
Longboat Energy PLC
("Longboat Energy", the "Company" or "Longboat")

Results for Half Year Ended 30 June 2020

London, 22 September 2020 - Longboat Energy, established by the former management team of Faroe Petroleum plc to build a significant North Sea-focused E&P business, announces its half-year results for the six months ended 30 June 2020.

Highlights

Financial Summary

- Cash reserves of ~£8.1 million at 30 June 2020 with no debt (31 Dec 2019: £9.2 million) which allows the Company ample headroom to continue to pursue its business development activities.
- Low fixed running costs of ~£125k per month, together with low variable due diligence costs triggered by the impact of COVID-19 on the A&D market, allows the Company significant capacity to pursue attractive opportunities as activity picks up.

Business Summary

- During Q1 2020, the Company was engaged in a number of processes to acquire portfolios with positive cash flow, 2P reserves and growth, with negotiations curtailed due to Covid-related market conditions.
- As business and market activity returns, Longboat is actively leveraging relationships, testing creative and new business development ideas and is making good progress on several fronts.
- Recently introduced Norwegian tax changes have lowered breakeven oil prices and increased Internal Rate of Return (IRR) for non-sanctioned projects which will accelerate new project developments and drilling plans. The impact of these changes allows Longboat to now consider modest exposure to Norwegian development assets in combination with a production acquisition.

Outlook

- The Company's core strategy remains unchanged and the market dislocation presents an exciting opportunity as the backlog of transactions begins to unwind.
- Many of the Majors and large E&P players in the North Sea have announced significant changes in strategic direction which will involve a substantial divestment of assets.
- Longboat is well positioned to pursue the expected forthcoming transactional opportunities, guided by a management team with a strong track record of delivering value through M&A.

Helge Hammer, Chief Executive Officer of Longboat Energy commented:

"We floated the business in November 2019 having identified an opportunity to build a new, North Sea-focused E&P business through value-accretive M&A transactions. At the beginning of the year, we were engaged in a number of opportunities but our business development activities were curtailed by the onset of the coronavirus pandemic as the sector entered a period of huge uncertainty and market volatility.

"Despite the challenging times, we see encouraging signs of recovery and have remained active throughout the period as we leverage the experience and creativity of our team and our industry relationships to generate business opportunities. As a result of policy changes and strategic shifts by existing players, we believe there will be increased opportunities to secure quality assets on attractive terms in the period ahead, and we remain focused on delivering the best possible deal for our shareholders."

This announcement does not contain inside information

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CEO Introductory Statement

We floated Longboat on AIM last November having identified an opportunity to replicate the success of Faroe Petroleum by building a new, North Sea-based E&P business through value-accretive M&A transactions. Commodity prices had enjoyed a period of stability, and the M&A market was active and favourable for the buy side. These factors, together with Longboat's proximity to a number of potential transactions, positioned us well to launch the Company with a view to building significant shareholder value in short order. As we now know, the first half of 2020 heralded unprecedented changes to all aspects of society and the global economy with the energy sector particularly hard hit as we witnessed an historic fall in demand.

This initial period of uncertainty resulted in a number of our active opportunities being put on hold by vendors, as there was too large a gap between buyer and seller value expectations. However, commodity prices have begun to stabilise and this will narrow the gap between buyer and seller expectations and ultimately prove attractive for us as an asset acquirer.

Despite these challenging times, we have remained extremely active, leveraging strong relationships, testing new deal structures and ideas and continuing to pursue attractive business development opportunities. We believe the lack of M&A activity during the past six months and shifting strategies of the European Majors has created a backlog of transactions which will lead to an increase in deal activity in the months ahead. We remain confident in Longboat's strategy and, as we experience increasing levels of deal dialogue, believe we are entering an exciting period in which the Company will be well positioned to capitalise on any opportunities to secure attractive assets with material upside, on favourable terms.

Directors Statement

The Directors are pleased to present to shareholders the interim report and audited financial statements of Longboat Energy plc for the six-month period ended 30 June 2020. The Company was incorporated on 28 May 2019 and successfully admitted to AIM on 28 November 2019 and is currently an investment company, pending completion of its first oil and gas asset acquisition. The Company's time and resources are being deployed fully in meeting the Company's investment objectives as set out below.

Given the improved market conditions, the Company has arranged for these interim accounts to be audited so that in the event that a transaction is entered into and a re-admission document or prospectus required, the Company will have recent audited numbers available for inclusion.

