committee includes:

- monitoring the integrity of the financial statements of the Group and formal announcements relating to the Group's financial performance and reviewing any significant financial reporting judgements contained in them - reviewing accounting policies, accounting treatments and disclosures in financial reports;
- reviewing the Group's internal financial controls and internal control and risk management systems;
- overseeing the Group's relationship with the external auditor, including making recommendations to the Board as to the appointment or reappointment of the external auditor, reviewing their terms of engagement and monitoring the external auditor's independence, objectivity and effectiveness; and
- reviewing the Group's whistle blowing procedures and ensuring that arrangements are in place for the proportionate and independent investigation of

possible improprieties in respect of financial reporting and other matters and for appropriate follow up action.

The role of the Remuneration Committee includes:

- determining and recommending to the Board the remuneration policy for the executive Directors and other senior employees, the non-executive Directors' remuneration being set by the Board upon the recommendation of the Remuneration Committee;
- within the terms of the agreed policy, determining the total individual remuneration package for each executive Director;
- determining the level of awards made under the Company's share option plans and any long-term incentive plan and the performance conditions which are to apply;
- determining bonuses payable under any cash or share bonus scheme adopted by the Group;
- determining the vesting awards under any long-term incentive plan put in place by the Group and the exercise of share options; and
- determining the policy for pension arrangements, service agreements and termination payments for executive Directors.

Relations with Shareholders

Communications with shareholders are given high priority by the Board. The Companies Act 2006 (the "Act") allows the Company to use its website to communicate with shareholders and so the Company makes documents and information available electronically on its website, including the following: Annual Report and Accounts, Interim Report and Notices of shareholders' meetings. Using electronic communications deliver significant savings to the Company in terms of administration, printing and postage costs, as well as speeding up the provision of information to shareholders. The reduced use of paper

will also have environmental benefits. Having said that, such information is sent in hard copy to those shareholders that request it. The Group endeavours to maintain a regular dialogue with institutions and analysts particularly in relation to interim and full year results. Subject to Government guidance in relation to health and safety, the Board welcomes as many investors as possible to the Annual General Meeting and invites discussion on issues facing the Group. The Company maintains an up-to-date website, which complies with AIM Rule 26.

Internal Controls

The Board acknowledges its responsibility for the Group's system of internal control and for reviewing its effectiveness. The Group's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

As a predominantly oil and gas exploration and production company with current operations concentrated in Paraguay, Argentina and the US, Molecular is, by virtue of the nature of its business and the countries in which it operates, subject to a variety of business risks.

The Group's system of internal control plays a critical role in managing the risks towards the achievement of Molecular's corporate vision and objectives and is also central to safeguarding Molecular's shareholders' interests and the Group's assets. An ongoing process has been established for identifying, evaluating and managing the significant risks faced by the Group. The Board has not identified nor been advised of any failings or weaknesses of the risk management or internal control systems which it has determined to be significant.

Health, Safety and Environmental (HSE)

Molecular has an HSE policy through which the Company is committed to maintaining high standards of health, safety and environmental performance across all its oil and gas exploration operations. Molecular is committed to the goals of:

- avoiding harm to all personnel involved in, or affected by, its operations;
- minimising the impact of its operations on the environment;
- complying with all the applicable legal and other requirements where it operates; and
- having a positive impact on people or communities directly affected by its activities and achieving continual improvement in its HSE performance.

Bribery Act

The Board is committed to compliance with the provisions of the Bribery Act 2010 and has adopted a formal policy statement which is reviewed annually.

Market Abuse Regulation

The Board is committed to compliance with the Market Abuse Regulation which came in to being during 2016 and has adopted formal policies and procedures during the year which will be reviewed annually.

Modern Slavery Act

The Board is committed to recognising personal freedom as a fundamental human right. The UK Modern Slavery Act was brought into law in 2015 and Molecular Energies fully supports the principles it promotes and the personal rights and freedoms it protects. We have zero tolerance for any form of slavery or any practices that could constitute or be perceived as slavery, whether they be in our own business or those of our suppliers, partners or consultants.

Statement by the Directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006

The Board consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006) in the decisions taken throughout the year ended 31 December 2022.

Molecular's purpose is to build a better future through responsible oil and gas development, and we are focused on creating sustainable long-term value for each of our stakeholders. To achieve this, the Board has established the Company's strategic roadmap, it has placed priority on good engagement with all stakeholders and it has considered and monitored the Company's principal risks. The Board takes each of these matters into account and the likely long-term consequences of its decisions when pursuing the Company's purpose.

The Board believes strongly in the importance of being a responsible operator across all aspects of our business. In this regard, the safety of Molecular's workforce and the communities in which we operate is critical to our purpose, the quality of our relationships with host countries is very important and remains a priority.

These are some of the principles which the Directors took into consideration when setting the 2022 KPI scorecard and the Board will continue to monitor in the year ahead.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual 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 UK adopted international accounting standards ("IFRSs") and applicable law. The Directors have elected to prepare the Company's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the accounts 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 the Company's financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 27 June 2023 and is signed on its behalf by:

Peter Levine
Executive Chairman
27 June 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MOLECULAR ENERGIES PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Molecular Energies plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2022, which comprise:

- the Group income statement and statement of comprehensive income for the year ended 31 December 2022;
- the Group and parent company statements of financial position as at 31 December 2022;
- the Group statement of cash flows for the year then ended;
- the Group and parent company statements of changes in equity for the year then ended; and
- the notes to the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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. We are independent of the Group and the Parent 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 as applied to listed entities, 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.

Conclusions relating to 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 evaluation of the directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We obtained management's going concern assessment, which covered a period up to 31 December 2024 and tested the mathematical accuracy of the model;
- We have considered the key assumptions into the model including oil prices, operating expenditure and production volumes and agreed to forecast data and historical data accordingly;
- We performed our own sensitivity analysis to consider the impact if key financing events are delayed or do not occur, to assess the impact on the going concern assessment;
- Management consider that the projections made in their going concern assessment are realistic and that the financing actions described in note 1d are well advanced and are considered highly likely to occur. In the event that certain of these did not proceed, the Executive Chairman has provided a letter of support confirming he is willing to provide funding as required to allow the Group to meet its obligations as they fall due.
- We have assessed the ability of the Executive Chairman to provide the funding stated if required.
- We reviewed the disclosures made in the financial statements relating to going concern and agreed these to be consistent with the assessment and our conclusions.

INDEPENDENT AUDITOR'S REPORT

continued

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be \$1,400,000 (2021 \$1,000,000), based on approximately 1% of total assets. Materiality for the Parent Company financial statements as a whole was set at \$980,000 (2021: \$650,000).

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. This is set at \$980,000 (2021: \$700,000) for the group and \$700,000 (2021: \$455,000) for the parent.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of \$70,000 (2021: \$25,000). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

There are four core components of the Group, being Argentina, Paraguay, US and the parent company. We performed a full scope audit on the Argentina and parent company components and targeted procedures on the US and Paraguay components, where we focussed on those areas where the risk of material misstatement was greatest. This resulted in 95% of the Group's revenue, 77% of the Group's operating result, 63% of the Group's assets and 86% of the Group's liabilities being subject to full scope procedures. Following our specific testing on the intangible assets in Paraguay this resulted in 99% of the Group's assets being subject to audit procedures.

The audit procedures for the parent company, US and Paraguay components as well as the consolidation of the components were performed by the group audit team in London. The Argentina component was audited by local component auditors who are members of the Crowe network. The consolidation was audited by the group audit team. The remaining components of the Group were considered non-significant and these components were subject to analytical procedures performed by the group audit team.

We engaged with the component auditors at all stages during the audit process and had close involvement with their audit work. We directed the component auditors regarding the audit approach at the planning stage, issued instructions that detailed the significant risks to be addressed through the audit procedures and indicated the information we required to be reported on.

A member of the group audit team visited Argentina to review the component auditor files onsite, meet with local management, and visit some of the Group's operating locations. Regular communication was also held with the component auditors to discuss key findings and conclude on significant issues.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to going concern, our assessment of which is described under the section 'conclusions related to going concern' above, the other areas we considered to be key audit matters are set out below.

This is not a complete list of all risks identified by our audit.

Key audit matter	How the scope of our audit addressed the key audit matter
<p><i>Impairment of Development and producing assets (note 15)</i></p> <p>The Group's producing assets represent approximately 60% of the total non-current asset base of the Group. The assessment for indicators of impairment and quantifying the value of any potential impairment is inherently judgmental and is therefore considered a key audit matter.</p> <p>As part of their assessment, management identified indications of impairment in connection with its US operations, due to below-expectation production levels and to the Rio Negro CGU as a result of the decline in reserves in the year.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none">• We obtained management's assessment regarding the identification of cash generating units and considered whether the assessment was reasonable.• We obtained management's assessment as to whether any impairment indicators had been identified and substantiated key considerations relating to the price of oil and gas, production volumes and reserves volumes to supporting documentation.• We assessed the level of impairment recognised in connection with the US operations and challenged the recoverability of those amounts that were not impaired.• We concurred with management's assessment that no impairment was required to the Rio Negro CGU. This included performing additional sensitivity considerations over the discount rate applied and the oil and gas prices included in the model.• We reviewed the adequacy of disclosures in the financial statements in relation to the impairment consideration.

INDEPENDENT AUDITOR'S REPORT

continued

Key audit matter

Impairment of exploration and evaluation assets (note 14)

The Group's exploration and evaluation assets represent approximately 40% of the total non-current asset base of the group. The assessment for indicators of impairment and quantifying the value of any potential impairments is inherently judgmental and is therefore considered a key audit matter.

As part of their assessment, management identified indications of impairment in connection with the Hernandarias license relating to exploration works in Paraguay.

How the scope of our audit addressed the key audit matter

We performed the following procedures:

- We obtained management's assessment as to whether there were any impairment indicators in accordance with IFRS 6 present for the exploration assets according to each exploration license held.
- We reviewed the Group's licences to identify if any had expired or were due to expire in the short term and assessed the renewal status of these by reference to applications for their extension, and discussion with management as to any licenses that were not planned to be extended.
- We enquired as to whether there was planned further exploration expenditure and corroborated with forecast information.
- We considered management's conclusions on impairment to the Hernandarias license and associated capitalised costs, due to the expectation this license will be surrendered in the next 12 months, and concurred with this assessment.
- We reviewed the adequacy of disclosures in the financial statements in relation to the impairment consideration.

Other information

The directors are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement, 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 group's and parent 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 group or the parent 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks within which the Group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were relevant company law and taxation legislation in the UK and Argentina being the principal jurisdictions in which the Group operates as well as the regulations relating to oil and gas producers in Argentina.
- As part of our audit planning process, we assessed the different areas of the financial statements, including disclosures, for the risk of material misstatement. This included considering the risk of fraud where direct enquiries were made with management and those charged with governance concerning both whether they had any knowledge of any actual or suspected fraud and their assessment of the susceptibility to fraud. We considered the risk to be greater in areas involving significant management estimation or judgement. Based on this assessment we designed audit procedures to focus on these specific areas.
- We tested the appropriateness of journal entries throughout the year by vouching a risk-based sample of journals to supporting documentation and explanations.
- A detailed review of the Group's year end adjusting entries was performed. Any items that appeared unusual in nature or amount were vouched to supporting documentation.

INDEPENDENT AUDITOR'S REPORT

continued

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The potential effects of inherent limitations are particularly significant in the case of misstatement resulting from fraud because fraud may involve sophisticated and carefully organised schemes designed to conceal it, including deliberate failure to record transactions, collusion or intentional misrepresentations being made to us.

A further description of our responsibilities is available on the Financial Reporting Council's website at: 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.

Matthew Stallabrass
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
London
27 June 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2022

	Note	2022 US\$000	2021 US\$000
Continuing Operations			
Revenue	4	33,233	34,147
Cost of sales	5	(30,344)	(33,431)
Gross profit/(loss)		2,889	716
Administrative expenses	6,11	(4,543)	(5,764)
Operating profit /(loss) before impairment and non-operating gains/(losses)		(1,654)	(5,048)
Presented as:			
Adjusted EBITDA		6,947	7,526
Non-recurring items	10	(407)	(751)
EBITDA excluding share options		6,540	6,775
Release of abandonment provision		711	–
Depreciation, depletion & amortisation		(8,790)	(11,456)
Share based payment expense		(115)	(367)
Operating profit / (loss)		(1,654)	(5,048)
Non-operating gains / (losses)	7	1,270	14,494
Loss on investment in associate undertaking		(25)	–
Impairment credit / (charge)	8	(10,016)	(51)
Profit / (loss) after impairment and non-operating gains/(losses)		(10,425)	9,395
Finance income	9	4,907	1,633
Finance costs	9	(6,649)	(5,324)
Profit / (loss) before tax	10	(12,167)	5,704
Income tax (charge)/credit comprises:			
Current tax income tax (charge)/credit		(59)	–
Deferred tax: foreign exchange arising on provision for future taxes		(3,409)	(1,341)
Deferred tax being underlying provision for future taxes		5,137	216
Total income tax (charge)/credit	12	1,669	(1,125)
Profit / (loss) for the year from continuing operations		(10,498)	4,579
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		5	–
Total comprehensive profit /(loss) for the year attributable to the equity holders of the parent		(10,493)	4,579
Earnings / loss per share			
	13	US cents	US cents
Basic profit/(loss) per share from continuing operations		(102.02)	45.07
Diluted profit(loss) per share from continuing operations		(102.02)	44.17

The accompanying accounting policies and notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2022

