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

Interim Results to 30 June 2021

London, 22 September 2021 - Longboat Energy, the emerging full-cycle North Sea E&P company with a portfolio of significant, near-term, low-risk exploration assets, is pleased to announce its unaudited interim results for the period to 30 June 2021.

Highlights

- Secured three bilateral transactions to acquire a significant, near-term, low-risk exploration drilling programme on the Norwegian Continental Shelf ("NCS")
- Seven firm wells drilling over the next 18 months
- Net mean resource potential of 104 mmboe¹
- Total net upside case potential of 324 mmboe¹
- Completed £35 million equity raise and NOK 600 million (£50 million) Exploration Finance Facility
- Fully funded through the seven well drilling programme²
- Qualified as licence holder on the NCS
 - One of only 38 companies qualified on the NCS (versus >130 on the UKCS)
 - New status removes transaction hurdles, positioning Longboat for further value accretive M&A

Operations

- Drilling has already commenced on two exploration wells: Rødhette (Longboat 20%) and Egyptian Vulture (Longboat 15%)
- Mugnetind (Longboat 20%), expected to commence drilling by the end of September
- Drilling at Ginny/Hermine (Longboat 9%) expected to commence in December
- Rig confirmed for Kveikje (Longboat 10%) and Cambozola (Longboat 25%) wells, to be drilled in 2022
- Copernicus well site survey to be acquired shortly, to facilitate 2022 drilling, following well commitment decision

Financial Summary

- Cash reserves of £38.7 million (31 Dec-20 £7.0 million) with no debt at period end
 - 2020 tax refund received of £0.7 million
- Loss for the period £0.9 million

Helge Hammer, Chief Executive Officer of Longboat Energy, commented:

"I am pleased that we are already under way with exploration drilling so soon after the completion of our first transactions last month. We expect to be drilling three wells over the next few weeks with the Rødhette and Egyptian Vulture wells already under way and Mugnetind expected to spud shortly, in an extremely busy and exciting time for the Company. Drill results from these first three wells are expected before the end of the year and have the potential to create significant shareholder value.

"The exploration programme over the next 18 months offers shareholders a unique opportunity to gain exposure to a drilling portfolio of seven wells targeting net mean prospective resource potential of 104 mmboe¹ with an additional 220 mmboe¹ of upside which provides the potential to create a Net Asset Value of over \$1 billion based on precedent transactions in the Norwegian North Sea for development assets."

This announcement does not contain inside information

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Notes:

1 ERC Equipoise estimates, using a conversion factor of 5,600 scf/stb

2 Under both existing and proposed Norwegian tax legislation, the latter assuming that the Exploration Finance Facility is amended as described in the interim report below

Standard

Estimates of reserves and resources have been prepared in accordance with the June 2018 Petroleum Resources Management System ("**PRMS**") as the standard for classification and reporting with an effective date of 31 December 2020.

Review by Qualified Person

The technical information in this release has been reviewed by Helge Hammer, Chief Executive Officer, who is a qualified person for the purposes of the AIM Guidance Note for Mining, Oil and Gas Companies. Mr Hammer is a petroleum engineer with more than 30 years' experience in the oil and gas industry. He holds a degree in Petroleum Engineering from NTH University in Trondheim and an MSc in Economics from the Institut Français du Pétrole in Paris.

Glossary

mmboe	Millions of barrels of oil equivalent
scf	Standard cubic feet
stb	Stock tank barrel

CEO Introductory Statement

I am delighted that the groundwork that Longboat put in during the period of subdued industry activity in 2020 has paid-off. In June, the Company announced three bilaterally negotiated farm-in transactions, which combined represent an attractive initial portfolio of seven material, near-term, exploration wells on the Norwegian Continental Shelf ("NCS"). Together with the substantial equity and debt financing in support of the transactions, Longboat is poised for an active and exciting period ahead.

Sourced through our excellent industry relationships, the vendors of these exploration interests, Equinor, Spirit and Idemitsu, are all leading NCS participants. Equinor, a vendor in seven out of the eight licences, is the largest operator in Norway and has an industry leading exploration track record. All the vendors are retaining stakes in all-but-one of the licences, which clearly demonstrates that the key driver for the deals were capital allocation and not lack of attractiveness of the drilling opportunities.

By building the initial portfolio through the three farm-in transactions, we have taken years off the timetable, compared to building the portfolio organically through licensing rounds, and hence are delivering firm wells in a short timeframe and reducing risk for the Company and its shareholders.

The farm-ins provide the Company with a bespoke, material, near-term drilling programme, including seven wells over the next 18 months with further appraisal drilling likely on success. The prospects are gas weighted and are all located in tie-back distance to existing infrastructure, with an overlap between exploration partners and infrastructure owners, providing a portfolio with a clear low-cost route to monetisation and the potential for developments which can contribute positively to decarbonisations, well aligned to Longboat Energy's ESG targets.

