

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

**Audited Full Year Results to 31 December 2021**

**London, 22 March 2022** - Longboat Energy, the emerging company established to build a significant North Sea-focused E&P business, announces its full-year results for the period ended 31 December 2021.

## Highlights

### **Operations Summary**

- Three bilateral transactions executed in June 2021 to farm-in to seven, near-term material exploration wells on the Norwegian Continental Shelf
- Four wells drilled to date with three discoveries:
  - Egyptian Vulture: material discovery, significant upside potential
  - Rødhetta: potential commercialisation via existing infrastructure
  - Mugnetind: sub-economic discovery
  - Ginny/Hermine: dry well (completed post period)
- All four wells were delivered safely on time and budget

### **Financial Summary**

- Remains fully-funded to complete its ongoing committed drilling programme and to pursue its business development activities
  - Cash reserves of ~£26.3 million as at 31 December 2021 and a tax rebate receivable of £8.1 million (31 Dec 2020: £7.7 million)
  - Exploration Finance Facility for £50 million (NOK600m) available for 2022
- Loss after taxation of £(4.7)million which includes write down of Mugnetind well

### **Outlook**

- Three high-impact exploration wells over the next ~6 months
  - targeting 69 mmboe (net) and total upside of 254 mmboe (net)
  - primarily gas prospects (83%)
- Result of the Kveikje exploration well targeting 36 mmboe (gross) expected in coming days
- Proposed Norwegian tax changes will lower breakeven commodity prices and increase returns for non-sanctioned projects allowing the Company to consider acquiring development as well as production assets
- Currently participating in a number of processes where we have specific knowledge and can take advantage of the continuing market dislocation
- In the short term, the spike in commodity prices will make the M&A market challenging but the move away from Russian oil and gas will further strengthen the strategic case for Norwegian resources
- 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:**

*"Longboat remains well-positioned having made one material discovery and another with commercialisation potential from our first four wells. In the next six months, we will have results from*

*three further exploration wells, each of which could be transformational for the business.*

*“Furthermore, we continue to leverage our excellent industry relationships and are currently participating in a number of M&A processes.”*

This announcement does not contain inside information

**Enquiries:**

**Longboat Energy**

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## Results

For the period to 31 December 2021, the Group's loss after taxation was £4,680,620.

## Dividends

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

## Statement of going concern

The Directors, having considered cash flow forecasts, sensitivities and stress tests and undertaken careful enquiry, are of the opinion that the Group has adequate working capital to continue its operations and meet its liabilities and commitments for a period of at least the next 12 months. Accordingly, the directors have made an informed judgement to continue to adopt the going concern basis of accounting in preparing the annual financial statements. In forming their assessment, the Directors have carefully considered potential risks and uncertainties associated with the Group's business model and additionally the continuing conflict in Ukraine and associated international sanctions on Russia.

The forecasts indicate that sufficient liquidity is maintained across the going concern period and have been prepared on the basis of committed exploration expenditure and budgeted operating costs, continuation of the Norwegian tax refund arrangements based on proposals issued by the Norwegian Ministry of Finance and the continued availability of the Exploration Finance Facility ("EFF") in 2022 and 2023.

In considering the continued access to the EFF, the Directors (and the EFF lending banks based on enquiries made by the Directors) considered written assurances from the Norwegian Ministry of Finance that the existing security structure of the tax refunds will be preserved for 2022, which will enable the EFF to continue to be available. Whilst an element of inherent uncertainty regarding the availability of the EFF remains until the legislative process is complete, the assurances received from the Norwegian Ministry of Finance are such that the Directors consider the risks of the security structure not being preserved for 2022 to be remote. Confirmation of the continued availability of tax refunds as security for the EFF is anticipated when details of the new Norwegian tax regime are published. In March 2022 Longboat made its first drawing of NOK 15 million under the EFF. The Directors believe this addresses the material uncertainty of being able to draw down the EFF during 2022 that existed and was highlighted in the 2021 interim results.

## Outlook

Longboat has established itself as a licence holder in Norway with an outstanding team of professionals, committed to the Company's ethos and strategy, and we are very grateful for their commitment and achievements. Looking ahead, our confidence remains high both in the remaining committed exploration wells and in delivering further successful acquisitions.

We are currently drilling the Kveikje prospect which is in a very prolific area of the North Sea north of Troll close to many recent Equinor operated discoveries. If successful, Kveikje is likely to become part of a new subsea cluster development, which could include several of the nearby discoveries such as Røver Nord, Swisher and Toppand. Subsequently, Cambozola will be drilled back-to-back after Kveikje and followed by Copernicus in the summer. Cambozola and Copernicus are large gas prospects amongst the most exciting wells to be drilled in Norway in 2022 as has been highlighted by Woodmac in their "Wells to Watch" list for the year. The prospects being targeted by these three exploration wells have been estimated by ERC Equipoise Limited to contain prospective resources of 69 mmboe (net) and are primarily gas prospects (83%) with total upside identified by the Company of 254 mmboe (net).

We are loath to reference the outlook for the Company to the desperate events in Ukraine but inevitably there will be an impact. In the short term, the spike in commodity prices will make the M&A market

challenging for both buyers and sellers, although more so for buyers. Conversely the move away from Russian oil and gas will make the case even stronger for Norwegian resources.

That aside, Longboat remains well-placed to transact. We have an experienced team with excellent relationships across the industry and we believe there are now many excellent opportunities for Longboat to pursue. However, patience will still be required given the commodity price levels and the competitive landscape.

