

BARON OIL Plc



Annual Report and Financial Statements

for the year ended 31 December 2022

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1. Corporate Information

Advisers & General Information

Directors	John Wakefield , Non-executive Chairman Andrew Yeo , Chief Executive Officer Jonathan Ford , Technical Director Keith Bush , Non-executive Director
Registered Office	Finsgate 5-7 Cranwood Street London EC1V 9EE
Company Secretary	Geoffrey Barnes
Auditor	Jeffreys Henry LLP Finsgate 5-7 Cranwood Street London EC1V 9EE
Solicitors	Armstrong Teasdale Limited 38-43 Lincoln's Inn Fields London WC2A 3PE
Nominated advisor and broker	Allenby Capital Limited 5 St Helen's Place London EC3A 6AB
Registrars	Share Registrars Limited 3 The Millennium Centre Crosby Way Farnham Surrey GU9 7XX
Communications	IFC Advisory Ltd Birchin Court 20 Birchin Lane London EC3V 9DU
Website	www.baronoilplc.com
Company number	05098776 (England and Wales)

2. Corporate Statement

Baron Oil Plc ("Baron" or "the Company") is an independent oil and gas exploration and appraisal company based in the UK. The Company currently holds interests in acreage in SE Asia (Timor-Leste) and the UK. Shares in the Company are quoted in the UK on the AIM market of the London Stock Exchange – (BOIL.L).

The Company's objective is to deliver shareholder value through generating substantial increases in net asset value. We aim to achieve this by acquiring significant equity interests in potentially large oil & gas prospects where there is the opportunity for high impact exploration and appraisal activity at low entry costs.

The Company is committed to safeguarding the environment and minimising risk to its employees, contractors and the communities in which it works. Through developing sustainable long-term relationships with its partners and the community, Baron aims to conduct business and enhance value in a responsible manner.

The Board is aware of its burgeoning responsibilities for environmental reporting and has taken steps to inform itself of best practice such as following guidance from the UK's North Sea Transition Authority ("NSTA", formerly the Oil and Gas Authority). The Company currently does not produce oil or gas, and its exploration operations are largely limited to desk-top studies, therefore there is minimal quantitative climate or related data of substance to report.

NSTA mandatory reporting of Fugitive Methane Emissions, Scope 1 and 2 emissions per barrel of oil equivalent production and Carbon Intensity Statements are not relevant to the Company at this stage of its development.

Should the Company become involved in oil and gas developments it intends to adopt best practice carbon intensity reporting and prioritise those developments which are consistent with a lower carbon strategy and complies with regulatory requirements and standards.

3. Chairman's Statement & Operations Report

Financial Review

The net result for the year was a loss before taxation of £1,387,000, which compares to a loss of £1,127,000 for the preceding financial year; the loss after taxation attributable to Baron Oil shareholders was £1,387,000, compared to a loss of £1,127,000 in the preceding year, representing a loss of 0.01p per share (2021: loss of 0.012p). It should be noted that the results for 2021 included a one-off non-cash gain on the deemed disposal of an associated undertaking amounting to £302,000.

Turnover for the year was £nil (2021: £nil), there being no sales activity during the period.

Exploration and evaluation expenditure incurred included in the Income Statement amounts to £213,000 (2021: £218,000). The Impairment provision in respect of Peru Block XXI was released and offset against the write off of the accumulated cost on the project. The Directors judged that no other exploration assets required impairment.

Administration expenses for the year were £1,191,000 (2021: £1,321,000), an overall reduction on the preceding year of £128,000. This is made up of a number of pluses and minuses. As anticipated last year, administration costs arising in SundaGas (Timor-Leste Sahul) Pte. Ltd. ("TLS") have increased from £285,000 previously to £441,000 this year as we moved to a full 12 month reporting period at the Group level and the Dili office in Timor-Leste is now fully operational. There were also non-recurring support costs of £65,000 in Peru. Directors and UK staff salaries and related costs are lower than 2021 by £37,000 with the earlier year including a severance payment to a former director. Finally, there have been no share-based payment charges this year (2021: £286,000).

Throughout 2022, the Pound Sterling weakened considerably against the US Dollar, with an opening rate of \$1.35 and a closing rate of \$1.21. This has given rise to a gain on holdings of US Dollar denominated balances of £43,000 (2021: gain of £22,000).

At the end of the financial year, cash reserves of the Group had increased to £5,807,000 from a level at the preceding year end of £1,650,000. The proceeds from the issue of new shares in the year amounting to £7,131,000 gross (£6,619,000 net of costs) bolstered the Company's cash reserves. The Group's investment in exploration and evaluation assets in the UK and Timor-Leste amounted to £806,000 in the period, and £602,000 was repaid to SundaGas Pte Ltd to settle the outstanding amount of the remaining share of the Timor-Leste Bank Guarantee deposit resulting from the Company's acquisition of the remaining interest in TLS, as announced on 15 November 2022. In the case of the guarantee bond held in Peru, this was released in full on the relinquishment of the Block XXI licence resulting in a cash inflow of £128,000. After taking into account these items, operating cash outflow amounted to £1,182,000.

The Group continues to take a conservative view of its asset impairment policy, giving it a Statement of Financial Position that consists of significant net current assets and what the Board considers to be a realistic value for its exploration assets. The Board will continue to take a prudent approach in entering into new capital expenditures beyond those expected to be committed to existing ventures.

Report On Operations

Introduction

During 2022 both projects were subject to intensive technical work aimed at maturing the assets to "drill ready" status, which culminated in early 2023 with the publication of two Competent Person's Reports ("CPRs") which validate the projects to the industry standard SPE PRMS Contingent and/or Prospective Resource estimates.

Southeast Asia: Timor-Leste TL-SO-19-16 PSC ("Chuditch PSC" or "PSC") (Baron 75% interest)

Background

The Chuditch PSC is located approximately 185 kilometres south of Timor-Leste, 100 kilometres east of the producing Bayu-Undan field, 50 kilometres south of the potential Greater Sunrise development and covers approximately 3,571 km² in water depths of 50-100 metres. The Chuditch-1 discovery well, drilled by Shell in 1998 in 64 metres water depth, encountered a 25 metre gas column in Jurassic Plover Formation sandstone reservoirs at a depth of around 3,000 metres on the flank of a large faulted structure. The discovery and neighbouring prospects are largely covered by a 3D seismic survey acquired in 2012.

3. Chairman's Statement & Operations Report (continued)

Baron holds a 75% working interest and operates the PSC through its wholly owned subsidiary company SundaGas Banda Unipessoal Lda. ("Banda"), with the remaining 25% held by TIMOR GAP Chuditch Unipessoal Lda. ("TIMOR GAP"), a subsidiary of the state-owned national oil company, whose share of PSC expenditure is carried until first production.

The technical work programme obligations in the first two years of the initial three-year term of the PSC include the reprocessing of legacy seismic data, aimed at addressing reservoir imaging issues caused by sea-bed topography and shallow geological features, and for which a US\$1 million Bank Guarantee is in place. The commitment within the PSC for contract year 3 is for the drilling of one appraisal well to the Plover Formation, subject to seismic reprocessing supporting the presence of a significant structure associated with the Chuditch discovery.

2022 and subsequent activities

The most significant component of the technical work programme in 2022 was the delivery of the reprocessed 3D seismic data and its interpretation. The reprocessing was performed to a high standard using the most modern Pre-Stack Depth Migration ("PSDM") techniques. We have significantly improved the subsurface image, enabling for the first time the delineation of the Chuditch discovery and its adjacent prospects. This technical evaluation was enhanced through the completion of a number of further geological and engineering studies.

In October 2022, Baron announced its preliminary evaluation arising from the reprocessed data. The resultant mapping indicated a significant increase in management's aggregate Gas-in-Place and Recoverable Gas Resource estimates for the Chuditch PSC. In particular, it indicated a greater concentration of resources into the Chuditch-1 discovery in a simplified and robust structure. The understanding of the adjacent prospectivity was also matured, with three low-risk exploration targets confirmed on the Chuditch trend.

