



**LONGBOAT ENERGY PLC**  
**REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS**  
**FOR THE PERIOD 28 MAY 2019 TO 31 DECEMBER 2019**



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## **COMPANY INFORMATION**

for the Period 28 May 2019 to 31 December 2019

### **DIRECTORS:**

Graham Duncan Stewart (Non-Executive Chairman)  
Helge Ansgar Hammer (Chief Executive Officer)  
Jonathan Robert Cooper (Chief Financial Officer)  
Brent Cheshire (Senior Independent Non-Executive Director)  
Jorunn Johanne Saetre (Independent Non-Executive Director)  
Katherine Louise Margiad Roe (Independent Non-Executive Director)

### **COMPANY SECRETARY:**

Julian Riddick

### **REGISTERED OFFICE:**

5th Floor, One New Change  
London  
EC4M 9AF

### **REGISTERED NUMBER:**

12020297 (England and Wales)

### **AUDITORS:**

BDO LLP  
55 Baker Street  
London W1U 7EU

### **NOMINATED ADVISER & BROKER:**

Stifel Nicolaus Europe Limited  
150 Cheapside  
London EC2V 6ET

### **SOLICITORS:**

K&L Gates LLP  
One New Change  
London EC4M 9AF

### **REGISTRARS:**

Equiniti Company Plc  
Sutherland House  
Russell Way  
Crawley  
West Sussex  
RH10 1UH

### **COMPANY WEBSITE:**

[www.longboatenergy.com](http://www.longboatenergy.com)

## Strategic report

The Directors are pleased to present to the shareholders the report and audited financial statements of Longboat Energy plc (“Longboat” or the “Company”) for the period from incorporation on 28 May 2019 to 31 December 2019. Given that the Company has only been admitted to AIM since 28 November 2019, is currently an investment company rather than an oil and gas company and that the Company’s time and resources are being fully deployed in meeting the Company’s investment objectives, this report is being kept as short and simple as is practicable.

### Acquisition strategy

The investment objectives of the Company are to create a full-cycle North Sea E&P company in order to deliver value to investors. The Company’s Board of Directors has excellent relationships across the North Sea oil and gas industry which it believes will provide the Company 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 of the Company 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 focusing on assets that have the potential to provide material upside to Longboat Energy.

The Company aims to deliver value by applying the business model of growing production and reserves through value creative M&A and exploration. Longboat 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 Company does not intend to invest or trade in physical commodities except where such physical commodities form part of a producing asset. The Company’s equity interest in a proposed acquisition may range from a minority position to 100 per cent ownership.

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 the 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.

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

### **Investing Policy**

The Company will look to achieve its investment objectives and strategy by taking an active approach in investments made in line with the following parameters:

- Geographic focus: initially the Company’s principal focus will be acquiring assets or corporate opportunities based in or principally operating in Norway, the United Kingdom, or in the wider EEA region. The Company may consider acquiring assets globally, including in emerging markets.
- Sector focus: the Company intends to focus on the oil and gas sector.
- Proposed targets: the proposed acquisitions to be made by the Company may be licence applications, direct interests in oil and gas assets, quoted or unquoted companies, made by acquisition or through farm-ins, either in companies, partnerships or joint ventures.
- Types of investment and control of investments: it is anticipated that the Company will acquire and control one or more working interests, assets, businesses or companies on a long term basis. The Company’s equity interest in a proposed acquisition may range from a minority position to 100 per cent. ownership. The Company intends, where possible, to be actively involved in the management and development of the assets that it acquires irrespective of the equity ownership acquired in the assets with a view to improving performance and adding value to the assets. The Board may issue new ordinary shares of 10p each in the share capital of the Company (‘Ordinary Shares’) as acquisition consideration to vendors of working interests, assets, or businesses as appropriate, and the Board would expect such new Ordinary Shares to represent a non-controlling or minority shareholding in the Company at that time.
- Investment size: the Company intends to use the net funds received from the placing of Ordinary Shares undertaken in November 2019 (the ‘Placing’), principally to investigate and pursue potential acquisitions, perform due diligence, contribute towards professional costs associated with an acquisition and fund the initial working capital requirements of the Company. It is envisaged that the Company’s first acquisition will be in the region of an enterprise value of US\$10-US\$500 million, which will be funded through further equity issuance and debt to appropriate and prudent levels.
- Nature of returns: it is anticipated that returns to shareholders will be delivered through a combination of an appreciation in the Company’s share price and, at an appropriate time, dividends paid out of retained earnings or a one off capital return, if appropriate.

Any material change to this Investing Policy will be made only with the approval of shareholders.

The Directors believe that the Investing Policy can be substantially implemented within 18 months of Admission to AIM, which occurred on 28 November 2019. If this is not achieved, the Company, in accordance with the AIM Rules for Companies, will seek the consent of its shareholders for its Investing Policy or any changes thereto at the next annual general meeting of the Company and on an annual basis thereafter, until such time that its Investing Policy has been substantially implemented. If it appears unlikely that the Investing Policy will be substantially implemented, the Directors may consider returning the remaining proceeds from the Placing to shareholders.

Given the nature of the Investing Policy, the Company does not intend to make regular periodic disclosures or calculations of its net asset value.

### **Section 172(1) Statement**

The Company was admitted to the AIM Market of the London Stock Exchange on 28 November 2019 and has been a public company from this date. The Company is required to provide a Section 172(1) statement covering the period of the financial year since AIM Admission. This disclosure aims to describe how the Directors have acted to promote the success of the Company for the benefit of its members as a whole, taking into account (amongst other matters) the matters set out in section 172(1)(a) to (f) of the Companies Act which are set out below.

Upon Admission to AIM on 28 November 2019, £9.5 million of gross equity capital (prior to expenses) was raised from existing and new shareholders to assist in meeting the Company's investment objectives, as set out in this Strategic Report. The Directors believe the capital raised, and its ability to execute on its investment strategy, enable the Directors to promote the success of the Company for the benefit of its members as a whole.

With due regards to other matters set out in section 172(1)(a) to (f) below, it should be noted given the early stage nature of the Company, which remains an investment company with no operations, there is limited scope for such matters to impact the decisions and duties of the Directors.

Specific commentary has been made below against the relevant provisions of Section 172(1)(a) to (f) of the Companies Act:

(a) *the likely consequences of any decision in the long term*

The Company has not made any material decisions over the period other than its decision to raise new equity capital.

(b) *the interests of the company's employees*

Aside from the Executive Directors and Company Secretary, the Company does not have any other employees.

(c) *the need to foster the company's business relationships with suppliers, customers and others*

Aside from a small number of service providers, the success of the Company's investment strategy will be driven in part by the business relationships that exist between the Directors and the management of other oil and gas companies and as such the maintenance of such relationships is given a very high priority by the Directors. Shareholders have been engaged with extensively as part of the capital raising and admission to AIM.

(d) *the impact of the company's operations on the community and the environment*

During the current investment phase the Company has no operations. The Directors are nevertheless cognisant of the potential impact of future investments on affected communities and the environment and such factors will continue to be considered as part of investment appraisal and decision making.

(e) *the desirability of the company maintaining a reputation for high standards of business conduct*

The Company's standing and reputation with other oil and gas companies, equity investors, providers of debt, advisers and the relevant authorities are key in the Company achieving its investment objectives and the Company's ethics and behaviour, as summarised in the Company's Business Principle and Ethics, will continue to be central to the conduct of the Directors. The Company is advised by blue-chip experienced advisers which also assist in maintaining high standards of conduct.

(f) *the need to act fairly as between members of the company*

The Directors will continue to act fairly between the members of the Company as required under the Companies Act, the AIM Rules and QCA corporate governance principles.

### **Subsidiaries**

There are no subsidiaries that require additional reporting upon at present.

### **Results and review of financial performance**

The Company's loss after taxation for the period from incorporation to 31 December 2019 was £196,301 principally comprising corporate administration costs. During the period the Company raised £10m (before transaction costs) by way of share issues, including £9.5m through the Company's Initial Public Offering as detailed in note 16 to the financial statements. Transaction costs associated with the share issue totaled £741,340. At the period end the Company held a cash balance of £9,201,692.

### **Dividends**

It is the Board's policy that the Company should seek to generate capital growth for its shareholders but may recommend distributions at some future date when the investment portfolio matures, and production revenues are established and when it becomes commercially prudent to do so.

**Outlook**

The initial focus of the Directors is the identification, securing and financing of the first acquisition that will deliver asset(s) that are able to meet the Company's investment criteria (including near term cashflow) as well as provide an appropriate basis to build on the Company's investment objectives. In parallel, the Board will continue to focus on seeking additional opportunities for generating shareholder returns in the medium and long-term beyond the first acquisition.



**Helge Hammer**  
**Chief Executive Officer**  
**5 February 2020**

## Principal risks and uncertainties facing the business

The principal risks facing the Company were set out in the Company's AIM Admission Document dated 28 November 2019, and in the subsequent period to 31 December 2019 there has been no appreciable change in those risks. The risks set out below are a selection of the main risks that face the Company and are in shortened form and shareholders should refer to the Admission Document for the full schedule of risks. Accordingly these risks should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties.

When the Company meets its investment objectives and secures an acquisition, the Company's risk profile will change and a full statement of risks will be published in the subsequent Annual Report and accounts.