**Consolidated Statement of Comprehensive Income  
For the year ended 31 December 2021**

|   |              | <b>2021</b>         | <b>2020</b>        |
|---|--------------|---------------------|--------------------|
|   | <b>Notes</b> | <b>£</b>            | <b>£</b>           |
| <b>GROUP</b>  |              |                     |                    |
| Administrative expenses                                       |              | (4,720,133)         | (2,399,204)        |
| Exploration and evaluation expenses                           | <b>9</b>     | (6,399,134)         | -                  |
| <b>Operating loss</b>   | <b>6</b>     | <b>(11,119,267)</b> | <b>(2,399,204)</b> |
| Finance income  | <b>5</b>     | 11,412              | 18,736             |
| Finance costs   | <b>8</b>     | (484,527)           | -                  |
| <b>Loss before taxation</b>                                   |              | <b>(11,592,382)</b> | <b>(2,380,468)</b> |
| Income tax credit   | <b>10</b>    | 6,911,762           | 754,289            |
| <b>Loss for the year</b>                                      |              | <b>(4,680,620)</b>  | <b>(1,626,179)</b> |
| <b>Other comprehensive income:</b>                            |              |                     |                    |
| Currency translation differences                              |              | 580,447             | 524                |
| <b>Total items that may be reclassified to profit or loss</b> |              | <b>580,447</b>      | <b>524</b>         |
| <b>Total other comprehensive income for the year</b>          |              | <b>580,447</b>      | <b>524</b>         |
| <b>Total comprehensive loss for the year</b>                  |              | <b>(4,100,173)</b>  | <b>(1,625,655)</b> |
| <b>Loss per share</b>   | <b>11</b>    | <b>pence</b>        | <b>pence</b>       |
| Basic   |              | (12.97)             | (16.26)            |
| Diluted   |              | (12.97)             | (16.26)            |

**Statement of financial position  
As at 31 December 2021**

|                                   |              | <b>2021</b>       | <b>2020</b>      |
|-----------------------------------|--------------|-------------------|------------------|
| <b>GROUP</b>                      | <b>Notes</b> | <b>£</b>          | <b>£</b>         |
| <b>Non-current assets</b>         |              |                   |                  |
| Exploration and evaluation assets | <b>12</b>    | 23,988,754        | -                |
| Property, plant and equipment     | <b>13</b>    | 29,600            | 11,798           |
| Right of use asset                | <b>13</b>    | 560,709           | -                |
|                                   |              | <u>24,579,063</u> | <u>11,798</u>    |
| <b>Current assets</b>             |              |                   |                  |
| Cash and cash equivalents         |              | 26,282,067        | 7,021,105        |
| Inventories                       | <b>14</b>    | 92,798            | -                |
| Trade and other receivables       | <b>15</b>    | 1,136,081         | 75,807           |
| Current tax recoverable           | <b>16</b>    | 8,149,906         | 777,823          |
|                                   |              | <u>35,660,852</u> | <u>7,874,735</u> |
| <b>Total assets</b>               |              | <u>60,239,915</u> | <u>7,886,533</u> |
| <b>Current liabilities</b>        |              |                   |                  |
| Trade and other payables          | <b>17</b>    | 4,772,167         | 351,610          |
| Lease liabilities                 | <b>18</b>    | 96,172            | -                |
|                                   |              | <u>4,868,339</u>  | <u>351,610</u>   |
| <b>Net current assets</b>         |              | <u>30,792,513</u> | <u>7,523,125</u> |
| <b>Non-current liabilities</b>    |              |                   |                  |
| Lease liabilities                 | <b>18</b>    | 486,630           | -                |
| Deferred tax liabilities          | <b>19</b>    | 18,766,424        | 431              |
|                                   |              | <u>19,253,054</u> | <u>431</u>       |
| <b>Total liabilities</b>          |              | <u>24,121,393</u> | <u>352,041</u>   |
| <b>Net assets</b>                 |              | <u>36,118,522</u> | <u>7,534,492</u> |
| <b>Equity</b>                     |              |                   |                  |
| Called up share capital           | <b>22</b>    | 5,666,665         | 1,000,000        |
| Share premium account             | <b>23</b>    | 35,570,411        | 7,808,660        |
| Other reserves                    |              | 450,000           | 450,000          |
| Share option reserve              | <b>24</b>    | 353,550           | 97,763           |
| Currency translation reserve      | <b>25</b>    | 580,996           | 549              |
| Retained earnings                 |              | (6,503,100)       | (1,822,480)      |
| <b>Total equity</b>               |              | <u>36,118,522</u> | <u>7,534,492</u> |

The financial statements were approved by the board of directors and authorised for issue on 22 March 2022 and are signed on its behalf by:

.....  
Helge Hammer  
**Chief Executive**

**Statement of changes in equity  
As at 31 December 2021**

|  | Share capital       | Share premium account | Share option reserve | Currency translation reserve | Other reserves | Retained earnings  | Total             |
|--|---------------------|-----------------------|----------------------|------------------------------|----------------|--------------------|-------------------|
| Notes  | £                   | £                     | £                    | £                            | £              | £                  | £                 |
| <b>GROUP</b>   |                     |                       |                      |                              |                |                    |                   |
| <b>Balance at 1 January 2020</b>                         | 1,000,000           | 7,808,660             | -                    | 25                           | 450,000        | (196,301)          | 9,062,384         |
| <b>Period ended 31 December 2020:</b>                    |                     |                       |                      |                              |                |                    |                   |
| Loss for the period                                      | -                   | -                     | -                    | -                            | -              | (1,626,179)        | (1,626,179)       |
| Other comprehensive income                               | -                   | -                     | -                    | 524                          | -              | -                  | 524               |
| Credit to equity for equity settled share-based payments | -                   | -                     | 97,763               | -                            | -              | -                  | 97,763            |
| <b>Balance at 31 December 2020</b>                       | <u>1,000,000</u>    | <u>7,808,660</u>      | <u>97,763</u>        | <u>549</u>                   | <u>450,000</u> | <u>(1,822,480)</u> | <u>7,534,492</u>  |
| <b>Year ended 31 December 2021:</b>                      |                     |                       |                      |                              |                |                    |                   |
| Loss for the year  | -                   | -                     | -                    | -                            | -              | (4,680,620)        | (4,680,620)       |
| Other comprehensive income                               | -                   | -                     | -                    | 580,447                      | -              | -                  | 580,447           |
| Issue of share capital                                   | <b>22</b> 4,666,665 | 30,333,334            | -                    | -                            | -              | -                  | 34,999,999        |
| Credit to equity for equity settled share-based payments | -                   | -                     | 255,787              | -                            | -              | -                  | 255,787           |
| Costs of share issue                                     | -                   | (2,571,583)           | -                    | -                            | -              | -                  | (2,571,583)       |
| <b>Balance at 31 December 2021</b>                       | <u>5,666,665</u>    | <u>35,570,411</u>     | <u>353,550</u>       | <u>580,996</u>               | <u>450,000</u> | <u>(6,503,100)</u> | <u>36,118,522</u> |