Exploration continues to be a key value driver on the NCS, with Norway enjoying record geological exploration success rates at c. 50% so far in 2021. Furthermore, the Norwegian Petroleum Directorate reports nearly US\$200 billion of value creation since 2000 with an average return on investment of 2.5 times since 2010. The Norwegian tax regime remains supportive despite recently proposed changes with significant tax rebates under the temporary tax regime introduced in 2020, and the buyer pool for discoveries in Norway continues to be strong with approximately US\$1.4 billion of discovery transactions since 2018 and an average transaction value exceeding US\$4/boe.

Longboat Energy is committed to delivering energy responsibly and strongly supports the energy transition, whilst acknowledging the place that hydrocarbon exploration and production will continue to have in the global markets for the foreseeable future. As part of the Company's sustainability strategy, Longboat Energy has undertaken to be corporate 'Net Zero' on a Scope 1 and 2 basis by 2050, with exploration success near existing infrastructure being crucial to reducing carbon intensity in order to maximise the use of existing facilities and pipelines. The farm-ins are well aligned to these principles given their proximity to existing infrastructure, nature of the licences and gas weighted resource base and the commitment to decarbonisation on the NCS evidenced through multiple initiatives underway, including power-from-shore, power from offshore windmills and carbon capture and storage projects.

Together, the share placing and EFF enable Longboat to pursue a significant, near-term, low-risk exploration drilling programme on the NCS across seven wells targeting net mean prospective resource potential of 104 MMboe⁽¹⁾ and an additional 220 MMboe⁽¹⁾ of upside and follow-on prospectivity. The cost of the carry element of the farm-ins is fully eligible for the Norwegian tax refund system reducing the net cost to the Company to \$7.8 million on a post-tax basis (\$35 million pre-tax), however noting that a new tax was recently proposed by the Norwegian Government where the exploration tax refund could be replaced by a more general tax refund arrangement.

Net mean prospective resources across the licences have been estimated by ERC Equipoise at 104 MMboe⁽¹⁾ with total upside potential of 324 MMboe⁽¹⁾. The Company has created a portfolio with an attractive risk and reward balance, with the chance of success for each well in the 22 to 55 per cent range for all-but-one high-impact prospect. All mean volumes for the Target Assets are estimated to be in excess of Minimum Economic Field sizes, as calculated by Longboat Energy.

The Company has created a bespoke and well-balanced portfolio of opportunities, with working interest positions ranging from 9 to 25 per cent., and prospect risk levels generally considered low to medium for exploration wells, with the exception of the Cambozola well, and a diverse range of resource size and upside potential across the assets. Under the current attractive Norwegian fiscal regime for explorers, the Company is eligible for a 78 per cent. tax rebate on exploration spending. The expected average pre-tax dry hole cost per well is approximately US\$6 million. In the case of success, additional costs would be expected for further formation evaluation testing in the order of US\$1 to 2 million per well, with additional optional geological side-tracks or well tests which could add a further US\$3 to 6 million per well. The Company is currently undertaking a review of the proposed changes to the Norwegian fiscal regime, more detail of which can be found below. As drafted, the changes are not anticipated to have a material impact on the post-tax well cost.

Four of the committed wells are either in the course of drilling or are about to commence as follows:

Rodhette Exploration Well: the drilling of the Rodhette prospect (Company 20%), operated by Var, commenced on 13 September 2021 using the deep water Scarabeo 8 semi-submersible drilling rig. This is a proven Jurassic Play in the Hammerfest Basin with a potential 30km tie-back distance to the Goliat Field for early potential monetisation. The Rodhette prospect is estimated to contain gross mean prospective resources of 41mmboe⁽¹⁾ with further potential upside to bring the total to 81 MMboe⁽¹⁾. The geological chance of success associated with this prospect is 41%⁽¹⁾ with the key risk being related to fault seal and oil column thickness.

Egyptian Vulture Exploration Well: the Egyptian Vulture well (Company 15%) well operations, operated by Equinor, commenced on 20 September using the West Hercules semi-submersible drilling rig. The well is targeting gross mean prospective resources of 103mmboe⁽¹⁾ with further potential upside to bring the total to 208 MMboe⁽¹⁾. The Geological Chance of Success associated with this prospect is 25%⁽¹⁾ with the key risk being related to reservoir quality/thickness. The well is expected to take up to four weeks to drill with a pre-carry net cost to Longboat of c.\$5 million (c.\$1m post tax). Upon success, there is the potential to provide low-CO₂ blending gas to the nearby Equinor operated infrastructure (Åsgard) allowing for the possibility of rapid monetisation.