Market Update

Oil & gas: This year's volatility in the oil market fundamentals has been unprecedented with a collapse in demand and an OPEC+ price war combining to create a significant over supply in April. In the short term, there is likely to be continued oil price volatility as authorities continue to control the Covid-19 virus with local and/or national lockdowns which will continue to impact demand. However, there is broad consensus amongst oil and gas analysts for an increasing oil price derived from an expectation that the market will become undersupplied, possibly from as early as 2021. This undersupply is driven by OPEC+, which has cut production significantly due to good compliance from its members, and an expectation that a rebound from US shale production will fade through a combination of base decline rates and lower activity and investment levels.

The recovery of oil demand has continued since its initial collapse in April, down by 21.8mb/d year on year. There is an expectation for this to continue with demand predicted to reach pre-Covid levels during 2022. Oil and gas capex cuts resulting from the pandemic are estimated to be around \$180bn, which is in the order of 30% year-on-year. Balancing oil supply with demand, to meet the supply shortfall, in the medium-term will require a significant shale recovery and another investment cycle in offshore projects. The recent fallout from the Covid-19 pandemic makes capital allocation to such projects more challenging as i) capital is scarce and balance sheets have been weakened, ii) companies have tightened criteria for investment, in particular projects need to be more robust at lower oil prices and iii) the energy transition has moved up the agenda, and tight finances come at a time of aggressive decarbonisation strategies and the beginning of a significant shift in capital allocation by the majors. This will ultimately result in lower ongoing capex levels and fewer projects being sanctioned. 2020 capex across the industry will be the lowest in 15 years and will remain low in 2021. The recognised oil and gas consultancy firm Wood Mackenzie estimates an increase in conventional E&P spend will need an oil price in excess of US\$55bbl.

Longboat recognises the need for energy transition to lower carbon emissions in order to meet the goals of the Paris Agreement, however, hydrocarbons will continue to play a vital role in the global energy mix as we move towards net zero. As long as demand for hydrocarbons continues to be significant, it will be crucial to maximise, responsibly, economic recovery value from North Sea production, minimise greenhouse gas emissions and reduce reliance on hydrocarbon imports. The basin has lower levels of carbon intensity from production compared with many other oil producing regions and is at the forefront of research, development and application of emissions reduction technologies such as carbon capture and storage. Thunder Said Energy, the energy technology and transition consultancy, estimates the size of the oil market in 2050 to be 85Mb/d, assuming that new technologies eliminate 45Mb/d of prospective oil demand.

Acquisition and Development (A&D): In March, the market A&D dynamics were altered significantly as a consequence of the Covid-19 outbreak and the subsequent commodity price collapse. In the short term, companies have been fully focused on operational matters and reducing both capital and operational expenditure to mitigate the impact of the oil price crash, while the plans for A&D activities were put on hold in many cases. According to Wood Mackenzie, 2020 has so far recorded the lowest number of deals in any quarter or half-year. The monthly average spend on transactions has been just 5% of the run rate of the last 15 years. The few oil and gas deals that have completed in recent months were generally agreed before the price collapse before becoming subject to re-negotiation. During this time, Longboat has continued its business development activities apace although these have also been impacted by the downturn with a number of opportunities that were relatively advanced, put on hold.

Whilst the current situation has slowed down M&A activity, the market dislocation presents an exciting opportunity for Longboat in the forthcoming period as the backlog of transactions begins to be unwound. Many of the Majors and large E&P players in the North Sea have announced significant changes in strategic direction which will require a substantial divestment of assets in order to be delivered. This is expected to result in an increasing number of material opportunities for Longboat which continues to benefit from a clean capital structure and strong shareholder support.

LONGBOAT ENERGY PLC

OPERATIONAL REPORT (CONTINUED)

FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2020

Norwegian Fiscal Stimulus

In June, the Norwegian government approved temporary tax reforms for the offshore oil and gas industry, which significantly improve the economics of new development projects and provide stimulus for companies to make final investment decisions. The tax changes include:

- immediate expensing, for tax purposes, of capex with a 24% uplift (previously 20.8%) against the special tax (whilst expensing against corporate tax remains 6 years);
- these temporary changes apply to projects with development plans submitted before the end of 2022 and for all capex incurred to the year of the commencement of production; and
- tax losses incurred during 2020 and 2021 will be paid out early, including the use of negative instalment tax payments “terminskatt”.

These tax changes lower the breakeven prices for non-sanctioned development projects and it is estimated that they increase the associated economic resources offshore Norway from 5bn boe to 7bn boe (source Wittemann E&P Consulting). It is projected that whilst globally, budgets are being cut significantly, Norway will see up to \$40bn of new developments, redevelopments and project upgrades brought forward.