**Consolidated statement of cash flows**  
for the Period to 31 December 2020

|   |       | 2021         |   | 2020        |   |
|---|-------|--------------|---|-------------|---|
|   | Notes | £            | £ | £           | £ |
| <b>GROUP</b>  |       |              |   |             |   |
| <b>Cash flows from operating activities</b>                   |       |              |   |             |   |
| Cash absorbed by operations                                   | 29    | (4,197,318)  |   | (2,164,648) |   |
| Tax paid  |       | 1,429,635    |   | (23,533)    |   |
|   |       |              |   |             |   |
| <b>Net cash outflow from operating activities</b>             |       | (2,767,683)  |   | (2,188,181) |   |
| <b>Investing activities</b>                                   |       |              |   |             |   |
| Purchase of exploration and evaluation assets                 |       | (26,513,457) |   | -           |   |
| Tax refund relating to investing activity                     |       | 17,173,053   |   | -           |   |
| Purchase of property, plant and equipment                     |       | (25,769)     |   | (12,359)    |   |
| Interest received   |       | 11,412       |   | 18,736      |   |
|   |       |              |   |             |   |
| <b>Net cash (used in)/generated from investing activities</b> |       | (9,354,761)  |   | 6,377       |   |
| <b>Financing activities</b>                                   |       |              |   |             |   |
| Issue of ordinary shares                                      |       | 32,428,416   |   | -           |   |
| Interest paid   |       | (484,527)    |   | -           |   |
| Loan facility fees  |       | (604,085)    |   | -           |   |
|   |       |              |   |             |   |
| <b>Net cash generated from/(used in) financing activities</b> |       | 31,339,804   |   | -           |   |
|   |       |              |   |             |   |
| <b>Net increase/(decrease) in cash and cash equivalents</b>   |       | 19,217,360   |   | (2,181,804) |   |
| Cash and cash equivalents at beginning of year                |       | 7,016,199    |   | 9,197,479   |   |
| Foreign exchange  |       | 48,508       |   | 524         |   |
|   |       |              |   |             |   |
| Cash and cash equivalents at end of year                      |       | 26,282,067   |   | 7,016,199   |   |
|   |       |              |   |             |   |
| <b>Relating to:</b>   |       |              |   |             |   |
| Bank balances and short term deposits                         |       | 26,282,067   |   | 7,021,105   |   |
| Credit cards  |       | -            |   | (4,906)     |   |

**Notes to the financial statements**  
for the Period to 31 December 2020

**1. Statutory information**

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

**2. Accounting policies**

**2.1. Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the United Kingdom and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, except as otherwise stated.

The 2021 Annual Report was approved by the Board of Directors on 21<sup>st</sup> March 2022. The financial information in this statement is audited but does not have the status of statutory accounts within the meaning of Section 434 of the Companies Act 2006. The auditors report was unqualified and did not contain statements under s498(2) or (3) Companies Act 2006, nor did they contain a material uncertainty in relation to going concern.

The financial statements of Longboat Energy plc and the Company have been prepared in accordance with International Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006.

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

**2.2. Going concern**

The Directors, having considered cash flow forecasts, sensitivities and stress tests and undertaken careful enquiry, are of the opinion that the Group has adequate working capital to continue its operations and meet its liabilities and commitments for a period of at least the next 12 months. Accordingly, the directors have made an informed judgement to continue to adopt the going concern basis of accounting in preparing the annual financial statements. In forming their assessment, the Directors have carefully considered potential risks and uncertainties associated with the Group's business model and additionally the continuing conflict in Ukraine and associated international sanctions on Russia.

The forecasts indicate that sufficient liquidity is maintained across the going concern period and have been prepared on the basis of committed exploration expenditure and budgeted operating costs, continuation of the Norwegian tax refund arrangements based on proposals issued by the Norwegian Ministry of Finance and the continued availability of draw down under the EFF in 2022 and 2023.

In considering the continued access to the EFF, the Directors (and the EFF lending banks based on enquiries made by the Directors) considered written assurances from the Norwegian Ministry of Finance that the existing security structure of the tax refunds will be preserved for 2022, which will enable the EFF to continue to be available. Whilst an element of inherent uncertainty regarding the availability of the EFF remains until the legislative process is complete, the assurances received from the Norwegian Ministry of Finance are such that the Directors consider the risks of the security structure not being preserved for 2022 to be remote. Confirmation of the continued availability of tax refunds as security for the EFF is anticipated when details of the new Norwegian tax regime are published. In March 2022 Longboat made its first drawing of NOK 15 million under the EFF. The Directors believe this addresses the material uncertainty associated with being able to draw down under the EFF during 2022 that existed and was highlighted in the 2021 interim results.

The Ministry of Finance has not yet confirmed if the pledge will continue in 2023, however, the bulk of the Group's committed E&A expenditure is scheduled for the current year and sensitivity scenarios in which no draw downs are available in 2023 demonstrate that sufficient liquidity is retained for at least 12 months from the date of approval

of the financial statements. The Directors have obtained legal advice which confirms that contractual repayment terms of amounts drawn down in 2022 would be unaffected by an adverse revision to the security package in 2023. The Directors have further considered combination stress case scenarios in which exploration cost escalation is combined with inability to access the EFF which indicates that liquidity is retained until Q4 2023, however, the Directors are at a well progressed stage with lending banks regarding alternate facilities being available should they be required.

Having considered the forecasts the Directors consider that the Group will have sufficient liquidity and no material uncertainties are considered to exist in respect of going concern.