Mugnetind Exploration Well: the drilling of the Mugnetind prospect (Company 20%) is scheduled to commence in September using the Maersk Integrator jack-up drilling rig. The Mugnetind prospect is located in licence PL906, which lies in the Central Graben area, 11 km to the west of the Ula Field. The prospect is up-dip from Well 7/11-6 which is a dry well with shows in the Ula Formation and is defined as a four-way dip closure with a structural component towards the north where there is fault seal. The Munetind prospect is estimated to contain gross mean prospective resources of 24mmboe⁽¹⁾ with further potential upside to bring the total to 47mmboe⁽¹⁾. The geological chance of success associated with the Mugnetind prospect is 51%⁽¹⁾ with the key risks being reservoir presence/quality.

Ginny/Hermine Exploration Well: the drilling of the Ginny and Hermine prospects (Company 9%) is scheduled to drill in late Q4 using the West Hercules semi-submersible drilling rig. The Ginny prospect is interpreted as a hanging-wall half graben adjacent to the Bremstein High, with faults which subdivide the prospect into three segments: Ginny North, Central and South. The Hermine prospect lies beneath Ginny and they will both be drilled by the planned exploration well. The Ginny/Hermine prospects are estimated to contain gross mean prospective resources of 41mmboe⁽¹⁾ for Ginny and 27mmboe⁽¹⁾ for Hermine with further potential upside to bring the total to 84mmboe⁽¹⁾ and 45mmboe respectively. The geological chance of success associated with the Ginny prospect is 27%⁽¹⁾ and for Hermine 22%⁽¹⁾ with the key risks being related to faulty seal and phase risk.

There are now three further committed wells to follow including two key wells in one of Norway's most active and prolific exploration and production areas with Cambozola and Kveikje. These prospects provide acreage in the most prolific hydrocarbon province in Norway, near Statfjord, Snorre, Gullfaks and Troll with numerous recent discoveries (Atlantis, Dugong, Equino, Basto) being made as operators focus on infrastructure-led exploration opportunities to utilise mature infrastructure and reduce CO₂ emissions. Multiple nearby tie-back options exist for both Cambozola and Kveikje on either a standalone basis or as part of wider regional developments. This area is also expected to be key for a number of energy transition projects. Longboat was recently informed by Equinor, the operator, that the semi-submersible drilling rig Deepsea Stavanger has been contracted for these two wells which are anticipated to start drilling back-to-back in H1 2022.

Longboat was also pleased to recently announce that the parties to the Copernicus joint venture, Equinor and PIGNiG, have also committed to a firm well on this prospect (Company 10%). Copernicus lies on the Utgard High in the Vøring Basin region of the Norwegian Sea and the prospect is a combination trap with mapped stratigraphic pinch out down-dip and a small structural component at the apex. The Copernicus prospect is estimated to contain gross mean prospective resources of 254mmboe⁽¹⁾ with further potential upside to bring the total to 471mmboe⁽¹⁾. The geological chance of success associated with the Copernicus prospect is 25%⁽¹⁾ with the key risks being reservoir presence/quality and trap

The farm-ins were classified as a reverse takeover under the AIM Rules for Companies. On 13 August 2021 the Company was approved by the Ministry of Petroleum and Energy as a licence holder of oil and gas assets on the NCS and completed the farm-ins on 31 August 2021 with the reverse takeover occurring on 2 September 2021.

Norwegian Fiscal Stimulus and potential Norwegian tax changes

The Company is currently benefiting from the Norwegian government temporary tax reforms introduced in June last year to mitigate the effect of the Covid pandemic for the offshore oil and gas industry whereby tax losses incurred during 2021 are paid out early by way of negative instalment tax payments "terminskatt". During the period, the Company received £705,857 in negative tax instalments with a receivable of £1,089,367 at 30 June 2021. The company amended its estimates of expenditure for 2021 following the agreement to acquire the exploration licences and therefore will receive higher negative tax instalments in the second half of 2021.

On 30 August 2021 the Government and the Ministry of Finance announced proposals for potential changes to the Norwegian petroleum taxation system from 2022 onwards. The feedback on the consultation proposal is due by 3 December 2021 with the final changes anticipated to be enacted during the spring of 2022.

The key element of these proposals is the immediate expensing of investments with the intention of improving the neutrality of the tax system between the government and the industry by aligning the pre-versus-post-tax economics.

The proposals can be summarised as follows:

- The total marginal tax rate remains the same at 78 per cent;
- The Special Petroleum Tax ("SPT") will increase to 71.8 per cent (from 56 per cent) but Corporation Tax (22 per cent) will become fully deductible from the SPT and the uplift on investments will be removed;
- The current exploration refund at 78% will cease to exist and the Company will instead receive the tax value of losses (including exploration costs) refunded in cash at the revised SPT (71.8 per cent) in the year after incurrence (to the extent these generate tax losses);
- The remaining corporation tax element (6.2 per cent) will be carried forward to be set off against future profits from production; and
- There are no changes proposed to the temporary tax regime introduced in 2020 and effective until the end of 2021.