Area	Description	Mitigation
Limited operating history	The Company has a limited trading history and financial track record and there can be no assurance that the Company will be successful or that it will meet its investment objectives and there is no basis on which to evaluate the Company's ability to achieve the same.	The Directors have strong industry relationships that are expected to provide a pipeline of opportunities for the Company. The management team are able to utilise their deep industry network to identify opportunities for bilateral transactions.
Identifying and financing a suitable target	The Directors may not identify suitable acquisition targets and moreover the Company's cash resources will be insufficient to fund in full suitable acquisitions that are identified. Accordingly, the Company intends to seek additional sources of financing (through further equity and/or debt) to implement its strategy but there can be no assurance that the Company will be able to raise those funds, whether on acceptable terms or at all.	The Directors are utilising their strong industry relationships that are expected to provide a pipeline of opportunities for the Company. As such new acquisition opportunities arise, further equity funding for the Company will be required which the Company will seek from its existing and new institutional investors.
The Company may face significant competition for acquisition opportunities	There may be significant competition from entities which possess greater technical, financial, human and other resources. The Company cannot assure investors that it will be successful against such competition. Such competition may cause the Company to be unsuccessful in executing an acquisition or may result in a successful acquisition being made at a significantly higher price than would otherwise have been the case.	It is not possible to mitigate competition for quality assets, however, the Company seeks to reduce competitive risk by targeting assets where it has a specific knowledge or would likely be a preferred partner.
Reliance on key personnel	The success of the Company, including its ability to identify and complete potential acquisitions, will be dependent on the services of key management and operating personnel, including both its existing Directors and individuals who have yet to be identified. If the Company fails to recruit or retain the necessary personnel, or if the Company loses the services of any of its key executives, its business could be materially and adversely affected.	In order to mitigate this risk the Company has to offer competitive remuneration and retention packages to incentivise loyalty and good performance from its staff. There can be no mitigation against loss of key personnel resulting from any major accident or other loss of physical wellbeing.

Area	Description	Mitigation
Due diligence process	When conducting due diligence and making an assessment regarding an acquisition, the Company will be required to rely on resources available to it, including, in the main, data provided by the vendor, public information and, in some circumstances, third party investigations. As a result, there can be no assurance that the due diligence undertaken with respect to any potential project will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such project. Due diligence may also be insufficient to reveal all of the past or future liabilities relating to the operations and activities of the target.	In formulating bids to acquire assets, the Company utilises experienced senior professionals within the Company and external advisers to test the technical, cost and economic assumptions made.
Valuation error	Although the Company intends to use sources that are believed to be reliable, it may not always have access to the underlying information, methodology and other bases for such information and may not have independently verified the underlying information and, therefore, cannot guarantee the accuracy and completeness of externally or internally generated assumptions. Accordingly, errors in any of the assumptions or methodology employed in preparing a report on which the Company may place reliance may materially adversely affect the Company's valuation and therefore returns on any acquisition, business, results of operations, financial condition and prospects.	In formulating bids to acquire assets, the Company utilises experienced senior professionals within the Company and external advisers to test the technical, cost and economic assumptions made.
Increased pressure to reduce green house gas emissions	There is increasing concern about climate change and the link between global warming and carbon emissions generated directly and indirectly by oil and gas activities. Certain pressure groups wish oil and gas to be replaced with other energy sources which generate lower emissions. In the medium to long term, should energy generators and consumers switch to new forms of energy, including renewables, there will be a corresponding reduction in demand for oil and gas. Market sentiment towards oil and gas companies may be negatively impacted by both government regulation and by activism reducing available capital, limiting the Company's ability to pursue its investment policy and reducing demand for the Company's shares from both the public and institutions.	The Company is targeting assets predominately in Norway and the UK, which are transparent regimes with strict environmental regulation. Further, the Company intends to focus on near field exploration which makes the most of existing infrastructure and has a comparatively limited carbon footprint compared to greenfield projects.

Area	Description	Mitigation
Reserve and resource estimates	<p>Any future reserve and/or resource figures relating to future projects will be estimates and there can be no assurances that the reserves or resources are present, will be recovered or that they can be brought into profitable production. Reserves and resources estimates may require revisions based on actual production experience. Furthermore, a decline in the market price for commodities produced by projects that the Company may invest in could render remaining reserves uneconomic to recover and may ultimately result in a restatement of reserves.</p>	<p>When pursuing an acquisition, in addition to its own assessment, the Company will engage petroleum engineers to generate an independent Competent Persons Report on the reserves and resources to be acquired.</p>
Exploration/drilling, developing and operating risks	<p>The Company intends to invest in projects relating to the exploration for and the development of resources which are speculative and involve a significant degree of risk. There is no assurance that such exploration will lead to commercial discoveries or, if there is a commercial discovery, that such reserves will be realisable.</p> <p>In addition, drilling operations involve a number of risks, many of which are beyond the control of the Company, which may delay or adversely impact the projects which the Company may have acquired or which the Company may have invested. These include mechanical failures or delay, adverse weather conditions and governmental regulations or delays. These delays and potential impacts could result in a project's activities being damaged, delayed or abandoned and substantial losses could be incurred.</p>	<p>Over time the Company will seek to drill multiple targets that carry a range of differing technical and commercial risks and focusing on near-field prospects.</p> <p>Operational drilling and HSE risks will be managed by the Company through its intended dedicated HSE personnel, Business Management System, third parties and other third-party operators. The Company will maintain a programme of insurance to cover such exposure up to recognised industry limits but should an incident occur of a magnitude in excess of such limits, the Company would be fully exposed to the financial consequences.</p>

Area	Description	Mitigation
Climate change and related regulation	<p>Many participants in the oil and gas sector are large users of energy and various regulatory measures aimed at reducing GHG emissions and improving energy efficiency may affect the Company's operations and acquisition opportunities. The Company expects GHG emission costs to increase from current levels beyond 2020 and for regulations targeting reduced GHG emissions to have a wider geographical application than today. There is continuing uncertainty over the detail of anticipated regulatory and policy developments, including the targets, mechanisms and penalties to be employed, the timeline for legislative change, the degree of global cooperation among nations and the homogeneity of the measures to be adopted across different regions. This ambiguity, in turn, creates uncertainty over the long-term implications for the Company's expected projects and operating costs and the constraints the Company may face in order to comply with any such new regulations.</p>	<p>There are certain macro risks that the Company is unable to offer any meaningful mitigation over, such as future potential climate change and related regulation.</p>
The emergence of new technologies that disrupt the oil and gas sector, or a gradual shift towards alternative fuels	<p>Greater-than-expected improvements in fuel efficiency over the near-term, whether due to technological advancements or more stringent regulation, could lower demand for diesel and gasoline. Legislative changes could also be accompanied by, or serve to accelerate, a shift in consumer preference towards alternative fuels due to increased environmental awareness and the improved competitiveness of "green" technologies. Moreover, the emergence of one or more disruptive technologies that rapidly accelerate the pace of change, or suddenly alter the direction of change, could have a negative impact on the Company's long-term strategy.</p>	<p>Not all risks can be mitigated. The Company fully supports the energy transition, while recognising the anticipated need for oil and gas in the global energy mix for the foreseeable future. Many technological advances such as large scale carbon capture and high surface area to volume nanoparticles to absorb CO<sub>2</sub> have the potential to help the global population move towards its goal of zero carbon by cleaning up oil and gas emissions.</p>
Fiscal and other risks derived from government involvement in the oil and gas industry	<p>Any government action such as a change in oil or gas pricing policy (including royalties), exploration and development policy, or taxation rules or practice (particularly the UK's decommissioning tax relief and Norway's exploration and appraisal tax incentives), or renegotiation or nullification of existing concession contracts, could have a material effect on the Company.</p>	<p>The Company will be operating in jurisdictions with sophisticated tax authorities capable of assessing the adverse impact of any change in legislation before it is enacted.</p>

Area	Description	Mitigation
Assessing future abandonment expenditure	When assessing assets for acquisition, the Company may assume certain obligations in respect of the decommissioning and abandonment of wells, fields and related infrastructure. It is difficult to forecast with any accuracy the future costs the Company will incur in satisfying such decommissioning obligations. Also, when such decommissioning costs crystallise, the Company will be jointly and severally liable for them and if partners default on their obligations, the Company could remain liable and its decommissioning liabilities could be magnified significantly through such default.	The Company will seek to agree a balanced sharing of any abandonment costs with the vendor and in addition will seek to build a balanced portfolio of producing assets that should decommission at different times to mitigate the overall cost impact. Notwithstanding that, the Company will be reliant upon generating surplus funds from its remaining portfolio to meet such liabilities.
Volatility of commodity prices	The supply, demand and prices for commodities are volatile and are influenced by factors beyond the Company's control. With increased pressure to reduce GHG emissions by replacing fossil fuel energy generation with zero emission energy generation it is possible that peak demand for oil will be reached, and oil price will be adversely impacted as and when this happens. A significant prolonged decline in commodity prices could impact the viability of some or all of the exploration, development and producing projects which the Company may propose to acquire.	Where and when appropriate the Company will put in place suitable hedging arrangements, in accordance with its hedging policy, to mitigate the risk of a fall in commodity prices but such arrangements will only cover the relatively short term, leaving the Company exposed to any longer term decline in commodity prices, and in addition some of the hedging arrangements entered into by the Company also carry inherent delivery risks.

Approved on behalf of the Board on 5 February 2020.



**Helge Hammer**  
 Chief Executive Officer

## Directors Report

for the Period 28 May 2019 to 31 December 2019

The Directors present their report with the financial statements of the Company for the period from 28 May 2019 to 31 December 2019.

### Incorporation and listing

The Company was incorporated on 28 May 2019, and was admitted to trading on the AIM market of the London Stock Exchange on 28 November 2019.

### Directors

The Directors who have held office during the period from 28 May 2019 to the date of this report, and who are eligible offer themselves for election at the forthcoming first Annual General Meeting, are as follows:

#### **Helge Ansgar Hammer** – *Chief Executive Officer (Age: 58) – appointed 28 May 2019*

Helge has over 30 years' technical and business experience and served as Chief Operating Officer of Faroe Petroleum plc from 2006 until 2019. Prior to joining Faroe Petroleum plc, he was Asset Manager and Deputy Managing Director at Paladin Resources. He holds a degree in Petroleum Engineering from NTH University in Trondheim and in Economics from the Institut Francais du Pétrole in Paris. In addition, he worked for Shell for 13 years as a Reservoir Engineer, Team Leader and Business Manager in Norway, Oman, Australia and the Netherlands.