	Note	2022 US\$000	2021 US\$000
ASSETS			
Non-current assets			
Intangible exploration & evaluation assets	14	45,721	54,304
Goodwill		705	705
Property, plant and equipment	15	71,937	59,148
Investment in associate		–	25
Deferred tax	23	45	350
Other non-current assets	16	103	103
		118,511	114,635
Current assets			
Trade and other receivables	17	11,710	11,887
Stock		–	1,336
Cash and cash equivalents	18	7,941	2,014
		19,651	15,237
TOTAL ASSETS		138,162	129,872
LIABILITIES			
Current liabilities			
Trade and other payables	19	20,708	17,424
Borrowings	20	18,391	7,014
		39,099	24,438
Non-current liabilities			
Trade and other payables	19	3,362	4,580
Long-term provisions	22	7,854	7,480
Borrowings	20	29,134	22,250
Deferred tax	23	250	2,283
		40,600	36,593
TOTAL LIABILITIES		79,699	61,031
EQUITY			
Share capital	24	36,179	36,179
Share premium		48	48
Translation reserve		(50,235)	(50,240)
Profit and loss account		64,647	75,145
Reserve for share-based payments		7,824	7,709
TOTAL EQUITY		58,463	68,841
TOTAL EQUITY AND LIABILITIES		138,162	129,872

These financial statements for Molecular Energies PLC (company number 5104249) were approved by the Board of Directors and authorised for issue on 27 June 2023. They were signed on their behalf by:

Peter Levine
Executive Chairman

The accompanying accounting policies and notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2022

	Share capital US\$000	Share premium US\$000	Translation reserve US\$000	Profit and loss account US\$000	Reserve for share-based payments US\$000	Total US\$000
Balance at 1 January 2021	35,708	257,992	(50,240)	(174,631)	7,538	76,367
Share-based payments	–	–	–	–	367	367
Debt conversion	82	58	–	–	–	140
Subscription	241	254	–	–	–	495
Exercise of options	148	48	–	–	(196)	–
Capital reduction	–	(258,304)	–	258,304	–	–
Dividend in specie	–	–	–	(13,130)	–	(13,130)
Transactions with the owners	471	(257,944)	–	245,174	171	(12,128)
Profit for the year	–	–	–	4,579	–	4,579
Other comprehensive income						
Exchange differences on translation	–	–	23	–	–	23
Reclassified to profit and loss	–	–	(23)	23	–	–
Total comprehensive income for the year	–	–	–	4,602	–	4,602
Balance at 1 January 2022	36,179	48	(50,240)	75,145	7,709	68,841
Share-based payments	–	–	–	–	115	115
Transactions with the owners	–	–	–	–	115	115
Loss for the year	–	–	–	(10,498)	–	(10,498)
Other comprehensive income						
Exchange differences on translation	–	–	5	–	–	5
Total comprehensive income for the year	–	–	5	(10,498)	–	(10,493)
Balance at 31 December 2022	36,179	48	(50,235)	64,647	7,824	58,463

Attributable to the owners of the Company

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2022

	2022 US\$000	2021 US\$000
Cash flows from operating activities		
Cash generated by operating activities (note 26)	11,366	11,078
Interest received	244	145
	11,610	11,223
Cash flows from investing activities		
Expenditure on exploration and evaluation assets	–	(1,652)
Expenditure on development and production assets	(21,832)	(19,431)
Proceeds from asset sales	–	29
Insurance proceeds	1,289	–
Recovery of previously impaired costs	748	–
Proceeds from Paraguay farmout	–	4,000
Acquisition & licence extension in Argentina	–	(284)
USA acquisition	(450)	–
Deposits with state authorities	–	(1)
	(20,245)	(17,339)
Cash flows from financing activities		
Loan drawn	40,345	11,731
Proceeds from issue of shares (net of expenses)	–	495
Repayment of obligations under leases	(1,067)	(1,332)
Repayment of borrowings	(21,747)	(3,130)
Payment of interest and loan fees	(4,366)	(1,338)
	13,165	6,426
Net increase/(decrease) in cash and cash equivalents	4,530	310
Opening cash and cash equivalents at beginning of year	2,014	1,144
Exchange gains/(losses) on cash and cash equivalents	1,397	560
Closing cash and cash equivalents	7,941	2,014

The accompanying accounting policies and notes form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED ACCOUNTS

1. General information

Corporate status

Molecular Energies PLC is a public company limited by shares and incorporated in England in the United Kingdom under the Companies Act 2006. The Group changed its name to Molecular Energies plc and with the sub-division of shares in October 2022, the emphasis was on preparing the business for the future. The address of the registered office is given on page 70. The nature of the Group's operations and its principal activities are set out in Note 4 and in the Strategic Report on pages 06 to 08. The Company is quoted on the AIM market of the London Stock Exchange (ticker: MEN), and is headquartered in Leeds, UK, with offices in Asunción, Paraguay, Buenos Aires, Argentina, and Lafayette, USA. Details on all subsidiaries of the group are provided in Note 4 in the Company accounts.

Presentation currency

The presentation currency and functional currency of the Group and all subsidiaries is the United States (US) Dollar as the Group's trading, and the majority of other transactions and assets are in US Dollars. The Group's accounting policy on foreign currencies is detailed in Note 2j).

2. Significant accounting policies

a) Basis of preparation

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards ('IFRS') in conformity with the requirements of the Companies Act 2006. The Group's financial statements have been prepared under the historical cost convention.

The consolidated financial statements are presented in accordance with IAS 1: Presentation of financial statements. A summary of the significant accounting policies adopted in the preparation of the financial statements is set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

This included the following:

- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37;
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities;
- Reference to Conceptual Framework – Amendments to IFRS 3; and
- Property, Plant and Equipment: Proceeds before Intended Use- Amendments to IAS 16.

The amendments listed above did not have any impact on the amounts recognised and are not expected to significantly affect the current or future periods. Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

b) Basis of accounting

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses as further described in Note 3. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. The critical accounting judgements and associated key sources of estimation uncertainty are referred to in Note 3 below.

NOTES TO THE CONSOLIDATED ACCOUNTS

continued

2. Significant accounting policies (continued)

c) Basis of consolidation

The Group financial statements include the results of the Company and all its subsidiary undertakings. A subsidiary is an entity controlled, directly or indirectly, by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the Group financial statements from the date that control commences until the date that control ceases as further described in Note 2 below. There are no unrealised gains and losses or income and expenses arising from intra Group transactions. Intra Group balances are eliminated in preparing the consolidated financial statements.

Under s479A of the Companies Act 2006, an audit exemption has been taken for President Energy UK Limited, President Energy Paraguay Limited and President Energy Purity Limited. President Energy Investments Limited, Dual Fuel Limited and Green House Capital Limited remained dormant during the reporting period and were entitled to an audit exemption under s480 of the Companies Act 2006.

The Group's exploration, development and production activities may be conducted as co-licensee, in jointly controlled operations with other companies. Where the Group is party to a jointly controlled operation, which is not an entity, the Group accounts directly for its part of the income and expenditure, assets, liabilities and cash flows.

d) Going concern

The accounts have been prepared under the going concern basis.

The Group is impacted by the uncertainties in the sector and volatility in the commodity price environment as it is reliant on production revenues from existing producing wells. The principal uncertainty in the Group's forecasts and projections relates to the level of future production and consequent revenues and the estimates of future capital and operating costs. The Group consults with industry specialists to ensure operational projections are accurate.

The Directors continue to monitor cash forecasts closely and apply sensitivity analyses to manage liquidity risk effectively. Cashflow forecasts incorporate the projected settlement of the net current liabilities related to investment activity as detailed in the Strategic Report. In arriving at their view on going concern, reasonable downside sensitivities are considered under which scenarios the Group can elect not to proceed with discretionary capital expenditure that may lead to a reduction in the forecast production, consider further cost reductions or sell non-core assets to mitigate risks accordingly.

The cash position at the year-end was US\$7.9 million (2021: US\$2.0 million). To supplement its cash generation in Argentina, the Group periodically accesses the local capital markets as well as domestic bank financing. Additionally, currently none of the oil or gas production of the Group is subject to any prepay arrangement from any offtaker.

Based on their review of cash forecasts and related sensitivity analysis and supported by the continued availability of domestic financing in Argentina, the realisable value of the Company's residual 22.5% interest in Atome Energy Limited (estimated market value as at 16 June 2023 of US\$12.4mln), overriding support from Peter Levine as well as the Directors reasonable expectation that the Group will successfully spin out the Green House Capital business activities during the next six months, the Directors believe that the Group will have available to it the financial resources to meet all commitments as they fall due. Further details of the Group's commitments are set out in Note 28.

The Directors expect that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2. Significant accounting policies (continued)

e) Revenue recognition

Sales revenue from contracts with customers represents the sales value, net of VAT, of the Group's share of oil and gas sales, tariff income and production handling fees. Revenue is recognised when performance obligations have been met, which is typically when goods are delivered, and title has passed. Normal settlement terms are within 30 days of invoicing from the time the performance obligations are met. Where the Group has entered into a longer supply contract and payment is received in advance, a contract liability is recognised and unwound as the revenue is recognised in line with above.

Royalty payments are recognised as a cost of sale when the related production revenue is recognised.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

f) Oil and natural gas exploration and development expenditure

The Group adopts the successful efforts method of accounting for exploration, evaluation and development costs.

Exploration and evaluation expenditure – intangible assets

All licence acquisition, exploration and evaluation costs are initially capitalised in cost centres by well, field or exploration area, as appropriate. Directly attributable expenditure is capitalised insofar as it relates to specific exploration and evaluation activities. Pre-licence costs are expensed in the year in which they are incurred. Exploration and evaluation costs are then written off unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment. Exploration and evaluation expenditure is not amortised. If the criteria for recognition of an exploration and evaluation asset are met, it is classified as either a tangible or intangible asset, depending on the nature of the asset. When it is determined that such cost will be recouped through successful development and exploitation or alternatively by sale of the interest, expenditure will be transferred to Production Assets.

Development and production assets – property, plant and equipment

All field development costs and transferred exploration and evaluation costs are capitalised as property, plant and equipment. The Directors carry out regular reviews of development and production assets and assess the need for provisions for impairment.

Depreciation, depletion and amortisation

All capitalised expenditure carried within each field is depleted from the commencement of production on a unit of production basis, over the relevant proved and probable reserves. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimate of future development costs.

Impairment

Exploration and evaluation assets are reviewed at each reporting date for indications of impairment having regard to factors such as the outcome of exploration and evaluation to date, whether further activity is planned or budgeted and licence tenure. If such indications are present, costs are written off where circumstances indicate that the carrying value is not recoverable.

At each reporting date, the Group assesses whether there is any indication that its development and production assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

This present value is discounted using a pre-tax rate that reflects current market assessments of the time value of money and of the risks specific to the asset, for which future cash flow estimates have not been adjusted. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss in the statement of comprehensive income.

NOTES TO THE CONSOLIDATED ACCOUNTS

continued

2. Significant accounting policies (continued)

f) Oil and natural gas exploration and development expenditure (continued)

An impairment loss relating to assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the statement of comprehensive income. If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years.

The reversal of an impairment loss is recognised in the statement of comprehensive income.

g) Decommissioning

Where a material liability exists for the removal of production facilities and site restoration at the end of the productive life of a field, a provision for decommissioning is recognised.

The amount recognised is the present value of future expenditure determined in accordance with local conditions and requirements. Property, plant and equipment in an amount equivalent to the provision are created and depleted on a unit of production basis.

h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment in value. The Group recognises in the carrying amount of property, plant and equipment the subsequent costs of replacing part of such items when they are expected to generate future economic benefits and such costs can be reliably determined. The carrying value of a part is derecognised when it is replaced. All other costs are recognised in the statement of comprehensive income as an expense as they are incurred.

Development and production assets are depreciated in accordance with the accounting policy detailed in Note 2 f). The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised as income or expense on sale.

Depreciation of Other Assets is on a straight-line basis to write off the cost, less the estimated residual value, of property, plant and equipment over their estimated useful lives. Where parts of an item of plant and equipment have separate lives, they are accounted for and depreciated as separate items. Typically, this is between 3-10 years.

i) Assets held for resale

Non-current assets (or disposal groups) classified as held for sale are recognised only when a disposal of the asset in its present condition is highly probable, there is a commitment to sell and an expectation that the sale will be completed within one year from the date of classification. Non-current assets are measured at the lower of carrying amount and fair value less costs to sell. Assets classified as held for sale and the corresponding liabilities are classified with current assets and liabilities on a separate line in the balance sheet.

j) Foreign currencies

Functional and presentation currency

The functional currency is the currency of the primary economic environment in which an entity operates and is normally the currency in which an entity primarily generates and expends cash. The Company's functional and presentation currency is US Dollars.

The Group's primary transactions originate in US Dollars, these being amongst others gas and oil sales and the procurement of the majority of the Group's plant and drilling services. Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

All exchange differences on transactions in currencies other than the individual entity's functional currency are recognised as profit or loss in the year in which they are incurred. Monetary assets and liabilities that are denominated in foreign currencies at the reporting date are translated at the exchange rate ruling at that date with any exchange differences arising on retranslation being recognised as profit or loss in the statement of comprehensive income. Non-monetary items that are initially measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2. Significant accounting policies (continued)

k) Financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short-term deposits with an original maturity of three months or less.

Trade payables and other creditors

Trade payables and other creditors are non-interest bearing and are initially recognised at fair value net of transaction costs and subsequently measured at amortised cost under the effective interest method.

Derivative financial instruments

The Group may use derivative financial instruments to manage its exposure to fluctuations in oil and gas prices. Derivative financial instruments are stated at fair value. The Group does not use hedge accounting. Gains or losses on derivatives are taken directly to the statement of comprehensive income in the period.

Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs, allocated between share capital and share premium.

Accounting for financial assets

Financial assets are divided into the following categories:

- loans and receivables; and
- financial assets at fair value through profit or loss.

Financial assets are assigned to the different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expenditure are recognised in the statement of comprehensive income. See note 28 for a summary of the Group's financial assets by category. An assessment of whether indications of impairment exist for a financial asset is made at least at each reporting date. If there is indication of impairment, an impairment review is undertaken.

All income and expense relating to financial assets are recognised in the Statement of Comprehensive Income line item "finance costs" or "investment income", respectively.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At initial recognition these are measured at fair value plus transaction costs, less provision for impairment, and thereafter at amortised cost under the effective interest rate method. All finance costs under the effective interest rate method are recognised in the Statement of Comprehensive Income.