Based on the consultation feedback, and explicit statements made by the Norwegian Government, the authorities will consider including a system for pledging tax loss settlements to the lending banks in a similar arrangement as is currently in place for the exploration tax cost refund scheme.

The Company has made a preliminary assessment of the impact of the proposed tax changes, which effectively increase the equity funding requirement of exploration costs from 22 to 28.2 per cent, and believes the Company remains funded for its exploration programme. In reaching this conclusion, the Company has assumed that the Exploration Finance Facility shall be amended to reflect the proposed new tax regime enabling the Company to borrow against the proposed tax refund in the same ratio as the existing exploration tax refund, and to pledge the same in favour of the lenders.

Financial Results

The share issue to fund the farm-ins raised £32.4 million net of fees, resulting in a period end cash position of £38.7 million, with no debt (30 June 2020: £8.1 million). The loss for the period was £0.9 million after receiving a 2020 tax refund in Norway of £0.7 million in the period. £2.6 million of costs relating directly to the sale of shares was charged to the share premium reserve. A NOK600 million Exploration Finance Facility was secured to finance the Norwegian Government's tax rebate, and the arrangement fee of £579 k was debited to pre-payments in the balance sheet and will be released over the term of the funding.

Salaries and pension costs in the six month period were £516k (30 June 2020 £402 k). Other significant costs were those associated with the analysis and review of the farm-in transactions, such as technical consultant costs of £477 k (30 June 2020 £273 k) which were capitalised against the exploration licences acquired. Legal and professional fees of £242 k (30 June 2020 £161k) and outsourced accounting fees were £50 k (30 June 2020 £69 k). The IFRS2 non-cash charge for the period in relation to the Founders' Incentive Plan and the Long Term Incentive Plan was £47 k (30 June 2020 £52 k).

Outlook

We are excited to be drilling our first exploration wells and can now look forward to a busy period of almost continuous drilling and frequent value catalysts during the next 18 months with a combined upside value potential in excess of \$1 billion.

Exploration activity in Norway is picking up and during the first six months of 2021, a total of 14 exploration and appraisal wells have been completed, resulting in 9 discoveries. With four wells anticipated to be drilled by Longboat during the second half of 2021, a discovery at any one of the wells would add contingent resources and give the Company significant monetisation opportunities.

Our plan remains to build Longboat in to a full-cycle, North Sea E&P company. We believe the momentum built by the initial acquisitions will enable us to take advantage of the increasing number of opportunities we are seeing in the market.

On behalf of the board

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Helge Ansgar Hammer
Director
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1. ERC Equipoise estimates

The latest set of principal risks facing the Company were set out in the Company's Re-admission document of 1 June 2021. Although no new risks have emerged, now that the Company is operational the 'risks relating to the oil and gas industry' are of greater significance and in addition, following the announcement of the proposed changes to the Norwegian petroleum taxation system, the risks associated with 'fiscal risks relating to tax rebates in Norway', are of particular relevance.

On behalf of the board

.....
Helge Ansgar Hammer
Director

21 September 2021

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

The directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom. 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 United Kingdom, 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. 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.

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises 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 consolidated interim financial information.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

Material uncertainty related to going concern

We draw attention to note 1.2 to the half-yearly financial report which indicates the Directors considerations concerning the Group's ability to continue as a going concern. The matters explained in note 1.2 highlights that the continued availability of suitable Exploration Finance facility or an amended facility cannot be guaranteed given the proposed revisions to the Norwegian tax regime. As stated in note 1.2, these events or conditions, along with other matters as set out in note 1.2, indicates that a material uncertainty exists which may cast significant doubt over the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Use of our report

This report is made solely to the Board of Directors, as a body. Our audit work has been undertaken so that we might state to the Board 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 Board as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP**Chartered Accountants****London**

21 September 2021

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

	Notes	6 months ended 30 June 2021 unaudited £	6 months ended to 30 June 2020 audited £	Year to 31 December 2020 audited £
Administrative expenses		(1,513,958)	(1,118,850)	(2,399,204)
Operating loss	6	(1,513,958)	(1,118,850)	(2,399,204)
Investment revenues	5	3,963	10,719	18,736
Loss before taxation		(1,509,995)	(1,108,131)	(2,380,468)
Income tax income	8	645,117	-	754,289
Loss for the period		<u>(864,878)</u>	<u>(1,108,131)</u>	<u>(1,626,179)</u>
Items that may be reclassified to profit or loss				
Currency translation differences		(11,731)	(3,440)	524
Total items that may be reclassified to profit or loss		<u>(11,731)</u>	<u>(3,440)</u>	<u>524</u>
Total comprehensive loss		<u>(876,609)</u>	<u>(1,111,571)</u>	<u>(1,625,655)</u>
Loss per share	9			
Basic and diluted		<u>(7.70)</u>	<u>(11.08)</u>	<u>(16.26)</u>