### **3. Critical accounting estimates**

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### ***Exploration and evaluation assets (note 6 and 12)***

Judgement is required to determine whether impairment indicators exist in respect of the Group's exploration assets recognised in the statement of financial position. The Group has to take into consideration whether the assets have suffered any impairment, taking into consideration the results of the drilling to date, and the likelihood of reserves being found. The Group relies upon information from third parties to take these decisions, and can be subject to change if future information becomes available. At 31 December 2021 the Group determined that impairment of £6.9 million was required in respect of the Mugnetind licence detailed in note 6 and 12. Judgment was further exercised in evaluating the extent to which an impairment indicator existed at year end in respect of the Ginny/Hermine licence however based on the timing of substantive drilling post year end and the continued evaluation of the well no impairment indicator was considered to exist.

#### ***Share-based payments (note 25)***

Estimation was required in determining inputs to the share-based payment calculations including share price volatility as detailed in note 25.

The fair value of the options were determined by an external valuation provider using an industry accepted pricing model. For the July and September 2020 awards, the vest date calculation required judgment to determine the point at which the Group and recipients had a shared mutual understanding of the terms of the awards. 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. For the awards issued during 2021, the vesting period was seen to commence on date of issue.

#### **Cost Allocation**

The issue of new shares needs to be treated in accordance with IAS 32. According to IAS 32, the costs of issuing new shares and a stock market listing should be accounted for as follows:

- Incremental costs that are directly attributable to issuing new shares should be deducted from equity, share premium, (net of any income tax benefit) - IAS 32.37; and
- Costs that relate to the stock market listing, or are otherwise not incremental and directly attributable to issuing new shares, should be recorded as an expense in the statement of comprehensive income.

The directors exercised judgement in allocation of the costs that relate to both share issuance and listing. These were allocated between those functions on a rational and consistent basis. In the absence of a more specific basis for apportionment, an allocation of common costs based on the proportion of new shares issued to the total number of (new and existing) shares listed is an acceptable approach. The total costs that were deducted from share premium were £2,572k. These are all directly attributable to the issue with the remainder of the costs (£451k) being expensed as they were related but not directly attributable. These are accounted for through administrative expenses in the Statement of Comprehensive Income.

#### Expected credit loss (note 16)

Determining an expected credit loss on an intercompany loan for an exploration business is very subjective, as unlike a financial institution there is no default credit history on a loan book to a portfolio of customers. This is exploration and one successful well would have the ability to provide the necessary value ultimately to repay any intercompany loans. The next three wells are important wells and are some of the larger wells in the portfolio. Consequently, the directors have determined a provision equivalent to 25% of the loan value is appropriate based on assessment of scenarios related to well success factors.

## 4. Employees

### GROUP

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

|                         | 2021<br>Number    | 2020<br>Number    |
|-------------------------|-------------------|-------------------|
| Executive Directors     | 3                 | 2                 |
| Non-Executive Directors | 4                 | 4                 |
| Staff                   | 4                 | 2                 |
|                         | <u>          </u> | <u>          </u> |
| Total                   | 11                | 8                 |
|                         | <u>          </u> | <u>          </u> |

Their aggregate remuneration comprised:

|                            | 2021<br>£         | 2020<br>£         |
|----------------------------|-------------------|-------------------|
| Wages and salaries         | 1,703,062         | 646,485           |
| Social security costs      | 245,771           | 82,826            |
| Pension costs              | 133,047           | 41,782            |
| Foreign currency gains     | (33,844)          | -                 |
| Share based payment charge | 255,737           | 97,763            |
|                            | <u>          </u> | <u>          </u> |
|                            | 2,303,773         | 868,856           |
|                            | <u>          </u> | <u>          </u> |

Foreign currency gains arise on wages and salaries due to one of the executive directors salaries being declared in GBP and paid in NOK.

The remuneration of the highest paid director is shown below.

|              | Salary  | Taxable<br>Benefits | Annual<br>Bonus | Pension | Total   |
|--------------|---------|---------------------|-----------------|---------|---------|
| Helge Hammer | 231,099 | 16,890              | 55,514          | -       | 303,504 |

## 5 Investment income

| <b>GROUP</b>           | <b>2021</b> | <b>2020</b> |
|------------------------|-------------|-------------|
|                        | <b>£</b>    | <b>£</b>    |
| <b>Interest income</b> |             |             |
| Bank deposits          | 11,412      | 18,736      |

Total interest income for financial assets that are not held at fair value through profit or loss is £11,412 (2020: £18,736).

## 6 Operating loss

| <b>GROUP</b>  | <b>2021</b> | <b>2020</b> |
|---|-------------|-------------|
|   | <b>£</b>    | <b>£</b>    |
| Operating loss for the year is stated after charging/(crediting):                         |             |             |
| Exchange losses   | 151,369     | 28,037      |
| Fees payable to the company's auditor for the audit of the company's financial statements | 36,190      | 36,170      |
| Other assurance services  | 126,000     | 16,000      |
| Subsidiary audit fees   | 4,190       | 4,170       |
| Depreciation of property, plant and equipment   | 30,057      | 2,767       |
| Costs associated with share issue   | 451,000     | -           |
| Share-based payments  | 255,787     | 97,763      |
| Executive Director's remuneration   | 799,860     | 226,024     |
| Non-Executive Director remuneration   | 262,938     | 230,541     |
| Wages and salaries  | 640,264     | 150,719     |
| Pensions and payroll taxes  | 344,924     | 124,608     |
| Operating leases less than 12 month term  | 77,815      | 96,519      |

## 7 Auditor's remuneration

| <b>GROUP</b>  | <b>2021</b> | <b>2020</b> |
|---|-------------|-------------|
|   | <b>£</b>    | <b>£</b>    |
| Fees payable to the group's auditor and associates: |             |             |
| <b>For audit services</b>                           |             |             |
| Audit of the financial statements of the group      | 36,190      | 36,170      |

During the year the auditor provided non-audit services of £110,000 in their role as Reporting Accountant in relation to the work on the admission to AIM and £16,000 (2020: £16,000) relating to the interim review.

## 8 Finance costs

| <b>GROUP</b>                          | <b>2021</b> | <b>2020</b> |
|---------------------------------------|-------------|-------------|
|                                       | <b>£</b>    | <b>£</b>    |
| Interest on bank overdrafts and loans | 484,527     | -           |

The Group has entered into a rolling exploration funding facility with 1 SR-Bank ASA and ING Bank N.V. in Norway which will allow the Group to receive funding for exploration activities to take place. The loan interest charged for the facility is a margin of 2.50% p.a. plus NIBOR. For the undrawn loan amount, a commitment fee equal to 40% of the margin is charged.