Consultancy group ERC Equipose Ltd ("ERCE") was engaged to prepare a CPR to provide an independent assessment of the Chuditch resources to a SPE PRMS compliant standard. The CPR was released on 28 February 2023. For the Chuditch-1 discovery, ERCE assessed gross Pmean Contingent Resources of 1.16Tcf of gas. The recognition of the resources as being Contingent, rather than Prospective, is a major milestone and sets the foundation for the next stage of the project cycle. This phase will typically include pre-development feasibility studies and preliminary work on gas sales arrangements alongside the drilling of an appraisal well. Baron believes that the Chuditch-1 Contingent Resources are potentially sufficiently large to be economically viable to be developed standalone or in parallel with other developments in the region.

In addition, aggregated gross Pmean Prospective Resources attributable to the licence according to the CPR amounted to 1,562 Bscf gas across three prospects, Chuditch SW, Chuditch NE and Quokka. Geological Chances of Success ("GCOS") for these prospects range from 52% to 26%, providing substantial follow on, low risk exploration potential to any Chuditch-1 development. It is notable that Baron's in-house probabilistic estimates of aggregated gross Prospective gas Resources for these prospects, at 2,128 Bscf of gas, are higher than ERCE's estimates. This arises mainly through the Company's preferred use of the latest reprocessed seismic data velocity model to define the extent of the prospects.

Detailed tabulations of the resources assessed within the Chuditch PSC and further commentary can be accessed via the Company's RNS announcement of 28 February 2023 and the full CPR document which is available on Baron's corporate website (www.baronoilplc.com).

Also in October 2022, we announced a six-month extension to Contract Year Two of the Chuditch PSC granted by the relevant Timor-Leste national authority, Autoridade Nacional do Petróleo e Minerais ("ANPM"). The PSC Contract now has an expiry date of 18 June 2023.

3. Chairman's Statement & Operations Report *(continued)*

On entry into Contract Year 3 of the PSC, the commitment will be to drill an appraisal well within a 12-month period. Such an appraisal well would likely be drilled to a total depth of around 3,000 metres and would include a production test. Recent geopolitical events and post-pandemic supply chain issues have led to considerable disruption in rig availability and drilling services globally such that a drill deadline of June 2024 could prove challenging.

There continues to be an excellent working relationship between the Company, the Government Ministry of Petroleum and Mineral Resources ("MPM"), Autoridade Nacional do Petróleo e Minerais ("ANPM"), the Government regulatory authority of petroleum and mining, and TIMOR GAP. We meet regularly with all of these bodies and provide detailed updates around our activities, plans and timelines on the PSC. The Company appreciates the support that we receive from these various state entities and will continue to work on maintaining these close relationships.

As part of our in-country activities, including the efforts of our local Dili offices, we are also undertaking various initiatives to develop the capabilities of the Timorese geological community, through relationships with local universities, welcoming student interns and sponsoring a new local chapter of the Society of Petroleum Engineers.

More generally in Timor-Leste, there was increased E&P activity during the year as Timor Resources Pty Ltd commenced an onshore drilling campaign, the first in 50 years. In addition, the Greater Sunrise development project continued to move towards development with negotiations between its many stakeholders. In April, successful bidders of five blocks in the Second Licencing Round were announced by the Timor-Leste authorities, including Block P, which sits between the Chuditch PSC and Greater Sunrise, to a subsidiary of the Italian major ENI.

Throughout the period the Company hosted and kept updated a Virtual Dataroom for the benefit of potentially interested funding partners for the next phase of the Chuditch project, a process which continues.

United Kingdom Offshore Licence P2478 ("Dunrobin") (Baron 32% interest)

Background

Innovate Licence P2478, awarded in September 2019, is currently held by a joint operation comprising Reabold North Sea Limited ("Reabold", Licence Administrator, interest 36%), Baron (32%), and Upland Resources (UK Onshore) Limited (32%). The licence covers blocks 12/27c, 17/5, 18/1 and 18/2 in the Inner Moray Firth area of the North Sea and contains the Dunrobin and Golspie prospects, in a province where regional and local petroleum systems are considered by the partners to be proven. Target depths are as shallow as 660 metres subsea and water depths are less than 100 metres.

The work commitments on the Licence are to undertake reprocessing of legacy 3D and 2D seismic data and perform other studies, in order to better understand the subsurface risks, reduce the range of volumetric uncertainty, as well as providing drilling location candidates ahead of making a decision whether to proceed beyond the end of the Phase A evaluation stage of the licence on 14 July 2023.

2022 and subsequent activities

The key technical work components of the Phase A commitments – those of seismic reprocessing plus geochemical studies – were delivered during second half of 2022 on time and budget. Detailed seismic attribute analysis, designed to investigate candidate direct hydrocarbon indicators, followed in early 2023. A thorough revised evaluation of the prospectivity of P2478 is now finalised, with the UK's North Sea Transition Authority ("NSTA") recording that the work programme was fully complete during March 2023. Baron maintained direct technical involvement during 2022.

Towards the end of 2022, consultancy group RPS was engaged by the joint operation to prepare a CPR to provide an independent validation of resource estimates to a SPE PRMS compliant standard. The CPR was announced and published on Baron's website on 16 February 2023.

3. Chairman's Statement & Operations Report (continued)

The CPR provided independent confirmation of the Company's belief that the western part of the Dunrobin complex had matured into a drillable prospect where a relatively low-cost exploration well can target more than 100 MMbbl of gross Pmean Prospective Resources with low geological risk. The key points from the CPR can be summarised as follows:

- 201mmboe gross unrisked Pmean Prospective Resources on licence when aggregated;
- the Dunrobin West prospect ("Dunrobin West") estimated to contain 119mmboe gross unrisked Pmean Prospective Resources aggregated across the Jurassic and Triassic stacked targets;
- 34% Geological Probability of Success (GPoS) at the Dunrobin West Jurassic primary target, with an estimated 71mmbbl (gross) of Pmean Prospective Resources.

The CPR estimates indicate that Baron's farm-up arrangement of August 2021 increased the Company's share of aggregate net Pmean Prospective Resources on the Licence from 30mmboe to 64mmboe at a capped cost to Baron of £160,000.

Detailed tabulations of the resources assessed within the P2478 licence, and further commentary, can be accessed via the Company's RNS announcement of 16 February 2023 along with the full CPR document, which is available on Baron's corporate website (www.baronoilplc.com).

During the first quarter of 2023, the Licence Administrator, on behalf of the joint operation, hosted a Virtual Dataroom in order to attract funding for an exploration well on the Dunrobin West prospect, a process which continues.

Current gross cost estimates for an exploration well to be drilled to a total depth of approximately 700 metres are approximately US\$10 million on a dry hole basis.

Block XXI, Peru

In April 2022, Baron requested the relinquishment of the legacy Licence Block XXI in Peru. The Licence had been largely under Force Majeure for a variety of reasons since 2017 and the Company had been frustrated in its attempts to access the area in order to carry out operations. The Bank Guarantee of US\$160,000 was released in full to Baron in June. We continue to work with the Peruvian authorities to establish and file an Abandonment Plan. Ongoing costs are minimal and we hope to complete our withdrawal from Peru by the end of 2023.

New Ventures

In line with our strategy, the Company continued to screen early stage opportunities. In this context, in January 2023 the Company announced that, as a joint venture non-operating partner, it had submitted an application in the UK's 33rd Offshore Licensing Round.

Further potential new ventures remain under consideration in both our existing areas of activity and elsewhere.

Corporate

In April 2022, the Company completed an oversubscribed Placing and Subscription of new ordinary shares at 0.06p to raise £1.65 million (gross). The monies were to be applied to support the Chuditch PSC (Timor-Leste) and P2478 (UK) projects as they moved towards their key milestones.