#### **Jonathan Robert Cooper** – *Chief Financial Officer (Age: 51) – appointed 3 September 2019*

Jonathan has a broad range of experience in mergers, acquisitions, public offerings and financings. He is a chartered accountant by training having qualified with KPMG before joining Dresdner Kleinwort Benson (later Wasserstein) in their Oil and Gas Corporate Finance and Advisory Team. Jonathan is a Fellow of the ICAEW and also has a PhD in Mechanical Engineering from the University of Leeds. In 2006 he was appointed as an Executive Director of Gulf Keystone Petroleum, followed by Sterling Energy plc in 2008, where he was Finance Director. He subsequently joined Lamprell plc as Chief Financial Officer in 2011. Jonathan served as Chief Financial Officer of Faroe Petroleum Plc from 2013 until 2019.

#### **Graham Duncan Stewart** – *Non-Executive Chairman (Age: 59) – appointed 3 September 2019*

Graham holds an honours degree in Offshore Engineering from Heriot-Watt University and an MBA from Edinburgh University and has over 25 years' experience in oil and gas technical commercial affairs. He founded Faroe Petroleum plc in 1998, where he was Non-Executive Chairman until December 2002 when he became Chief Executive Officer until January 2019 and before that he was with Dana Petroleum plc, the Petroleum Science and Technology Institute and Schlumberger. Graham is Chairman of the Nomination Committee.

#### **Brent Cheshire CBE** – *Senior Independent Non-Executive Director (Age: 64) – appointed 28 November 2019*

Brent commenced his career with Shell as a geologist in its exploration and production division, eventually spending 14 years with the group. In 1991, he joined Amerada Hess, holding a number of senior positions, latterly as Senior Vice President for E&P Worldwide Technology, where he was responsible for all global technical activities. In 2004, he became DONG Energy's first UK employee, as managing director of its UK E&P business. Over the next 13 years, eventually becoming managing director of DONG Wind Power and Chairman of its entire UK operations; he developed the business into one of the largest acreage holders West of Shetland and the leading offshore wind developer in the UK. Brent was a Director of Faroe Petroleum plc from 2017 until 2019. He is Chairman of the Mersey Tidal Commission and a Professor in Practice at Durham University. He was made a CBE in the Queen's Birthday Honours in 2018 for services to the Renewable Energy Sector. He is a Fellow of the Geological Society and a Fellow of the Energy Institute. Brent is Chairman of the Remuneration Committee and a member of the Audit Committee.

#### **Katherine Louise Margiad Roe** – *Independent Non-Executive Director (Age: 42) – appointed 28 November 2019*

Katherine's career began in investment banking in the City of London, starting within Morgan Stanley's investment banking division and then as a Director of Investment Banking at Panmure Gordon. For her last four years at Panmure Gordon, she headed up the natural resources team and has extensive experience in oil and gas transactions, advising companies on a range of strategic options and equity capital fund raisings and has led many capital markets and M&A transactions. Katherine was the Senior Independent Director and Audit Chair of IDE Group, an AIM quoted IT services provider, from 2016 to 2018; and an independent Non-Executive Director of Faroe Petroleum plc from 2018 until 2019. Katherine was the CFO and is now CEO of Wentworth Resources Plc, an AIM quoted oil and gas company with gas production and extensive exploration interests in the onshore Rovuma Basin

of Southern Tanzania. Katherine is Chair of the Audit Committee and is considered to have recent and relevant financial experience and is also a member of the Remuneration Committee.

**Jorunn Johanne Saetre** – *Independent Non-Executive Director (Age: 63) – appointed 28 November 2019*

Jorunn is a chemical engineer, who worked in senior positions with Halliburton, in Norway, Europe and the US, over a 30 year period. Her roles included serving as director of Halliburton’s European Research Centre, Head of Halliburton’s overall Scandinavian operations and responsibility for Global Production Enhancement activities. In 2008, she was the first to be awarded the title of “Oil Woman of the Year” by Stavanger Society of Petroleum Engineers. Jorunn held a management and business development role with the engineering support group AGR. She is currently project manager with the energy cluster Norwegian Energy Solutions and is a member of the Corporate assembly of Hydro, the fully integrated aluminium company. Jorunn was an Independent Non-Executive Director of Faroe Petroleum plc from 2014 until 2019. She is a member of the Audit and Nomination Committees.

**Status and activities**

The Company was set up with the objective of creating a full-cycle North Sea E&P company in order to deliver value to investors. During the period to 31 December 2019, the Directors have identified a number of potential acquisitions, which the Company continues to work on. Any material acquisition will be subject to approval by the shareholders of the Company.

**Results and dividends**

For the period to 31 December 2019, the Company’s loss after taxation was £196,301.

It is the Board’s policy that the Company should seek to generate capital growth for its shareholders but may recommend distributions at some future date when the investment portfolio matures, and production revenues are established and when it becomes commercially prudent to do so.

**Future developments**

The Directors continue to identify acquisition opportunities which meet the requirements of the Company’s investment policy.

**Share capital**

Details of shares issued by the Company during the period are set out in Note 16 to the financial statements.

**Conflicts of interest**

Under the articles of association of the Company and in accordance with the provisions of the Companies Act 2006, a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company’s interests. However, the Directors may authorise conflicts and potential conflicts, as they deem appropriate. As a safeguard, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and the Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate. During the financial period from 28 May 2019 to 31 December 2019, the directors have authorised no such conflicts or potential conflicts.

**Directors’ interests in shares**

Directors’ interests in the shares of the Company, including family interests, were as follows:

	<b>Ordinary shares</b>
Helge Hammer	300,000
Jonathan Cooper	125,000
Graham Stewart	150,000
Jorunn Saetre	25,000
Brent Cheshire	nil
Katherine Roe	nil

### Directors' remuneration

Details for remuneration for each Director are provided in the Remuneration Report on pages 22 to 29.

### Substantial shareholdings

Shareholder	Shareholding*, (%)
Blackrock Investment Management (UK) Ltd	14.5%
Canaccord Genuity Wealth Management	10.0%
FIL Limited (Fidelity)	10.0%
Jub Capital	6.4%
AXA Investment Managers UK	5.0%
SVM Funds ICVC	5.0%
TM Cavendish AIM FUND	4.2%
Helge Hammer	3.0%
Sandbourne Asset Management	3.0%

\*As at 21 January 2020

### Independent auditors

The Directors have reason to believe that BDO LLP conducted an effective audit. The Directors have provided the auditors with full access to all of the books and records of the Company. BDO has expressed its willingness to continue to act as auditors to the Company and a resolution for its re- appointment will be proposed at the forthcoming Annual General Meeting.

### Corporate Governance

The Directors recognise the importance of sound corporate governance and their associated report is set out on pages 17 to 22. As a company quoted on AIM, the Company has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code, as amended from time to time.

### Engagement with Employees Statement

At present, there are only three employees, two Executive Directors and the Company Secretary, so this element is not deemed to be necessary to report upon at present.

### Engagement with Stakeholders Statement

This element of reporting is discussed in the §172 Statement on pages 4 to 5.

### Financial risk profile

The Company's financial instruments comprise mainly of cash and various items such as payables and receivables that arise directly from the Company's operations. A summary of the principal risks and uncertainties facing the Company are set out on pages 7 to 11.

### Political donations

The Company did not make any political donations or incur any political expenditure during the period.

**Statement as to disclosure of information to auditors**

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Auditors**

BDO LLP was appointed as auditors during the period. The auditors, BDO LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting in accordance with s485 of the Companies Act 2006.

**Directors' indemnities**

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity is currently in force. The Company also purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its Directors.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

**On behalf of the Board:**



**Helge Hammer Director**  
**5 February 2020**

## Corporate and Social Responsibility Report

### Introduction

The Company is committed to high standards of health, safety and environmental performance. The health and safety of people, the protection of the environment and compliance with all applicable legal and internal requirements as well as industry best practice, is critical to the overall success of the Company. The Directors are developing the Company's Business Management System (BMS) to provide both the framework and mechanism for setting, monitoring and measuring suitable health, safety and environmental objectives as well as ensuring their continual improvement. The BMS will be in place with the requisite specialist staff at the time the Company makes its first acquisition.

### Business Principles Ethics

The Company is committed to maintaining high standards of corporate governance to ensure that it is managed with openness, honesty and transparency. The Company's Business Principles and Ethics Policy, can be found on our website, is key to the way we work both internally and externally.

Longboat strives to meet the highest standards of integrity and ethics as it undertakes its activities. To ensure these values are core to the business, they will be integrated within the Company's BMS through policies, procedures and project plans. All policies are reviewed and signed off by the Chief Executive Officer which further reinforces our ethos of conducting our business with integrity which is a core principle as we meet the requirements of our strategy.

The Company's intended operations will be in Norway and the UK, which are amongst the most mature oil and gas jurisdictions in the world. This in turn will require the Company to operate to very high regulatory standards for Environmental, Health and Safety legislation.

### Environmental stewardship

The Company is committed to respecting and preserving the natural environment. Our policy is to minimise the undesirable effects on the environment resulting from our operations and work to prevent pollution and reduce emissions. The Company will assess and manage its performance with the aim of continual improvement of its environmental performance. As a Company we:

- are committed to supporting the energy transition through playing an active role at a company and industry level to promote best practice in environmental stewardship;
- will pursue strategy of delivering lowest Scope 1 and Scope 2 emissions per barrel, to minimise carbon intensity of operations (incl. no routine flaring) and transparent annual disclosure of GHG emissions; and
- will prioritise renewable energy sources in the powering of operated and non-operated platforms where practicable.

### Greenhouse gas emissions

Following the acquisition of oil and gas assets, the Company will report the emissions of GHGs that have been generated as a result of its operated exploration and production activities as part of its annual HSE monitoring programme. GHG emissions are reported annually to the Norwegian Environment Agency and to BEIS (Department for Business, Energy & Industrial Strategy) in the UK.

### People and equal opportunities and discrimination

The Company is an equal opportunities employer and will recruit, employ and develop employees in line with best practice and based on the qualifications, experience and skills required for the work. We consider applications for employment from people regardless of gender, race, age, disability, marital status, sexual orientation or religious belief. We have respect for human dignity and the rights of the individual. We support the principles of, and promote respect for, the Universal Declaration of Human Rights.