## 9 Exploration and evaluation expenses

| <b>GROUP</b>                                | <b>2021</b><br>£ | <b>2020</b><br>£ |
|---|------------------|------------------|
| Amounts written off on exploration activity | (6,399,134)      | -                |

During the year, the Group acquired working interests in seven exploration wells on the Norwegian Continental Shelf, which completed on 1 September 2021.

During the year, the evaluation of the licences was completed, and it was determined that the Mugnetind well was dry, therefore the Directors have evaluated the potential future cashflows from that well and future licence prospectivity, and have decided to write off the value of the well and associated licence costs. Further information in respect of subsequent events can be found in note 28.

## 10 Income tax expense

| <b>GROUP</b>                                      | <b>2021</b><br>£   | <b>2020</b><br>£ |
|---|--------------------|------------------|
| <b>Current tax</b>                                |                    |                  |
| Foreign tax on losses for the current period      | (25,971,588)       | (754,708)        |
| <b>Deferred tax</b>                               |                    |                  |
| Origination and reversal of temporary differences | 19,059,826         | 419              |
| <b>Total tax (credit)</b>                         | <b>(6,911,762)</b> | <b>(754,289)</b> |

The charge for the year can be reconciled to the loss per the income statement as follows:

|  | <b>2021</b><br>£   | <b>2020</b><br>£ |
|--|--------------------|------------------|
| Loss before taxation   | (12,172,830)       | (2,380,992)      |
| Expected tax credit based on a corporation tax rate of 19.00% (2020: 19.00%) | (2,312,838)        | (452,284)        |
| Effect of expenses not deductible in determining taxable profit              | 581,294            | 29,421           |
| Effect of overseas tax rates   | 1,463,583          | (16,696)         |
| Deferred tax not recognised  | 442,003            | 439,559          |
| Foreign taxes and reliefs  | (6,911,762)        | (754,289)        |
| Reassessment of deferred tax for changes in tax rates                        | (172,264)          | -                |
| Fixed asset differences  | (1,778)            | -                |
| <b>Taxation credit for the year</b>  | <b>(6,911,762)</b> | <b>(754,289)</b> |

Unused tax losses in the UK on which no deferred tax asset has been recognised as at 31 December 2021 was £2,871,071 (2020: £1,288,521) and the potential tax benefit was £717,768 (2020: £439,559). Deferred tax assets, including those arising from temporary differences, are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised. The current tax (rebate) of GBP 25.9 million (NOK 306.3 million) represents what has been paid out during 2021 and will be paid out during

2022 according to Norwegian Tax Legislation. As per 31 December 2021 GBP 18.5 million (NOK 209.1 million) has been refunded, leaving GBP 8.2 million (NOK 97.2 million) to be paid during 2022. The deferred tax charge represents the tax portion on capitalised intangibles being deductible for tax purposes.

## 11 Earnings per share

| GROUP  | 2021<br>£   | 2020<br>£   |
|--|-------------|-------------|
| <b>Number of shares</b>  |             |             |
| Weighted average number of ordinary shares for basic earnings per share  | 36,082,191  | 10,000,000  |
| <b>Earnings</b>  |             |             |
| Earnings for basic and diluted earnings per share being net profit attributable to equity shareholders of the group for continued operations | (4,680,620) | (1,626,179) |
| <b>Basic and diluted earnings per share (expressed in pence)</b>   |             |             |
| From continuing operations   | (12.97)     | (16.26)     |

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

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume to conversion of all dilutive potential ordinary shares. 2,281,667 (2020: nil) of share options are not included because they are anti-dilutive.

## 12 Exploration and evaluation assets

| GROUP                        | £           |
|------------------------------|-------------|
| <b>Cost</b>                  |             |
| Additions - purchased        | 29,716,850  |
| Foreign currency adjustments | 671,038     |
| Exploration write off        | (6,399,134) |
| At 31 December 2021          | 23,988,754  |
| <b>Carrying amount</b>       |             |
| At 31 December 2021          | 23,988,754  |

During the year, the Group acquired interests in seven exploration licences on the Norwegian Continental Shelf, which completed on 31 August 2021.

During the year, the evaluation of the licences was completed, and it was determined that the Mugnetind well was dry, therefore the Directors have evaluated the potential future cashflows from that well and future licence prospectivity, and have decided to write off the value of the well and associated licence costs. There have been no post balance sheet events to indicate any further indicators of impairment that were in place at the year end

### 13 Property, plant and equipment

|  | Right of use<br>assets | Fixtures and<br>fittings | Computers   | Total       |
|--|------------------------|--------------------------|-------------|-------------|
| GROUP  | £                      | £                        | £           | £           |
| <b>Cost</b>                                    |                        |                          |             |             |
| At 1 January 2020                              | -                      | -                        | 2,245       | 2,245       |
| Additions                                      | -                      | -                        | 12,360      | 12,360      |
|  | <hr/>                  | <hr/>                    | <hr/>       | <hr/>       |
| At 31 December 2020                            | -                      | -                        | 14,605      | 14,605      |
| Additions                                      | 580,044                | 3,340                    | 37,869      | 621,253     |
| Disposals                                      | -                      | -                        | (15,322)    | (15,322)    |
| Foreign currency adjustments                   | -                      | -                        | (119)       | (119)       |
|  | <hr/>                  | <hr/>                    | <hr/>       | <hr/>       |
| At 31 December 2021                            | 580,044                | 3,340                    | 37,033      | 620,417     |
|  | <hr/>                  | <hr/>                    | <hr/>       | <hr/>       |
| <b>Accumulated depreciation and impairment</b> |                        |                          |             |             |
| At 1 January 2020                              | -                      | -                        | -           | -           |
| Charge for the year                            | -                      | -                        | 2,767       | 2,767       |
| Foreign currency adjustments                   | -                      | -                        | 40          | 40          |
|  | <hr/>                  | <hr/>                    | <hr/>       | <hr/>       |
| At 31 December 2020                            | -                      | -                        | 2,807       | 2,807       |
| Charge for the year                            | 20,015                 | 167                      | 9,875       | 30,057      |
| Eliminated on disposal                         | -                      | -                        | (2,050)     | (2,050)     |
| Foreign currency adjustments                   | (680)                  | -                        | (26)        | (706)       |
|  | <hr/>                  | <hr/>                    | <hr/>       | <hr/>       |
| At 31 December 2021                            | 19,335                 | 167                      | 10,606      | 30,108      |
|  | <hr/>                  | <hr/>                    | <hr/>       | <hr/>       |
| <b>Carrying amount</b>                         |                        |                          |             |             |
| At 31 December 2021                            | 560,709                | 3,173                    | 26,427      | 590,309     |
|  | <hr/> <hr/>            | <hr/> <hr/>              | <hr/> <hr/> | <hr/> <hr/> |
| At 31 December 2020                            | -                      | -                        | 11,798      | 11,798      |
|  | <hr/> <hr/>            | <hr/> <hr/>              | <hr/> <hr/> | <hr/> <hr/> |