The Group's trade and other receivables are classified as loans and receivables. Discounting, however, is omitted where the effect of discounting is immaterial.

Significant receivables are considered for impairment on a case-by-case basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default. All other receivables are reviewed for impairment in groups, which are determined by reference to the industry and region or counterparty and other available features of shared credit risk characteristics, if any.

l) Income taxes

Tax expense recognised in the statement of comprehensive income comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements.

NOTES TO THE CONSOLIDATED ACCOUNTS

continued

2. Significant accounting policies (continued)

l) Income taxes (continued)

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income.

Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided that they are enacted or substantively enacted at the balance sheet date. Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the statement of comprehensive income, except where they relate to items that are charged or credited directly to equity (such as the revaluation of land) in which case the related deferred tax is also charged or credited directly to equity.

m) Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payment. All share-based awards of the Group are equity settled as defined by IFRS 2. The fair value of these awards has been determined at the date of grant of the award. This fair value, adjusted annually by the Group's estimate of the number of awards that will eventually vest as a result of non-market conditions, is expensed uniformly over the vesting period.

The fair values are calculated using a Black-Scholes option pricing model. Further details are in Note 25.

n) Leases

On inception of a contract, the Group assesses whether the contract is, or contains, a lease. A lease is recognised if the contract conveys the right to control and use an identified asset for a period of time in exchange for consideration. To make the determination the Group assess whether it has the right to obtain all of the economic benefits from the use of the asset throughout the period of use, and whether the Group has the right to direct the use of the asset.

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 Group. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability plus any initial direct costs incurred and an estimate of costs required to remove or restore the underlying asset. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The initial measurement of the corresponding lease liability is at the present value of the lease payments at the lease commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The lease payments include fixed payments, less any lease incentive receivable, variable lease payments based on an index or rate, and amounts expected to be payable by the lessee under residual value guarantees.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2. Significant accounting policies (continued)

n) Leases (continued)

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. Over the course of a lease contract, there will be taxable timing differences that could give rise to deferred tax, subject to local tax laws and regulations.

o) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses and whose results are regularly reviewed by the chief operating decision makers. The Group operates in one product segment which is the exploration and production of hydrocarbons. Segment information is presented in accordance with IFRS 8 for all periods presented.

p) Business combinations

Acquisitions of subsidiaries which are businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair value at the acquisition date, except that deferred tax assets or liabilities and liabilities are recognised and measured in accordance with IAS 12 Income Taxes. Any surplus of the consideration over the fair value of the net assets acquired is accounted for as goodwill, and any surplus of the fair value of the net assets acquired over the consideration represents a bargain purchase recorded in the income statement as a credit. Where a business combination is achieved in stages, the previously held interest in the acquiree is remeasured to the acquisition-date fair value and the resulting gain is recognised in profit or loss. Goodwill arising on acquisition is assessed for impairment each reporting period.

q) Non-recurring items

To monitor our financial performance, the Group excludes certain non-recurring income and expenses that are considered exceptional to monitor financial performance as it aids the comparability of our reported financial performance from year to year. In determining an exceptional non-recurring income or expense Management consider the nature of the event, the financial materiality involved and how frequently such an event typically occurs. In determining the facts and circumstances, management considers factors such as ensuring consistent treatment between favourable and unfavourable transactions. Further details on the non-recurring items are provided in Note 10.

r) Inventory

Inventories, other than oil products, are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis and comprises direct purchase costs. Net realisable value is determined by reference to prices existing at the balance sheet date.

s) Dividend in specie

A dividend in specie is recognised when the dividend is appropriately authorised and is no longer at the discretion of the Company and is measured at the fair value of the net assets to be distributed.

3. Critical accounting judgements and key sources of estimation uncertainty

In order to prepare the consolidated financial statements in conformity with IFRS, management of the Group have to make estimates and judgements. The matters described below are considered to be the most important in understanding the judgements that are involved in preparing these statements and the uncertainties that could impact the amounts reported in the results of operations, financial condition and cash flows. Group accounting policies are described in Note 2.

Critical accounting judgements

The following are the critical judgements, apart from those involving estimation, that the Directors have made in applying the Group's accounting policies as detailed in Note 2 and that have the most significant effect on the amounts recognised in the financial statements.

NOTES TO THE CONSOLIDATED ACCOUNTS

continued

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Carrying value of intangible exploration and evaluation assets

The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written off to the income statement as exploration costs unless commercial reserves are established in accordance with the Group's accounting policy. The key areas in which management has applied judgement are as follows: the Group's intention to proceed with a future work programme for a prospect or licence; the likelihood of licence renewal or extension; the assessment of whether sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale, and the success of a well result or geological or geophysical survey.

The Group completed the farmout of part of its interest in the Pirity Concession to CPC Corporation, Taiwan ("CPC"), the state-owned energy company of Taiwan in November 2021. CPC and Molecular, through their subsidiary companies, now have an equal 50/50 interest in the Pirity Concession, Paraguay with Molecular continuing as operator under an international form of Joint Operating Agreement. The Pirity licence was extended until September 2023. The successful conclusion of the farmout process and licence extensions clears the way for a well to be drilled to determine the potential economic value of the intangible asset. Having regard to the terms of the farm out agreement and the negotiations that were undertaken, management have recognised that the US\$4.0 million proceeds received are to be utilised to fund future exploration activity and on this basis, they have recognised the proceeds as a liability. This will be released against the exploration asset as expenditure is incurred under the farm out agreement.

When considering the valuation of the Paraguay asset, the Directors have taken into account both the output of discussions from the farm down process over the past 12 months and internal assessments. Management remains committed to drilling in Paraguay with the planned drilling now scheduled for the third quarter of 2023. Accordingly, management considered that, in light of the commitment to drill and that the potential economic value, it is appropriate to continue to capitalise the balance of US\$46 million at 31 December 2022 (2021: US\$54 million). Following a decision to focus exploration efforts the Hernadarias concession was relinquished in 2023 resulting in an impairment of the carrying value at the end of 2022.

Key sources of estimation uncertainty

These are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimation of oil and gas reserves

Oil and gas reserves are key elements in the Group's investment decision-making process. They are also an important element in testing for impairment and fair value estimation. Estimates of proved and probable oil and gas reserves also affect unit of production depreciation charges against income.

Proved and probable oil and gas reserves are the quantities of oil and natural gas estimated by management, and verified from time to time by industry experts, that demonstrate with probability the likelihood that they are recoverable in future years from known reservoirs under existing economic and operating conditions, i.e. expected prices and costs as of the date the estimate is made. Estimates of oil and gas reserves are inherently imprecise, require the application of judgement and are subject to future revision. Accordingly, financial and accounting measures (such as impairment charges, depreciation, depletion and amortisation charges and decommissioning provisions) that are based on proved and probable reserves are also subject to change. Also, future gas and oil prices affect the point at which the well becomes uneconomic and the fair value measurement of the future cash flows. Proved and probable reserves are estimated by reference to available reservoir and well information, including production and pressure trends for producing reservoirs and, in some cases, subject to definitional limits, to similar data from other producing reservoirs.

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Estimation of oil and gas reserves (continued)

All proved and probable reserves estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. Because oil and gas assets are accounted for on an historical cost basis, the prospective value of the above assets is not fully carried in the Statement of Financial Position, but unaudited reserves quantities are detailed in the Chairman's statement on page 04.

Impairment review

When assessing the carrying value of oil and gas producing wells included in tangible assets, the Group estimates future production levels and prices against predicted production costs to assess the continuing economic viability and value of the well, or field, or other relevant factors. For non-producing assets included in intangible exploration and evaluation assets, the cost of bringing the resource into production needs to be assessed against the volumes, prices and operating costs anticipated from estimated future production, to the extent that the evaluation of these assets is sufficiently advanced for those to be determined. Sensitivities with respect to the key sources of estimation uncertainty in relation to impairment are oil price, the pre-tax discount rate and other key estimates are detailed in Note 15.

In relation to the costs impaired in Argentina in 2022 due to fire damage, management considered that the identifiable undepreciated cost of US\$1.1million incurred post licence acquisition as a reasonable deemed proxy for the undepreciated oil plant built by the previous licence holder some time ago.

Provisions for decommissioning

The Group provides for the costs that will be incurred when the well reaches the end of its economic life. In addition to the costs of physically removing plant and equipment there are costs associated with returning the area to an environmentally sound condition. This could include removal of roads, replacement of subsoil, planting of trees etc. to meet local and national requirements at that time. In arriving at the estimated provision, the key estimation uncertainty is the nominal discount rate to be applied. Further details are provided in Note 22.

4. Segment reporting

In the opinion of the Directors, the operations of Molecular currently comprise one class of business:- oil and gas exploration, development and production and the sale of hydrocarbons and related activities. It is envisaged that a new business segment will be established through the activities of the Green House Capital sub-division in due course. An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses and whose results are regularly reviewed by the Board of Directors. The Board reviews operating results by reference to the core principle of geographic location. The Group currently has oil and gas production in two geographical markets: the USA and Argentina. It has a head office and associated corporate expenses in the UK. The Group has exploration assets in Paraguay, Argentina and the USA.

	Argentina 2022 US\$000	Paraguay 2022 US\$000	USA 2022 US\$000	UK 2022 US\$000	Total 2022 US\$000
Revenue	31,463	–	1,686	84	33,233
Cost of sales					
Depreciation	7,296	–	1,390	–	8,686
Release of abandonment provision	(711)	–	–	–	(711)
Royalties & production taxes	4,968	–	484	–	5,452
Well operating costs	15,917	–	1,000	–	16,917
Administrative expenses	1,126	11	473	2,933	4,543
Segment costs	28,596	11	3,347	2,933	34,887
Segment operating profit/(loss)	2,867	(11)	(1,661)	(2,849)	(1,654)

NOTES TO THE CONSOLIDATED ACCOUNTS

continued

4. Segment reporting (continued)

	Argentina 2021 US\$000	Paraguay 2021 US\$000	USA 2021 US\$000	UK 2021 US\$000	Total 2021 US\$000
Revenue	32,669	–	1,478	–	34,147
Cost of sales					
Depreciation	11,158	–	216	–	11,374
Royalties & production taxes	5,612	–	419	–	6,031
Well operating costs	15,538	–	488	–	16,026
Administrative expenses	1,889	64	389	3,422	5,764
Segment costs	34,197	64	1,512	3,422	39,195
Segment operating profit/(loss)	(1,528)	(64)	(34)	(3,422)	(5,048)

During 2022, oil sales in Argentina comprised 82% of total revenues (2021: 81%). Principal customers were comprised as follows:

	2022	2021
Trafigura Argentina S.A.	76%	80%
Refineria Del Norte S.A.	20%	14%
Nueva Energia Argentina S.A.	2%	0%

In the USA, oil sales made up 83% of total revenues (2021: 77%) and were marketed to Plains Marketing L.P. Gas sales are made to Enterprise Products Operating LLC. Sales per barrel of oil equivalent averaged US\$55 per boe (2021: US\$41 per boe) and US\$88 per boe (2021: US\$43 per boe) for Argentina and USA respectively.

Average reported sales prices for Argentina are calculated based on oil and gas sales volumes of 575.0 mmboe (2021: 804.5 mmboe) as Puesto Flores oil inventory movements and gas consumed in operations will result in differences to reported production volumes. Likewise in the USA, average reported sales prices are calculated based on oil and gas sales volumes of 19.2 mmboe (2021: 34.3 mmboe).

Segment assets

	Argentina 2022 US\$000	Paraguay 2022 US\$000	USA 2022 US\$000	UK 2022 US\$000	Total 2022 US\$000
Intangible assets	129	45,592	–	–	45,721
Goodwill	705	–	–	–	705
Investment in associate	–	–	–	–	–
Property, plant and equipment	71,785	–	152	–	71,937
	72,619	45,592	152	–	118,363
Other assets	9,533	1,657	584	84	11,858
	82,152	47,249	736	84	130,221
	Argentina 2021 US\$000	Paraguay 2021 US\$000	USA 2021 US\$000	UK 2021 US\$000	Total 2021 US\$000
Intangible assets	129	54,175	–	–	54,304
Goodwill	705	–	–	–	705
Investment in associate	–	–	–	25	25
Property, plant and equipment	57,022	–	2,126	–	59,148
	57,856	54,175	2,126	25	114,182
Other assets	10,257	1,350	582	1,487	13,676
	68,113	55,525	2,708	1,512	127,858

4. Segment reporting (continued)

Segment assets can be reconciled to the Group as follows:

	2022 US\$000	2021 US\$000
Segment assets	130,221	127,858
Group cash	7,941	2,014
Group assets	138,162	129,872

Segment liabilities

	Argentina 2022 US\$000	Paraguay 2022 US\$000	USA 2022 US\$000	UK 2022 US\$000	Total 2022 US\$000
Total liabilities	50,710	8,892	1,956	18,141	79,699

	Argentina 2021 US\$000	Paraguay 2021 US\$000	USA 2021 US\$000	UK 2021 US\$000	Total 2021 US\$000
Total liabilities	39,095	4,056	1,963	15,917	61,031

5. Cost of sales

	2022 US\$000	2021 US\$000
Depreciation	8,686	11,374
Release of abandonment provision	(711)	–
Royalties & production taxes	5,452	6,031
Well operating costs	16,917	16,026
	30,344	33,431

Well operating costs include US\$407,000 (2021: US\$751,000) in non-recurring workover costs expensed in the period.

6. Administrative expenses

	2022 US\$000	2021 US\$000
Directors and staff costs (including non-executive Directors)	2,519	2,530
Share-based payments	115	367
Depreciation	104	82
Other	1,805	2,785
	4,543	5,764
Attributable to Atome business included above	–	(1,397)
	4,543	4,367

To allow for meaningful comparison, staff costs, share based payments and depreciation expenses are reflected gross before the effect of allocations to operating costs or balance sheet assets. Other expenses are shown net of the effect of allocations totalling US\$1.3 million (2021: US\$1.3 million).