In November 2022, the Company completed an oversubscribed Placing and Subscription and Rex Retail Offer of new ordinary shares at 0.12p, double the funding price achieved in April, to raise £5.36 million (gross). These monies were predominantly raised to support workstreams underpinning the ongoing farm-out discussions and to provide working capital into 2023.

3. Chairman's Statement & Operations Report (continued)

The Company was pleased to announce on 15 November 2022 the appointment of Keith Bush, the former Chief Executive Officer of Cabot Energy Plc (previously known as Northern Petroleum Plc), as an independent Non-executive Director. Keith has a petroleum engineering background, with significant experience in the oil and gas sector. He is a member of the Audit Committee and Chairman of the Remuneration Committee.

Conclusions

I am pleased to report that Baron's overriding task during 2022 – to progress our two material projects, Chuditch and Dunrobin, to their key evaluation points - was achieved, as signalled by the publication of CPRs on both assets in early 2023. This represents the culmination of large volumes of detailed, diligent and high quality technical work carried out by Baron's team of global consultants, employees and joint operation partners.

The considerable and potentially transformative value for shareholders in the Company's assets offshore Timor-Leste and UK is now clearly defined. We are now directing our efforts onto the drilling decisions to be made in 2023 for a Chuditch-1 appraisal well and a Dunrobin West exploration well.

In Timor-Leste, the independent assessment of approximately 1.1Tcf of gross Pmean Contingent Resources for the Chuditch-1 discovery underpins the viability of the project. We are updating the development and gas export option studies and commencing environmental baseline studies in preparation for a drilling campaign. The Board currently believes that a single appraisal well may be sufficient to determine commerciality without the need for an immediate follow-on exploration campaign.

In the UK an exploration well on Dunrobin West will be designed to test gross Pmean Prospective Resources of 71mmbbl in the primary, regionally proven, Jurassic target, and 45mmbbl in the vertically underlying secondary Triassic target. Due to the shallow target depths, gross drilling costs to test such a substantial volume are likely to be relatively modest. Success at Dunrobin West would de-risk the potential follow up targets Dunrobin Central & East plus Golspie, which are directly analogous prospects.

Both assets continue to attract attention via our active farm-out campaigns and presentations at relevant industry events. In particular, there are a number of ongoing discussions with third parties regarding participation in the Chuditch appraisal well and future activities. We look forward to updating shareholders on progress as and when appropriate.

Our search for new venture opportunities to enhance and complement the existing portfolio resulted in an application as a non-operating partner for a licence in the offshore UK 33rd Round of Licensing and we continue to actively pursue other material new business opportunities.

We are grateful for the support of our investors through the two funding events in 2022. As a result we have a well-funded balance sheet covering our current activities and commitments. As at 31 December 2022 we had cash reserves of £5.8 million (2021: £1.65 million). The addition of Mr Keith Bush as an independent Non-executive Director in 2022 also strengthens and broadens the Board's talents as we enter a decisive phase of operations.

John Wakefield
Non-executive Chairman

22 May 2023

4. Strategic Report

The Directors now present their strategic report with the financial statements of Baron Oil Plc ("the Company") and its subsidiaries (collectively "the Group") for the year ended 31 December 2022.

Principal activities

The principal activity of the Group is that of oil and gas exploration.

Business review

A review of the Group's business during the financial period and its likely development is given in the Chairman's Statement & Operations Report.

Key Performance Indicators (KPIs)

The KPIs for 2022 were:

- to complete the analysis of seismic reprocessing and other technical studies so as to be in a position to make a decision whether to drill on Chuditch by Q4 2022 and to advance a farm-out process to facilitate a drilling programme in 2023 in accordance with our PSC commitments;
- on the P2478 Dunrobin prospect, complete the seismic reprocessing and other technical studies in good time for subsequent analysis and interpretation so as to satisfy our Licence commitment with a "drill or drop" decision in advance of the July 2023 deadline;
- continue to review and access potentially high impact new ventures that meet our investment criteria.

We successfully progressed the Chuditch and Dunrobin assets to their key evaluation points during 2022, signalled by the publication of CPRs on both assets in early 2023. In particular, the independent assessment of approximately 1.1Tcf of gross Pmean Contingent Resources for the Chuditch-1 discovery underpins the value of the Timor-Leste project.

Our search for new venture opportunities to enhance and complement the existing portfolio resulted in an application as a non-operating partner for a licence in the offshore UK 33rd Round of Licensing.

The KPIs for 2023 are to:

- be in a fully informed position to make appropriate drilling decisions on a Chuditch-1 appraisal well and a Dunrobin West exploration well;
- continue to explore funding opportunities with a view to securing finance to advance these core projects;
- support and progress the UK 33rd Round licence application and actively pursue other new ventures;
- ensure that the Company remains sufficiently funded for current operations and thereafter have plans and funding arrangements in place prior to making major commitments.

Key risks and uncertainties

Exploration for hydrocarbons is highly speculative and involves significant degrees of risk. The Board constantly monitors the operational and financial aspects of the Company's activities and is responsible for the ongoing review of business risks and implementation of appropriate internal controls. While risks cannot be eliminated entirely, internal controls are implemented so as to reasonably minimise losses.

4. Strategic Report (continued)

At present, the Company considers its principal risks to be the following:

Oil & gas market conditions and the availability of project finance

Both of our key assets require funding from external partners and other sources to progress to the drilling stage. These influences may be global, regional or country specific, any of which could change the nature of the funding proposition or even the availability/suitability of finance.

Impact

Without appropriate external funding to undertake drilling commitments, licences may be amended, terminated or relinquished leading to reductions in value or under certain conditions a permanent loss of value.

Action

The board monitors and will react to changes in market conditions where possible but is careful not to enter into drilling commitments unless it has reasonable certainty over being able to fulfil its commitments.

Exchange rate fluctuations

Currency risk arises because the Group has operations whose functional currency is not the same as the functional currency that the Group operates under. It is the Group's policy to ensure that individual Group entities enter into local transactions in their functional currency wherever possible. The Company's Directors and main banking arrangements continue to be based in the UK and the Group reports in Sterling.

Impact

In 2022, over 70% of Baron's expenditure was transacted in US Dollars, almost all of it arising from its activities on the Chuditch Project. For the year as a whole, there was a gain on holdings of US Dollar balances of £43,000 compared to a gain of £22,000 in 2021.

Action

Corporate and capital expenditure budgets are set annually and cash called monthly with up to a two month forecast. It is the Group's policy to look to cover up to 12 months expenditure in any given currency at or around the level of the agreed budget. Due to the lack of production revenues and the modest absolute amount of overall US\$ expenditure, the Company has not previously entered into hedging arrangements or structured products.

Oil and gas prices

The Group's results and activities are influenced by oil and gas prices which are dependent on a number of factors impacting both world and regional supply and demand. Due to these factors, prices may be subject to significant fluctuations from year to year. While we are not insulated from any particular oil price shock, it should be noted that the Group's assets are all in the pre-cash flow exploration and appraisal phases. Since the award of the Chuditch PSC, the Group is much more heavily weighted towards gas where regional markets play a much greater role in pricing.

Impact

Oil and gas prices can fluctuate widely and could have a material impact on the Group's asset values, revenues, earnings and cash flows. In addition, price increases could cause supply or capacity constraints in areas such as specialist staff or equipment.

4. Strategic Report (continued)

Action

The Group keeps its sensitivity to fluctuations in oil and gas prices under regular review. As we do not have any assets in production at the current time, the Group has no need to hedge oil or gas prices. However, in the future we may enter into a hedge programme for oil or gas where the Board determines it is in the Group's interest to provide greater certainty over future cash flows.

Performance guarantee

The Group has given a US\$1m performance guarantee in respect of its licence in Timor-Leste. In the event that work commitments under the Chuditch PSC are not met, then this guarantee is likely to be called in.

Impact

In the event that the Group forfeits a deposit under any guarantee, this will lead to a permanent reduction in asset value.