### 14 Inventories

| GROUP                  | 2021<br>£ | 2020<br>£ |
|------------------------|-----------|-----------|
| Materials and supplies | 92,798    | -         |
|                        | <hr/>     | <hr/>     |

Closing inventories are equal to their net realisable value.

### 15 Trade and other receivables

| GROUP             | 2021<br>£   | 2020<br>£   |
|-------------------|-------------|-------------|
| Trade receivables | 22,662      | -           |
| Taxes recoverable | 81,737      | 22,161      |
| Other receivables | 40,462      | -           |
| Prepayments       | 991,220     | 53,646      |
|                   | <hr/>       | <hr/>       |
|                   | 1,136,081   | 75,807      |
|                   | <hr/> <hr/> | <hr/> <hr/> |

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

#### 16 Current tax recoverable

| <b>GROUP</b>           | <b>2021</b> | <b>2020</b> |
|------------------------|-------------|-------------|
|                        | <b>£</b>    | <b>£</b>    |
| Current tax receivable | 8,149,906   | 777,823     |

#### 17 Trade and other payables

| <b>GROUP</b>                       | <b>2021</b>      | <b>2020</b>    |
|------------------------------------|------------------|----------------|
|                                    | <b>£</b>         | <b>£</b>       |
| Trade payables                     | 580,084          | 129,713        |
| Accruals                           | 2,753,202        | 115,309        |
| Social security and other taxation | 239,922          | 94,850         |
| Other payables                     | 1,198,959        | 11,738         |
|                                    | <u>4,772,167</u> | <u>351,610</u> |

#### 18 Lease liabilities

##### GROUP

The Group has lease contracts for buildings used in its operations. The Group has agreed a new lease for its Stavanger office which was signed in September 2021. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

Set out below are the carrying amounts of right of use assets recognised and the movements during the period:

|                                  | <b>2021</b>    |
|----------------------------------|----------------|
|                                  | <b>£</b>       |
| At 1 January 2021                | -              |
| Additions                        | 585,706        |
| Depreciation charge for the year | (20,015)       |
| Foreign exchange                 | (4,982)        |
| At 31 December 2021              | <u>560,709</u> |

Set out below are the carrying value of lease liabilities and the movements.

|                     | <b>2021</b>    |
|---------------------|----------------|
|                     | <b>£</b>       |
| At 1 January 2021   | -              |
| Additions           | 585,706        |
| Interest            | 2,758          |
| Foreign exchange    | (5,662)        |
| At 31 December 2021 | <u>582,802</u> |

|                 |                    |
|-----------------|--------------------|
| Within one year | <b>£</b><br>96,172 |
|-----------------|--------------------|

|  |                  |
|--|------------------|
| In two to five years                         | 486,630          |
|  | <u>582,802</u>   |
| <b>Maturity analysis</b>                     | <b>£</b>         |
| Within one year                              | 111,799          |
| In two to five years                         | 514,273          |
|  | <u>626,072</u>   |
| <b>Total undiscounted liabilities</b>        | <b>626,072</b>   |
| Future finance charges and other adjustments | (43,270)         |
|  | <u>(582,802)</u> |

|   |              |
|---|--------------|
| Amounts recognised in profit or loss include the following: | <b>£</b>     |
| Depreciation expense of right of use assets                 | 19,335       |
| Foreign exchange on depreciation                            | 680          |
| Interest expense for right of use assets                    | 2,758        |
|   | <u>2,758</u> |

## 19 Deferred taxation

### GROUP

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

|   |                   |
|---|-------------------|
|   | <b>ACAs</b>       |
|   | <b>£</b>          |
| Deferred tax balance at 1 January 2020                      | -                 |
| <b>Deferred tax movements in prior year</b>                 |                   |
| Differences in tax basis for depreciation in Norway         | 431               |
|   | <u>431</u>        |
| Deferred tax liability at 1 January 2021                    | 431               |
| <b>Deferred tax movements in current year</b>               |                   |
| Differences in tax basis for offset of tax losses in Norway | 19,059,825        |
| Foreign exchange  | (293,832)         |
|   | <u>18,766,424</u> |
| Deferred tax liability at 31 December 2021                  | <u>18,766,424</u> |

Deferred tax assets and liabilities are offset in the financial statements only where the company has a legally enforceable right to do so.

The Group has tax losses that arose within Longboat Energy Norge AS that are available indefinitely for offsetting against future taxable profits of that entity. These have been recognised as a deferred tax asset on the basis that there are future taxable profits expected within that entity which will allow it to be offset.

The Group has not recognised a deferred tax asset within Longboat Energy plc, as there is not evidence to support their recoverability in the near future.

## **20 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 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 banks with an appropriate credit rating in accordance with the Company's Treasury Risk Management Policy.

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 £26,345,191 at the balance sheet date, of which £26,282,067 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 31 December 2021, the Group has cash on deposit of £26,282,067 (2020: £7,021,104).

### **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 year to 31 December 2021 was £11,412 (2020: £18,736). These accounts are maintained for liquidity rather than investment, and the interest rate risk is not considered material to the Group.