Included with administrative expenses in 2021 are US\$1.4 million directly attributable to the Atome businesses which are no longer part of the Group following the flotation at the end of December 2021. Further details are provided in Note 33.

NOTES TO THE CONSOLIDATED ACCOUNTS

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7. Other non-operating (gains)/losses

	2022 US\$000	2021 US\$000
Gain on dividend in specie of Atome shares	–	(13,130)
Recovery of impaired costs	(748)	–
Gain on insurance proceeds net of costs derecognized	(115)	–
Gain on termination of leases	(52)	(18)
Other (gains)/losses arising on asset disposals	(355)	(29)
Gain on Atome transition to an associate investment	–	(1,317)
	(1,270)	(14,494)

Gains on insurance proceeds recovered in December 2022 relate to an incident at a facility in Argentina and are net of the cost of the asset impaired.

Gains arising on dividend in specie of Atome shares and on transition of Atome to an investment in an associate entity in 2021 are explained in Note 33.

8. Impairment (credit) / charge

	2022 US\$000	2021 US\$000
Matorras & Ocular in Argentina (intangible)	–	51
Hernandarias concession in Paraguay (intangible)	8,583	–
USA operations (tangible)	1,433	–
	10,016	51

Further details on the impairments are provided in Note 14 for Intangible assets.

9. Finance income & costs

	2022 US\$000	2021 US\$000
Interest income	244	145
Exchange gains	4,663	1,488
Finance income	4,907	1,633
Loan interest	3,865	3,129
Loan and financing fees	382	470
Accretion on abandonment liabilities	933	840
Interest on leases	250	415
Other interest	985	313
FX hedge	234	157
Finance costs	6,649	5,324

Cash paid out on loan fees and interest in the year amounted to US\$4.4 million (2021: US\$1.3 million).

10. Profit / (loss) before tax

	2022 US\$000	2021 US\$000
Profit/(loss) before tax has been arrived at after charging:		
Depreciation of property, plant and equipment (note 15)	8,790	11,456
Impairment of assets (notes 8, 14 & 15)	10,016	51
Staff costs in Admin & Operations (note 11)	6,243	5,247
Rentals payable in respect of land and buildings	–	17
Auditor's remuneration		
Fees payable to the Company's auditor and its associates for the audit of the annual accounts	138	92
Audit of the Company's subsidiaries	57	58
Total audit fees	195	150
Audit related assurance services	2	5
	197	155

Non-recurring items

The Group uses certain measures of performance that are not specifically defined under IFRS or other generally accepted accounting principles ("GAAP"). Where referred to in the calculation of Adjusted EBITDA and in alternative performance measures these non-recurring items comprise the following:

	2022 US\$000	2021 US\$000
Non-recurring		
Workover costs (per text in Note 5)	407	751
	407	751

The Group considers that the irregular nature of these items can lead to variability in the understanding of the performance of the underlying business and as such provide additional disclosure to complement the GAAP measures. These items are determined in line with the accounting policy in Note 2(q).

Workovers are unplanned well interventions that are not part of routine operations that can occur from time to time. The workovers are not planned interventions and do not occur on the same well each year.

11. Staff costs

	2022 Number	2021 Number
Average monthly number of employees		
(including executive Directors and Chairman but excluding non-executive Directors)		
Management	3	3
Operational	50	51
Administration	12	12
	65	66
Wages, salaries and Directors' fees		
(including Chairman and excluding non-executive Directors)	5,224	4,129
Expense in respect of share-based payments	115	367
Social security costs	904	751
	6,243	5,247

NOTES TO THE CONSOLIDATED ACCOUNTS

continued

11. Staff costs (continued)

A proportion of the staff costs above are expensed in operating costs (2022: US\$3.7 million, 2021: US\$2.5 million). There are no other material allocations.

Included in the above is the following Directors' remuneration earned in respect of the financial year by each director of the company acting in such capacity during the financial year. There were no pension contributions paid to any director in the year. Details of the Directors' remuneration are provided in the Director's Report.

	2022 US\$000	2021 US\$000
Emoluments paid in respect of the highest paid Director in the year (excluding share-based payment charge)	542	592

12. Tax

	2022 US\$000	2021 US\$000
Current tax credit /(charge)	(59)	–
Deferred tax		
Origination and reversal of temporary differences	1,728	(1,125)
	1,669	(1,125)

The tax credit for the year can be reconciled to the Statement of Comprehensive Income as follows:

	2022 US\$000	2021 US\$000
Profit / (loss) on ordinary activities before taxation	(12,167)	5,704
Tax at 19% (2020: 19%)	2,312	(1,084)
Tax losses utilised but not previously recognised	252	–
Deferred tax carried forward but not recognised	(284)	(66)
Deferred tax carried forward and recognised	1,806	611
Change in future deferred tax rates	–	(652)
Tax effect of income/expenses not realised in Group accounts	(2,085)	(2,927)
(Expenses)/income not deductible/chargeable for tax purposes	(2,243)	2,350
Difference between US, Argentine, Paraguay and UK tax rates	(123)	897
Impact of inflationary adjustments to tax base in Argentina	2,033	–
Adjustments relating to prior years	1	(254)
Tax as per statement of comprehensive income	1,669	(1,125)

Tax effect of income/expenses not realised in Group accounts relates to differences arising from local statutory accounting.

13. Earnings / (Loss) per share

	2022 US\$000	2021 US\$000
Net profit / (loss) for the period attributable to the equity holders of the Parent Company	(10,498)	4,579
	Number '000	Number '000
Weighted average number of shares in issue	10,290	10,159
	US cents	US cents
Earnings /(loss) per share		
Basic earnings / (loss) per share from continuing operations	(102.02)	45.07
Diluted earnings / (loss) per share from continuing operations	(102.02)	44.17

Following the conversion and subdivision of shares in October 2022 the weighted average number of shares for 2021 have been adjusted based on the conversion 200 to 1 share ratio duly approved.

At 31 December 2022, 134,255 (2021: 207,544) share option and share warrant awards were in issue that, if exercised, would dilute earnings per share in the future. No dilution per share was calculated for 2022 as with the reported loss they are anti-dilutive.

14. Intangible assets - exploration and evaluation assets

	US\$000
Cost	
At 1 January 2021	145,124
Additions	1,601
At 1 January 2022	146,725
Additions	–
At 31 December 2022	146,725
Impairment	
At 1 January 2021	92,421
Impaired in year ended 2021	–
At 1 January 2022	92,421
Impaired in year ended 2022	8,583
At 31 December 2022	101,004
Net Book Value	
At 31 December 2022	45,721
At 31 December 2021	54,304

The amounts for intangible exploration and evaluation assets represent active exploration and evaluation projects which are carried forward in the balance sheet whilst the determination process is not yet completed and there are no indications of impairment having regard to the indicators in IFRS 6 except as detailed below. These amounts will ultimately be written off to the Statement of Comprehensive Income as exploration costs if commercial reserves are not established. The outcome of ongoing exploration, and therefore whether the carrying value of exploration and evaluation assets will ultimately be recovered, is inherently uncertain.

NOTES TO THE CONSOLIDATED ACCOUNTS

continued

14. Intangible assets - exploration and evaluation assets (continued)

The Group completed the farmout of part of its interest in the Pirity Concession to CPC Corporation, Taiwan ("CPC"), the state-owned energy company of Taiwan in November 2021. CPC and Molecular, through their subsidiary companies, now have an equal 50/50 interest in the Pirity Concession, Paraguay with Molecular continuing as operator under an international form of Joint Operating Agreement. The current Pirity Concession expires in September 2023 and preparations to drill the exploration well are scheduled to complete before the expiry.

Following a strategic review, the Hernandarias Concession was relinquished in 2023. With no future activity on the licence an impairment of US\$8.5 million for costs accumulated on this licence was made at the end of 2022.

Accordingly, management considered that, in light of the commitment to drill the well on the Pirity Concession and that the potential economic value remains unchanged, it is appropriate to continue to capitalise the remaining balance of US\$46 million at 31 December 2022 (2021: US\$54 million).

15. Property, plant and equipment - development and production assets

	2022	2022	2022	2022	2021	2021	2021	2021
	Oil & gas	Other	Leased	Total	Oil & gas	Other	Leased	Total
Cost	assets	assets	assets		assets	assets	assets	
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
At 1 January	158,147	470	4,580	163,197	143,446	458	3,385	147,289
Additions	24,196	11	490	24,697	14,701	12	1,451	16,164
Acquisition of well in USA	600	–	–	600	–	–	–	–
Damaged by fire	(1,249)	–	–	(1,249)	–	–	–	–
Disposals	–	–	(1,404)	(1,404)	–	–	(256)	(256)
At 31 December	181,694	481	3,666	185,841	158,147	470	4,580	163,197
Depreciation								
At 1 January	101,913	368	1,768	104,049	91,520	316	964	92,800
Charge for the year	7,962	29	799	8,790	10,393	52	1,011	11,456
Impaired in year	1,433	–	–	1,433	–	–	–	–
Damaged by fire	(75)	–	–	(75)	–	–	–	–
Disposals	–	–	(293)	(293)	–	–	(207)	(207)
At 31 December	111,233	397	2,274	113,904	101,913	368	1,768	104,049
Net Book Value								
At 31 December	70,461	84	1,392	71,937	56,234	102	2,812	59,148

Following a review, impairment indicators arose on the Rio Negro Concession in Argentina and on the USA asset as a result of a substantial reduction in remaining reserves.

For the Rio Negro Concession in Argentina, the review a value in use assessment was conducted using a present value technique used to estimated future 2P reserves and costs using a base Brent oil price of US\$70 adjusted for realised prices in Argentina and applying a 24% pre-tax discount rate.

No impairment was considered in relation to the asset as a substantial surplus arose. Sensitivity analysis considering a US\$5 per barrel reduction in oil price showed that a substantial surplus remained despite some US\$11 million reduction in value. A 1% change in the pre-tax discount rate applied would reduce the value or increase the surplus by approximately US\$2 million.

15. Property, plant and equipment - development and production assets (continued)

For the USA, the value in use assessment was conducted using a present value technique used to estimated future 2P reserves and costs using an oil price of US\$85 and applying a 15% pre-tax discount rate. This indicated an impairment was necessary resulting in a US\$1.4 million impairment. The remaining net book value of the USA is now US\$0.2 million (2021: US\$2.1 million).

Additions in 2022 comprise the completion and re-entry of four wells in the Salta Concession in Argentina, installation of new facilities in Rio Negro following fire damage and capitalised workovers in Argentina. In the USA, ownership of the Pacific Enterprises well was acquired for future use as saltwater disposal well. Disposal of leased assets largely arose on the termination of contracts for compressors in both Argentina and USA.

During 2021, a three well development drilling campaign on the Puesto Guardian licence in the northern Salta province in Argentina started in early November 2021. Drilling of the third well extended in to 2022. Investment in Rio Negro continued with the drilling and completion of a further two wells on the Las Bases and Estancia Vieja concessions in April 2021. A new oil treatment plant designed, engineered, constructed and completed in Rio Negro is now delivering material savings of operating costs. The capital workover of the Triche well in the USA commenced at the end of the year with production re-established in 2022. Lease additions largely comprise recognition of new contracts on a compressor and vehicles in Argentina.

16. Other non-current assets

	2022 US\$000	2021 US\$000
Financial assets - Deposits with state authorities	103	103
	103	103

17. Trade and other receivables

	2022 US\$000	2021 US\$000
Trade receivables	5,481	5,236
Prepaid drilling cost	1,642	3,222
Due from Atome	–	1,291
Other receivables	3,324	1,170
Prepaid interest on Argentine borrowing	1,163	532
Other prepayments	100	436
	11,710	11,887

In financing Argentine drilling activity, the Group manages currency exposure by prepaying for drilling costs to be discharged on settlement. Under new borrowing arrangements, detailed in Note 20, proceeds are received net of interest earned in future periods resulting in a prepayment of interest.

Following the flotation of Atome at the end of December 2021, the Group had a receivable of US\$1.3 million in relation to the funding support provided to the Atome businesses. This amount was settled in full in 2022. Further detail on Atome is provided in Note 33.

NOTES TO THE CONSOLIDATED ACCOUNTS

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17. Trade and other receivables (continued)

Trade receivables comprise amounts due for the sale of oil and gas and amounts due from joint venture partners. They are generally due for settlement within 30–60 days and are therefore all classified as current. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has assessed the estimated credit losses looking at the probability of default and potential loss on recovery for each category of risk using reputable external benchmarks. As at 31 December 2022, an estimated credit loss of US\$62,256 was recognised (2021: US\$62,256).

Credit risk

The Company has a low credit risk in respect of trade receivables as the balance owing comprises sales to reputable oil and gas purchasers, joint ventures with State partners and crude oil inventory in transit. The concentration of risk is such that at 31 December 2022, 79% (2021 87%) of the Group's trade receivables from product sales were due from the three largest counterparties. These amounts have been recovered in full since 1 January 2023. Further detail on credit risk management is detailed in Note 29.

18. Cash and cash equivalents

	2022 US\$000	2021 US\$000
Cash at bank and in hand	7,941	2,014

19. Trade and other payables

	2022 US\$000	2021 US\$000
Current		
Trade payables	4,671	4,830
Drilling obligations, workover, facility and other capital accruals	12,317	5,959
Current portion of leases	684	786
Other payables	3,036	5,849
	20,708	17,424
Non-current		
Non-current portion of leases	793	2,181
Non-current portion of other payables	2,569	2,399
	3,362	4,580

The Group has undertaken commitments in relation to drilling, workover and infrastructure expenses in Argentina and Paraguay as well as Rio Negro facility repairs that have resulted in an increase in capital related payables.