Action

The Group actively manages its work programme under the PSC to the extent that it is able, paying close attention to milestones and expiry dates, in order to minimise the risk these licence commitments are not met.

Liquidity

The Group is exposed to liquidity risks, including the risk that financial assets cannot readily be converted to cash without the loss of value.

Impact

Failure to manage financing risks could have a material impact on the Group's cash flows, earnings and financial position as well as reducing the funds available to the Group for working capital, capital expenditure, acquisitions, dividends and other general corporate purposes.

Action

The Group manages liquidity risk by maintaining adequate levels of cash balances. As at the end of 2022, the Group's cash reserves of £5.8m were primarily spread amongst three large international banks in the UK and Singapore.

Taxation

As the tax legislation in Timor-Leste is developing, tax risks may be substantially greater than typically found in countries with more developed tax systems. Tax regulation and compliance is subject to review and investigation by the authorities who may impose severe fines, penalties and interest charges. It should be noted that the UK Oil & Gas fiscal regime has also become subject to change and uncertainties.

Impact

The uncertainty of interpretation and application, and the evolution, of tax laws in the territories in which we operate creates a risk of additional and substantial payments of tax or other unintended consequences by the Group, which could have a material adverse effect on the Group's cash flows, earnings and financial position.

Action

The Group makes every effort to comply with tax legislation, takes appropriate professional tax advice and works closely with tax authorities to ensure compliance and active management of its fiscal positions.

4. Strategic Report (continued)

Directors' duties – S172 Companies Act 2006 Directors' duties to promote the long-term success of the Company

The Directors behave and carry out their activities to promote long-term success of the Group for the benefit of the Company's shareholders, employees, suppliers and other stakeholders. They engage with shareholders, employees, suppliers and other stakeholders to reflect their insights and views when making decisions on strategy; delivering operational effectiveness; making plans; driving initiatives; and committing to deliver outcomes that enhance social value. The culture and values promoted by the Directors create a focus across the Group on observing and maintaining the highest standards of business conduct whilst promoting the long-term success of the Company.

By order of the Board

John Wakefield

Non-executive Chairman

22 May 2023

5. Report of the Directors

The Directors submit their report together with the audited financial statements of Baron Oil Plc ("the Company") and its subsidiaries (collectively "the Group"), for the year ended 31 December 2022.

Directors

The following are biographical details of the Directors of Baron Oil Plc.

John Wakefield, Non-executive Chairman

John Wakefield, aged 68, is an experienced quoted company director and corporate financier having previously worked at several nominated adviser firms. He qualified as a solicitor with McKenna & Co and lectured in law at the University of Newcastle before moving into corporate finance. He is currently a NED at Drumz plc (LSE:DRUM.L) and Petards Group Plc (LSE:PEG.L) and has been a member of the AIM Advisory Group, chairman of the London Stock Exchange Regional Advisory Group for the South West, and chairman of South West Angel and Investor Network Limited (SWAIN). He holds a Bachelor of Civil Law degree from Oxford.

Andrew Yeo, Chief Executive Officer

Andy Yeo, aged 60, has significant expertise in the oil and gas sector, having had a variety of roles including private equity and operational and financial experience in exploration activities as CFO of Wessex Exploration PLC. In addition, he brings more than 20 years' experience in multi-discipline corporate advisory services, having worked for UBS and ABN AMRO Hoare Govett before becoming a founder member of Evolution Securities, where he was a board member and executive director. He was appointed as a Non-executive Director of Baron in 2018 and assumed the role of Chief Executive Officer in 2020.

Jonathan Ford, Technical Director

Jon Ford, aged 63, has more than 40 years' experience in the upstream oil and gas industry in a variety of roles in petroleum geoscience and senior management. Following an initial 10 years with BP in the UK, the Netherlands, Italy and Indonesia, Jon has worked worldwide in the junior sector as a senior technical manager for listed oil companies including Clyde Petroleum, Paladin Resources and Stratic Energy, and advised multiple clients as a consultant. Jon has a BSc in Geology & Geophysics from Durham University and is a Fellow of the Geological Society.

Keith Bush, Non-executive Director

Keith Bush, aged 53, is an experienced quoted company director having worked for over 30 years in the energy industry. He has a petroleum engineering background, with significant experience in the oil and gas sector. Previously he has worked for Amerada Hess, Burlington Resources and E.ON Ruhrgas, before joining AIM quoted Northern Petroleum plc, initially as COO and later as CEO. Keith is currently COO at TelosNRG Limited, an advisory consultancy which he co-owns. He holds a degree in Physics from the University of Manchester. He was appointed as a Non-executive Director of Baron in 2022.

Proposed dividend

The Directors do not recommend the payment of a dividend in respect of the financial year ended 31 December 2022.

Political and charitable contributions

In the year ended 31 December 2022 the Group made no charitable or political donations.

Policy and practice on payment of creditors

The Group and Company policy, in relation to all of its suppliers, is to settle the terms of payment when agreeing the terms of the transactions and to abide by those terms. The Group and the Company do not follow any code or statement on payment policy. The creditor days as at 31 December 2022 were 16 days (2021: 3 days).

5. Report of the Directors (continued)

Activities and results

A loss of £1,387,000 (2021: £1,127,000), of which £1,387,000 (2021: £1,127,000) was attributable to equity shareholders, was recorded for the year. Net assets of the Group at 31 December 2022 amounted to £10,088,000 (2021: £4,682,000), of which £10,088,000 (2021: £4,682,000) was attributable to equity shareholders. No dividends or transfers to reserves are proposed.

Details of the Group's affairs and the development of its various activities during the period, important events since the period end, and details of the Company's plans for the next year are given in the Chairman's Statement & Operations Report.

Issue of shares

The Company issued the following new shares for cash during the year.

- (i) 2,750,000 new ordinary shares of £0.00025 each at £0.0006 per share on 9 May 2022, raising £1,650,000 gross (£1,503,000 net of costs).
- (ii) 117,125,001 new ordinary shares of £0.00025 each at £0.0010 per share on 4 November 2022, raising £117,000 gross (£117,000 net of costs).
- (iii) 4,469,522,966 new ordinary shares of £0.00025 each at £0.0012 per share on 29 November 2022, raising £5,363,000 gross (£5,000,000 net of costs)

See also Events after the Reporting Period below.

The Environment

The Company is firmly committed to protecting the environment wherever it does business. We will do our utmost to minimise the impact of the business on the environment. Both the Company and its employees will try to be recognised by regulatory agencies, environmental groups and governments where we do business for our efforts to safeguard the environment.

Community

The Directors believe it is the Group's responsibility as a good corporate citizen to improve the quality of life in the communities in which it does business. Where possible, the Group will seek to contribute towards local cultural and educational organisations.

Future outlook

Details of the Group's affairs and the development of its various activities during the period, important events since the period end, and details of the Company's plans for the next year are given in the Chairman's Statement & Operations Report.

5. Report of the Directors (continued)

Directors' interests

The interests of the Directors who were in office at the year end, and their families, in the issued share capital of the Company are as follows:

	31 December 2022		31 December 2021	
	No. of Ordinary shares	% Holding	No. of Ordinary shares	% Holding
A Yeo	193,000,000	1.0%	168,850,000	1.5%
J Ford	22,500,000	0.1%	22,500,000	0.2%
J Wakefield	20,000,000	0.1%	20,000,000	0.2%
	235,500,000	1.2%	211,350,000	1.9%

Options held by the Directors are as follows:

	31 December 2022 Number of options £0.001 ⁽¹⁾	31 December 2021 Number of options £0.001 ⁽¹⁾
A Yeo	–	125,000,000
	Number of options £0.001 ⁽²⁾	Number of options £0.001 ⁽²⁾
J Ford	–	75,000,000
	Number of options £0.0007 ⁽³⁾	Number of options £0.0007 ⁽³⁾
A Yeo	250,000,000	250,000,000
J Ford	140,000,000	140,000,000
	Number of options £0.0006 ⁽⁴⁾	Number of options £0.0006 ⁽⁴⁾
A Yeo	290,000,000	290,000,000
J Ford	180,000,000	180,000,000
Total	860,000,000	1,060,000,000

⁽¹⁾ Each £0.001 option grants the holder the right to subscribe for one Ordinary Share at £0.001 per share and are granted under one option contract exercisable at any time prior to 26 May 2030. These options were cancelled and rescinded on 12 January 2022.

