LONGBOAT ENERGY PLC

DESCRIPTION OF THE BUSINESS

Longboat Energy was established in mid-2019 by the successful former Faroe Petroleum management team to fast track the creation of a new mid cap independent oil and gas company. The Company is an "investing company" for the purposes of the AIM Rules for Companies.

The investment objectives of Longboat Energy are to create a full-cycle North Sea E&P company in order to deliver value to investors. The Board has excellent relationships across the North Sea oil and gas industry which it believes will provide Longboat Energy with access to deal opportunities.

Through focus on and investment in acquired assets, the Directors believe that they will be able to achieve the investment objectives and create value:

- by targeting assets that are non-core to existing owners;
- through geological expertise, technical knowledge and understanding in addition to deep experience across the E&P life cycle;
- through more efficient operations, cost reductions and targeted investments in the assets to be acquired; and
- by focussing on assets that have the potential to provide material upside to Longboat Energy.

Longboat Energy aims to deliver value by applying the business model of growing production and reserves through value creative M&A and exploration similar to the model that was successful in Faroe Petroleum. They will focus on 'near field' exploration with access to infrastructure and de-risking through nearby discoveries.

The Company is targeting an initial acquisition that will deliver asset(s) that are able to meet its investment criteria (including near term cashflow) as well as provide an appropriate basis to build on the Company's investment objectives. Typical initial acquisition targets are likely to be:

- located offshore Norway and the UK or the wider EEA region;
- producing and/or near producing assets, providing cash flows to fund organic growth with robust economics, sustainable in a low oil price environment;
- assets with identifiable upsides via organic growth through further field investment (infill drilling etc.), potential near-field exploration and with follow on opportunities to deliver a hub strategy;
- assets with aligned partnerships where the Company can influence and optimise operations; and
- assets where the management team's experience is valued by the other licence partners and the authorities and can be exploited to add value.

An objective in any acquisition will be a focus on investments where the Directors believe that their expertise and experience can be deployed to facilitate growth and unlock inherent value.

The Directors will conduct initial due diligence appraisals of potential targets and, where they believe further investigation is warranted, ensure appropriately qualified persons carry out this process. The Directors are currently assessing various opportunities which may prove to be suitable acquisition candidates.

It is likely that the Company's financial resources will be invested in either a small number of projects or one large investment which may be deemed to be a reverse takeover under the AIM Rules. In every case, the Directors intend to mitigate risk by undertaking appropriate due diligence and transaction analysis. Any transaction constituting a reverse takeover under the AIM Rules will also require shareholder approval.

Farm-ins to exploration assets are expected to be funded mainly in the form of equity. In the event of exploration discoveries following successful appraisal and approval of a field development plan, an appropriate level of debt would be raised to partially cover the financing of development of such assets. Portfolio management including divestment or part-divestment of discoveries that move into development will also be considered in order to balance and manage risk. Acquisitions of producing and near-producing assets are more likely to include an element of debt to equity gearing.

As a key strategic requirement the Company will be actively involved in the unlocking of value in the assets that it acquires. The Company will seek active participation in the management of acquired assets irrespective of the equity ownership acquired in the assets with a view to improving performance and adding value to the assets. In Norway the "see to duty", a central part of industry regulations, allows and requires a non-operating partner to have significant input into the asset partnership.

Given the time frame the Directors believe is required to fully maximise the value of an exploration project or early stage development asset, it is expected that such assets will generally be held for the medium to long term, although disposal of assets in the short term cannot be ruled out in exceptional circumstances or for efficient portfolio management.

The Directors consider that as acquisitions are made, and new acquisition opportunities arise, further equity funding of the company will be required.