20. Borrowings

	2022 US\$000	2021 US\$000
Current		
Bank loan	1,183	2,053
Promissory notes & bonds	17,208	4,961
	18,391	7,014
Non-current		
IYA Loan	12,073	11,284
Bank loan	1,072	2,016
Promissory notes & bonds	15,989	8,950
	29,134	22,250
Total carrying value of borrowings	47,525	29,264
IYA Loan		
Balance at beginning of year	11,284	11,175
Loan drawn in year (note 30)	985	257
Converted to equity	–	(140)
Interest capitalised	1,688	1,647
Repaid in period: Capital repayments	1,757	1,641
Interest and loan fees	1,688	1,647
	(3,445)	(3,288)
Foreign exchange	(127)	(14)
Interest payable in statement of comprehensive income in period	1,688	1,647
	12,073	11,284
Bank loan		
Balance at beginning of year	4,069	6,461
Loan draw down in year	1,735	–
Interest capitalised	1,127	1,317
Repaid in period: Capital repayments	1,632	1,489
Interest paid	1,127	1,317
	(2,759)	(2,806)
Foreign exchange	(1,935)	(993)
Interest payable in statement of comprehensive income in period	18	90
	2,255	4,069
Promissory notes & bond		
Balance at beginning of year	13,911	–
Loan draw down in year	37,625	13,900
Interest capitalised	177	203
Repaid in period: Capital repayments	18,358	–
Interest paid	177	192
	(18,535)	(192)
Interest payable in statement of comprehensive income in period	19	–
	33,197	13,911

IYA Loan

On 2 January 2018, the Company entered into a loan agreement with IYA Global Limited ("IYA"), a company beneficially owned by Peter Levine, pursuant to which IYA provided a loan facility up to \$20.5 million to the Company. The loan was due for repayment by 31 December 2024. Subsequent to the year end, a General Meeting on 6th April 2023 approved material amendments to the terms of the loan and extended the repayment date to 31 December 2025. Further details on the terms of the IYA loan are detailed in the Related Party Note 32.

NOTES TO THE CONSOLIDATED ACCOUNTS

continued

20. Borrowings (continued)

IYA Loan (continued)

In 2021, IYA agreed to convert the sum of £102,000 being part of the debt owed to it under the loan agreement into 6,000,000 new ordinary shares in the Company at the closing mid-market price on the day prior of 1.7 pence per conversion share). IYA directed in accordance with Peter Levine's wishes that the conversion shares should be allotted and issued to the Peter Levine Foundation, a charity in which neither Peter Levine nor any members of his family are beneficially interested and whose principal objectives are for promoting education and the welfare of the young.

Bank loan

In 2020, a new Argentine Peso denominated bank loan was drawn which is repayable in instalments between January 2022 and December 2023. Further drawdowns and repayments under the facility were made in 2022.

Promissory notes & bond

In 2021, the Argentine subsidiary of the Company, President Petroleum S.A., a dollar-based business, has successfully issued and placed a US\$8,950,000 Dollar denominated corporate bond (the "Bond"). This is the first time that any member of the Group has issued a corporate bond. The issue was successfully placed by a line-up of local institutions the Company with the Bond carrying an interest rate of 1.24% p.a. and having a term of two years (with four quarterly amortization payments during the second year). The covenant lite Bond is secured solely on 60% of the sales proceeds from oil sales of the Puesto Flores Concession, Río Negro Province, Argentina. Production from all other Río Negro fields and the Puesto Guardian field in Salta as well as all gas production in Argentina is not subject to nor affected by this security.

During 2022, a further tranche of US\$3.585 million in bonds was raised in the local market to fund further working capital and capital expenditure. The interest rate is 3.89% with a 25-month repayment period and an initial 16 capital repayment month holiday. In late 2022, the Group has successfully converted the corporate bonds, due to mature in 2023, to a new issue of bonds in the total amount of US\$ 10.8 million in aggregate at an interest rate of 4 % per annum with a final maturity date now extending over 36 months to December 2025. These bonds have been awarded investment grade credit rating of A- by Fix SCR, the Argentine affiliate of the international credit agency Fitch.

Through 2022, President Petroleum S.A., issued US\$23,240,000 (2021: US\$ US\$4,950,000) and redeemed US\$ 9,450,000 of promissory notes through local financial institutions. These notes have interest rates ranging from 4-7% and have repayment dates through 2023 and 2024.

21. Leases

	2022 US\$000	2021 US\$000
i) Amounts recognised in the balance sheet		
Right-of-use assets (included within Property, plant and equipment)		
Property leases	75	19
Oil and gas production and support equipment leases	1,158	2,566
Vehicles	159	227
	1,392	2,812
Leased liabilities		
Property leases	80	20
Oil and gas production and support equipment leases	1,210	2,737
Vehicles	187	210
	1,477	2,967
Current	684	786
Non-current	793	2,181
	1,477	2,967

21. Leases (continued)

	2022 US\$000	2021 US\$000
ii) Amounts recognised in the statement of profit or loss		
Property leases	75	30
Oil and gas production and support equipment leases	656	981
Vehicles	68	49
Depreciation charge of right-of-use assets	799	1,060
Interest expense on lease liabilities (included in finance cost)	250	415
(Gain) / loss on termination of lease	(52)	(67)
Expense related to short-term leases	3	13
	1,000	1,421

The cash out flow for leases amounted to US\$1.1 million (2021: US\$1.3 million) in the period.

22. Long-term provision – Decommissioning

	US\$000
At 1 January 2021	6,399
Increase / (decrease) in provision	241
Accretion	840
Incurred	–
At 1 January 2022	7,480
Increase / (decrease) in provision	2
Released to Income Statement	(711)
Accretion	933
Acquired well in USA	150
Incurred	–
At 31 December 2022	7,854

Provisions for decommissioning relate to the restoration of well sites to a satisfactory environmental condition following the cessation of production. These provisions have been created based on the Group's internal estimates and, where relevant and available, operator's 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 take into account any material changes to the assumptions. The provision is arrived at after taking into consideration management's view of future inflation and an appropriate discount rate. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates, which is currently expected to be between 2026 and 2050 for existing wells. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

The Group uses a nominal discount rate of 2.1% (2021: 2.1%) in the USA and 15% (2021: 15%) in Argentina. Inflation rate of 2.0% (2021 2.0%) has been applied as costs in the industry are determined in US dollar terms.

A wide range of estimation uncertainty surrounds the discount rate used in Argentina due to the prevailing economic environment. A decrease in the discount rate by 3% would increase the liability by US\$1.4 million while an increase of 3% in the discount rate would reduce the liability by US\$1.0 million.

NOTES TO THE CONSOLIDATED ACCOUNTS

continued

23. Deferred tax

	US\$000
Liability at 1 January 2021	1,375
Movement in year	(1,085)
Change in future tax rate	652
Exchange difference	1,341
Liability at 1 January 2022	2,283
Movement in year	868
Inflation adjusted increase in tax asset base in Argentina	(6,310)
Exchange difference	3,409
Liability at 31 December 2022	250

All of the above relates to oil and gas properties in Argentina. While the further devaluation of the Argentine Peso impacted on the tax basis used in estimating the future tax provision, inflation-based adjustments applied in 2022 significantly increased the value of the tax basis. These adjustments apply when certain conditions are met and increase the tax book value of fixed assets. The net impact is the recognition in the Income Statement of a tax credit of US\$2.0 million and corresponding reduction in the carrying value of the deferred tax liability.

In 2021, the Argentine government increased the corporate tax rate of from 25% applied in 2020 to a progressive scheme starting with a 25% rate and increasing up to a 35% rate according to bands of taxable income. This resulted in a US\$0.7 million increase in the future liability in the period.

Following the impairment of the USA asset, the Deferred Tax asset was reduced to US\$ 45,000 (2021: US\$ 350,000) as the forecast as the utilisation of expected tax losses is expected to be substantially reduced.

The Group has the following unrecognised tax losses available for offset against future profits:

	2022 US\$000	2021 US\$000
USA	15,760	11,977
UK	36,156	37,150

24. Share capital

Equity share capital

	2022 '000s	2021 '000s
Issued - authorised, allotted, called up and fully paid		
Deferred shares of par value £0.29 (US\$0.54)	16,093	16,093
Deferred shares of par value £1.99 (US\$2.65)	10,290	–
Ordinary shares of par value £0.01 (US\$0.02)	10,290	10,290
	36,179	26,383
	US\$000	US\$000
Deferred shares of par value £0.29 (US\$0.54)	8,725	8,725
Deferred shares of par value £1.99 (US\$2.65)	27,317	–
Ordinary shares of par value £0.01 (US\$0.02)	137	27,454
	36,179	36,179
The issued share capital is reconciled as follows		
Balance at beginning of year	36,179	35,708
Shares issued	–	471
Balance at end of year	36,179	36,179

24. Share capital (continued)

Equity share capital (continued)

Following approval at a General Meeting held on 29th September 2022, a capital reorganisation resulted in ordinary shareholders holding one new ordinary share for every 200 existing ordinary shares at that date. The share sub-division resulted in the creation of new Deferred Shares of par £1.99 these shares have no voting rights, no rights to dividends and no rights to capital distributions.

During 2022, the highest mid-market price of the Company's shares was £3.90 and the lowest was £1.23. The price at the year-end was £1.40 as adjusted for the share conversion for the period.

During 2021, US\$0.5 million was received from Compañía General De Combustibles S.A under a subscription agreement. The company issued 17,498,246 new shares at an average price of 2.1 pence per share. In October 2021, the Company issued 6,000,000 new ordinary shares at 1.7 pence per share to convert debt owing to IYA Global Limited. Further details are provided in Note 20.

The ordinary shares of the Company were reorganised on 30 November 2009 into 1p ordinary shares that are traded on the London Stock Exchange and 29p deferred shares that have no voting rights, no rights to dividends and no rights to capital distributions.

Further details on the capital reconstruction are provided in Note 30.

25. Share-based payments

Share options and warrants outstanding at the respective balance sheet dates are as follows:

		Grant date	Target Price	31 Dec 2021	Granted in year	Exercised in year	Forfeited / lapsed in year	31 Dec 2022	Exercise
Options									
Former director	a	01 Jul 16	£20-£40	5,833	–	–	–	5,833	£13.50
Senior employees	a	01 Jul 16	£20-£40	9,665	–	–	–	9,665	£13.50
Senior employees	a	21 Jun 17	£18-£36	8,332	–	–	–	8,332	£12.35
Senior employees	b	19 Nov 20	–	100,000	–	–	25,000	75,000	£0.01
				123,830	–	–	25,000	98,830	
Warrants									
	c		£94	21,264	–	–	–	21,264	£94
				145,094	–	–	25,000	120,094	

Note

- a) Options are exercisable up to 10 years after grant. Options are granted under the Global Incentive Plan scheme. The options contain share price performance vesting conditions. It is a condition that the target price is achieved and that it is maintained for a certain period of time. All share options outstanding at the end of the period, unless vested, have a 3-year vesting period from date of grant, and all are equity-settled.
- b) Options granted in 2020 are nil cost options that vest in two equal tranches being 12 and 24 months from the date of grant subject to the relevant persons being in the employ of the group and not subject to notice. Subject to vesting and such conditions being met, these options are exercisable for up to six months from the vesting date of each tranche and will lapse if not exercised by such date.
- c) The warrants were issued in connection with the Group's acquisition of LCH SA in 2014 and expire in line with the Pirity Concession in September 1 2023.

Following the share conversion on 29th September 2022, the share options, warrants, exercise price and target prices have been converted one share for every 200 existing share option/warrants at that date.

The weighted average remaining contractual life of the options/warrant is 1.1 years (2021: 1.6 years) from 31 December 2022.

NOTES TO THE CONSOLIDATED ACCOUNTS

continued

26. Notes to the consolidated statement cash flows

	2022 US\$000	2021 US\$000
Profit / (loss) from operations before taxation	(12,167)	5,704
Interest on bank deposits	(244)	(145)
Interest payable and loan fees	6,649	5,324
Depreciation of property, plant and equipment	8,790	11,456
Impairment (credit)/charge	10,016	51
Release of abandonment provision	(711)	–
(Gain) / loss on non-operating transaction	(1,270)	(14,494)
Loss on investment in associate undertaking	25	–
Share-based payments	115	367
Foreign exchange difference	(4,663)	(1,488)
Operating cash flows before movements in working capital	6,540	6,775
Decrease / (increase) in receivables	(3,137)	(2,430)
Movement in stock	1,691	–
Increase / (decrease) in payables	6,272	6,733
Net cash generated by operating activities	11,366	11,078

27. Contingent liabilities

In the event of a commercial discovery on the Pirity Concession in Paraguay, further new ordinary shares in Molecular would be due in relation to the acquisition of LCH S.A. An amount of ordinary shares would be issued with an aggregate value of US\$5 million calculated at the rate of £70 per share (and using an exchange rate prevailing at the time of issue).

Since IYA Global Limited is a British Virgin Island registered entity, the payment of interest on the IYA loan triggers the obligation to pay income tax at 20% at the point in the future when settlement occurs. The potential liability to income tax is US\$2.1m.

28. Capital commitments

The Group anticipates drilling the remaining commitment well on the Pirity Concession in Paraguay during the third quarter of 2023. The Pirity licence was extended to September 2023 with a work commitment to drill a further two wells or pay a financial penalty of US\$0.1 million.

Under the term of the existing development concessions in Rio Negro, the Province has approved a work programme including re-completions/workovers and drilling of development and exploration wells aimed at materially increasing production and reserves at the fields. In 2019, the Group also acquired the Angostura exploration concession. In conjunction with the Province, the Group tracks and manages the work obligations across these concessions.

Following the relinquishment of the Matoras & Occultar licence in March 2022, the associated work commitment, US\$2.61m in value, has been transferred to Puesto Guardian. This work obligation equates to the cost of one production well and will be incorporated into future drilling plans.