⁽²⁾ Each £0.001 option grants the holder the right to subscribe for one Ordinary Share at £0.001 per share and are granted under one option contract exercisable at any time prior to 10 November 2030. These options were cancelled and rescinded on 12 January 2022.

⁽³⁾ Each £0.0007 option grants the holder the right to subscribe for one Ordinary Share at £0.0007 per share and are granted under one option contract exercisable at any time prior to 22 July 2031.

⁽⁴⁾ Each £0.0006 option grants the holder the right to subscribe for one Ordinary Share at £0.0006 per share and are granted under one option contract exercisable at any time prior to 17 December 2031.

Except as shown in note 27 to the Financial Statements (Related Party Transactions) on page 67, there have been no contracts or arrangements of significance during the period in which the Directors of the Company were interested.

Currently there are Appointment Letters and Executive Service Agreements in place with all Directors of the Company and these contracts are available for inspection at the registered office of the Company on request.

5. Report of the Directors (continued)

Remuneration policy

As an AIM quoted company, the preparation of a Remuneration Committee report is not an obligation, although the Company includes a commentary on its remuneration policy within its annual report and financial statements and within its corporate governance statement. The Company seeks to provide information that is appropriate to its size and organisation. The Remuneration Committee is comprised of its two independent Non-executive Directors with Keith Bush as Chairman; John Wakefield is the other member. The Remuneration Committee is responsible for the development of policy on Executive, Non-executive and senior management remuneration.

Rather than having formal terms of reference the Remuneration Committee operates a Remuneration Policy which is to provide a remuneration package which will attract and retain individuals with the ability and experience required to manage the Company. The Remuneration Committee takes into account both Company and individual performance, market value and sector conditions in determining remuneration. This includes benchmarking against the Company's key performance indicators (KPIs). The Company maintains a policy of paying fair salaries compared with peer companies in the independent oil and gas sector. All current salaries are without pension benefits. Notice periods for Executive Directors are 12 months.

In 2020, the Remuneration Committee reviewed the incentive opportunities available for the management team. It identified four main elements of the Remuneration Package for Executives: Base Salary, Benefits, Share Options and Discretionary Bonuses. As part of these arrangements the Company created an Enterprise Management Incentive (EMI) share option scheme. The EMI is an HMRC approved tax efficient option scheme that enables companies to attract and retain key staff by rewarding them with equity participation in the business.

Base salaries are reviewed annually or when individuals change positions or responsibility, or the Company's situation changes. The Remuneration Committee meets as required.

Keith Bush, the Remuneration Committee's chairman is a Non-executive Director of the Company and is considered to be independent. The Remuneration Committee's other member is also an independent Non-executive Director and the Company therefore fully complies with the QCA Code in this respect.

As the Remuneration Committee's chairman, Mr Bush consults with the other directors and conducts peer group reviews. No director can take part in discussions or vote on matters pertaining to their individual performance or remuneration. In the event of a tied vote, the Remuneration Committee's independent chairman has the casting vote. Director remuneration, contracts, grants of options and incentive arrangements for senior management are matters that are formally reserved for the Board.

The Remuneration Committee makes recommendations which are considered and adopted by the Board as a whole. The Board considers that its Remuneration Committee and Remuneration Policy are appropriate to the Company's current size, organisation and level of operations.

5. Report of the Directors (continued)

Salaries and benefits

Basic salaries are reviewed annually or when individuals change positions or responsibility or the Company's position changes. Details of salaries plus non-cash benefits paid during the year are shown below.

	Base salary/fee £	Company car £	Benefits in-kind £	Other £	Year ended 31 December 2022 Total £	Year ended 31 December 2021 Total £
Chairman						
J Wakefield	50,000	–	–	–	50,000	50,000
A Yeo	167,500	11,720	9,512	42,577	231,309	216,377
J Ford	94,250	–	–	10,418	104,668	82,500
K Bush	3,885	–	–	–	3,885	–
	315,635	11,720	9,512	52,995	389,862	348,877

Refer to note 27 on page 67 for details of related party transactions with companies controlled by Directors.

Other benefits include payments in lieu of holiday, work in excess of contracted hours, and post-termination benefits, all of which are accrued costs and remain unpaid at 31 December 2022.

The total share based payment vesting charges in respect of Directors' share options was £nil (2021: £256,000). The share options held by the Directors are disclosed above and no pension contributions were made during the period for the Directors. The Directors did not receive any other emoluments, compensation or cash or non-cash benefits other than that disclosed above.

Employees

The Group seeks to keep employees informed and involved in the operations and progress of the business by means of regular staff meetings by country open to all employees and directors.

The Group operates an equal opportunities policy. The policy provides that full and fair consideration will be given to disabled applications for employment and that existing employees who become disabled will have the opportunity to retrain and continue in employment wherever possible.

Events after the Reporting Period

On 20 February 2023, the Company issued 62,500,000 new ordinary shares of £0.00025p each following the exercise of options by a former director, raising new capital of £62,000 gross, £50,000 net of costs.

5. Report of the Directors (continued)

Financial Review

Liquidity & Share Trading

The Board believes that high liquidity is important in attracting both small and institutional investors to Baron. During the last financial period Baron has had a high stock liquidity on the E&P sector on AIM.

Shares in Issue and Shareholders Profile

The number of shares in issue at 15 May 2023 was 18,982,760,428 Ordinary Shares, with each share having equal voting rights. Baron Oil Plc has 965 registered shareholders.

The shareholding distribution at 15 May 2023 is as follows:

Range	No of shares	No of shareholders
>10%	9,918,876,540	3
5%-10%	1,989,415,343	2
1-5%	5,466,417,420	12
0.5%-1%	715,163,474	6
<0.5%	892,887,651	942
	18,982,760,428	965

Significant shareholdings

The Company has been informed that, as of 15 May 2023, the following shareholders owned 3% or more of the issued share capital of the Company:

Name	Shares	% of company
Hargreaves Lansdown (Nominees) Limited	4,944,517,057	26.05
Interactive Investor Services Nominees Limited	2,751,685,751	14.50
HSDL Nominees Limited	2,222,673,732	11.71
Barclays Direct Investing Nominees Limited	1,029,337,913	5.42
HSBC Client Holdings Nominee (UK) Limited	960,077,430	5.06
Lawshare Nominees Limited	875,700,061	4.61
Vidacos Nominees Limited	777,049,187	4.09

Listing

The Company's ordinary shares have been traded on the AIM market of the London Stock Exchange since 14 July 2004. Allenby Capital Limited is the Company's Nominated Adviser and Sole Broker. The closing mid-market price on 15 May 2023 was 0.105p.

Financial instruments

Details of the financial risk management objectives and policies, and details on the use of financial instruments by the Company and its subsidiary undertakings, are provided in note 22 to the financial statements on page 63.

Going concern

The Directors have prepared a cash flow forecast covering a period extending beyond 12 months from the date of these financial statements which contains certain assumptions about the development and strategy of the business. The Directors are aware of the risks and uncertainties facing the business but the assumptions used are the Directors' best estimate of its future development.

5. Report of the Directors (continued)

After considering the forecasts and the risks, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

Publication on Company's website

Financial statements are published on the Company's website (www.baronoilplc.com). The maintenance and integrity of the website are the responsibility of the Directors. The Directors' responsibility also extends to the financial statements contained therein. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other countries.

Indemnity of officers

The Group may purchase and maintain, for any director or officer, insurance against any liability and the Group does maintain appropriate insurance cover against legal action brought against its directors and officers.