Many new development projects are also being brought forward simultaneously for sanctioning as a result of the fiscal changes, forcing less-well financed, minority partners to consider trimming capex through active portfolio management. This has led Longboat to now also consider modest exposure to Norwegian development assets to take advantage of increased returns and accessibility to debt finance facilitated by the fiscal stimulus.

Financial Results

The period end cash position was £8,123,612, with no debt (31 December 2019: £9,204,257). The loss for the period was £1,111,571. The fixed running costs remain relatively low at approximately £125,000 per month. The largest costs since IPO, in the period ended 31 December 2019, were those associated with the IPO which totalled £741,340. Salaries and pension costs in the six month period were £350,079. Other significant costs were those associated with the analysis and review of potential transactions, such as consultant costs of £273,132 and legal and professional fees of £160,786. Outsourced accounting fees were £69,000. The IFRS2 non-cash charge for the period in relation to the Founders' Incentive Plan was £52,185.

LONGBOAT ENERGY PLC

OPERATIONAL REPORT (CONTINUED)

FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2020

Acquisition Strategy

The investment objectives of the Company are to create a full-cycle North Sea E&P company in order to deliver significant value to investors. The Company's Board of Directors has excellent relationships across the oil and gas industry which it believes will provide the Company with unique 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, field investment and near-field exploration. Longboat will focus its low-risk near-field exploration plans on good infrastructure access and the existence of nearby fields and discoveries.

The Company is targeting its initial acquisition to deliver asset(s) that are able to meet its investment criteria 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 leveraged to add value.

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

It is likely that the Company's financial resources will be invested initially 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 will 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.

Any 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, it is intended that an appropriate level of debt would be raised to cover in part the financing of development of such assets. Portfolio management including divestment or part-divestment of discoveries that move into development will also be considered in order to balance and manage risk. Acquisitions of producing and near-producing assets are more likely to include an element of debt to equity gearing.

As a key strategic requirement the Company will, irrespective of the equity ownership acquired, take an active role in targeting work and investments in the acquired assets, in order to unlock their inherent value. 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

Under the AIM Rules (8.), the Company's 'investing policy', which is substantially reflected in the Acquisition Strategy, should be regularly notified and so is included in full in Note 12 to these accounts.

LONGBOAT ENERGY PLC

OPERATIONAL REPORT (CONTINUED)

FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2020

Outlook

Events year-to-date have been unprecedented causing deals under negotiation to be put on hold on several occasions, due to matters beyond Longboat's control.

As we progress further into the second half of the year, we have good reason to be increasingly optimistic about the M&A market and our ability to source and close attractive opportunities. While overall Covid-19 infection levels have begun to creep up again in Europe, hospitalisation and death rates are at relatively low levels as governments and authorities have become increasingly adept at using new measures to control the spread and impact of the pandemic. Central banks have also managed successfully to avert severe economic fallout and bring markets back from their previous lows through unprecedented financial and fiscal stimulus. Commodity prices have also stabilised somewhat through a combination of returning demand levels and OPEC support, with the medium term consensus view being for prices continuing to increase, both for oil and gas.

With business development again on sellers' agendas in the North Sea, we have recently strengthened our own reach into the market through the appointment of Nick Ingrassia to head up our Business Development activities. Nick has over 19 years' experience across a wide range of corporate roles in and around the oil & gas industry. Nick started his career in banking with roles at Morgan Stanley (energy investment banking) and RBS (structured energy lending & debt advisory) before joining the oil and gas industry, working in business development roles with Valiant Petroleum plc (sold to Ithaca Energy inc in 2013), Salamander Energy plc (sold to Ophir Energy plc in 2015) and Faroe Petroleum plc (sold to DNO in 2019).

Despite the market disruption in the first part of this year, and the resultant delays and postponements, we see the M&A market activity returning and remain confident of delivering value-accretive opportunities to our shareholders and building Longboat into a successful full-cycle North Sea E&P company.

On behalf of the board

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Helge Ansgar Hammer
Director
21 September 2020

LONGBOAT ENERGY PLC

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE BUSINESS

FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2020

The principal risks facing the Company were set out in the Company's annual report and accounts to 31 December 2019 and there has been one appreciable change in those risks, of which we are all aware.

The impact of Coronavirus on the global demand for oil and gas and the subsequent impact on oil and gas prices has been very evident in H1 2020, and in response we have seen the Majors downgrade their long-term commodity price assumptions. There exists a risk that there will be significant further outbreaks of Coronavirus across the world which may detrimentally impact the Company's ability to meet its Investing Policy, specifically due to delays in sales processes, the bridging of buyer / seller pricing expectations and its ability to access equity capital and debt.