Loss 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 2021

	Notes	30 June 2021 unaudited £	30 June 2020 audited £	31 December 2020 audited £
Non-current assets				
Property, plant and equipment	10	25,685	8,545	11,798
Current assets				
Trade and other receivables	11	1,368,540	74,383	75,807
Current tax recoverable	12	1,089,367	-	777,823
Cash and cash equivalents		38,729,643	8,123,612	7,021,105
		41,187,550	8,197,995	7,874,735
Total assets		41,213,235	8,206,540	7,886,533
Current liabilities				
Trade and other payables	15	1,707,404	203,542	351,610
Net current assets		39,480,146	7,994,453	7,523,125
Non-current liabilities				
Deferred tax liabilities	16	372,709	-	431
Total liabilities		2,080,113	203,542	352,041
Net assets		39,133,122	8,002,998	7,534,492
Equity				
Called up share capital	13	5,666,665	1,000,000	1,000,000
Share premium account	14	35,570,410	7,808,660	7,808,660
Other reserves	14	450,000	450,000	450,000
Currency translation reserve	14	(11,182)	(3,415)	549
Share based payment reserve		144,587	52,185	97,763
Retained earnings		(2,687,358)	(1,304,432)	(1,822,480)
Total equity		39,133,122	8,002,998	7,534,492

LONGBOAT ENERGY PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2021

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

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Helge Ansgar Hammer
Director

Company Registration No. 12020297

LONGBOAT ENERGY PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

	Share capital	Share premium account	Currency translation reserve	Share based payment reserve	Other reserves	Retained earnings	Total
Notes	£	£	£	£	£	£	£
Balance at 1 January 2020	1,000,000	7,808,660	25	-	450,000	(196,301)	9,062,384
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	-	-	-	52,185	-	-	52,185
Other comprehensive income:							
Currency translation differences			(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>
Period ended 31 December 2020							
Loss for the period	-	-	-	-	-	(518,048)	(518,048)
Credit to equity for equity settled share-based payments	-	-	-	45,578	-	-	45,578
Other comprehensive income:							
Currency translation differences	-	-	3,964	-	-	-	3,964
Total comprehensive income for the period	-	-	3,964	45,578	-	(518,048)	(468,506)
Other comprehensive income:							
Balance at 31 December 2020	<u>1,000,000</u>	<u>7,808,660</u>	<u>549</u>	<u>97,763</u>	<u>450,000</u>	<u>(1,822,480)</u>	<u>7,534,492</u>

LONGBOAT ENERGY PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

	Share capital	Share premium account	Currency translation reserve	Share based payment reserve	Other reserves	Retained earnings	Total
Notes	£	£	£	£	£	£	£
Balance at 1 January 2021	1,000,000	7,808,660	549	97,763	450,000	(1,822,480)	7,534,492
Period ended 30 June 2021:							
Loss and total comprehensive income for the period	-	-	-	-	-	(864,878)	(864,878)
Issue of share capital	4,666,665	27,761,750	-	-	-	-	32,428,415
Share issue costs	-	(2,571,584)	-	-	-	-	(2,571,584)
Credit to equity for equity settled share-based payments	-	-	-	46,824	-	-	46,824
Other comprehensive losses:							
Currency translation differences	-	-	(11,731)	-	-	-	(11,731)
Balance at 30 June 2021	5,666,665	35,570,410	(11,182)	144,587	450,000	(2,687,358)	39,133,122

LONGBOAT ENERGY PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

	Notes	30 June 2021 unaudited £	30 June 2020 audited £	31 December 2020 audited £
Cash flows from operating activities				
Cash absorbed by operations	19	(919,329)	(1,081,261)	(2,164,648)
Tax refunded/(paid)	12	705,850	-	(23,533)
Net cash outflow from operating activities		(213,479)	(1,081,261)	(2,188,181)
Investing activities				
Purchase of property, plant and equipment	10	(17,331)	(7,254)	(12,359)
Purchase of investments in exploration assets		(477,015)	-	-
Interest received	5	3,963	10,719	18,736
Net cash (used in)/generated from investing activities		(490,383)	(3,465)	6,377
Financing activities				
Proceeds from issue of shares (gross of issue costs)		34,999,999	-	-
Share issue costs (charged to Share premium reserve)		(2,571,584)	-	-
Net cash generated from/(used in) financing activities		32,428,415	-	-
Net increase/(decrease) in cash and cash equivalents		31,724,553	(1,077,796)	(2,181,804)
Cash and cash equivalents at beginning of period		7,016,199	9,204,257	9,197,479
Effect of foreign exchange rates		(11,733)	(3,440)	524
Cash and cash equivalents at end of period		<u>38,729,019</u>	<u>8,123,021</u>	<u>7,016,199</u>
Relating to:				
Bank balances and short term deposits		38,729,643	8,123,612	7,021,105
Bank overdrafts and credit cards		(624)	(591)	(4,906)

LONGBOAT ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

1 Accounting policies

Company information

Longboat Energy plc is a public 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 United Kingdom.