#### *Currency risks*

The Group operates in the UK and Norway, incurs expenses in Sterling, United States Dollars and Norwegian Kroner ("NOK"), and holds cash in sterling, US Dollars and NOK. The Group incurs some expenditure in foreign currency when the investment policy requires services to be obtained overseas. The foreign exchange risk on these costs is not considered material to the Group.

The Group's exposure to foreign currency risk at the end of the reporting period is summarised below. All amounts are presented in GBP equivalent.

|                             | <b>2021</b> |
|-----------------------------|-------------|
|                             | <b>£</b>    |
| Cash and cash equivalents   | 11,804,980  |
| Trade and other receivables | 1,104,580   |
| Trade and other payables    | (4,693,250) |
| Lease liabilities           | (582,803)   |
| Net exposure                | 7,633,507   |

Foreign currency gains and losses were not material in 2020 and therefore have not been disclosed.

#### **Sensitivity analysis**

As shown in the table above, the Company is exposed to changes in exchange rates through its balances held in non-GBP. The table below shows the impact in GBP on pre-tax profit and loss of a 10% increase/decrease in the exchange rates, holding all other variables constant.

|                                | <b>2021</b> |
|--------------------------------|-------------|
|                                | <b>£</b>    |
| Exchange rate increases by 10% | 848,167     |
| Exchange rate decreases by 10% | (693,955)   |

## **21 Retirement benefit schemes**

### **GROUP**

|   | <b>2021</b>    | <b>2020</b>   |
|---|----------------|---------------|
|   | <b>£</b>       | <b>£</b>      |
| Defined contribution schemes  |                |               |
| Charge to profit or loss in respect of defined contribution schemes | <u>133,047</u> | <u>41,782</u> |

The Group does not operate any defined benefit schemes.

## **22 Share capital**

### **GROUP**

|   | 2021<br>Number | 2020<br>Number | 2021<br>£ | 2020<br>£ |
|---|----------------|----------------|-----------|-----------|
| <b>Ordinary share capital<br/>Issued and fully paid</b> |                |                |           |           |
| Ordinary of 10p each of 10p each                        | 56,666,665     | 10,000,000     | 5,666,665 | 1,000,000 |

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

### 23 Share premium account

|                              | 2021<br>£         | 2020<br>£        |
|------------------------------|-------------------|------------------|
| At the beginning of the year | 7,808,660         | 7,808,660        |
| Issue of new shares          | 30,333,334        | -                |
| Costs of share issue         | (2,571,583)       | -                |
| At the end of the year       | <u>35,570,411</u> | <u>7,808,660</u> |

### 24 Share option reserve

|                                      | 2021<br>£      | 2020<br>£     |
|--------------------------------------|----------------|---------------|
| At the beginning of the year         | 97,763         | -             |
| Arising in the year                  | 255,787        | 97,763        |
| At the beginning and end of the year | <u>353,550</u> | <u>97,763</u> |

During the year, Longboat Petroleum plc operated three share incentive schemes: the Founder Incentive Plan (FIP), the Long Term Incentive Plan (LTIP) and the Co-investment plan (CIP). Details of the schemes are summarized below:

#### Founder Incentive Plan

Under the FIP, the founders are eligible to receive 15% of the growth in returns of the Company from its Admission to AIM in November 2019 over a five year period. The awards are expressed as a percentage of the total maximum potential award, being 10% of the Company's issued share capital.

Should a hurdle of doubling of the Total Shareholder Return ("TSR") over the five-year period be met, the awards will be converted into nil cost options over ordinary shares of 10p each in the share capital Company. The hurdle is adjusted for any capital raises that occur during the performance period, including the share placing of 10 June 2021, and for any additional value to accrue to the founders, those placing shares will need to increase by the same hurdle but as adjusted for time to reflect the shorter period between the date of the placing and the original measurement dates in years three to five.

For the purpose of determining the fair value of an award, the following assumptions have been applied and a valuation calculation run through the Monte Carlo Model:

|   |          |
|---|----------|
| <b>Grant date - 3 July 2020 and 24 September 2020</b> | <b>£</b> |
| Weighted average share price at grant date            | 0.78     |
| TSR performance                                       | -        |
| Risk free rate  | -0.08%   |
| Dividend yield  | -        |
| Volatility of Company share price                     | 50.44%   |

The risk-free rate assumption has been set as the yield as at the calculation date on zero coupon government bonds of a term commensurate with the remaining performance period.

The historical 3 year volatility of the constituents of the FTSE AIM Oil & Gas supersector, as of the date of grant, was used to derive the volatility assumption.

The weighted average exercise price of outstanding options is nil.

The weighted average remaining contractual life as at 31 December 2021 is 27 months.

Co-Investment Plan (CIP) awards

The awards granted under the CIP are nil cost options to acquire Matching Shares being ordinary shares of 10p each in the share capital of the Company.. The awards are subject to a share price performance condition, where the share price growth over the vesting period must be greater than 30%. No options will vest if this condition is not met.

For the purpose of determining the fair value of an award, the following assumptions have been applied and a valuation calculation run through the Monte Carlo Model:

|                                   |                  |
|-----------------------------------|------------------|
| Grant date                        | <b>02-Jul-21</b> |
| Performance period (years)        | 3                |
| Share price at grant date         | £0.70            |
| Exercise price                    | £0.10            |
| Risk free rate                    | 15.00%           |
| Dividend yield                    | 0%               |
| Volatility of Company share price | 51.00%           |
| Fair value per award              | £0.38            |

|  | <b>2021</b> | <b>Weighted average fair value (£ per share)</b> |
|--|-------------|--|
|  | <b>No.</b>  |  |
| Outstanding at beginning of the period | -           | -  |
| Granted during the period              | 639,900     | £0.38  |
| Forfeited during the period            | -           | -  |
| Exercised during the period            | -           | -  |
| Expired during the period              | -           | -  |
| Outstanding at the end of the period   | 639,900     | -  |
| Exercisable at the end of the period   | -           | -  |

The weighted average exercise price of outstanding options is £0.10.

The weighted average remaining contractual life as at 31 December 2021 is 30 months.

#### **Long Term Incentive Plan**

The awards issued under the LTIP are nil-cost options subject to a performance condition.