### Societal contribution

The Company intends to identify impactful community programmes to be funded as part of the longer-term corporate social investment strategy. There is extensive reporting of our statements and policies on issues available on the HSE and Governance section of our website including statements on: Anti-Bribery and corruption; Anti-facilitation of tax evasion; Human Rights; Modern Slavery Statement and Whistleblowing.

## **Corporate Governance**

### ***Chairman's Governance Statement***

As Chairman of the Company, I provide leadership, ensuring that the Board is performing its role effectively, and has the capacity, ability, structure, corporate governance systems and support to enable it to continue to do so.

The Board recognises the value and importance of high standards of corporate governance and believes that this provides the most appropriate framework for a company of our size and stage of development.

This Governance section of the Annual Report provides an update on our Corporate Governance policy, and includes the Audit Committee Report, Nomination Committee Report, Remuneration Committee Report and the Directors' Report. In these reports we set out our governance structures and explain how we have applied the Quoted Companies Alliance (QCA) Corporate Governance Code ("QCA Code").

The Directors recognise the importance of sound corporate governance commensurate with the size of the Company and the interests of all shareholders. As a company quoted on AIM, the Company has adopted the QCA Code, as amended from time to time and established its governance structures accordingly during the year with the appointment of Board members and the establishment of the Committees. The QCA Code identifies ten corporate governance principles that AIM companies should follow. Details of how the Company follows these ten principles are set out below.

The disclosures required to be included in the Company's website in respect of the QCA Corporate Governance Code can be found at [www.longboatenergy.com](http://www.longboatenergy.com).

### ***Principle 1 – Establish a strategy and business model which promote long-term value for the shareholders***

Longboat's strategy and business model are developed by the Chief Executive Officer and approved by the Board. The Executive Committee, led by the Chief Executive Officer, is responsible for implementing the strategy and managing the business of the Company.

The investment objectives of the Company are to create a full-cycle North Sea E&P company to deliver value to investors. Through focus on and investment in acquired assets, the Directors believe that they will be able to achieve the investment objectives of the Company 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 focusing on assets that have the potential to provide material upside to the Company.

The Company aims to deliver value by applying the business model of growing production and reserves through value creative M&A and exploration, focusing 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.

### ***Principle 2 – Seek to understand and meet shareholder needs and expectations***

The Company seeks to maintain a continuing dialogue with its shareholders in order to communicate the Company's strategy and results and to understand the needs and expectations of its shareholders. In addition to shareholder General Meetings, the Chief Executive Officer and the Chief Financial Officer are available to all significant shareholders after the release of the financial results and the announcement of any significant transaction or result.

The Senior Independent Non-Executive Director is available to attend meetings with shareholders without the Executive Directors present, if requested by shareholders. The Board will use the Annual General Meeting to communicate with private and institutional investors and welcomes their participation.

### ***Principle 3 – Take into account wider stakeholder and social responsibilities and their implications for long-term success***

The Company is aware of its corporate responsibilities to its stakeholders including personnel, future joint venture partners, regulatory and licensing authorities, the environment and wider society. As and when the Company makes its first acquisition it intends to take into account feedback received from stakeholders, by making amendments to its business plans and operations as appropriate. Shareholders have been engaged with extensively as part of the capital raising and admission to AIM.

The environmental impact of the Company's activities, following its first acquisition, will be carefully considered and the maintenance of high environmental standards will be a key priority and essential for the long-term success of the business.

**Principle 4 – Embed effective risk management, considering both opportunities and threats, throughout the organisation**

The Board is responsible for establishing and maintaining the system of internal controls and risk management systems and reviewing their effectiveness on an ongoing basis. The Directors will continue to assess the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

The internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss. The Company has appetite for economic risks as regards the performance of its future producing assets as well as geological risk, both in exploration drilling and field development drilling, up to certain financial thresholds. The Company does not have appetite for risks regarding solvency, health and safety, environmental and reputational matters.

The Company maintains appropriate insurance cover in respect of actions taken against the Directors, as well as against material loss or claims against the Company. The insurance cover in place will be reviewed on a periodic basis.

**Principle 5 – Maintain the Board as a well-functioning, balanced team led by the Chairman**

Led by the Non-Executive Chairman, the Board comprises three independent Non-Executive Directors and two Executive Directors. All of the Directors are subject to election by shareholders at the first Annual General Meeting after their appointment to the Board and will continue to seek re-election at least once every three years.

The Board is responsible to the shareholders for the proper management of the Company and will meet at least four times a year to set the strategy of the Company and review the operational and financial performance of the Company.

The Board considers itself sufficiently independent. The QCA Code suggests that a board should have at least two independent Non-Executive Directors. Aside from the Chairman, the Board has considered each of the three Non-Executive Director's length of service and interests in the share capital of the Company and consider that Mr Cheshire, Ms Roe and Ms Saetre are independent.

The Company has put in place Audit, Remuneration, Nomination and Disclosure committees as summarised under principle 9 below.

The Directors are expected to allocate sufficient time to prepare for and attend Board meetings, meetings of Board Committees of which they are members, annual general meetings, and any other shareholder meetings convened from time to time.

All Directors have disclosed any significant commitments outside their respective duties as Directors and confirmed that they have sufficient time to discharge their duties.

The following is a table of Board and Committee meetings held during the period from the date on which the Company's ordinary shares were admitted to trading on AIM on 28 November 2019 and 31 December 2019:

	Board Meetings <sup>1</sup>	Audit Committee	Nominations Committee	Remuneration Committee
Meetings held	1	1	0	0
Attendance:				
<i>Executive Directors</i>				
Jonathan Cooper	1			
Helge Hammer	1			
<i>Non-Executive Directors</i>				
Graham Stewart	1			
Brent Cheshire	1	1		
Katherine Roe	1	1		
Jorunn Sætre	1	1		

***Principle 6 – Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities***

Directors who have been appointed to the Board have been chosen because of the skills and experience they offer and their personal qualities and capabilities. The Board will regularly review the composition of the Board to ensure that it has the necessary breadth and depth of skills to support the ongoing strategy of the Company. Please refer to the biographies on pages 12-13 for details of experience and skills.

The Directors receive updates from the Company Secretary in relation to corporate governance matters and annual AIM Rules briefings from the Company's NOMAD, and each Director takes responsibility for maintaining his or her own skill set, which includes roles and experience with other boards and organisations as well as formal training and seminars.

There will be training and developments funds made available for directors were relevant and beneficial.

Non-Executive Directors have a contractual right to receive external advice, at the Company's expense, when necessary. In addition, the Directors have direct access to the advice and services of the Company Secretary.

***Principle 7 – Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement***

The Board will implement a process for the evaluation of its own performance, its committees and individual directors, including the Chairman. As the Company's board was only fully formed on 28 November 2019, upon the Company's Admission to AIM, it is intended that the first annual evaluation process will occur towards the end of the next financial year (31 December 2020). At that time the Board will also review the structure of its committees.

***Principle 8 – Promote a corporate culture that is based on ethical values and behaviours***

The Chief Executive Officer, together with the Board, believe that working with integrity and transparency are the core principles which underpin the Company's behaviour in pursuing its strategic objectives and will be key in delivering success. In an industry that is based on joint ventures, a reputation for ethical behavior is essential if the Company is to succeed. To ensure these ethical values are core to the business, they are to be integrated within the Company's BMS through policies and procedures. Corporate governance is considered as being important for maintaining effective controls which helps keeps the confidence and trust of stakeholders high.

***Principle 9 – Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board***

The Board has overall responsibility for the strategic direction and performance of the Company. The Executive Directors have day-to-day responsibility for the operation of the Company's business and implementing the strategy of the Board.

The Board will meet at least four times a year with detailed written reports provided well ahead of such meetings. Written recommendations from the Executive Directors for any major transactions will be delivered to the Board in a timely manner.

There is a clear division of responsibility at the head of the Company. The Chairman is responsible for running the business of the Board and the Chief Executive Officer is responsible for proposing the strategic focus to the Board.

The Company has established Audit, Remuneration, Nomination and Disclosure Committees in the period following its admission to AIM. The Chairman chairs the Nomination Committee. Formal terms of reference have been agreed for each of the Board committees, which are available on the Company's website, and whose responsibilities are summarised below:

*Audit Committee* this committee is responsible for monitoring the integrity of the Company's financial statements, reviewing significant financial reporting issues, reviewing the effectiveness of the Company's internal control and risk management systems and overseeing the relationship with the external auditors (including advising on their appointment, agreeing the scope of the audit and reviewing the audit findings). The Audit Committee comprises Katherine Roe (Chair), Brent Cheshire and Jorunn Saetre, with Katherine Roe being recognised as having current and relevant financial experience. The Audit Committee will meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required and will also meet regularly with the Company's external auditors.

*Remuneration Committee* this committee will be responsible for determining and agreeing with the Board the framework for the remuneration of the Executive Directors and other designated senior executives and, within the terms of the agreed framework, determining the total individual remuneration packages of such persons including,

where appropriate, bonuses, incentive payments and share options or other share awards. The remuneration of Non-Executive Directors will be a matter for the chairman and the executive members of the Board. No Director will be involved in any decision as to his or her own remuneration.

The Remuneration Committee comprises Brent Cheshire (Chairman) and Katherine Roe and will meet at least twice a year and otherwise as required.

Nomination committee this committee will be responsible for reviewing the structure, size and composition of the Board and identifying and nominating, for the approval of the Board, candidates to fill vacancies on the Board as and when they arise. The Nomination Committee is comprised of Graham Stewart (Chairman) and Jorunn Saetre and will meet as required.

Disclosure committee this committee will be responsible for ensuring that the Company makes timely and accurate disclosure of all information that is required to be disclosed to meet its disclosure obligations under the AIM rules. The Disclosure Committee comprises Jonathan Cooper (Chairman), Helge Hammer and Julian Riddick, and will meet as required.

***Principle 10 – Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders***

Beyond the Annual General Meeting, the Chief Executive Officer and the Chief Financial Officer are available to all significant shareholders after the release of the Company's results. The Chairman and Senior Non-executive Independent Director ('SID') are available to major shareholders.

The Chief Executive Officer, the Chairman and the SID are the primary points of contact for the shareholders and are available to answer queries from shareholders throughout the year, subject to the AIM disclosure rules.