By order of the Board

Geoffrey Barnes

Secretary

22 May 2023

6. Corporate Governance Statement

The Directors recognise the importance of sound corporate governance. The Company has adopted the 2018 QCA Corporate Governance Code ("QCA Code"), which the Directors consider appropriate for a company of its size and nature. The QCA Code takes key elements of good governance and allows companies to apply them in a manner which is appropriate for the differing needs of small companies. The "Comply or Explain" maxim allows companies to inform shareholders where policies differ from the norm and why. The details of the Company's policies in this respect are set out in its AIM Notice 26 Statement, which can be downloaded from the Company's website.

The Board

The Board comprises two executive directors and two non-executive directors, details of whom are contained in the Report of the Directors included in this report.

The Board meets at least four times a year.

The Board is responsible for the strategy, review and approval of acquisition opportunities, capital expenditures, budgets, trading performance and all significant financial and operational issues.

The Audit Committee

The Audit Committee is comprised of the two independent Non-executive Directors with John Wakefield as Chairman and Keith Bush as the other member. The Audit Committee meets at least twice a year and the external auditor has the opportunity to meet with members of the Audit Committee without any executive management being present. The Audit Committee's terms of reference include the review of the Interim and Annual Financial Statements, review of internal controls, risk management and compliance procedures, consideration of the Company's accounting policies and all issues with the annual audit.

The Remuneration Committee

The Remuneration Committee is comprised of the two independent Non-executive Directors with Keith Bush as Chairman and John Wakefield the other member. The Remuneration Committee is responsible for the development of policy on Executive, Non-executive and senior management remuneration. Rather than having formal terms of reference, the Remuneration Committee operates a Remuneration Policy, which is to provide a remuneration package which will attract and retain individuals with the ability and experience required to manage the Company. The Remuneration Committee meets as required.

Keith Bush, the Remuneration Committee's chairman is one of the Company's Non-executive Directors and is considered to be independent. No Director can take part in discussions or vote on matters pertaining to their individual performance or remuneration. In the event of a tied vote, the Remuneration Committee's independent chairman, Keith Bush has the casting vote. Director remuneration, contracts, grants of options and incentive arrangements for senior management are matters that are formally reserved for the Board.

The Nominations Committee

Due to the small size of the Group, it is not considered necessary to have a Nominations Committee at this time in the Company's development and the Board reserves to itself the process by which a new director is appointed.

Communications

The Company, which also uses third party external communications consultants, provides information on Group activities by way of press releases, Interim and Annual Financial Statements and also its website (www.baronoilplc.com). The Company's website is updated regularly and contains all operational reports, press releases and Interim and Annual Financial Statements.

Internal control

The Board has the overall responsibility for identifying, evaluating and taking the necessary action to manage the risks faced by the Company and the Group. The process of internal control is not to eliminate risk, but to manage the risk to reasonably minimise loss.

7. Statement of Directors' Responsibilities

in respect of the Strategic Report, the Report of the Directors and the Financial Statements

Directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period in accordance with applicable law and UK adopted International Accounting Standards. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that year. 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 the AIM market.

In preparing those financial statements, the Directors are required:

- to select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether financial statements have been prepared in accordance with UK adopted International Accounting Standards subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

Statement of disclosure to auditor

So far as the Directors are aware, there is no relevant audit information of which the Group's auditor is unaware, and they have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group auditor is aware of that information.

Auditor

Jeffreys Henry LLP has indicated that it will not seek re-appointment as the Company's auditor at the Annual General Meeting as, following a business reorganisation, the firm will provide audit services to clients from another company in the group, Gravita Audit Limited. A resolution to appoint Gravita Audit Limited as the Company's auditor will be proposed at the Annual General Meeting.

By order of the board

John Wakefield
Non-executive Chairman

22 May 2023

8. Report of the Independent Auditor

to the Members of Baron Oil Plc

Opinion

We have audited the financial statements of Baron Oil Plc ('the Company') and its subsidiaries (together 'the Group') for the year ended 31 December 2022 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, Company statement of changes in equity, consolidated statement of financial position, Company statement of financial position, consolidated statement of cash flows, Company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted International Accounting Standards (IFRSs). The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK adopted International Accounting Standards (IFRSs).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards (IFRS);
- the Company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards (IFRS); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our approach to the audit

We tailored the scope of our audit work to ensure we obtained sufficient evidence to support our opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls and the industry in which the Group operates.

As Group auditor we carried out the audit of the Company financial statements and, in accordance with ISA (UK) 600, obtained sufficient appropriate evidence regarding the audit of the Group's Singaporean and Timor-Leste subsidiaries SundaGas (Timor-Leste Sahul) Pte Ltd and SundaGas Banda Unipessoal, Lda. These subsidiaries were deemed to be significant to the Group financial statements due to their size. The Group audit team directed, supervised and reviewed the work of the component auditor in Singapore who performed the audit of the subsidiaries in Singapore and Timor-Leste, which involved issuing detailed instructions and performing a review of key working papers. Audit work in Singapore and Timor-Leste was performed at materiality levels of £30,000, which was lower than Group materiality.

8. Report of the Independent Auditor (continued)

to the Members of Baron Oil Plc

We also performed targeted procedures in respect of Gold Oil Peru SAC, which was not identified as a significant component requiring a full scope audit.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included a detailed review of the Group's forecasts in comparison to available management accounts at the date of these financial statements to assess the reasonability of the estimates made. We have further performed a sensitivity analysis to conclude on the degree to which current cash reserves will be able to sustain the Group for at least a further twelve months from the date of these financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements were authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

8. Report of the Independent Auditor (continued)

to the Members of Baron Oil Plc

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Impairment of exploration assets (Group) and net investment in subsidiaries (Company)</p> <p>At 31 December 2022 the Group held exploration assets of £3.7m (2021: £2.7m). The assets represent costs capitalised associated with the Group's oil and gas exploration assets in the UK and Timor-Leste in line with the Group's accounting policy for exploration expenditure under which costs are capitalised once the Group secures the rights to explore and that licence remains in good standing.</p> <p>The Board then perform a review of impairment indicators based on the available industry, economic and resource data available to them.</p> <p>The company's net investment in subsidiaries at 31 December 2022 was £5.0m (2021: 3.0m). This balance relates entirely to the Company's subsidiaries in Singapore and Timor-Leste and comprises both equity investments and loans.</p> <p>Both entities are solely involved in progressing the Chuditch project and therefore potential impairment of the net investment is assessed on the same basis as impairment of the associated Chuditch exploration asset.</p>	<p>The Directors' impairment reviews conclude that an impairment was not required in respect of the Group's Chuditch and Inner Moray Firth exploration assets, or of the Company's net investment in subsidiaries, at the year end.</p> <p>We have assessed and understood the methodology used by the Directors in this analysis and determined it to be reasonable.</p> <p>We reviewed the underlying production and licence contracts and wider available evidence to examine whether the Group had complied with their minimum performance conditions and therefore whether there was evidence of impairment due to non-compliance.</p> <p>We also reviewed the most recent competent persons' reports on both of the above projects to understand if the basis for the Directors' conclusions was consistent with the information contained within those reports.</p> <p>In respect of the Company's loans to subsidiaries we also examined the basis for which the loans are presented as part of the Company's net investment by reference to the underlying business model and expectations and intentions of management.</p> <p>We concluded that the Directors' impairment assessment was reasonable and that the Company's loans to subsidiaries were fairly presented as part of the net investment.</p>

8. Report of the Independent Auditor (continued)

to the Members of Baron Oil Plc

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

	Group	Company
Overall materiality	£100,000 (2021: £55,000).	£100,000 (2021: £55,000).
How we determined it	Based on 1% of gross assets.	Based on 1% of gross assets.
Rationale for benchmark used	The Group's principal activity is the furtherance of its exploration activities and therefore cash and capitalised exploration assets are the Group's key assets. The Group has no debt and minimal liabilities. For this reason, a materiality measure based on gross assets was considered the most appropriate.	The Company principally acts as a holding company and therefore gross assets is an appropriate measure.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £5,000 for both the Group and Company audits (2021: £2,750) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

8. Report of the Independent Auditor (continued)

to the Members of Baron Oil Plc

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 21, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

8. Report of the Independent Auditor (continued)

to the Members of Baron Oil Plc

The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the senior statutory auditor ensured the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Company through discussions with Directors and other management.
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Company including taxation legislation, anti-bribery, employment laws and anti-money laundering regulations.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence.
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit; and
- we assessed the susceptibility of the Group and Company financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:
 - o making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
 - o considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in the notes to the financial statements were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions.
- In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:
 - o agreeing financial statement disclosures to underlying supporting documentation;
 - o reading the minutes of meetings of those charged with governance;
 - o enquiring of management as to actual and potential litigation and claims;
 - o reviewing the available correspondence with HMRC and the Group's legal advisors.