29. Risk management objectives and policies

a) Overview

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities. The Group's risk management is co-ordinated at its Leeds, UK headquarters, in close co-operation with the Board of Directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets. To date, the Group has financed its operations from equity issues in Pounds sterling and loans denominated in US Dollars. The Group uses financial instruments (other than derivatives) comprising cash, liquid resources and various items, such as trade debtors and trade creditors that arise directly from its operations. The Group has not recently entered into any derivative transactions with the exception of currency options to hedge significant currency exposure. There were no contracts in place as at 31 December 2022. In the normal course of its operations and through its financial instruments the Group is exposed to foreign currency, commodity price and interest rate risks.

b) Hedging of oil and gas prices

The Group keeps its production profile and oil and gas prices under review and may take out future hedging contracts when deemed appropriate. The Group had no open positions with respect to hedging contracts at the balance sheet date.

c) Foreign currency risk and sensitivity

With the exception of Group overheads arising in the UK, most of the Group's transactions are carried out in US Dollars. The financial statements are prepared in US Dollars as much of the Group's business is conducted in US Dollars. In South America capital expenditure is budgeted for in US Dollars. The Company raises equity funds in Pounds sterling and converts the majority to US dollars. A balance of funds is retained in Pounds sterling to meet future Group overheads.

At the year end the Group held the following cash and cash equivalent balances.

	2022 US\$000	2021 US\$000
US Dollars	6,925	1,706
Sterling	7	7
Argentine Pesos	1,007	300
Paraguayan Guarani	2	1
	7,941	1,144

Based upon the year-end balances, if the exchange rate between the US Dollar and sterling changed by 10% there would be a profit or loss of US\$1,000 (2021: US\$1,000). If the exchange rate between the US Dollar and the Argentine Peso changed by 10% there would be a profit or loss of US\$92,000 (2020: US\$27,000).

d) Interest rate risk and sensitivity

The Group places surplus cash on deposit. Based on the average level of interest-bearing deposits a 1% change in bank interest rate would increase or decrease interest received by approximately US\$49,000 per annum (2021: US\$16,000). As stated in Note 32 and Note 20, interest on the related party loan is part fixed rate and part variable rate. The bank loan detailed in Note 20 is at a variable rate.

NOTES TO THE CONSOLIDATED ACCOUNTS

continued

29. Risk management objectives and policies (continued)

e) Credit risk

The Group's principal customers are substantial oil and gas companies and refiners and as such credit risk is considered to be low. While the majority of receivables from joint venture partners are either regional governments or companies of good standing. Accordingly, when the Group has assessed the estimated credit losses looking at the probability of default and potential loss on recovery for each category of risk a non-material provision amounting to 1.4% has been recognised. The Group conducts an internal review with respect to the credit worthiness of counterparties where the exposure is material.

The credit risk for liquid funds is considered to be negligible as the counterparties are banks with good external credit ratings. The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	2022 US\$000	2021 US\$000
Trade receivables	5,481	5,236
Other receivables	3,324	1,170
Cash and cash equivalents	7,941	2,014
Deposits with state authorities	103	103
	16,849	8,523

f) Liquidity risk analysis

The Group manages its liquidity needs by carefully monitoring its cash inflows and outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a week-to-week basis, as well as on the basis of a rolling monthly projection. Long-term liquidity needs for a half year and an annual lookout period are identified monthly. The Group aims to maintain cash to meet its liquidity requirements for up to 60-day periods. As at 31 December 2022 the Group's financial liabilities have contractual maturities which are summarised as follows:

	Current	
	<6 months US\$000	7-12 months US\$000
Trade payables	4,671	–
Drilling, workover and operation accruals	12,317	–
Current portion of leases	684	–
Others	3,036	–
Bank loan	175	1,008
Promissory notes & bonds	13,758	3,450

29. Risk management objectives and policies (continued)

This compares with the maturities of the Group's financial liabilities at the end of the previous reporting period as follows:

	Current	
	<6 months US\$000	7-12 months US\$000
Trade payables	4,830	–
Drilling, workover and operation accruals	1,959	–
Current portion of leases	786	–
Others	5,849	–
Bank loan	1,045	1,008
Promissory notes & bonds	1,511	3,450

The Group's borrowings are set out in Note 20 and are due to mature between 2023 and 2025.

g) Market risk

Although the Group operates in the oil and gas sector, oil and gas prices do not generally affect the financial assets and liabilities of the Group as changes in oil and gas prices do not affect the fair value of these balance sheet items after initial recognition.

h) Summary of financial assets and liabilities by category

	2022 US\$000	2021 US\$000
Non-current assets – loans and receivables		
Deposits with state authorities	103	103
Current financial assets at amortised cost		
Trade receivables	5,481	5,236
Other receivables	3,324	1,170
Due from Atome	–	1,291
Cash and cash equivalents	7,941	2,014
	16,746	9,711
Current financial liabilities measured at amortised cost		
Trade payables	4,671	4,830
Other payables	3,036	5,849
Borrowings	18,391	7,014
	26,098	17,693

With the exception of Group borrowings, further detail of which is set out in Note 20, the fair value of financial assets and liabilities approximates to the carrying value due to the short-term nature of the financial instruments with the exception of non-current loans and receivables that are held at amortised cost.

NOTES TO THE CONSOLIDATED ACCOUNTS

continued

30. Managing capital

The Group's objectives when managing capital (debt and equity finance) are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk; and
- to fund the Group with equity in the long term and using debt where applicable to fund drilling and other commitments.

The Group sets the amount of capital in proportion to risk and its plans for growth. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust any amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

In 2022, the Board undertook a capital re-organisation to result in a more appropriate number of shares in issue for a company of Molecular Energies size in the UK market. The consolidation may also help to make the Company's shares more attractive to investors and may result in a narrowing of the bid/offer spread, thereby improving liquidity. Following approval at a General Meeting held on 29th September 2022, the capital reorganisation resulted in ordinary shareholders holding one new ordinary share for every 200 existing ordinary shares at that date. The share sub-division resulted in the creation of new Deferred Shares of par £1.99 these shares have no voting rights, no rights to dividends and no rights to capital distributions.

Much of the focus in 2021 was on the value creation in bringing Atome Energy to the market, development drilling in Argentina and concluding the farm out of the Pirity Concession in Paraguay. To that end, shareholder and High Court approval was obtained for a capital reduction of Share Premium balance to facilitate the dividend in specie to shareholders at the end of December 2021.

Following the reduction, there remains over US\$90.0 million of distributable reserves at the end of the year.

31. Subsequent events

In early January 2023, the Group announced the formation of Dual Fuel Limited a new joint venture for its Green House Capital division. Dual Fuel Limited has been incorporated to provide an engineering to implementation solution for the conversion of commercial diesel engines to run on a diesel and hydrogen mix.

President Argentina has successfully converted the corporate bonds, due to mature in 2023, to a new issue of bonds in the total amount of US\$ 10.8 million in aggregate at an interest rate of 4 % per annum with a final maturity date now extending over 36 months to December 2025. Production in Argentina continues to improve as further work on the Rio Negro facilities is made to allow ramping up to full capacity. The new wells successfully drilled in Salta in 2022 are all contributing profitably. The workover campaign in Q1 2023 has also been successfully completed with all wells now online and producing again. A new frac campaign is planned in Rio Negro for August which if successful on the first well will extend to a total of 4 wells. A high-impact exploration well at the Martinez del Tineo field in Salta Province is still planned for towards the end of this year subject to rig availability.

The preparations for the drilling of the exploration well in the Pirity Concession, Chaco, Paraguay continue. As part of the due diligence testing of the drilling rig, Molecular has insisted that the drilling contractor make certain modifications and repairs to the blow-out preventor. These are being carried out at the contractor's own cost. Due to the complex nature of the blow-out preventor and the requirements for it to be fit for the purpose in this particular exploratory well, it is now anticipated that spudding of the well will take place in Q3 2023.

After the year end, a General Meeting on 6th April 2023 approved material amendments to the terms of the loan and extended the repayment date to 31 December 2025. Further details on the terms of the IYA loan are detailed in the Related Party Note 32. On the 18th of January, the Company, announced that it has issued and allotted an aggregate of 75,000 new ordinary shares of 1 penny each in the Company to senior management and employees of the Company pursuant to share options issued under the terms of the Long-Term Incentive Plan.

31. Subsequent events (continued)

Following an additional issue of shares by Atome Energy plc at the end of May 2023, the Group's stake in Atome Energy plc was reduced from 25.2% at 31 December 2022 to 22.5% at the date of this report.

On 2nd June 2023, the Group disposed of the USA business, including all assets and liabilities, for a nominal consideration.

32. Transactions with Directors and other related parties

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The Company defines key management personnel as Directors of the Company. Further information about the remuneration of individual Directors is provided in Note 11 and in the Directors' Remuneration Report on pages 12 to 13.

IYA loan facility

The Company has made use of an unsecured revolving loan facility made available by IYA Global Limited, a subsidiary of PLLG Investments Limited which is beneficially owned by the Company's Executive Chairman and its largest shareholder, Peter Levine. This facility is subordinated to the Company's external bank facility.

As at 31 December 2022, the total amount committed under the IYA loan facility was US\$20.5 million with US\$16.5 million at a 10.5% interest rate and additional borrowings of US\$4.0 million at 12.5% plus 6-month Libor in line with previous bank borrowing.

At the end of the year, the Company had drawn US\$12.1 million (2021: US\$11.3 million) of the US\$20.5 million facility at the lower interest rate. Loan interest expense amounted to US\$1,639,000 (2021: US\$1,563,000) and loan fees expense of US\$382,000 (2021: US\$470,000) largely included amortisation of historic arrangement fees.

Subsequent to the year end, a General Meeting on 6th April 2023 approved material amendments to the terms of the loan and extended the repayment date to 31 December 2025.

- (i) The IYA Loan (including interest) is fixed as at this date with no further monies available to be drawn and no further commitment fee on undrawn balances thereafter applicable
- (ii) The interest rate on the Fixed Loan be reduced to zero percent (0 per cent.) per year from this date
- (iii) IYA is granted a first legal charge against all the shares owned by the Company from time to time in Atome to secure the Fixed Loan
- (iv) an extension fee of US\$1.5 million be paid to IYA spread over the length of time of the Fixed Loan to maturity to be paid by equal monthly instalments unless otherwise agreed. As such the Fee is unsecured as it is not part of the IYA Loan
- (v) IYA will be granted the rights at any time up to 31 December 2025 to call upon MEN to transfer to it or as it may direct 2,038,038 ordinary shares in Atome equivalent to the value of GBP2.16 million at value of 106.2 pence per Atome share in satisfaction and by way of extinguishment of US\$2.6 million of the Fixed Loan still then outstanding, calculated using an exchange rate of US\$1.20 to the pound

The balance of the Fixed IYA loan as at 1 May 2023 was US\$12.3 million.

Other transactions

Alpha Imperial Corp is a company whose ultimate beneficial shareholder is Peter Levine, the Chairman and largest shareholder of Molecular. In 2018, Alpha Imperial Corp farmed in to earn a 75% share in the reactivation of the Pacific Enterprise No1 well in the USA in return for funding the workover over and assuming the abandonment liability for the well. While the Group retained a 24% interest in future production, subsequent evaluation determined that the well was not commercially viable. In November 2022, Molecular acquired the ownership of the Pacific well. The well was acquired for future use as saltwater disposal well for US\$450,000 and assumption of the abandonment liability. These transactions were immaterial for the purposes of AIM Rule 13 disclosure.

NOTES TO THE CONSOLIDATED ACCOUNTS

continued

32. Transactions with Directors and other related parties (continued)

Other transactions (continued)

On 6th January 2021, Molecular formed Atome Limited as a UK intermediate holding company focusing on developing a hydrogen and ammonia production, marketing, and sales business as distinct from an OEM (original equipment manufacturer). Subsequently, Molecular allotted a 15% interest in Atome Limited to Alpha Oil Invest GmbH of Zug, Switzerland ("Alpha Oil") for cash at par value reflecting the work both done and continuing to be performed by Alpha Oil as referred to below.

Alpha Oil, in operation since 2006, is an established independently managed fund whose ultimate owner is Peter Levine, Molecular's Executive Chairman. Since its inception, Alpha Oil has made a wide range of investments in a variety of sectors. It has developed an interest and expertise in renewable energy at its own cost and has certain business opportunities which it is now introducing to Atome rather than pursuing them itself. The allocation of shares in Atome is not a related party transaction for the purpose of Rule 13 of the AIM Rules for Companies due to that transaction being de minimis in its size. Nevertheless, in the spirit of Rule 13 of the AIM Rules for Companies, the independent directors carefully reviewed the terms of the issuance in the context of Rule 13 and considered them to be fair and reasonable insofar as the Company's shareholders are concerned. Following an internal re-organisation, the business in Atome was floated as an independent entity on the AIM stock market at the end of 2021.

In June 2022, the Group established Green House Capital Limited to pursue alternative energy projects with Alpha Oil holding a 25% interest for its expertise and support in establishing the business. The allocation of shares in Green House Capital Limited is not a related party transaction for the purpose of Rule 13 of the AIM Rules for Companies due to that transaction being de minimis in its size.

Nikita Levine, a family member, is a consultant employed through a third-party supplier providing investor relations and business development services to Molecular in 2022. Nikita was appointed as a Director of Atome Limited.

PLLG Investments Limited a company whose ultimate beneficial shareholder is Peter Levine, the Chairman and largest shareholder of Molecular, provided company secretarial services to the Company amounting to US\$77,246 (2021: US\$93,700).

Molecular retains a 22.5% interest in Atome and as such they are a related party. There are no significant transactions between the parties.

33. Atome Energy plc

The Group currently retains a 22.5% interest in Atome Energy plc. Through 2021, Atome Energy plc was organised and developed as a green hydrogen, ammonia and fertiliser business under the governance and stewardship of Molecular before culminating in its flotation as an independent AIM listed entity at the end of the year.