The website of the Company will be regularly updated to include all relevant reports and information required under AIM Rule 26.

The results of voting on all resolutions at future general meetings will be posted to the Company's website on a timely basis, including any actions to be taken as a result of resolutions, which received a high percentage of votes against from shareholders.

**Share dealing**

The Company has adopted, with effect from admission of its shares to AIM, a share dealing policy regulating trading and confidentiality of inside information for the Directors and other persons discharging managerial responsibilities (and their persons closely associated) which contains provisions appropriate for a company whose shares are admitted to trading on AIM (particularly relating to dealing during closed periods which will be in line with the EU Market Abuse Regulation (No. 596/2014)). The Company takes reasonable steps to ensure compliance by the Directors and any relevant employees with the terms of that share dealing policy. The Directors believe that the share dealing policy adopted by the Board is appropriate for a company quoted on AIM. The Board complies with Rule 21 of the AIM Rules for Companies relating to directors' dealings and takes reasonable steps to ensure compliance by the Company's "applicable employees" (as defined in the AIM Rules for Companies).

**Relations with shareholders**

The Directors are available for communication with shareholders and all shareholders have the opportunity, and are encouraged, to attend and vote at the Annual General Meetings of the Company during which the Board will be available to discuss issues affecting the Company. The Board stays informed of shareholders' views via regular meetings and other communications they may have with shareholders.

**Statement of going concern**

The financial statements of Longboat Energy plc have been prepared on a going concern basis.

**Internal control**

The Board is responsible for establishing and maintaining the Company's system of internal control and reviewing its effectiveness. Internal control systems are designed to meet the particular needs of the Company and the particular risks to which it is exposed. The procedures are designed to manage rather than eliminate risk and by their nature can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has reviewed the Company's risk management and control systems and believes that the controls are satisfactory given the nature and size of the Company.

## Report of the Audit Committee

The audit committee met once during the year and again subsequent to the year end.

### *Activity during the period*

The Audit Committee monitored the integrity of the annual financial statements and reviewed the significant financial reporting matters and accounting policies and disclosures in the financial reports. The external auditor attended the Audit Committee meeting as part of the full year accounts approval process. The process included the consideration of reports from the external auditor in respect of the planned audit approach, independence and subsequent findings in respect of the audit of the financial statements.

Although no formal review of the effectiveness of the Audit Committee has been undertaken, the Board and the chair of the audit committee believe this to be satisfactory.

### *External audit*

The Audit Committee is responsible for managing the relationship with BDO LLP, the Company's external auditor since being appointed in the period. The objectivity and independence of the external auditors is safeguarded by reviewing the auditors' formal declarations, monitoring relationships between key audit staff and the Company and reviewing the non-audit fees payable to the auditor. Non-audit services are not performed by the auditor if such services would impair their independence under relevant professional standards.

During the year, amounts paid to BDO LLP for audit related services totalled £8,000 and £15,000 for non-audit services in relation to the firm's work as Reporting Accountants in the AIM admission process. These non-audit services were performed by a team separate from the audit team, did not involve any subjective judgements impacting the Company's financial reporting.

### *Internal audit*

In light of the size of the Company and its current stage of development, the committee did not consider it necessary or appropriate to operate an internal audit function during the year.

## Report of the Nomination Committee

The Nomination Committee became effective on 28 November 2019 also being the date that the full Board of Directors was appointed. Accordingly, given the recent formation of the Board the Committee has not met since its formation, as its primary responsibility is reviewing the structure, size and composition of the Board and identifying and nominating suitable candidates. The Committee will undertake an annual evaluation of the performance of the board, its committees, the chairman and individual directors at the end of 2020.

The Committee are aware of the importance of Board diversity issues especially with regard to pertinent skills for our sector and indeed gender balance. At present a third of the Board are female and this is deemed an important element of any future Board appointments.

## Remuneration report

The Remuneration Committee (the 'Committee') takes the views of the shareholders very seriously and these views will be influential in shaping remuneration policy and practice. Shareholder views will be considered when evaluating and setting ongoing remuneration strategy and the Committee commits to consulting with major shareholders prior to any significant changes to its remuneration policy.

### Directors' Remuneration Policy

Following its formation on 28 November 2019, the Committee has established the policy on the remuneration of the Executive Directors and the Chairman and the Board has established a policy on the remuneration of the other Non-Executive Directors.

#### *Executive Directors*

The policy on Directors' remuneration is that the overall remuneration package should be sufficiently competitive to attract and retain individuals of a quality capable of achieving the Company's objectives. The objective, if merited by performance, is for overall remuneration including salary, benefits, bonus and long-term incentives to be at or near the upper quartile for companies considered by the Committee to be comparable to Longboat Energy. Remuneration policy is designed such that individuals are remunerated on a basis that is appropriate to their position, experience and value to the Company.

The current terms and conditions of the Directors' service contracts and letters of appointment have been set to reflect the Company's current activities. When the Company meets its investment objectives, notably through the acquisition of assets, the terms of remuneration will be adjusted accordingly to reflect the increased managerial responsibilities.

The main components of the remuneration policy and how they are linked to and support the Company's business strategy are summarised on the following pages:

Objective and link to strategy	Operation	Maximum opportunity	Performance assessment
<b>Base salary</b>			
<p><b>Core element of remuneration, set at a level which is sufficiently competitive to recruit and retain individuals of the appropriate calibre and experience.</b></p>	<p>Salaries will be revised upon the Company meeting its investment objectives; thereafter salaries will be reviewed annually, with any changes being effective from 1 January each year (1 January 2021 being the first date).</p> <p>When determining salaries for the Executives the Committee takes into consideration:</p> <ul style="list-style-type: none"> <li>• Company performance;</li> <li>• the performance of the individual Executive Director;</li> <li>• the individual Executive Director’s experience and responsibilities;</li> <li>• pay and conditions throughout the Company.</li> </ul> <p>Salaries together with other fixed benefits including pension will be benchmarked periodically against comparable roles at companies of a similar size, complexity and in the Exploration &amp; Production sector the objective is for total fixed remuneration to be in line with the median peer group.</p>	<p>When determining salary increases of the Executive Directors, the Committee takes into account the employment conditions and salary increases awarded to employees throughout the Company.</p> <p>Any salary increases in future years will be determined by the Committee.</p> <p>There is no maximum salary opportunity.</p>	<p>Salary increases will be determined in accordance with the rationale set out under the column entitled ‘Operation’.</p>
<b>Other benefits</b>			
<p><b>Support individuals in carrying out their roles.</b></p>	<p>Reviewed periodically to ensure benefits remain market competitive.</p> <p>Benefits typically comprise life assurance cover, private health care arrangements and permanent health insurance and in Norway cash allowances in lieu of company car.</p>	<p>Benefit values vary year on year depending on premiums and the maximum potential value is the cost of the provision of these benefits.</p>	<p>Not applicable.</p>

<b>Annual bonus</b>			
<p><b>Incentivises the achievement of a range of short-term performance targets that are key to the success of the Company.</b></p>	<p>Upon the Company meeting its investment objectives, Executive Directors will participate in an annual performance related bonus scheme.</p> <p>Bonus scheme awards are awarded annually at the year-end (and will be pro-rated for time).</p> <p>Performance period is one financial year with pay-out determined by the Committee following the year end.</p> <p>At the discretion of the Committee bonus payments can be paid in cash and/or the Company's shares</p> <p>In line with corporate governance best practice there will be a provision for malus and clawback of bonus payments.</p>	<p>The maximum bonus potential and threshold will be set when the bonus scheme is introduced</p> <p>There is no contractual obligation to pay bonuses.</p>	<p>A performance scorecard will be used as a guide for the Committee, which reserves the right to override the formulaic outturn based on a broader assessment of overall Company performance.</p> <p>Performance targets are based on a range of corporate, operational, financial and executive team performance measures.</p> <p>The precise allocation between measures (as well as the weightings within these measures) will be determined by the Committee at the start of each year.</p>
<b>Long-term incentives</b>			
<p><b>Incentivises the achievement of long-term financial performance and sustainable returns to shareholders in a way that aligns the interests of Executives and shareholders.</b></p>	<p>The Company will introduce a market standard employee share plan to provide incentivisation and retention for management personnel. It is anticipated that in future years this will include the Executive Directors. Awards granted under the Founders' Incentive Plan as highlighted on page 28 of the report are excluded.</p> <p>The structure and terms of the scheme is yet to be determined, but any proposal will be presented to Shareholders for approval. However in line with corporate governance best practice there will be a provision for malus and clawback of awards</p>		

<b>Pension</b>			
<b>To provide competitive levels of retirement benefit.</b>	<p>The Company does not operate a pension scheme, but does, at the Directors' option, contribute to the personal pension plans of each Executive Director, or pays cash in lieu of such contributions.</p> <p>In the UK where such contributions reach the maximum Annual Allowance or an Executive Director has accumulated an amount equivalent to the Lifetime Allowance, such excess contributions are paid as cash.</p>	Executive Directors receive a contribution to a personal pension scheme or cash allowance in lieu of pension benefits up to 10% of salary.	Not applicable.
<b>Shareholding requirement</b>			
<b>To align Executive Directors' interests with those of shareholders through build-up and retention of a personal shareholding.</b>	Executive Directors are required to hold shares with a value equivalent to one times base salary (at the time of purchase), Following the Company meeting its investment objectives the thresholds and timing will be reviewed and revised.	Not applicable.	Not applicable.

## ANNUAL REPORT ON REMUNERATION

### Remuneration

#### Executive Directors

The remuneration of Executive Directors showing the breakdown between elements and comparative figures is shown below.

Executive Director (£)		Salary	Taxable benefits	Annual bonus	Pension	Total
Helge Hammer <sup>1</sup>	2019	12,575	–	–	1,397	13,972
Jonathan Cooper	2019	10,060	–	–	1,118	11,178

#### Notes

1. Mr Hammer's salary was set in Sterling but is paid in Norwegian Krona.

The remuneration represents the period from appointment in the period.

#### Non-Executive Directors

The remuneration of Non-Executive Directors showing the breakdown between elements is shown below.