8. Report of the Independent Auditor (continued)

to the Members of Baron Oil Plc

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of noncompliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the Directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

Other matters that we are required to address

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company and we remained independent of the Group and the Company in conducting our audit.

Use of this report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sachin Ramaiya

Senior Statutory Auditor

For and on behalf of

Jeffreys Henry LLP (Statutory Auditor)

Finsgate

5-7 Cranwood Street

London

EC1V 9EE

22 May 2023

9. Consolidated Income Statement

for the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Revenue		–	–
Cost of sales		–	–
Gross profit		–	–
Exploration and evaluation expenditure		(213)	(218)
Intangible asset impairment	9	–	(17)
Property, plant and equipment impairment and depreciation	8	(33)	(11)
Receivables and inventory impairment	3	–	(7)
Administration expenses		(1,191)	(1,321)
Gain on exchange	3	43	22
Other operating income	3	–	89
Operating loss	3	(1,394)	(1,463)
Income from associated undertaking	11	–	29
Gain on disposal of associated undertaking		–	302
Loss before interest and taxation		(1,394)	(1,132)
Finance cost	5	(5)	(2)
Finance income	5	12	7
Loss on ordinary activities before taxation		(1,387)	(1,127)
Income tax expense	6	–	–
Loss on ordinary activities after taxation		(1,387)	(1,127)
Dividends		–	–
Loss for the year		(1,387)	(1,127)
Loss on ordinary activities after taxation is attributable to:			
Equity shareholders		(1,387)	(1,127)
Non-controlling interests		–	–
		(1,387)	(1,127)
Earnings per ordinary share – continuing operations	7		
Basic		(0.010p)	(0.012p)
Diluted		(0.010p)	(0.012p)

10. Consolidated Statement of Comprehensive Income

for the year ended 31 December 2022

	2022 £'000	Restated 2021 £'000
Loss on ordinary activities after taxation attributable to the parent	(1,387)	(1,127)
Other comprehensive income: items which may subsequently be reclassified to profit or loss:		
Exchange difference on translating foreign operations	174	33
Total comprehensive loss for the year	(1,213)	(1,094)
Total comprehensive loss attributable to Owners of the parent	(1,213)	(1,094)

11. Consolidated Statement of Financial Position

at 31 December 2022

	Notes	2022 £'000	Restated 2021 £'000
Assets			
<i>Non current assets</i>			
Property plant and equipment			
– oil and gas assets	8	–	–
– others	8	78	34
Intangible fixed assets	9	3,696	2,736
Goodwill	10	–	–
Associated undertaking	11	–	–
		3,774	2,770
<i>Current assets</i>			
Trade and other receivables	13	101	54
Performance bond guarantee deposit	14	827	859
Cash and cash equivalents	15	5,807	1,650
		6,735	2,563
Total assets		10,509	5,333
Equity and liabilities			
<i>Capital and reserves attributable to owners of the parent</i>			
Share capital	18	4,730	2,896
Share premium account	19	38,846	34,061
Share option reserve	19	332	388
Foreign exchange translation reserve	19	1,735	1,561
Retained earnings	19	(35,555)	(34,224)
Total equity		10,088	4,682
<i>Current liabilities</i>			
Trade and other payables	16	377	620
Taxes payable	16	14	12
		391	632
<i>Non-current liabilities</i>			
Lease finance	17	30	19
Total equity and liabilities		10,509	5,333

The financial statements were approved and authorised for issue by the Board of Directors on 22 May 2023 and were signed on its behalf by:

John Wakefield
Director

Andrew Yeo
Director

Company number: 05098776

12. Company Statement of Financial Position

at 31 December 2022

	Notes	2022 £'000	2021 £'000
Assets			
<i>Non current assets</i>			
Property plant and equipment			
– oil and gas assets		–	–
– others	8	21	33
Intangible fixed assets	9	159	68
Investments	12	5,002	3,029
		5,182	3,130
<i>Current assets</i>			
Trade and other receivables	13	61	46
Cash and cash equivalents	15	5,625	1,527
		5,686	1,573
Total assets		10,868	4,703
Equity and liabilities			
<i>Capital and reserves attributable to owners of the parent</i>			
Share capital	18	4,730	2,896
Share premium account	19	38,846	34,061
Share option reserve	19	332	388
Foreign exchange translation reserve	19	(163)	(163)
Retained earnings	19	(33,085)	(32,586)
Total equity		10,660	4,596
<i>Current liabilities</i>			
Trade and other payables	16	185	76
Taxes payable	16	14	12
		199	88
<i>Non-current liabilities</i>			
Lease finance	17	9	19
Total equity and liabilities		10,868	4,703

As permitted by section 408 of the Companies Act 2006, the Parent Company's income statement has not been included in these financial statements. The loss of the Parent Company for the year was £555,000 (2021: loss of £1,096,000).

The financial statements were approved and authorised for issue by the Board of Directors on 22 May 2023 and were signed on its behalf by:

John Wakefield
Director

Andrew Yeo
Director

Company number: 05098776

13. Consolidated and Company Statement of Changes in Equity

for the year ended 31 December 2022

	Share capital £'000	Share premium £'000	Retained earnings £'000	Share option reserve £'000	Foreign exchange translation £'000	Total equity £'000
GROUP						
As at 1 January 2021	1,107	32,156	(33,130)	135	1,528	1,796
Shares issued (net of transaction costs)	1,789	1,905	–	–	–	3,694
Transactions with owners	1,789	1,905	–	–	–	3,694
Loss for the year attributable to equity shareholders	–	–	(1,127)	–	–	(1,127)
Share based payments	–	–	–	286	–	286
Share option reserve released	–	–	33	(33)	–	–
Foreign exchange translation adjustments	–	–	–	–	33	33
Total comprehensive income for the period	–	–	(1,094)	253	33	(808)
As at 1 January 2022	2,896	34,061	(34,224)	388	1,561	4,682
Shares issued (net of transaction costs)	1,834	4,785	–	–	–	6,619
Transactions with owners	1,834	4,785	–	–	–	6,619
(Loss) for the year attributable to equity shareholders	–	–	(1,387)	–	–	(1,387)
Share option reserve released	–	–	56	(56)	–	–
Foreign exchange translation adjustments	–	–	–	–	174	174
Total comprehensive income for the period	–	–	(1,331)	(56)	174	(1,213)
As at 31 December 2022	4,730	38,846	(35,555)	332	1,735	10,088

13. Consolidated and Company Statement of Changes in Equity

for the year ended 31 December 2022 (continued)

	Share capital £'000	Share premium £'000	Retained earnings £'000	Share option reserve £'000	Foreign exchange translation £'000	Total equity £'000
COMPANY						
As at 1 January 2021	1,107	32,156	(31,523)	135	(163)	1,712
Shares issued (net of transaction costs)	1,789	1,905	–	–	–	3,694
Transactions with owners	1,789	1,905	–	–	–	3,694
Profit for the year	–	–	(1,096)	–	–	(1,096)
Share based payments	–	–	–	286	–	286
Share option reserve released	–	–	33	(33)	–	–
Total comprehensive income for the period	–	–	(1,063)	253	–	(810)
As at 1 January 2022	2,896	34,061	(32,586)	388	(163)	4,596
Shares issued (net of transaction costs)	1,834	4,785	–	–	–	6,619
Transactions with owners	1,834	4,785	–	–	–	6,619
Loss for the year	–	–	(555)	–	–	(555)
Share option reserve released	–	–	56	(56)	–	–
Total comprehensive income for the period	–	–	(499)	(56)	–	(555)
As at 31 December 2022	4,730	38,846	(33,085)	332	(163)	10,660

Share capital is the amount subscribed for shares at nominal value.