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.

On behalf of the board

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Helge Ansgar Hammer
Director

21 September 2020

LONGBOAT ENERGY PLC

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2020

The directors are responsible for preparing the interim report in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Group and of the profit or loss of the Group for that period. The directors are also required to prepare the financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Website publication

The directors are responsible for ensuring the annual and interim reports and financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

LONGBOAT ENERGY PLC

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LONGBOAT ENERGY PLC

Opinion

We have audited the non-statutory financial statements of Longboat Energy Plc (the 'Company') and its subsidiaries (the 'Group') for the six month period ended 30 June 2020 in accordance with our engagement letter dated 18 August 2020 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated 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 (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's affairs as at 30 June 2020 and of the Group's loss for the period then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

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

Share based payments

The Company granted awards under its Founder Incentive Plan on 3 July 2020 that was previously detailed in the IPO Admission Document.

A share based payment charge of £52,185 has been recorded in the period by management in respect of the awards as detailed in notes 3, 4 and 18 to the financial statements.

How our audit responded to this matter

Our audit procedures included the following:

- We reviewed the report prepared by management's external expert and, in conjunction with our own internal valuation valuation of the awards independently. We held discussions with management's experts to understand and evaluate the valuation methodology and inputs used by the management expert.

LONGBOAT ENERGY PLC

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF LONGBOAT ENERGY PLC

Management were required to exercise judgment and estimation when determining the inputs to the valuation and the accounting treatment of the awards. Management engaged an external valuation expert to assist with the valuation of the awards.

- We assessed the objectivity and competence of management's expert.
- We agreed the terms of the awards to supporting documentation and compared them to the IPO Admission Document.
- We evaluated the accounting treatment applied against the requirements of IFRS. In doing so we considered management's judgment that the IPO Admission Document created sufficient mutual understanding of the terms of the awards prior to them being legally granted in July 2020. In doing so we reviewed the disclosures in the IPO Admission Document.
- We recalculated the share based payment charge for the period and agreed the charge to the ledger.

Our application of materiality

Our materiality level was determined as £130,000 (FY 2019: £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 Group'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.

Materiality for the one significant component of the Group was set at £123,500. This was the first period for which consolidated financial statements had been prepared.

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 £97,500 (FY 2019: £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 £2,400 (FY 2019: £2,700). 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

Our audit was scoped by obtaining an understanding of the Group and its environment, as well as assessing the risks of material misstatement in the financial statements at Group level. In approaching the audit, we considered how the Group is organised and managed. We assessed there to be one significant component being the parent company. This component was subject to a full scope audit and the audit was conducted by the Group audit team.

The remaining component of the Group was considered non-significant and was subject to analytical review procedures by the Group audit team.

LONGBOAT ENERGY PLC

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF LONGBOAT ENERGY PLC

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Interim Report 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.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

LONGBOAT ENERGY PLC

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF LONGBOAT ENERGY PLC

Use of our report

This report is made solely to the Group'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 Group'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 Group and the Group's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Ryan Ferguson (Senior Statutory Auditor)
for and on behalf of BDO LLP

21 September 2020

Chartered Accountants
Statutory Auditor

55 Baker Street
London
W1U 7EU

LONGBOAT ENERGY PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2020

		6 months ended 30 June 2020 audited £	From incorporation to 30 June 2019 unaudited £	From incorporation to 31 December 2019 unaudited £
Administrative expenses		(1,118,850)	(4,058)	(198,051)
Operating loss	7	(1,118,850)	(4,058)	(198,051)
Investment revenues	6	10,719	-	1,750
Loss before taxation		(1,108,131)	(4,058)	(196,301)
Income tax expense	9	-	-	-
Loss for the period		(1,108,131)	(4,058)	(196,301)
Items that may be reclassified to profit or loss				
Currency translation differences		(3,440)	-	25
Total items that may be reclassified to profit or loss		(3,440)	-	25
Total comprehensive loss		(1,111,571)	(4,058)	(196,276)
Earnings per share				
Basic and diluted	10	(11.08)	(405,773)	(9.52)

Earnings per share is expressed in pence per share.

The income statement has been prepared on the basis that all operations are continuing operations.