Non-Executive Director (£)		Basic Fees	Additional Fees	Other <sup>4</sup>	Total Fees
Graham Stewart <sup>1</sup>	2019	6,987	745	–	7,732
Brent Cheshire <sup>2</sup>	2019	3,726	1,490	–	5,216
Katherine Roe <sup>3</sup>	2019	3,726	745	–	4,471
Jorunn Saetre	2019	3,726	–	–	3,726

#### Notes

1. Additional fees paid for Chairmanship of the Nominations Committee.

2. Additional fees paid for Senior Non-Executive Independent Directorship and Chairmanship of the Remuneration Committee.

3. Additional fees paid for Chairmanship of the Audit Committee.

4. Other fees reflect additional fees paid for additional time spent on activities which are outside his/her ordinary duties as a Director.

### Additional details in respect of single total figure table

#### Annual bonus scheme

For the Executive Directors, there was no bonus arrangement in place for 2019. The maximum annual bonus potential for 2020 is conditional upon and will be set following the Company meeting its investment objectives, with payment based on a performance scorecard comprising corporate, operational and financial goals.

#### Total pension entitlements

The Company does not operate a pension scheme for the Executive Directors, but does, at the Directors' option, contribute to the personal pension plans of each Executive Director, or pays cash in lieu of such contributions. Executive Directors receive a contribution to a personal pension scheme or cash allowance in lieu of pension benefits up to 10% of salary.

*Non-Executive Directors*

The table below sets out the key elements of the policy for Non-Executive Directors:

<b>Objective and link to strategy</b>	<b>Operation</b>	<b>Maximum opportunity</b>	<b>Performance assessment</b>
<b>Fees</b>			
<b>Core element of remuneration, set at a level sufficient to attract individuals with appropriate knowledge and experience.</b>	<p>Fee levels reflect market conditions and are sufficient to attract individuals with appropriate knowledge and experience.</p> <p>NEDs are paid a base fee and additional fees for Chairmanship of Committees. Fees may also be paid for additional time spent on the Company's business outside of the normal duties.</p> <p>Fees are reviewed annually with changes effective from 1 January each year (with the first review on 1 January 2021).</p>	<p>Whilst there is no maximum individual fee level, fees are set at a level which is considered appropriate to attract and retain the calibre of individual required by the Company. However the Company avoids paying more than necessary for this purpose.</p> <p>Fee increases may be made in line with market movements and to take into account the time commitment and duties involved.</p> <p>Non-Executive Directors do not participate in any variable remuneration elements or any other benefits arrangements.</p>	<p>Whilst there is no performance element to the remuneration paid to the Non-Executive Directors, fees will be determined in accordance with the rationale set out under the column headed 'Operation'.</p>

*New appointments*

The same principles as described above will be applied in setting the remuneration of a new Non-Executive Director. Remuneration will comprise fees only, to be paid at the prevailing rates of the Company's existing Non-Executive Directors.

**Remuneration Policy for other employees**

The remuneration arrangements for future employees will be designed to ensure that they are, insofar as is practicable, also aligned with the Company's objectives:

- the Company's approach to salary reviews is consistent across the Company with consideration given to level of responsibility, experience, individual performance, salary levels in comparable companies and the Company's ability to pay.
- all employees will participate in the same annual bonus scheme (to be introduced when the Company meets its investment objectives) as the Executive Directors with opportunities varying by organisational level.
- pension and benefits arrangements may vary according to location and so different arrangements may be put in place in different jurisdictions.

**Service contracts and exit payment policy**

The service and employment contracts of the Executive Directors are not of a fixed duration and therefore have no unexpired terms, but continuation in office as a Director, is subject to re-election by shareholders as required under the Company's Articles of Association. The Company's policy is for Executive Directors to have service and employment contracts with provision for termination of no longer than 12 months' notice and currently no Executive Director has more than three months' notice (to increase to 6 months' notice upon the Company meeting its investment objectives).

The Executive Directors are also entitled to life assurance, travel insurance, permanent health insurance, critical illness cover and 30 days holiday per annum (plus public holidays). Their appointment is terminable by one month's notice by either party, increasing to six months' following completion by the Company of its first acquisition. Upon a change of control of the Company, the Executive Directors are entitled to terminate their service agreements within three months of the completion of such an event and receive compensation in the form of 6 months' salary and 65 per cent. of any bonus paid in the previous period. The agreement also imposes certain restrictions as regards the use of confidential information and intellectual property.

The Non-Executive Directors do not have service contracts. Letters of Appointment provide for termination of the appointment with three months' notice by either party.

<b>Director</b>	<b>Date of service contract</b>	<b>Date of Appointment</b>	<b>Notice period by Company or Director</b>
<b>Executive Directors</b>			
<b>Helge Hammer</b>	28 November 2019	28 May 2019	3 months
<b>Jonathan Cooper</b>	28 November 2019	3 September 2019	3 months
<b>Non-Executive Directors</b>	<b>Date of letter of appointment</b>	<b>Date of Appointment</b>	
<b>Brent Cheshire</b>	28 November 2019	28 November 2019	90 days
<b>Katherine Roe</b>	28 November 2019	28 November 2019	90 days
<b>Jorunn Saetre</b>	28 November 2019	28 November 2019	90 days
<b>Graham Stewart</b>	28 November 2019	3 September 2019	90 days

#### *Long-term incentives*

The Company will introduce a market standard employee share plan to provide incentivisation and retention for management personnel. It is anticipated that in future years this will include the Executive Directors. The structure and terms of the schemes is yet to be determined, but any proposal will be presented to Shareholders for approval.

#### **Founders' Incentive Plan**

Arrangements have been put in place to create incentives to reward key contributors for the creation of value. These arrangements, to be finalised, will ensure that management is fully aligned with Shareholder returns by providing the Directors and founders with the right to receive a portion of the growth delivered by the Company above a threshold that the Directors believe represents a very challenging hurdle.

The Founders Incentive Plan ("FIP") has been designed to incentivise participants to deliver exceptional returns for shareholders over a five-year period (the "Performance Period"). Under the FIP, participants will receive a proportion of the returns delivered for Shareholders from the date of grant. This is achieved in the form of "vested" shares (either in the form of a conditional share, nil cost option or a "growth share"). Only founders will be eligible to participate in the FIP, these being parties who have invested financially and will continue to play an important role in driving the Company's Shareholder returns.

Participants in the FIP are eligible to receive 15 per cent. of the growth in returns of the Company from the date of Admission should a hurdle of doubling of the Total Shareholder Return (the "Hurdle") be met. Testing of the level of return achieved will be at the end of years 3, 4 and 5 from 28 November 2019 (the "Measurement Dates"). To measure the return achieved at each Measurement Date, the return shall be calculated with reference to the share price on the date of Admission to AIM (the FIP's "Commencement Date"). At each Measurement Date the value of vested shares will be driven by the amount of return generated above the starting market share price by taking into account the share price at the Measurement Date as well as dividends paid since the Commencement Date.

The Hurdle will be adjusted for any capital raises that occur during the Performance Period and the growth shares will have no value until a Hurdle of doubling of the Total Shareholder Return has been reached. If at a Measurement Date the Hurdle has been reached then shares vest (or in the case of growth shares these will be exchanged for ordinary shares). At the Measurement Dates at years 3 and 4, the growth shares will vest and 50 per cent. can be realised immediately with the remaining half exchanged for ordinary shares in the Company which will be subject to a lock-in period until after the Measurement Date at year 5. All growth shares exchanged at the Measurement Date at year 5 can be realised immediately on that date as well as the shares subject to lock-in from years 3 and 4.

Vesting of all shares will be after approval by the Committee taking into account the overall performance of the Company during the Performance Period.

Under the FIP, no single participant will receive a pay out with a value of greater than £25 million, in line with corporate governance best practice around the operation of such types of incentives. This cap is cumulative over the face value of the awards paid out at each Measurement Date.

Not more than 10 per cent. of the Company's issued ordinary share capital may be issued under the FIP and in any period of 10 years not more than 15 per cent. total (including the FIP) of the Company's issued ordinary share capital may be issued under all employee share schemes adopted by the Company. Shares issued out of treasury under the FIP will count towards these limits for so long as this is required under institutional shareholder guidelines.

Awards which have lapsed or been renounced will not count towards the limits set out above.

## **Statement of Directors' responsibilities**

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

Company law requires the Directors to prepare Company financial statements for each financial year. Under the AIM Rules for Companies of the London Stock Exchange they are required to prepare the Company financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the EU) and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of their profit or loss for that period. In preparing each of the Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

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 its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

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

## Independent auditor's report to the members of Longboat Energy plc

### Opinion

We have audited the financial statements of Longboat Energy plc (the 'Company') for the 7 month period ended 31 December 2019 which comprise the Statement of Profit and loss, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of the Company's loss for the period then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

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 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, 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) we identified, including 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. This matter was 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 this matter.

Key audit matter	How our audit responded to this matter
<p><b>Accounting for equity transactions</b></p> <p>The Company raised £10m from share issues during the period, before the £0.74m of transaction costs deducted against share premium as detailed in the Statement of Changes in Equity and notes 4, 16 and 17. In addition, prior to the Company's Initial Public Offering it undertook a capital reduction and share repurchase and cancellation as detailed in note 16.</p> <p>Given the significance of these transactions to the Company in the current period and the judgement required to determine whether the transaction costs qualify to be offset against share premium, it represented an area of focus for our audit.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"><li>• We agreed share capital issued to supporting documents including regulatory filings and confirmed cash receipts to bank statements and recalculated the amounts recorded as share capital and share premium.</li><li>• We evaluated the accounting treatment of the capital reduction, share repurchase and cancellation against the requirements of the Companies Act 2006 and reviewed the relevant legal documents, to check compliance with the Act.</li><li>• We agreed a sample of costs incurred in respect of the share issues and Initial Public Offering to supporting invoices.</li><li>• We evaluated management's allocation of costs between those which have been deducted against equity and those which have been expensed based on the nature of the costs and applicable accounting standards and the Companies Act.</li><li>• We reviewed the related disclosures in the financial statements related to the share capital, share premium and other reserves accounts, to check that it was in accordance with applicable accounting standards and the Companies Act.</li></ul> <p>Key observation</p> <ul style="list-style-type: none"><li>• Based on the procedures we have performed we consider the treatment of transactions costs appropriate and consistent with applicable accounting standards and the Companies Act.</li></ul>

### Our application of materiality

Our materiality level was determined as £140,000 based on 1.5% of total assets. Total assets was considered to be the most relevant financial metric to users of the financial statements given the Company's cash balance is its principal asset with no current oil and gas operations.