The same accounting policies, presentation and methods of computation are followed in the interim consolidated financial information as were applied in the Group's latest annual audited financial statements except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2021, and will be adopted in the 2021 annual financial statements.

This interim financial information does not constitute statutory accounts within the meaning of section 434 and of the Companies Act 2006. The information for the year ended 31 December 2020 included in this report was derived from the statutory accounts for that year, which were prepared in accordance with International Financial Reporting Standards ('IFRSs') issued by the International Accounting Standards Board ('IASB') and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') of the IASB, as adopted by the EU up to 31 December 2020, a copy of which has been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, included a material uncertainty paragraph in respect of going concern and did not contain a statement under 498(2) 498(3) of the Companies Act 2006.

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 Group interim financial statements consolidate the financial statements of the parent company and its subsidiary undertakings drawn up to 30 June 2021. The results of subsidiaries acquired or sold are consolidated for periods from or to the date on which control passed.

LONGBOAT ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

1 Accounting policies

1.2 Going concern

The Directors have completed the going concern assessment, including a review of cash flow forecasts to December 2022, to assess whether the Group is a going concern. The base case, which included conservative scenarios in terms of well success rates, contingencies and associated costs, demonstrates sufficient liquidity headroom. The forecasts have been further subject to stress testing, focused on further increased exploration cost levels, which demonstrated headroom under the current facilities.

The Company notes the proposed changes to the Norwegian tax regime announced on 31 August 2021 which remain subject to public consultation and approval by parliament anticipated during the first half of 2022. The directors have reviewed the potential impact based on the information available and believes the Company will remain fully funded for its planned exploration programme should these changes be adopted into law.

However, the proposed changes would require certain amendments to the Company's Exploration Finance Facility ("EFF") in order to reflect both changes to the tax rate calculation methodology and security structure in favour of the lenders. Based on explicit statements made by the Norwegian Government on seeking to protect the security structure of the tax refunds the Board believes that the EFF will be amended satisfactorily.

As we are in the early stages of both the consultation process and discussions with our lenders and given the uncertainty surrounding the timing and nature of any changes to the tax regime, which impacts the industry as a whole, the ability to secure any necessary amendment to the EFF or otherwise secure alternative appropriate facilities cannot be guaranteed. This circumstance represents a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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

The accounting policies adopted in the preparation of the 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 2020, except for the adoption of new standards effective as of 1 January 2021. 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 2021, but do not have an impact on the interim financial statements of the Group.

LONGBOAT ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

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

Estimation was required in determining inputs to the share based payment calculations including share price volatility as detailed in the annual accounts for the year to 31 December 2020.

Under the Founder Incentive Plan, 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 the 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 was determined in FY 20 has been spread over the vesting period which commenced at IPO. A charge of £44,091 has been recorded in the period.

Under the Long Term Incentive Plan, judgment was required in determining the fair value of the shares awarded. The Board has taken advice from external parties and has determined the fair value per share in FY 20, which results in a charge of £2,733 in the period.

4 Employees

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

	Six month period ended 30 June 2021 Number	Six month period ended 30 June 2020 Number	Year ended 31 Dec 2020 Number
Executive Directors	2	2	2
Non-Executive Directors	4	4	4
Staff	2	1	2
Total	<u>8</u>	<u>7</u>	<u>8</u>

LONGBOAT ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

4 Employees

Their aggregate remuneration comprised:

	Six month period ended 30 June 2021 £	Six month period ended 30 June 2020 £	Year ended 31 Dec 2020 £
Wages and salaries	391,440	298,814	646,485
Share based payment	46,824	52,185	97,763
Social security costs	51,753	33,160	82,826
Pension costs	25,510	17,655	41,782
	<u>515,527</u>	<u>401,814</u>	<u>868,856</u>

The Executive Directors entered into service agreements with the Company on 28 November 2019, the date of Admission to AIM. Nick Ingrassia joined the Board on 1 June 2021 and entered into an updated service agreement on 9 June 2021.

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.

In accordance with the statement made at the time of Admission to AIM in November 2019, in parallel to the Company's first acquisitions entered into on 9 and 10 June 2021, the Remuneration Committee undertook a benchmarked review of executive remuneration and made adjustments accordingly as disclosed in the Re-admission document of 10 June 2021. These adjustments came into effect following the approval of these acquisitions by shareholders on 28 June 2021 but were subject to their completion, which occurred after the period end on 31 August 2021.

5 Investment Income

	Six month period ended 30 June 2021 £	Six month period ended 30 June 2020 £	Year ended to 31 Dec 2020 £
Interest income			
Bank deposits	<u>3,963</u>	<u>10,719</u>	<u>18,736</u>

Total interest income for financial assets that are not held at fair value through profit or loss is £3,963 (2020: £10,719).