LONGBOAT ENERGY PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Notes	30 June 2020 Audited £	30 June 2019 Unaudited £	31 December 2019 Unaudited £
Non-current assets				
Property, plant and equipment	11	8,545	-	2,245
Current assets				
Trade and other receivables	14	74,383	223	83,104
Cash and cash equivalents		8,123,612	-	9,204,257
		8,197,995	223	9,287,361
Total assets		8,206,540	223	9,289,606
Current liabilities				
Trade and other payables	17	203,542	4,280	227,222
Total liabilities		203,542	4,280	227,222
Equity				
Called up share capital	15	1,000,000	1	1,000,000
Share premium account	16	7,808,660	-	7,808,660
Other reserves	16	450,000	-	450,000
Currency translation reserve	16	(3,415)	-	25
Share based payment reserve	18	52,185	-	-
Retained earnings		(1,304,432)	(4,058)	(196,301)
Total equity		8,002,998	(4,057)	9,062,384
Total equity and liabilities		8,206,540	223	9,289,606

The financial statements were approved by the board of directors and authorised for issue on 21 September 2020 and are signed on its behalf by:

Helge Ansgar Hammer
Director

Company Registration No. 12020297

LONGBOAT ENERGY PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2020

	Share capital	Share premium account	Currency translation reserve	Share based payment reserve	Other reserves	Retained earnings	Total
Notes	£	£	£	£	£	£	£
Balance at 28 May 2019	-	-	-	-	-	-	-
Period ended 30 June 2019							
Issue of share capital	1	-	-	-	-	-	1
Loss and total comprehensive income for the period	-	-	-	-	-	(4,058)	(4,058)
Balance at 30 June 2019	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,058)</u>	<u>(4,057)</u>
Period ended 31 December 2019:							
Loss and total comprehensive income for the period	-	-	-	-	-	(192,243)	(192,243)
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)
Other comprehensive income:							
Currency translation differences	-	-	25	-	-	-	25
Balance at 31 December 2019	<u>1,000,000</u>	<u>7,808,660</u>	<u>25</u>	<u>-</u>	<u>450,000</u>	<u>(196,301)</u>	<u>9,062,384</u>

LONGBOAT ENERGY PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2020

	Notes	Share capital £	Share premium account £	Currency translation reserve £	Share based payment reserve £	Other reserves £	Retained earnings £	Total £
Period ended 30 June 2020:								
Loss and total comprehensive income for the period		-	-	-	-	-	(1,108,131)	(1,108,131)
Credit to equity for equity settled share-based payments	18	-	-	-	52,185	-	-	52,185
Other comprehensive losses:								
Currency translation differences		-	-	(3,440)	-	-	-	(3,440)
Balance at 30 June 2020		<u>1,000,000</u>	<u>7,808,660</u>	<u>(3,415)</u>	<u>52,185</u>	<u>450,000</u>	<u>(1,304,432)</u>	<u>8,002,998</u>

LONGBOAT ENERGY PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2020

	Notes	£	30 June 2020 £	£	31 December 2019 £
Cash flows from operating activities					
Cash absorbed by operations	23		(1,081,261)		(60,711)
Net cash outflow from operating activities					
			(1,081,261)		(60,711)
Investing activities					
Purchase of property, plant and equipment		(7,254)		(2,245)	
Interest received		10,719		1,750	
Net cash generated from/(used in) investing activities					
			3,465		(495)
Financing activities					
Proceeds from issue of shares		-		9,258,660	
Net cash (used in)/generated from financing activities					
			-		9,258,660
Net (decrease)/increase in cash and cash equivalents					
			(1,077,796)		9,197,454
Cash and cash equivalents at beginning of period					
			9,204,257		-
Effect of foreign exchange rates					
			(3,440)		25
Cash and cash equivalents at end of period					
			8,123,021		9,197,479
Relating to:					
Bank balances and short term deposits					
			8,123,612		9,211,035
Bank overdrafts					
			(591)		(6,778)

No bank account was held at 30 June 2019 therefore no interim statement of cash flows has been prepared.

LONGBOAT ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2020

1 Accounting policies

Company information

Longboat Energy PLC is a private company limited by shares incorporated in England and Wales. The registered office is 5th Floor, One New Change, London, EC4M 9AF. The company's principal activities and nature of its operations are disclosed in the directors' report.

1.1 Accounting convention

The consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union, except as otherwise stated.

This interim financial information does not constitute accounts within the meaning of section 434 and of the Companies Act 2006. Statutory accounts for the year ended 31 December 2019 were approved by the Board of Directors on 5 February 2020 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified. The audited financial statements for the period from incorporation to 31 December 2019 were individual company accounts rather than consolidated financial statements as the subsidiary was immaterial.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The Group interim financial statements consolidate the financial statements of the parent company and its subsidiary undertakings drawn up to 30 June 2020. The results of subsidiaries acquired or sold are consolidated for periods from or to the date on which control passed.