For the purpose of determining whether the condition has been met, the TSR of the Company is measured over the three year performance period, commencing at the grant date. The return index is averaged over the 30 dealing day period prior to the start of the performance period and over the final 30 days of the performance period.

The awards have been valued using the Monte Carlo model, which calculates a fair value based on a large number of randomly generated simulations of the Company's TSR.

For the purpose of determining the fair value of an award, the following assumptions have been applied:

| Grant date                                 | 01 Sept 20 | 2 July 21 | 11 Oct 21 | 8 Nov 21 |
|--|------------|-----------|-----------|----------|
| Weighted average share price at grant date | 0.885      | 0.72      | 0.78      | 0.705    |
| TSR performance                            | -          | -         | -         | -        |
| Risk free rate                             | -0.1%      | 0.15%     | 0.60%     | n/a      |
| Dividend yield                             | 0.0%       | 0.0%      | 0.0%      | 0.0%     |
| Volatility of Company share price          | 58.00%     | 51.00%    | 50.00%    | n/a      |
| Weighted average fair value                | £0.33      | £0.33     | £0.36     | £0.33    |

The risk-free rate assumption has been set as the yield as at the calculation date on zero- coupon government bonds of a term commensurate with the remaining performance period.

The historical three year volatility of the constituents of the FTSE AIM Oil & Gas supersector , as of the date of grant, was used to derive the volatility assumption.

|                               |           |
|-------------------------------|-----------|
| Opening share awards          | 40,000    |
| Awarded in the period         | 1,375,100 |
| Exercised during the period   | -         |
| Expired during the period     | (98,600)  |
| Outstanding at the end of the | 1,316,500 |
| Exercisable at the end of the | -         |

The weighted average exercise price of outstanding options is £0.10.

The weighted average remaining contractual life as at 31 December 2021 is 27 months.

## 25 Currency translation reserve

### GROUP

|                                  | 2021<br>£      | 2020<br>£  |
|----------------------------------|----------------|------------|
| At the beginning of the year     | 549            | 25         |
| Currency translation differences | 580,447        | 524        |
| At the end of the year           | <u>580,996</u> | <u>549</u> |

The currency translation reserve relates to the movement in translating operations denominated in currencies other than sterling into the presentation currency.

## 26 Related party transactions

On 10 June 2021, the Company announced a conditional placing and subscription for New Ordinary Shares (the “Fundraising”) raising gross proceeds of £35 million. The following related parties subscribed for shares at a price of 75 pence per share as set out below:

|                                 |           |
|---------------------------------|-----------|
| Blackrock Investment Management | 7,000,258 |
| Graham Stewart                  | 200,000   |
| Helge Hammer                    | 506,667   |
| Jonathan Cooper                 | 200,000   |
| Nicholas Ingrassia              | 160,000   |
| Jorunn Seatre                   | 26,667    |
| Blackacre Trust No 1            | 100,000   |
| Blackacre Trust No 2            | 100,000   |

### 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 4 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:

|                       | <b>Ordinary shares</b> |
|-----------------------|------------------------|
| Helge Hammer          | 837,023                |
| Jonathan Cooper       | 333,432                |
| Graham Stewart        | 350,000                |
| Jorunn Saetre         | 51,667                 |
| Nick Ingrassia        | 179,023                |
| Julian Riddick (PDMR) | 272,648                |
| Hilde Salthe (PDMR)   | 11,805                 |

Under IAS 24 section 4, all intragroup transactions which have been eliminated on consolidation are exempt from being disclosed as the Group have prepared consolidated financial statements.

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:

| <b>Founder</b>  | <b>Percentage entitlement of Initial Award pool</b> | <b>Maximum percentage entitlement of growth in value from IPO</b> | <b>Maximum percentage of issued share capital</b> |
|-----------------|---|---|---|
|                 | %   | %   | %   |
| Helge Hammer    | 23.50%  | 3.53%   | 1.48%   |
| Graham Stewart  | 19.75%  | 2.96%   | 0.62%   |
| Jonathan Cooper | 19.13%  | 2.87%   | 0.59%   |
| Julian Riddick  | 18.50%  | 2.78%   | 0.48%   |

The Group does not have one controlling party.

## 27 Subsequent Events

Post the year end, the results of the Equinor operated Ginny and Hermine well were announced on 4th February 2022 with the well failing to find hydrocarbons. The operator is currently assessing if there is further prospectivity on the licence.

Post the year end Russia invaded the Ukraine. The Board has assessed the risks to the Company associated with the Russian invasion of Ukraine and, unless the conflict escalates into a conflict between Russia and NATO, has concluded that there are no direct consequences to the Company although there are indirect risks as outlined, in the Principal Risks and Uncertainties section, notably as regards commodity prices, FX rates and the impact on the M&A market.

## 28 Cash absorbed by operations

| <b>GROUP</b>  | <b>2021</b>               | <b>2020</b>               |
|---|---------------------------|---------------------------|
|   | <b>£</b>                  | <b>£</b>                  |
| Loss for the year after tax before other comprehensive income | (4,680,620)               | (1,626,179)               |
| <b>Adjustments for:</b>                                       |                           |                           |
| Taxation credited   | (6,911,763)               | (754,289)                 |
| Exploration write off   | 6,399,134                 | -                         |
| Release of prepaid bank fees                                  | 103,517                   | -                         |
| Investment income   | -                         | (18,736)                  |
| Interest payable  | 484,527                   | -                         |
| Interest receivable   | (11,412)                  | -                         |
| Time writing adjustments                                      | (448,071)                 | -                         |
| Depreciation  | 27,982                    | 2,807                     |
| Other   | -                         | 431                       |
| Equity settled share based payment expense                    | 255,736                   | 97,763                    |
| <b>Movements in working capital:</b>                          |                           |                           |
| Increase in inventories                                       | (92,798)                  | -                         |
| Decrease in trade and other receivables                       | 104,906                   | 7,192                     |
| Increase in trade and other payables                          | 571,544                   | 126,363                   |
| <b>Cash absorbed by operations</b>                            | <b><u>(4,197,318)</u></b> | <b><u>(2,164,648)</u></b> |