LONGBOAT ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

6 Operating loss

	Six month period ended 30 June 2021 £	Six month period ended 30 June 2020 £	Year ended 31 Dec 2020 £
Operating profit/(loss) for the period is stated after charging/(crediting):			
Exchange losses	47,249	74,120	28,037
Fees payable to the company's auditor for the audit of the company's financial statements	-	16,000	16,000
Depreciation of property, plant and equipment	3,483	954	2,807
Share-based payments	46,824	52,185	97,763

7 Auditor's remuneration

	Six month period ended 30 June 2021 £	Six month period ended 30 June 2020 £	Year ended 31 Dec 2020 £
Fees payable to the company's auditor and associates:			
For audit services			
Audit of the financial statements of the company	-	16,000	32,000
Audit of the financial statements of the company's subsidiaries	-	-	4,170
	<u>-</u>	<u>-</u>	<u>36,170</u>
For non-audit services			
Interim review	16,000	-	-
Other services	110,000	-	-
Total non-audit fees	<u>126,000</u>	<u>-</u>	<u>-</u>

During the period the auditor provided non-audit services of £110,000 in their role as Reporting Accountant in relation to work carried out for a working capital model, and also undertook a review of the interim accounts. There were no non-audit services provided in the six months to 30 June 2020. In the year to 31 December 2020, they provided additional services for the audit of the interim financial statements.

LONGBOAT ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

8 Income tax expense

	Six month period ended 30 June 2021 £	Six month period ended 30 June 2020 £	Year ended 31 Dec 2020 £
Current tax			
UK corporation tax on profits for the current period	-	-	-
Foreign taxes and reliefs	(1,017,401)	-	(754,289)
	<u>(1,017,401)</u>	<u>-</u>	<u>(754,289)</u>
Deferred tax			
Origination and reversal of temporary differences	372,284	-	-
	<u>372,284</u>	<u>-</u>	<u>-</u>
Total tax (credit)	<u>(645,117)</u>	<u>-</u>	<u>-</u>

No deferred tax asset has been recognised in the UK because there is uncertainty of the timing of suitable future profits against which they can be recovered. The Company has losses carried forward of £2,003,236 (June 2020: £345,870). A deferred tax asset has been recognised relating to Norway, further details of which can be found in Note 16.

Longboat Energy Norge AS received a tax refund under the temporary tax measures introduced in Norway for the tax year 2020 & 2021.

9 Loss per share

	30 June 2021 £	30 June 2020 £	31 Dec 2020 £
Number of shares			
Weighted average number of ordinary shares for basic loss per share	11,229,050	10,000,000	10,000,000
Losses			
Continuing operations			
Loss for the period from continued operations	<u>(864,878)</u>	<u>(1,108,131)</u>	<u>(1,625,179)</u>
Loss for basic and diluted loss per share being net losses attributable to equity shareholders of the company for continued operations	<u>(864,878)</u>	<u>(1,108,131)</u>	<u>(1,625,179)</u>
Basic and diluted loss per share	<u>(7.70)</u>	<u>(11.08)</u>	<u>(16.26)</u>

Loss per share is expressed in pence per share.

LONGBOAT ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

10 Property, plant and equipment

	Computers £
Cost	
At 1 January 2020	2,245
Additions	7,254
	<hr/>
At 30 June 2020	9,499
Additions	5,106
	<hr/>
At 31 December 2020	14,605
	<hr/>
Additions	17,331
	<hr/>
At 30 June 2021	31,936
	<hr/>
Accumulated depreciation and impairment	
Charge for the Six Month Period	954
	<hr/>
At 30 June 2020	954
Charge for the Six Month Period	1,853
	<hr/>
At 31 December 2020	2,807
	<hr/>
Charge for the Six Month Period	3,483
Foreign currency adjustments	(39)
	<hr/>
At 30 June 2021	6,251
	<hr/>
Carrying amount	
At 30 June 2021	25,685
	<hr/>
At 30 June 2020	8,545
	<hr/>
At 31 December 2020	11,798
	<hr/> <hr/>

11 Trade and other receivables

	30 June 2021 £	30 June 2020 £	31 Dec 2020 £
VAT recoverable	144,305	8,295	22,161
Prepayments and other receivables	1,224,235	66,088	53,646
	<hr/>	<hr/>	<hr/>
	1,368,540	74,383	75,807
	<hr/>	<hr/>	<hr/>

LONGBOAT ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

12 Current tax receivable

	30 June 2021 £	30 June 2020 £	31 Dec 2020 £
Current tax receivable	1,089,367	-	777,823

The temporary tax rules in Norway allow oil and gas companies to reclaim 78% of their tax losses for the financial years 2020 and 2021. At the period end the current tax receivable was £1,089,367, £1,017,401 relating to 2021 losses with £71,966 of a true up element due for the tax year 2020.