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was determined based on 75% of materiality being £105,000.

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £2,800. We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

### **An overview of the scope of our audit**

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements. We also addressed the risk of management override of internal controls including evaluating whether there was evidence of bias by management that represented a risk of material misstatement due to fraud.

We undertook a full scope audit of the company. Our approach to the audit is risk based, with our audit work being tailored to ensure that sufficient assurance was gained for us to be able to give an opinion on the financial statements as a whole. Specific audit procedures were carried out on all risk areas identified, including the key audit matter detailed above, and on all material balances and classes of transactions.

### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the report of the directors and financial statements, 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

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

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

As explained more fully in the statement of Directors' responsibilities set out on page 32, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor’s responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website: [www.frc.org.uk/auditorsresponsibilities](http://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.



**Ryan Ferguson**  
**For and on behalf of BDO LLP, Statutory Auditor**  
**London, UK**

**5 February 2020**

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## Statement of profit or loss

for the Period 28 May 2019 to 31 December 2019

	Notes	Period 28 May 19 to 31 Dec 19 £
<b>CONTINUING OPERATIONS</b>		
Revenue		–
Administrative expenses		(198,051)
Other operating expenses		
<b>OPERATING LOSS</b>		<b>(198,051)</b>
Finance income	7	1,750
<b>LOSS BEFORE INCOME TAX</b>	<b>8</b>	<b>(196,301)</b>
Income tax	10	–
<b>LOSS FOR THE PERIOD</b>		<b>(196,301)</b>
Earnings per share expressed in pence per share:		
Basic	11	(9.52)
Diluted		(9.52)

All profits and losses arise from continuing activities.

There were no items of other comprehensive income in the period therefore no statement of comprehensive income has been prepared.

## Statement of financial position

As at 31 December 2019

	Notes	31 Dec 19 £
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	12	2,245
Investments	13	2,540
		<u>4,785</u>
<b>CURRENT ASSETS</b>		
Trade and other receivables	15	83,104
Cash and cash equivalents		9,201,692
		<u>9,284,796</u>
<b>TOTAL ASSETS</b>		<u><u>9,289,581</u></u>
<b>EQUITY</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Called up share capital	16	1,000,000
Share premium	17	7,808,660
Other reserves	17	450,000
Retained earnings	17	(196,301)
<b>TOTAL EQUITY</b>		<u><u>9,062,359</u></u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	18	227,222
<b>TOTAL LIABILITIES</b>		<u>227,222</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>9,289,581</u></u>

The financial statements were approved by the board of directors and authorized for issue on 5 February 2019 and are signed on its behalf by:



**Helge Hammer**  
Director  
5 February 2020

**Statement of changes in equity**  
for the Period 28 May 2019 to 31 December 2019

	Called up share capital £	Share premium £	Other reserves £	Retained earnings £	Total equity £
On incorporation	1	-	-	-	1
Issue of share capital	229,999	270,000	-	-	499,999
Share buy-back and cancellation of share premium	(180,000)	(270,000)	450,000	-	-
Initial Public Offering	950,000	8,550,000	-	-	9,500,000
Costs of share issue	-	(741,340)	-	-	(741,340)
Total comprehensive expense	-	-	-	(196,301)	(196,301)
<b>Balance at 31 December 2019</b>	<b>1,000,000</b>	<b>7,808,660</b>	<b>450,000</b>	<b>(196,301)</b>	<b>9,062,359</b>

## Statement of cash flows

for the Period 28 May 2019 to 31 December 2019

	Notes	Period 28 May 19 to 31 Dec 19 £
Loss before income tax		(196,301)
Finance income	7	(1,750)
Increase in trade and other receivables	15	(83,104)
Increase in trade and other payables	18	220,444
Cash absorbed by operations		<u>(60,711)</u>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	12	(2,245)
Purchase of fixed asset investments	13	(2,540)
Intercompany Loan		–
Interest received		1,750
Net cash used in investing activities		<u>(3,035)</u>
<b>Cash flows from financing activities</b>		
Share issue (net of issue costs)	17	9,258,660
Net cash from financing activities		<u>9,258,660</u>
<b>Increase in cash and cash equivalents</b>		<u>9,194,914</u>
<b>Cash and cash equivalents at beginning of period</b>		–
<b>Cash and cash equivalents at end of period</b>		<u><u>9,194,914</u></u>
<b>Relating to:</b>		
Bank balances and short-term deposits		9,201,692
Bank overdrafts		(6,778)
		<u><u>9,194,914</u></u>

## Notes to the financial statements for the Period 28 May 2019 to 31 December 2019

### 1. Statutory information

Longboat Energy plc is a public limited company, limited by shares, registered in England and Wales. The Company's registered number is 12020297 and registered office address 5th Floor, One New Change, London, England, EC4M 9AF

### 2. Accounting policies

#### **Basis of preparation**

The financial statements of Longboat Energy plc have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union and in accordance with the Companies Act 2006.

The financial statements have been prepared on the historical cost basis.

#### **Going concern**

The Directors, having made due and careful enquiry and preparing forecasts, are of the opinion that the Company has adequate working capital to execute its operation over the next 12 months. The directors, therefore, have made an informed judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. As a result, the directors have continued to adopt the going concern basis of accounting in preparing the annual financial statements.

#### **Property, plant and equipment**

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life.

Computer Equipment	33.33% straight line
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#### **Financial instruments**

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and liabilities comprise non-derivative and derivative receivables and payables.

#### *Classification: Financial assets*

The Company classifies financial assets in the following measurement categories:

- financial assets subsequently measured at fair value (either through other comprehensive income or through profit or loss), and
- financial assets measured at amortised cost.

The Company has no financial assets subsequently measured at fair value through other comprehensive income or through profit or loss.

Classification depends on the business model used for managing financial assets and on the characteristics of the contractual cash flows involved.

All financial assets held by the Company, have contractual cash flows representing solely the payment of principal and interest. The Company holds all these assets to collect the contractual cash flows. These assets are classified as held at amortised cost.

#### *Classification: Financial liabilities*

Financial liabilities other than derivatives are classified as measured at amortised cost. The Company has no derivatives.

#### *Measurement on initial recognition*

A financial asset or financial liability is initially measured at its fair value, plus, in the case of a financial asset or financial liability not subsequently measured at fair value through profit or loss, the transaction costs directly attributable to the acquisition of the asset or issuing of the liability.

Transaction costs of financial assets measured at fair value through profit or loss are recognised as an expense in the income statement.

The fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### *Subsequent measurement*

The subsequent measurement of debt instruments depends on the classification of the financial asset or liability, described above.

Financial assets and liabilities measured at amortised cost are accounted for using the effective interest rate method. Interest income and expense is reported as financial income and expense. Gains or losses arising on the derecognition of the financial asset or liability are recognised directly in profit or loss as other operating income/expense together with foreign currency gains and losses.

#### *Impairment*

Trade receivables and other receivables are measured and carried at amortised cost using the effective interest method, less any impairment.

The carrying amount is reduced by the expected lifetime losses. The Company does not hold other financial assets for which an expected credit loss would be material to record.

#### **Taxation**

Taxation, comprised of current and deferred tax, is charged or credited to the income statement unless it relates to items recognised in other comprehensive income or directly in equity. In such cases, the related tax is also recognised in other comprehensive income or directly in equity.

Current tax liabilities are measured at the amount expected to be paid, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method and is calculated using rates of taxation enacted or substantively enacted at the balance sheet date which are expected to apply when the asset or liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is not recognised in respect of investments in subsidiaries and associates where the reversal of any taxable temporary differences can be controlled and are unlikely to reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and there is an intention to settle the balances on a net basis.

Tax provisions are recognised when there is a potential exposure under changes to international tax legislation.

#### **Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

#### **Leases**

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.
- Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

### **Reserves**

A description of each of the reserves follows:

#### Share capital

Share capital represents the nominal value of shares issued less the nominal value of shares repurchased and cancelled.

#### Share Premium

This reserve represents the difference between the issue price and the nominal value of shares at the date of issue, net of related issue costs and share premium cancelled.

#### Retained Earnings

Net revenue profits and losses of the Company which are revenue in nature are dealt with in this reserve.

#### Other reserve

Other reserves relate to the nominal value of share capital repurchased and cancelled.

### **3. Adoption of new and revised standards and changes in accounting policies**

#### **Standards issued but not yet effective**

At the date of authorisation of these financial statements, the Company has not applied the following standards that have been issued but are not yet effective. The Company has not adopted any new or amended standards early.

		<u>Effective date:</u>
IFRS 17	Insurance Contracts	1 January 2021
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investors and its Associate or Joint Venture	No date set
IFRS 3 (Amendments)	Definition of a business	1 January 2020
IAS 1 and IAS 8 (Amendments)	Definition of material	1 January 2020
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020

In October 2018, the International Accounting Standards Board (Board) issued Definition of a Business (Amendments to IFRS 3) to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The amendments:

- confirmed that a business must include inputs and a process, and clarified that:
  - the process must be substantive; and
  - the inputs and process must together significantly contribute to creating outputs.

- narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
- added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The amendment is effective for periods beginning on or after 1 January 2020. It has yet to be endorsed for application in the European Union. Given the acquisition strategy of the Company these amendments may have a significant impact on the accounting treatment for future acquisitions.

Other changes to standards, interpretations and amendments issued but not yet effective are not expected to have a material impact on the Company financial statements.