Business combinations are accounted for in accordance with International Financial Reporting Standards. Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration of each acquisition is measured as the aggregate of the fair values (at the date of exchange) or cash and other assets given, liabilities incurred or assigned and equity instruments issued by the Group in exchange for control of the acquiree.

1.2 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 interim statements.

1.3 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

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.

Computers	33.33%
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The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

LONGBOAT ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2020

1 Accounting policies

1.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.5 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 Group 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 Group 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 Group, have contractual cash flows representing solely the payment of principal and interest. The Group 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 Group 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.

LONGBOAT ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2020

1 Accounting policies

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 Group does not hold other financial assets for which an expected credit loss would be material to record.

1.6 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

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

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.

1.7 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

LONGBOAT ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2020

1 Accounting policies

1.8 Share-based payments

For cash-settled share-based payments, a liability is recognised for the goods and services acquired, measured initially at the fair value of the liability. At the balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the 6 month period.

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Monte Carlo model. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

1.9 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 Group'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.

1.10 Foreign exchange

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.

LONGBOAT ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2020

1 Accounting policies

1.11 Reserves

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 Group which are revenue in nature are dealt with in this reserve.

Other reserves

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

2 Adoption of new and revised standards and changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim financial statements of the Group.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

LONGBOAT ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2020

2 Adoption of new and revised standards and changes in accounting policies

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the consolidated financial statements of the Group.

3 Critical accounting estimates and judgements

In the application of the Group'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.

Shared based payments (note 18)

Estimation was required in determining inputs to the share based payment calculations including share price volatility as detailed in note 18.

Judgment was required in determining the point at which the Company and recipients had a shared mutual understanding of the terms of the awards. Whilst the awards were legally granted in July 2020, the Board consider that IPO Admission Document provided such a shared mutual understanding given the detailed disclosure of the terms of the scheme. Accordingly, the estimated fair value of the awards has been spread over the vesting period which commenced at IPO. A charge of £52,185 has been recorded which includes the one month period relevant to the period ended 31 December 2019 as the charge of £7,973 was immaterial to the prior period.

LONGBOAT ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2020

4 Employees

There are no additional staff members within the Group who are not staff members of the Company.

The average monthly number of persons (including directors) employed by the company during the period was:

	Six month period ended 30 June 2020 Number	Six month period ended 30 June 2019 Number	From incorporation to 31 Dec 2019 Number
Executive Directors	2	-	2
Non-Executive Directors	4	-	4
Staff	1	-	1
	<hr/>	<hr/>	<hr/>
Total	7	-	7
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Their aggregate remuneration comprised:

	Six month period ended 30 June 2020 £	Six month period ended 30 June 2019 £	From incorporation to 31 Dec 2019 £
Wages and salaries	298,814	-	52,163
Share based payment	52,185	-	-
Social security costs	33,610	-	6,504
Pension costs	17,655	-	3,447
	<hr/>	<hr/>	<hr/>
	402,264	-	62,114
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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.

LONGBOAT ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2020

5 Directors' remuneration

	Six month period ended 30 June 2020 £	Six month period ended 30 June 2019 £	From incorporation to 31 Dec 2019 £
Remuneration for qualifying services	248,095	-	43,780
Pension contributions to defined contribution schemes	12,676	-	2,515
	<u>260,771</u>	<u>-</u>	<u>46,295</u>

6 Investment Income

	Six month period ended 30 June 2020 £	Six month period ended 30 June 2019 £	From incorporation to 31 Dec 2019 £
Interest income			
Bank deposits	<u>10,719</u>	<u>-</u>	<u>1,750</u>

Total interest income for financial assets that are not held at fair value through profit or loss is £10,719 (2019: £1,750).

7 Operating loss

	Six month period ended 30 June 2020 £	Six month period ended 30 June 2019 £	From incorporation to 31 Dec 2019 £
Operating profit/(loss) for the period is stated after charging/(crediting):			
Exchange gains	74,120	-	(86,792)
Fees payable to the company's auditor for the audit of the company's financial statements	16,000	-	8,000
Depreciation of property, plant and equipment	954	-	-
Share-based payments	<u>52,185</u>	<u>-</u>	<u>-</u>

LONGBOAT ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2020

8 Auditor's remuneration

	Six month period ended 30 June 2020 £	Six month period ended 30 June 2019 £	From incorporation to 31 Dec 2019 £
Fees payable to the company's auditor and associates:			
For audit services			
Audit of the financial statements of the company	16,000	-	8,000
For other services			
Non-audit services	-	-	15,000

During the prior 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. There were no non-audit services provided in the six months to 30 June 2020.