13 Share Capital

	£
Balance at 1 January 2020	1,000,000
Balance at 30 June and 31 December 2020	1,000,000
Additions	4,666,665
Balance at 30 June 2021	5,666,665

On 10 June 2021 46,666,665 Ordinary Shares were allotted at a premium of 75p per Ordinary Share. This brought the total share capital to 56,666,665 ordinary shares.

LONGBOAT ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

14 Other reserves

	Other reserves	Currency translation reserve	Share Premium
	£	£	£
Balance at 1 January 2020	450,000	25	-
Additions	-	(3,440)	-
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)
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2020	450,000	(3,415)	7,808,660
Additions	-	3,964	-
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020	450,000	549	7,808,660
	<hr/>	<hr/>	<hr/>
Additions	-	(11,731)	-
Initial Public Offering	-	-	30,333,334
Costs of share issue	-	-	(2,571,584)
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2021	450,000	(11,182)	35,570,410
	<hr/>	<hr/>	<hr/>

15 Trade and other payables

	30 June 2021	30 June 2020	31 Dec 2020
	£	£	£
Trade payables	823,780	50,275	129,713
Accruals	830,971	114,691	115,309
Social security and other taxation	48,946	36,552	94,850
Other payables	3,707	2,024	11,738
	<hr/>	<hr/>	<hr/>
	1,707,404	203,542	351,610
	<hr/>	<hr/>	<hr/>

LONGBOAT ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

16 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	£
Deferred tax liability at 1 January 2020 and 30 June 2020	-
Deferred tax movements	
Differences in tax basis for depreciation in Norway	431
Deferred tax liability at 31 December 2020	<u>431</u>
Deferred tax movements	
Differences in tax basis for depreciation in Norway	372,278
Deferred tax liability at 30 June 2021	<u>372,709</u>

Deferred tax assets and liabilities are offset in the financial statements only where the company has a legally enforceable right to do so. In Norway, deferred tax assets and liabilities occur mainly because of prepayment of Exploration spend. Exploration spend is fully tax deductible refundable when incurred.

17 Other leasing information

Lessee

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

	Six month period ended 30 June 2021 £	Six month period ended 30 June 2020 £	Year ended 31 Dec 2020 £
Expense relating to short-term leases	<u>47,048</u>	<u>47,744</u>	<u>96,519</u>

LONGBOAT ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

18 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 5 to the accounts.

Other information

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

	Ordinary shares
Helge Hammer	680,000
Jonathan Cooper	275,000
Graham Stewart	300,000
Jorunn Saetre	45,000
Nick Ingrassia	120,000
Julian Riddick (PDMR)	220,000

In addition, the following conditional awards have been made to the Executive Directors and Company Secretary under the FIP which are expressed as a percentage of the total maximum potential award, being 10% of the Company's issued share capital:

Founder	Percentage entitlement of Initial Award pool %	Maximum percentage entitlement of growth in value from IPO %	Maximum percentage of issued share capital %
Helge Hammer	23.50%	3.53%	2.35%
Graham Stewart	19.75%	2.96%	1.98%
Jonathan Cooper	19.13%	2.87%	1.91%
Julian Riddick	18.50%	2.78%	1.85%

The Group does not have one controlling party.

LONGBOAT ENERGY PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

19 Cash used by operations

	30 June 2021 £	30 June 2020 £	31 Dec 2020 £
Loss for the Six Month Period after tax	(864,878)	(1,108,131)	(1,626,179)
Adjustments for:			
Net taxation credited	(645,117)	-	(753,858)
Investment income	(3,963)	(10,719)	(18,736)
Depreciation and impairment of property, plant and equipment	3,483	954	2,807
Equity settled share based payment expense	46,824	52,185	97,763
Movements in working capital:			
(Increase)/decrease in trade and other receivables	(815,712)	8,721	7,192
Increase in trade and other payables	1,360,034	(24,271)	126,363
Cash absorbed by operations	<u>(919,329)</u>	<u>1,081,261</u>	<u>(2,164,648)</u>

20 Events after the reporting date

Longboat Energy was established as a closed-ended investment company on 28 May 2019 with the objective of creating a new mid-cap independent oil and gas company. From its admission to trading on AIM on 28 November 2019, the Company was an “investing company” for the purposes of the AIM Rules for Companies.

On 31 August 2021, the Company’s wholly-owned subsidiary, Longboat Energy Norge AS, completed the acquisition of interests in seven exploration wells derived from three Farm-in Agreements with Equinor Energy AS, Spirit Energy (Norge) AS and Idemitsu Petroleum Norge AS.

The Farm-ins constituted a reverse takeover under the AIM Rules and following completion of the farm-ins on 31 August 2021 the Company ceased to be an investing company, for the purposes of the AIM Rules, and become an operating company.

21 Other information

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