#### 4. Critical accounting estimates

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

##### *Cost allocation*

In accordance with IFRS the costs of the IPO that involves both issuing new shares and a stock market listing was accounted for as follows:

- Incremental costs that are directly attributable to issuing new shares should be deducted from equity (net of any income tax benefit)
- Costs that relate to the stock market listing, or are otherwise not incremental and directly attributable to issuing new shares, have been recorded as an expense in the statement of comprehensive income.

Judgment was required in assessing the nature of certain costs such as legal and professional fees to determine the extent to which such costs were attributable to the new shares issued or the listing and management assessed the underlying nature of the services in assessing the allocation.

#### 5. Employees and directors

	£
Wages and salaries	52,163
Social security costs	6,504
Other pension costs	3,447
	<u>62,114</u>

The average number of employees during the period was as follows:

	Number
Executive Directors	2
Non-Executive Directors	4
Staff	1
	<u>7</u>

## 6. Directors remuneration

The emoluments of the individual Directors for the period are included in wages and salaries and were as follows:

	Salary £	Pension £	Total £
<b>Executive Directors</b>			
Helge Hammer	12,575	1,397	13,972
Jonathan Cooper	10,060	1,118	11,178
<b>Non-executive Directors</b>			
Brent Cheshire	5,216	–	5,216
Katherine Roe	4,471	–	4,471
Jorunn Saetre	3,726	–	3,726
Graham Stewart	7,732	–	7,732
<b>Total</b>	<b>43,780</b>	<b>2,515</b>	<b>46,295</b>

The Executive Directors entered into service agreements with the Company on 28 November 2019, the date of Admission to AIM.

Pursuant to letters of appointment dated 28 November 2019, the Non-Executive Directors of the Company were appointed as of that date and on an ongoing basis. Each Non-Executive Director is entitled to an annual fee, including in respect of any service on any Board committee.

As stated at the time of Admission to AIM, the Remuneration Committee will, at the time of making the first acquisition, undertake an executive salary benchmarking exercise for the purposes of determining what shall constitute a competitive market salary and pension contribution for the Executive Directors.

## 7. Net finance income

	£
<b>Finance Income</b>	
Deposit account interest	1,750

## 8. Loss before income tax

The loss before income tax is stated after charging:

	£
<b>Administrative expenses</b>	
Auditor remuneration	8,000
Executive Director's remuneration	22,635
Wages	8,383
Pensions	3,447
Social security	6,504
Operating leases	9,500
Non-Executive Director remuneration	21,145

## 9. Auditors' remuneration

	£
Fees payable to the company's auditors for the audit of the company's	8,000

During the period the auditor provided non-audit services of £15,000 in their role as Reporting Accountant in relation to the Company's Admission to AIM.

## 10. Income tax

### **Analysis of tax expense**

No liability to UK corporation tax arose for the period.

Unused tax losses on which no deferred tax has been recognised as at 31 December 2019 was £299,105 and the potential tax benefit will be £56,830. Deferred tax assets, including those arising from temporary differences, are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised.

<i>Reconciliation of tax charge</i>	£
Loss on ordinary activities before taxation	(196,301)
Tax on loss on ordinary activities at standard CT rate of 19.00%	(37,297)
<u>Effects of:</u>	
Expenses not deductible for tax purposes	8,321
Adjust closing mainstream unrecognized deferred tax to average rate of 19.00%	363
Adjust closing ring fence unrecognized deferred tax to average rate of 19.00%	(28,217)
Deferred tax not recognised	56,830
Tax charge/(credit) for the period	<u>-</u>

## 11. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares of which there are currently none in issue.

Reconciliations are set out below.

	Earnings £	Weighted average number of shares	Per share amount p
<b>Basic and diluted EPS</b>			
Earnings attributable to ordinary shareholders	<u>(196,301)</u>	<u>2,062,213</u>	<u>(9.52)</u>

## 12. Property, plant and equipment

	Computer equipment £
<b>COST</b>	
Additions	2,245
At 31 December 2019	<u>2,245</u>
<b>NET BOOK VALUE</b>	
At 31 December 2019	<u>2,245</u>

No depreciation was charged in the period ended 31 December 2019 due to assets being purchased part way through December 2019. Depreciation will be charged from the first full month of ownership.

### 13. Investments

	Shares in company undertakings £
<b>COST</b>	
Additions	2,540
At 31 December 2019	2,540
<b>NET BOOK VALUE</b>	
At 31 December 2019	2,540

The Company or the company's investments at the Statement of Financial Position date in the share capital of companies include the following:

#### Subsidiary

**Longboat Energy Norge AS** (company number 924 186 720), with a registered office at c/o Kluge Advokatfirma, Laberget 24, 4020, Stavanger, Norway. The company was incorporated 5 December 2019.

	Holding %
Class of shares:	
Ordinary	100.00

The company has taken advantage of the exemption under the Companies Act 2006 s405 not to consolidate this subsidiary as it has been dormant from the date of incorporation and is not material for the point of giving a true and fair view.

### 14. Financial risk management

The Company is exposed to financial risks through its various business activities. In particular, changes in interest rates exchange rates can have an effect on the capital, financial and revenue situation of the Company. In addition, the Company is subject to credit risks.

The Company has adopted internal guidelines, which concern risk control processes and which regulate the use of financial instruments and thus provide a clear separation of the roles relating to operational financial activities, their implementation and accounting, and the auditing of financial instruments. The guidelines on which the Company's risk management processes are based are designed to ensure that the risks are identified and analysed across the Company. They also aim for a suitable limitation and control of the risks involved, as well as their monitoring.

The Company controls and monitors these risks primarily through its operational business and financing activities.

#### Credit Risks

The credit risk describes the risk from an economic loss that arises because a contracting party fails to fulfil their contractual payment obligations. The credit risk includes both the immediate default risk and the risk of credit deterioration, connected with the risk of the concentration of individual risks. For the Company, credit and default risks are concentrated in the financial institutions in which it places cash deposits.

The Company's policy is to place its cash with reputable clearing banks. The Company's cash is deposited with one bank with a credit ratings of AA-.

Notwithstanding existing collateral, the amount of financial assets indicates the maximum default risk in the event that counterparties are unable to meet their contractual payment obligations. The maximum credit default risk amounted to £9,254,796 at the balance sheet date, of which £9,201,692 was cash on deposit at banks.

#### Liquidity Risks

Liquidity risk is defined as the risk that a company may not be able to fulfil its financial obligations. The Company manages its liquidity by maintaining cash and cash equivalents sufficient to meet its expected cash requirements to implement its investment policy. In the event that there is a risk that the cash required to follow the investment

policy is greater than the Company's liquid resources, the Company would seek confirmation of the continuation of the policy and the raising of further financing at a shareholder general meeting.

At 31 December 2019, the Company has cash on deposit of £9,201,692.

## Market Risks

### Interest Rate Risks

Interest rate risks exist due to potential changes in market interest rates and can lead to a change in the fair value of fixed-interest bearing instruments, and to fluctuations in interest payment for variable interest rate financial instruments.

The Company is exposed to interest rate risk on cash held on deposit at banks. Interest income for the period to 31 December 2019 was £1,750. These accounts are maintained for liquidity rather than investment, and the interest rate risk is not considered material to the Company.

### Currency Risks

The Company operates in the UK, incurs expenses predominantly in sterling and NOK, and holds cash in sterling and NOK. The Company incurs some expenditure in foreign currency when the investment policy requires services to be obtained overseas and is exposed to conversion risk when its NOK balances are retranslated into sterling at period ends. The foreign exchange risk on these costs is not considered material to the Company.

## 15. Trade and other receivables

	£
VAT recoverable	45,060
Prepayments	38,044
	<u>83,104</u>

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

## 16. Called up share capital

Allotted and issued ordinary shares of ten pence each ('Ordinary Shares'):

Number	Class	Nominal value	£
10,000,000	Ordinary	£0.10	1,000,000

Share capital history over the period:

- On incorporation on 28 May 2019, one subscriber share with a nominal value of £1.00 was issued
- On 3 September 2019 the subscriber share of £1.00 was subdivided into 10 Ordinary Shares and a further 999,990 Ordinary Shares were issued at par
- On 23 October 2019 1,000,000 Ordinary Shares were issued at par
- On 25 November 2019 300,000 Ordinary Shares were issued at a premium of 90p per Ordinary Share and from the total Ordinary Shares in issue (2,300,000 Ordinary Shares), 1,800,000 Ordinary Shares were repurchased, cancelled and transferred to other reserves leaving 500,000 Ordinary Shares in issue with total subscription monies of £500,000 (which was carried out in order to ensure that the founders' subscription price for Ordinary Shares was equal to the price paid by the new subscribers in the initial public offering i.e. £1.00 per share).
- On 25 November 2019 a capital reduction was undertaken to convert £270,000 of share premium to other reserves.
- On 28 November 2019 9,500,000 Ordinary Shares were allotted to the new subscribers at a premium of 90p per Ordinary Share

## 17. Reserves

	Retained earnings £	Share premium £	Other reserves £	Total £
Company				
Deficit for the period	(196,301)	–	–	(196,301)
Cash share issue / IPO	–	8,550,000	450,000	9,000,000
Costs of share issue	–	(741,340)	–	(741,340)
	<u>(196,301)</u>	<u>7,808,660</u>	<u>450,000</u>	<u>8,062,359</u>

## 18. Trade and other payables

	£
Current:	
Trade creditors	94,452
Social security and other taxes	6,504
Other creditors	62,389
Accrued expenses	63,877
	<u>227,222</u>

The Directors consider that the carrying amount of trade payables approximates to their fair value.

## 19. Leasing agreements

Minimum lease payments fall due as follows:

	Non- cancellable operating leases £
<b>Company</b>	
Within one year	45,600

The leases have a term of less than 12 months.

## 20. Related party transactions

Members of the Board of Directors are deemed to be key management personnel. Key management personnel compensation for the financial period is the same as the Director remuneration set out in note 6 to the accounts.

Directors' and the Company Secretary's interests in the shares of the Company, including family interests, were as follows:

	Ordinary shares
Helge Hammer	300,000
Jonathan Cooper	125,000
Graham Stewart	150,000
Jorunn Saetre	25,000
Julian Riddick	100,000

There were no other transactions or balances with related parties in the period.