9 Income tax expense

	Six month period ended 30 June 2020 £	Six month period ended 30 June 2019 £	From incorporation to 31 Dec 2019 £
UK corporation tax on profits for the current period	-	-	-

The charge for the 6 month period can be reconciled to the loss per the income statement as follows:

	Six month period ended 30 June 2020 £	Six month period ended 30 June 2019 £	From incorporation to 31 Dec 2019 £
Loss before taxation	(1,108,131)	(4,058)	(196,301)
Expected tax charge/(credit) based on a corporation tax rate of 19.00% (2019: 19.00%)	(210,545)	(771)	(37,297)
Effect of expenses not deductible in determining taxable profit	2,499	-	8,321
Adjust closing mainstream unrecognized deferred tax to average rate of 19%	-	-	363
Adjust closing ring fence unrecognized deferred tax to average rate of 19%	-	-	(28,217)
Deferred tax not recognised	288,114	771	56,830
Remeasurement of deferred tax for changes in tax rates	(110,016)	-	-
Foreign tax and losses	29,948	-	-
Taxation charge for the period	-	-	-

LONGBOAT ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2020

9 Income tax expense

No deferred tax asset has been recognised because there is uncertainty of the timing of suitable future profits against which they can be recovered. The company has losses carried forward of £345,870 (2018: £57,756).

10 Earnings per share	30 June 2020 £	30 June 2019 £	31 Dec 2019 £
Number of shares			
Weighted average number of ordinary shares for basic earnings per share	10,000,000	1	2,062,213
Earnings			
Continuing operations			
Loss for the period from continued operations	<u>(1,108,131)</u>	<u>(4,058)</u>	<u>(196,301)</u>
Earnings for basic and diluted earnings per share being net profit attributable to equity shareholders of the company for continued operations	<u>(1,108,131)</u>	<u>(4,058)</u>	<u>(196,301)</u>
Basic and diluted earnings per share	<u>(11.08)</u>	<u>(405,773)</u>	<u>(9.52)</u>

Earnings per share is expressed in pence per share.

LONGBOAT ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2020

11 Property, plant and equipment

	Computers £
Cost	
Additions	2,245
	<u>2,245</u>
At 31 December 2019	2,245
Additions	7,254
	<u>9,499</u>
At 30 June 2020	9,499
Accumulated depreciation and impairment	
Charge for the 6 month period	954
	<u>954</u>
At 30 June 2020	954
Carrying amount	
At 30 June 2020	8,545
	<u>8,545</u>
At 31 December 2019	2,245
	<u>2,245</u>

LONGBOAT ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2020

12 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 the 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 2021 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.

LONGBOAT ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2020

13 Financial risk management

The Group 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 Group. In addition, the Group is subject to credit risks.

The Group 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 Group's risk management processes are based are designed to ensure that the risks are identified and analysed across the Group. They also aim for a suitable limitation and control of the risks involved, as well as their monitoring.

The Group 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 Group, credit and default risks are concentrated in the financial institutions in which it places cash deposits.

The Group's policy is to place its cash with reputable clearing banks. The Group's cash is deposited across one bank with 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 £8,197,995 at the balance sheet date, of which £8,123,612 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 Group 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 Group's liquid resources, the Group would seek confirmation of the continuation of the policy and the raising of further financing at a shareholder general meeting.

At 30 June 2020, the Group has cash on deposit of £8,123,612.

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 Group is exposed to interest rate risk on cash held on deposit at banks. Interest income for the period to 30 June 2020 was £10,719. The interest rate risk is not considered material to the Group

Currency Risks

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

LONGBOAT ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2020

13 Financial risk management

14 Trade and other receivables

	30 June 2020 £	30 June 2019 £	31 Dec 2019 £
VAT recoverable	8,295	222	45,060
Other receivables	4,696	1	-
Prepayments	61,392	-	38,044
	<u>74,383</u>	<u>223</u>	<u>83,104</u>

15 Share Capital

	£
Balance at 28 May 2019 and 30 June 2019	1
Additions	1,179,999
Share buy-back and cancellation of shares	(180,000)
Other movements	-
	<u>1,000,000</u>
Balance at 31 December 2019	1,000,000
Balance at 30 June 2020	<u>1,000,000</u>

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 28th November 2019 9,500,000 Ordinary Shares were allotted to the new subscribers at a premium of 90p per Ordinary Share