Group consolidation

Up until the dividend in specie on 29 December 2021, the results of the Atome entities have been fully consolidated into the Group, with a corresponding non-controlling interest, as Molecular retained control with an 85% shareholding until this point. With the dividend in specie to Molecular Shareholders and the subsequent Initial Public Offering, the shareholding was reduced to 27.9% at the end of 2021. Subsequent dilution has seen the stake reduced to 25.2% at the end of 2022 and to 22.5% at the date of this report. Consequently, the retained interest in Atome Energy is an associate undertaking going forward. A gain of US\$1.3 million arose in 2021 on the movement from a subsidiary to an associate investment. Going forward the investment is accounted for at historic cost, the cost when the original investment was made, at Group level with the net share of profits and losses arising recorded in the income statement in line with equity accounting principles.

33. Atome Energy plc (continued)

Dividend in specie of Atome Energy shares

Following the approval of shareholders and the High Court of Justice in England and Wales the reduction of capital in the company by way of cancellation of the Company's Share Premium account facilitated the distribution of Atome Energy shares as a dividend in specie. The distribution is recorded at market value through equity resulting in a gain in the 2021 Statement of Income of US\$13.1 million.

Company financial statements

The Directors have decided to recognise the residual shareholding of Atome Energy at market value in the financial statements of the Company. The investment in Atome Energy is a marketable security that is distinct from the other investment holdings of the Company. The recognition of the market value of the residual 25.2% (2021: 27.9%) holding as at 31 December 2022 is presented on the Balance Sheet and results in a gain of US\$1.4 million (2021: US\$10.2 million) in the Company financial statements only.

Selected key financial extracts

	2022 US\$000	2021 US\$000
Group Statement of Comprehensive Income		
Administrative expense per Note 6	–	(1,397)
Gain on Atome transition to an associate investment per Note 7	–	1,317
Gain on dividend in specie of Atome shares per Note 7	–	13,130
Loss on investment in associate undertaking	(25)	–
	(25)	13,050
Group Statement of Financial position		
Non-current Investment in associate at cost	–	25
Current receivable due from Atome per Note 17	–	1,291
Company Profit & Loss Statement		
Gain on dividend in specie of Atome shares per Note 7	–	13,096
Gain arising on mark to market of investment	1,414	10,150
	1,414	23,246
Company Statement of Financial position		
Investment in Atome Energy plc at market value	11,589	10,175

COMPANY STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2022

ASSETS	Note	2022 US\$000	2021 US\$000
Non-current assets			
Investment in subsidiaries	4	3,496	3,496
Investment in Atome Energy plc	5	11,588	10,175
Property plant and equipment		–	–
		15,084	13,671
Current assets			
Debtors	6	150,940	163,518
Cash at bank and in hand		6,854	1,541
		157,794	165,059
TOTAL ASSETS		172,878	178,730
LIABILITIES			
Current liabilities			
Creditors	7	3,499	2,234
Borrowings	8	–	–
		3,499	2,234
Non-current liabilities			
Creditors	7	2,569	2,399
Borrowings	8	12,073	11,284
		14,642	13,683
Net assets		154,737	162,813
EQUITY			
Called up share capital	9	36,179	36,179
Share premium		48	48
Retained earnings		110,686	118,877
Share Option Reserve		7,824	7,709
Total equity attributable to the equity holders		154,737	162,813

Molecular reported a loss for the year ended 31 December 2022 of US\$8,191,000 (2021: profit US\$22,521,000). There were no other recognised gains and losses.

These financial statements for Molecular (company number 5104249) were approved by the board of directors and authorised for issue on 27 June 2023.

They were signed on its behalf by:

Peter Levine
Executive Chairman

The accompanying accounting policies and notes form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

31 DECEMBER 2022

	Share capital US\$000	Share premium US\$000	Profit and loss account US\$000	Share Option reserve US\$000	Total US\$000
Balance at 1 January 2021	35,708	257,992	(148,818)	7,538	152,420
Share-based payments	–	–	–	367	367
Debt conversion	82	58	–	–	140
Subscription	241	254	–	–	495
Exercise of options	148	48	–	(196)	–
Capital reduction	–	(258,304)	258,304	–	–
Dividend in specie	–	–	(13,130)	–	(13,130)
Transactions with the owners	471	(257,944)	245,174	171	(12,128)
Profit for the year	–	–	22,521	–	22,521
Total comprehensive income for the year	–	–	22,521	–	22,521
Balance at 1 January 2022	36,179	48	118,877	7,709	162,813
Share-based payments	–	–	–	115	115
Spare					
Transactions with the owners	–	–	–	115	115
Loss for the year	–	–	(8,191)	–	(8,191)
Total comprehensive income for the year	–	–	(8,191)	–	(8,191)
Balance at 31 December 2022	36,179	48	110,686	7,824	154,737

NOTES TO THE COMPANY ACCOUNTS

YEAR ENDED 31 DECEMBER 2022

The following financial statements have been prepared in accordance with the recognition and measurement principles of Financial Reporting Standard 101 (Reduced Disclosure Framework).

1. Significant accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

Molecular Energies PLC (formerly President Energy PLC until 29th September 2022) is a public company limited by shares and incorporated in England in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 70. The nature of the Company's operations and its principal activities are set out in the Report of the Directors on pages 09 to 11.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, these financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the good and services. The principal accounting policies adopted are set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, and presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group accounts of Molecular Energies PLC. The group accounts of Molecular Energies PLC are available to the public and can be obtained from the Company website as detailed on page 70.

Investments

Investments in subsidiaries are shown at cost, less provision for impairment. The associate investment in Atome Energy plc is a marketable security that is distinct from the other investment holdings of the Company. Consequently, the Directors have decided to recognise the residual shareholding of Atome Energy at market value in the financial statements of the Company going forward. Changes in the fair value of the investment are reflected on the Balance Sheet with the gain or loss arising recognised in the results for the period.

Group accounts

These financial statements are separate financial statements for the Company and are included in the consolidated financial statements of the group accounts of Molecular Energies PLC.

Adoption of new and revised Standards

The Company has adopted all applicable IFRSs and Interpretations which have been endorsed by the UK and which are relevant to its operations and mandatory for accounting periods beginning on 1 January 2022 and no restatement of prior year amounts has been required.

1. Significant accounting policies (continued)

Going concern

The Group is impacted by the uncertainties in the sector and volatility in the commodity price environment as it is reliant on production revenues from existing producing wells. The principal uncertainty in the Group's forecasts and projections relates to the level of future production and consequent revenues and the estimates of future capital and operating costs. The Group consults with industry specialists to ensure operational projections are accurate.

The Directors continue to monitor cash forecasts closely and apply sensitivity analyses to manage liquidity risk effectively. Cashflow forecasts incorporate the projected settlement of the net current liabilities related to investment activity as detailed in the Strategic Report. In arriving at their view on going concern, reasonable downside sensitivities are considered under which scenarios the Group can elect not to proceed with discretionary capital expenditure that may lead to a reduction in the forecast production, consider further cost reductions or sell non-core assets to mitigate risks accordingly.

The cash position at the year-end was US\$7.9 million (2021: US\$2.0 million). To supplement its cash generation in Argentina, the Group periodically accesses the local capital markets as well as domestic bank financing. Additionally, currently none of the oil or gas production of the Group is subject to any prepay arrangement from any offtaker.

Based on their review of cash forecasts and related sensitivity analysis and supported by the continued availability of domestic financing in Argentina, the realisable value of the Company's residual 22.5% interest in Atome Energy Limited (estimated market value as at 16 June 2023 of US\$12.4mln), overriding support from Peter Levine as well as the Directors reasonable expectation that the Group will successfully spin out the Green House Capital business activities during the next six months, the Directors believe that the Group will have available to it the financial resources to meet all commitments as they fall due. Further details of the Group's commitments are set out in Note 28.

The Directors expect that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Foreign Currency

The financial statements are presented in United States Dollars, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

Taxation

Current tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTES TO THE COMPANY ACCOUNTS

YEAR ENDED 31 DECEMBER 2022

continued

1. Significant accounting policies (continued)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2. Critical accounting judgements and key sources of estimation uncertainty

In order to prepare the financial statements in conformity with FRS 101, management of the Company have to make estimates and judgements. The matters described below are considered to be the most important in understanding the judgements that are involved in preparing these statements and the uncertainties that could impact the amounts reported in the results of operations, financial condition and cash flows. The recoverability of the receivables from Group undertakings is also subject to the underlying judgements and uncertainties highlighted in Note 3 in the Group report.

Key sources of estimation uncertainty

These are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

IFRS 9 Financial Instruments

The Company is required to assess the carrying values of each of the amounts due from subsidiary undertakings, considering the requirements established by IFRS 9 Financial Instruments. The IFRS 9 impairment model requires the recognition of 'expected credit losses'. Where conditions exist for impairment on amounts due from subsidiary undertakings expected credit losses assume that repayment of a loan is demanded at the reporting date. If the subsidiary has sufficient liquid assets to repay the loan if demanded at the reporting date, the expected credit loss is likely to be immaterial. However, as is the case with the Company's material amounts due from Group undertakings where the subsidiary could not demonstrate the ability to repay the loan, if demanded at the reporting date, the Company calculated an expected credit loss based on the percentage of loss of the amount due from subsidiary undertakings, which involves judgement around how amounts would likely be recovered, and over what time they would be recovered.

The Company exercises judgement in considering the future cash flows that could be recovered from each undertaking. The expected credit loss primarily relates to balances due from group funding producing entities in USA (ECL US\$6.8 million) and Argentina (ECL \$2.0 million) and on exploration entities in Paraguay (ECL \$51.0 million). For the receivables that are linked to the producing assets, a probability of default has been calculated which is linked to the country risk premiums included in the group's WACC calculation relating to Argentina, the loss expected to be incurred in the event of default is calculated by taking the net present value (determined by management using their best estimate of forecast cashflows) of the assets divided by the total debt to give a coverage ratio. A 1% movement in the probability of default would increase the provision by \$411k. For the receivables that are linked to the exploration assets a probability of default has been calculated based on a probability matrix which considers drilling two wells with an estimated chance of success of 30%. The expected loss in the event of default has been calculated at 99%. A 1% movement in the probability of default would increase the provision by \$1.0m.

Despite this requirement, the Company does not intend to demand repayment of any amounts due from subsidiary undertakings in the near future.

3. Profit for the year

As permitted by Section 408(1)(b) of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. Molecular Energies PLC reported a loss for the year ended 31 December 2021 of US\$8,191,000 (2021: profit US\$22,521,000). There were no other recognised gains and losses and accordingly no separate statement of comprehensive income has been presented.

4. Investment in subsidiaries

	Place of Incorporation	Class of Share Capital	Percentage Held (1)	Business
Held Directly				
President Energy (UK) Limited ¹	UK	Ordinary	100%	Non trading
President Energy Paraguay Limited ¹	UK	Ordinary	100%	Non trading
President Energy Purity Limited ¹	UK	Ordinary	100%	Non trading
President Energy Investments Limited ¹	UK	Ordinary	100%	Non trading
President Energy Investments Paraguay Limited ¹	UK	Ordinary	100%	Oil and Gas
Green House Capital Limited ¹	UK	Ordinary	75%	Alt. Energy
Held Indirectly				
President Energy Holding UK Ltd ¹	UK	Ordinary	100%	Non trading
President Energy Paraguay SA	Paraguay	Ordinary	100%	Oil and Gas
LCH SA	Paraguay	Ordinary	100%	Oil and Gas
PVLQZ SA	Paraguay	Ordinary	100%	Non trading
President Petroleum SA ²	Argentina	Ordinary	100%	Oil and Gas
President Nuevo Energia SAU ²	Argentina	Ordinary	100%	Non trading
Meridian Resources (USA) Inc. ³	USA	Ordinary	100%	Oil and Gas
Dual Fuel Limited ¹	UK	Ordinary	50%	Non trading

Address of registered office

1. Carrwood Park, Selby Road, Leeds, West Yorkshire, England, LS15 4LG
2. Juana Manso 1750, Complejo Zencity, Edificio Esmarelda, 3er Piso Norte, C1107CHJ, Buenos Aires, Argentina
3. 2020 W Pinhook, Ste 201, Lafayette, LA70508, USA

Note (a): All holdings are of ordinary shares and represent the proportion of the nominal value of the shares held.

In 2023, Aton 6 PLC and Hyso Limited were formed as subsidiary entities in the UK.

5. Investment in Atome

Through 2021, the green hydrogen, ammonia and fertiliser business was organised and developed under the governance and stewardship of Molecular before culminating in the flotation of Atome as an independent AIM listed entity at the end of the year. The Group currently retains a 22.5% interest in Atome Energy plc. Dilution arising on the issue of shares by Atome Energy plc has seen the stake reduced to 25.2% at the end of 2022 (2021: 27.9%) and to 22.5% at the date of this report.

The Directors have decided to recognise the residual shareholding of Atome at market value in the financial statements of the Company. The investment in Atome is a marketable security that is distinct from the other investment holdings of the Company. The recognition of the market value of the holding at 31 December 2022 is presented on the Balance Sheet and results in a gain of US\$1.4 million (2021: US\$10.2 million) in the Company financial statements only.

Going forward changes in the market value of the investment will be included in the profit & loss for the year with the market value clearly presented on the Company Balance Sheet.

NOTES TO THE COMPANY ACCOUNTS

YEAR ENDED 31 DECEMBER 2022

continued

6. Debtors

	2022 US\$000	2021 US\$000
Amounts owed by Group undertakings	150,854	162,031
Due from Atome Energy plc	–	1,291
Other receivables	86	196
	150,940	163,518

The amounts owed by Group undertakings are repayable on demand or under term agreements. However, the Directors consider that they will not be repaid within one year.

Included in the amounts owed by Group undertakings is an estimated credit loss recognised under IFRS9 Financial Instruments. The estimated credit loss as at 31 December 2022 was US\$59.8 million (2021: US\$54.1 million). The increase in the provision in the year reflects higher risk to recovery of amounts owed following impairments in the year in relation to USA and Paraguay.