LONGBOAT ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2020

16 Other reserves

	Other reserves	Currency translation reserve	Share Premium
	£	£	£
Balance at 28 May 2019 and 30 June 2019	-	-	-
Additions	-	25	-
Issue of share capital	-	-	270,000
Share buy-back and cancellation of share premium	-	-	(270,000)
Initial Public Offering	-	-	8,550,000
Costs of share issue	-	-	(741,340)
Other movements	450,000	-	-
	<u>450,000</u>	<u>-</u>	<u>-</u>
Balance at 31 December 2019	450,000	25	7,808,660
Additions	-	(3,440)	-
	<u>-</u>	<u>(3,440)</u>	<u>-</u>
Balance at 30 June 2020	<u>450,000</u>	<u>(3,415)</u>	<u>7,808,660</u>

17 Trade and other payables

	30 June 2020	30 June 2019	31 Dec 2019
	£	£	£
Trade payables	50,275	4,280	94,452
Accruals	114,691	-	63,877
Social security and other taxation	36,552	-	6,504
Other payables	2,024	-	62,389
	<u>203,542</u>	<u>4,280</u>	<u>227,222</u>

18 Share-based payment transactions

The Company operates a Founder Incentive Plan (FIP) under which awards are legally granted in the form of performance units to the participants which was detailed in the IPO Prospectus. Subject to the achievement of performance conditions, the FIP award may be converted into nil cost options over a number of shares on three measurement dates during the life of the FIP. The life of the FIP is five years from the date of the initial IPO, which was November 2019. There are two executive directors, one non-executive director, one non-employee, and one staff member who are members of the plan. The following table summarises the expense recognised in the Statement of Comprehensive Income since the IPO.

LONGBOAT ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2020

18 Share-based payment transactions

	Six month period ended 30 June 2020 £	Six month period ended 30 June 2019 £	From incorporation to 31 Dec 2019 £
Founder Incentive Plan	52,815	-	-

The Founder Incentive Plan has a five year term, with awards granted on 3 July 2020. Under the FIP, awards are granted in the form of performance units to the participants. Subject to the achievement of performance conditions, the FIP award may be converted into nil cost options over a number of shares on three Measurement Dates during the life of the FIP. The value of the award is dependent on the extent to which the Measurement Total Shareholder Return (Measurement TSR) exceeds the Threshold Total Shareholder Return (Threshold TSR) at each Measurement Date. Measurement Dates will be on the third, fourth and fifth anniversaries of the IPO date. The performance condition is based on the relative Total Shareholder Return (TSR) of doubling the value of the company at each respective measurement date.

The Threshold TSR growth rates will be the following:

- Measurement Date 1 – 25.99%
- Measurement Date 2 – 18.92%
- Measurement Date 3 – 14.87%

For Measurement Dates 2 and 3, should the Threshold TSR be met at a previous Measurement Date, the Threshold TSR will be the higher of:

- Threshold TSR calculated using the relevant growth rate set out above from the Initial Price; or
- the highest previous Measurement TSR at any prior Measurement Date, where nil-cost options have been awarded.

The IFRS 2 'Share-based Payments' fair value of each performance share granted under the FIP is estimated as of the grant date using a Monte Carlo simulation model with weighted average assumptions as follows:

	Six month period ended 30 June 2020 £	Six month period ended 30 June 2019 £	From incorporation to 31 Dec 2019 £
Weighted average share price at grant date	0.78	-	-
TSR performance	-	-	-
Expected volatility	50.44%	-	-
Risk free rate	(0.08)%	-	-
Dividends yield	0.00%	-	-

The expected share price volatility is based upon the share price volatility from the IPO to the Date of Grant.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2020

19 Other leasing information

Lessee

Amounts recognised in profit or loss as an expense during the period in respect of lease arrangements are as follows:

	2020	2019
	£	£
Expense relating to short-term leases	47,744	-

20 Related party transactions

Remuneration of key management personnel

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.

Other information

Directors' interests in the shares of the Company in the current and prior period, 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.

LONGBOAT ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2020

21 Cash used by operations

	30 June 2020 £	30 June 2019 £	31 Dec 2019 £
Loss for the 6 month period after tax	(1,108,131)	(4,058)	(196,301)
Adjustments for:			
Investment income	(10,719)	-	(1,750)
Depreciation and impairment of property, plant and equipment	954	-	-
Equity settled share based payment expense	52,185	-	-
Movements in working capital:			
Decrease/(increase) in trade and other receivables	8,721	-	(83,104)
(Decrease)/increase in trade and other payables	(24,271)	4,058	220,444
Cash absorbed by operations	<u>(1,081,261)</u>	<u>-</u>	<u>(60,711)</u>

22 Other information

A copy of this interim report and financial statements is available on the Company's website www.longboatenergy.com.