7. Creditors

	2022 US\$000	2021 US\$000
Current		
Social Security and other taxes	16	49
Accruals	194	586
Other creditors	3,289	1,599
	3,499	2,234
Non-current		
Other creditors	2,569	2,399
	2,569	2,399
Total carrying value of creditors	6,068	4,633

8. Borrowings

	2022 US\$000	2021 US\$000
Current		
Loan	–	–
	–	–
Non-current		
Loan	12,073	11,284
	12,073	11,284
Total carrying value of borrowings	12,073	11,284

9. Share capital

Equity share capital

	2022 '000s	2021 '000s
Authorised, allotted, called up and fully paid		
Deferred shares of par value £0.29 (US\$0.54)	16,093	16,093
Deferred shares of par value £1.99 (US\$2.65)	10,290	–
Ordinary shares of par value £0.01 (US\$0.02)	10,290	10,290

	2022 US\$000	2021 US\$000
Deferred shares of par value £0.29 (US\$0.54)	8,725	8,725
Deferred shares of par value £1.99 (US\$2.65)	27,317	–
Ordinary shares of par value £0.01 (US\$0.02)	137	27,454
	36,179	36,179

Following approval at a General Meeting held on 29th September 2022, a capital reorganisation resulted in ordinary shareholders holding one new ordinary share for every 200 existing ordinary shares at that date. The share sub-division resulted in the creation of new Deferred Shares of par £1.99 these shares have no voting rights, no rights to dividends and no rights to capital distributions.

The ordinary shares of the Company were reorganised on 30 November 2009 into 1p ordinary shares that are traded on the London Stock Exchange and 29p deferred shares that have no voting rights, no rights to dividends and no rights to capital distributions.

Further details on the capital reconstruction are provided in Note 30 in the consolidated accounts.

10. Related party transactions

Details on related party transactions are provided in Note 32 in the Molecular Energies consolidated accounts.

GLOSSARY

Technical terms

bbls	Barrels of oil
mmbbls	Thousand Barrels (of oil/liquids)
mmmbbls	Million Barrels (of oil/liquids)
boe	Barrels of oil equivalent. Natural gas volume converted as 1 boe = 6 mcf
mboe	Thousand Barrels of oil equivalent
boepd	Barrels of oil equivalent per day
bopd	Barrels of oil per day
cf	Cubic feet (of natural gas)
mmcf	Million cubic feet (of natural gas)
bcf	Billion cubic feet (of natural gas)
Tcf	Trillion cubic feet (of natural gas)
mmcfd	Million cubic feet per day
Proved Reserves	Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If probabilistic methods are used, there should be at least a 90% probability that the quantities recovered will equal or exceed the estimate.
Probable Reserves	Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.
Possible Reserves	Possible Reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.
Contingent Resources accumulations	Quantities of hydrocarbons estimated to be potentially recoverable from known
Prospective Resources accumulations	Quantities of hydrocarbons estimated to be potentially recoverable from undiscovered
General and financial terms	
AIM	Alternative Investment Market of the London Stock Exchange
EBITDA	Earnings Before Interest Tax & Depreciation calculated as revenue less operating costs less administrative expense.

Alternative Performance Measures

The Group uses certain measures of performance that are not specifically defined under IFRS or other generally accepted accounting principles. These non-IFRS measures include net debt and well operating and underlying well operating costs per boe and free cash flow. Where used in the context of segmental disclosure the metrics are calculated in the same manner.

Net debt

Net debt is a useful indicator of the Group's indebtedness, financial flexibility, and capital structure because it indicates the level of cash borrowings after taking account of cash and cash equivalents within the Group's business. Net debt is defined and calculated as follows:

	2022 US\$000	2021 US\$000
Net debt		
Borrowings Current (Note 20)	(18,391)	(7,014)
Borrowings Non-current (Note 20)	(29,134)	(22,250)
Cash (Note 18)	7,941	2,014
Net (debt)/ net cash	(39,584)	(27,250)

Total operating cost and underlying well operating cost per boe

Total operating cost per boe is a useful straight forward indicator of the Group's costs incurred to produce oil and gas including all relevant expenses. However, since royalty, production taxes and similar expenses are not controllable these have been disaggregated to allow well operating costs to be measured.

	2022 US\$000	2021 US\$000
Total operating cost per boe		
Royalties & production taxes (Note 5)	5,452	6,031
Well operating costs (Note 5)	16,917	16,026
Total operating costs	22,369	22,057
Production (mmboe)	623.6	902.7
Total operating costs per boe US\$	35.87	24.43

Where one-off or cyclical costs, such as workovers, are material these have been disclosed and the underlying well cost per boe referred to show the core performance. These have been defined and calculated as follows:

	2022 US\$000	2021 US\$000
Underlying well operating cost per boe		
Well operating costs (Note 5)	16,917	16,026
Less workover costs (per text in Note 5)	(407)	(751)
	16,510	15,275
Production (mmboe)	623.6	902.7
Underlying well operating costs per boe US\$	26.48	16.92

Core operating performance arose in Argentina and was calculated as follows:

	2022 US\$000	2021 US\$000
Well operating costs (Note 4)	15,917	15,538
Less workover costs	(252)	(751)
	15,665	14,787
Production (mmboe)	604.4	868.4
Underlying well operating costs per boe US\$	25.92	17.03

GLOSSARY

continued

Administrative cost per barrel

Underlying administrative expense excluding non-recurring items is calculated as follows:

	2022 US\$000	2021 US\$000
Administrative cost per boe		
Administrative expense (note 6)	4,543	5,764
Attributable to Atome business included above (note 6)	–	(1,397)
	4,543	4,367
Production (mmboe)	623.6	902.7
Administrative cost per boe	7.29	4.84

Adjusted EBITDA

The calculation is detailed on the Income Statement with further details on the non-recurring items include in Note 10. The Adjusted EBITDA for Argentina is calculated as follows:

	2022 US\$000	2021 US\$000
Adjusted EBITDA Argentina		
Operating profit / (loss) per note 4	2,867	(1,528)
Release of abandonment provision	(711)	–
Depreciation, depletion & amortisation per note 4	7,400	11,278
EBITDA excluding share options	9,556	9,750
Non-recurring items	252	751
Adjusted EBITDA	9,808	10,501

Non-recurring items

Where referred to in the calculation of Adjusted EBITDA and in alternative performance measures these comprise the following:

	2022 US\$000	2021 US\$000
Non-recurring		
Workover costs (per text in Note 5)	407	751
	407	751

Free cash generation from core operations

A measure of cash generation from operations excluding changes in working capital, administrative expense and non-recurring workovers. Used by management as an indication of cash generation at asset level.

	2022 US\$000	2021 US\$000
Sales	33,233	34,147
Royalties & production taxes (Note 5)	(5,452)	(6,031)
Well operating costs (Note 5)	(16,917)	(16,026)
Add back non-recurring workovers	407	751
	11,271	12,841

Included within the foreign exchange gains of US\$4.7 million (2021: US\$1.5 million) as detailed in Note 9 are gains of US\$ 1.4 million which arise on the treasury management of cash resources (“treasury income”) takes the cash generation in the period to US\$12.7 million (2021: US\$14.3 million).

Reconciliation to cash flow from operations

The reported cash flow generated from operating activities can be reconciled to free cashflows from core operations as follows:

	2022 US\$000	2021 US\$000
Net cash generated by operating activities	11,366	11,078
Working capital movement per Note 26	(4,826)	(4,303)
Add back administrative expense per Note 5	4,543	5,764
Add back non cash depreciation in admin expense (Note 5)	(104)	(82)
Add back non cash share based payments in admin expense (Note 5)	(115)	(367)
Add back non-recurring workovers	407	751
	11,271	12,841

Depreciation per boe

Depreciation per barrel of oil equivalent can change between accounting periods due to costs incurred, changes in reserves or changes in future costs and hence is a useful metric for reporting purposes. Where calculated on at a group or segment level the calculation is as follows:

- Reported depreciation charge as reported in Cost of Sales per Note 4 in accordance with IFRS GAAP reporting
- Divided by the barrel of oil equivalent of production reported in the Chairman's Statement in accordance with industry standards and state reports

CORPORATE INFORMATION

Directors	Peter Levine	Executive Chairman
	Robert Shepherd	Group Finance Director
	Jorge Bongiovanni	Non-Executive Director
	Alexander Moody-Stuart	Non-Executive Director
Secretary	Peter Levine	
Registered Office	Carrwood Park Selby Road Leeds, LS15 4LG	
Website	www.Molecularenergiesplc.com	
Nominated Advisor and Broker	finnCap Ltd 60 New Broad Street London, EC2M 1JJ	
Auditor	Crowe U.K. LLP 55 Ludgate Hill London EC4M 7JW	
Legal Advisers	Field Fisher Waterhouse LLP 35 Vine Street London EC3N 6AE	
Principal Bankers	Barclays Bank 54 Lombard Street London EC3P 3AH	
Registrars	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA	
Registered number	5104249	

NOTICE OF ANNUAL GENERAL MEETING

Molecular Energies PLC

(Incorporated and Registered in England and Wales under the Companies Act 1985
with company number: 5104249)

Notice of Annual General Meeting (the “AGM”)

Notice is hereby given that the Annual General Meeting of the Company will be held on 25th July 2023 at 1.00 p.m. at Carrwood Park, Selby Road, Leeds LS15 4LG.

In accordance with the Company's articles of association (the “**Articles**”), voting will take place on a show of hands and, if the Company is of the view that this does not reflect the proxy votes, the Chair will direct voting to be by poll.

The AGM will be held for the following purposes, namely:

Ordinary business

As ordinary business to consider and, if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

- 1 To receive and adopt the Company's Financial Statements for the year ended 31 December 2022, together with the reports of the auditor and directors of the Company (“**Directors**”) thereon.
- 2 To re-appoint Crowe LLP as auditor of the Company until the conclusion of the next AGM at which accounts for the Company are presented and to authorise the Directors to fix their remuneration.
- 3 To re-elect Peter Levine as a Director of the Company, who retires in accordance with Article 105 of the Company's Articles and offers himself for re-election.
- 4 To re-elect Alex Moody-Stuart as a Director of the Company, who retires in accordance with Article 105 of the Company's Articles and offers himself for re-election.

Special Business

As special business to consider and if thought fit to pass the following resolutions of which the resolution number 5 will be proposed as an ordinary resolution and resolution number 6 will be proposed as a special resolution.

- 5 That authority be and is hereby granted to the Directors of the Company generally and unconditionally to allot shares in the capital of the Company or to grant rights to subscribe for or convert any security into shares in the capital of the Company (“**Rights**”) pursuant to Section 551 of the Companies Act 2006 (the “**Act**”) up to an aggregate nominal amount of £34,551.24 (such amount equating to one third of the aggregate nominal value of the issued share capital of the Company as at the date of this Notice) provided that this authority shall expire at the conclusion of the annual general meeting of the Company to be held in 2024, save that the Company may make an offer or agreement before the expiry of this authority which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors may allot shares or grant Rights pursuant thereto as if the authority conferred hereby had not expired, such authority to be in substitution for any existing authorities conferred on the Directors pursuant to Section 551 of the Act.
- 6 That the Directors be and they are hereby generally empowered pursuant to section 570 of the Act to allot equity securities (as defined in Section 560 of the Act) pursuant to the authority conferred by resolution 5 above as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be in substitution for any previous powers conferred on the Directors pursuant to Section 570 of the Act and shall be limited to:
 - (a) allotments made in connection with offers of equity securities to the holders of ordinary shares in proportion (as nearly as may be) to the respective numbers of ordinary shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of any overseas territory or the requirements of any recognised regulatory body or any stock exchange in any territory;

NOTICE OF ANNUAL GENERAL MEETING

continued

- (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of further equity securities up to an aggregate nominal amount of £10,365.37 (such amount equating to 10 per cent. of the aggregate nominal value of the issued share capital of the Company as at the date of this Notice) provided that this authority shall expire at the conclusion of the annual general meeting of the Company to be held in 2024, save that the Company may make an offer or agreement before the expiry of this power which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant thereto as if the authority conferred hereby had not expired.

BY THE ORDER OF THE BOARD

Peter Levine
Company Secretary
29 June 2023

Registered office:
Carrwood Park
Selby Road
Leeds LS15 4LG

Notes

Entitlement to attend, speak and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), the Company has specified that only those members entered on the register of members at 6.30 p.m. on 21st July 2023 (or in the event that this meeting is adjourned, on the register of members 48 hours excluding non-business days before the time of any adjourned meeting) shall be entitled to attend, speak and vote at the meeting in respect of the number of ordinary shares in the capital of the Company held in their name at that time. Changes to the register after 6.30 p.m. on 21st July 2023 shall be disregarded in determining the rights of any person to attend, speak and vote at the meeting.

Appointment of proxies

2. Members are entitled to appoint a proxy or proxies to exercise all or any of their rights to attend, speak and vote at the meeting. A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. Please see the instructions on the enclosed Form of Proxy.
3. The completion and return of a Form of Proxy whether in hard copy form or in CREST will not preclude a member from attending in person at the meeting and voting should he or she wish to do so.

Appointment of proxies using hardcopy proxy form

4. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you) in the boxes indicated on the form. Please also indicate if the proxy instruction is one of multiple instructions being given. To appoint more than one proxy please see the instructions on the enclosed Form of Proxy. All forms must be signed and should be returned together in the same envelope.
5. To be valid, the Form of Proxy and the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority must be lodged at the offices of the Company's registrars, Freepost RTHJ-CLLL-KBKU, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 8LU by hand, or sent by post, so as to be received not less than 48 hours excluding non-business days before the time fixed for the holding of the meeting or any adjournment thereof (as the case may be).

Appointment of proxies using CREST

6. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available from www.euroclear.com). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

7. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a “**CREST Proxy Instruction**”) must be properly authenticated in accordance with Euroclear UK & Ireland Limited’s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer’s agent (Equiniti Limited RA19) by 1.00 p.m. on 21 July 2023. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
8. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST Personal Member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
9. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Corporate representatives

10. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

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