Share premium represents the excess of the amount subscribed for share capital over the nominal value of those shares net of share issue expenses.

Retained earnings represents the cumulative loss of the Group attributable to equity shareholders.

Foreign exchange translation occurs on consolidation of the translation of the subsidiaries balance sheets at the closing rate of exchange and their income statements at the average rate.

14. Consolidated and Company Statement of Cash Flows

for the year ended 31 December 2022

	Group 2022 £'000	Company 2022 £'000	Restated Group 2021 £'000	Company 2021 £'000
Operating activities	(1,750)	(582)	(1,179)	(681)
Investing activities				
Return from investment and servicing of finance	12	11	7	7
Advances to subsidiary and associated undertakings	–	(1,848)	323	(707)
Performance bond guarantee deposit returned	128	–	–	–
Additions to exploration and evaluation assets	(806)	(91)	(1,356)	(50)
Acquisition of tangible assets	(17)	–	(1)	(1)
Investment in associated undertaking	–	–	(93)	(1,909)
	(683)	(1,928)	(1,120)	(2,660)
Financing activities				
Net proceeds from issue of share capital	6,619	6,619	2,768	3,694
Lease financing	(29)	(11)	(9)	(9)
	6,590	6,608	2,759	3,685
Net cash inflow	4,157	4,098	460	344
Cash and cash equivalents at the beginning of the year	1,650	1,527	1,190	1,183
Cash and cash equivalents at the end of the year	5,807	5,625	1,650	1,527

14. Consolidated and Company Statement of Cash Flows

for the year ended 31 December 2022 (continued)

Note to the Consolidated and Company Statement of Cash Flows

	Group 2022 £'000	Company 2022 £'000	Restated Group 2021 £'000	Company 2021 £'000
Operating activities				
Loss for the year attributable to controlling interests	(1,387)	(555)	(1,127)	(1,096)
Depreciation, amortisation and impairment charges	33	55	28	135
Share based payments	–	–	286	286
Finance income shown as an investing activity	(12)	(11)	(7)	(7)
Interest on lease liability	4	1	–	–
Gain on disposal of associated undertaking	–	–	(163)	–
Income from associated undertaking	–	–	(29)	–
Foreign exchange translation	(74)	(205)	19	(19)
Operating cash outflows before movements in working capital	(1,436)	(715)	(993)	(701)
(Increase)/decrease in receivables	(47)	22	(743)	6
(Decrease)/increase in payables	(267)	111	557	14
Net cash outflows from operating activities	(1,750)	(582)	(1,179)	(681)

15. Notes to the Financial Statements

General Information

Baron Oil Plc is a company incorporated in England and Wales and quoted on the AIM market of the London Stock Exchange. The address of the registered office is disclosed on page 2 of the financial statements. The principal activity of the Group is described in the Strategic Report in section 4 on page 9.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Going concern basis

The directors have prepared a cash flow forecast covering a period extending beyond 12 months from the date of these financial statements which contains certain assumptions about the development and strategy of the business. The Directors are aware of the risks and uncertainties facing the business but the assumptions used are the Directors' best estimate of its future development.

After considering the forecasts and the risks, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

Basis of preparation

The financial statements have been prepared in accordance with UK adopted International Accounting Standards and IFRIC interpretations issued by the International Accounting Standards Board (IASB) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Changes in accounting policies and disclosures

Adoption of new and revised standards

During the year the Group adopted the following IFRS amendments and standards for the first time:

- Onerous contracts (Amendments to IAS 37)
- Property, plant and equipment (Amendments to IAS 16)
- Annual Improvements 2018-2020 cycle (IFRS 1, IFRS 9, IFRS 16 and IAS 41), and
- References to Conceptual Framework (Amendments to IFRS 3)

15. Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Details of the impact of these standards on the Group are as follows:

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

IAS 37 defines an onerous contract as a contract in which the unavoidable costs (costs that the Group has committed to as part of the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The amendments to IAS 37.68A clarify that the costs relating directly to the contract consist of both:

- The incremental costs of fulfilling that contract- e.g. direct labour and material; and
- an allocation of other costs that relate directly to fulfilling contracts: e.g. allocation of depreciation charge on property, plant and equipment used in fulfilling the contract.

The Board has assessed that under the revised definition the Group held no onerous contracts in the current or comparative periods.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced during the testing phase of a manufacturing facility after it is being constructed but before start of commercial production). The proceeds from selling such samples, together with the costs of producing them, are now recognised in profit or loss. The Board considers that there is no material impact of this amendment.

Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 & IAS 41)

- IFRS 1: Subsidiary as a First-time Adopter (FTA)
- IFRS 9: Fees in the '10 per cent' Test for Derecognition of Financial liabilities
- IAS 41: Taxation in Fair Value Measurements

The Board considers that there is no material impact of this amendment.

References to Conceptual Framework (Amendments to IFRS 3)

In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The Board considers that there is no material impact of this amendment.

a) New standards, interpretations and amendments not yet effective

The following IFRSs and amendments have been issued by the IASB but are not effective until a future period.

- IFRS 17 *Insurance Contracts* and Initial Application of IFRS 17 and IFRS 9, Comparative Information (Amendments to IFRS 17)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax Relating to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- IFRS 16 *Leases* (Amendment, Liability in a Sale and Leaseback) (not yet endorsed by the UK Endorsement Board)
- IAS 1 *Presentation of Financial Statements* (Amendments to Classification of Liabilities as Current or Non-current) (not yet endorsed by the UK Endorsement Board)
- IAS 1 *Presentation of Financial Statements* (Amendment to Non-current liabilities with covenants).

The Board is currently assessing the impact of these new amendments on the Group's financial reporting for future periods. However, the board does not expect any of the above to have a material impact on future results.

15. Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries and associated undertakings.

Subsidiaries

Subsidiaries are all entities over which Baron Oil Plc has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights, or where Baron Oil Plc exercises effective operational control. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Impairment of non-financial assets

At each statement of financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Intangible Assets

Oil and gas assets: exploration and evaluation

The Group has continued to apply the 'successful efforts' method of accounting for Exploration and Evaluation ("E&E") costs, having regard to the requirements of IFRS 6 'Exploration for the Evaluation of Mineral Resources'.

15. Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

The successful efforts method means that only the costs which relate directly to the discovery and development of specific oil and gas reserves are capitalised. Such costs may include costs of licence acquisition, technical services and studies, seismic acquisition; exploration drilling and testing but do not include costs incurred prior to having obtained the legal rights to explore the area. Under successful efforts accounting, exploration expenditure which is general in nature is charged directly to the income statement and that which relates to unsuccessful drilling operations, though initially capitalised pending determination, is subsequently written off. Only costs which relate directly to the discovery and development of specific commercial oil and gas reserves will remain capitalised and to be depreciated over the lives of these reserves. The success or failure of each exploration effort will be judged on a well-by-well basis as each potentially hydrocarbon-bearing structure is identified and tested. Exploration and evaluation costs are capitalised within intangible assets. Capital expenditure on producing assets is accounted for in accordance with SORP 'Accounting for Oil and Gas Exploration'. Costs incurred prior to obtaining legal rights to explore are expensed immediately to the income statement.

All lease and licence acquisition costs, geological and geophysical costs and other direct costs of exploration, evaluation and development are capitalised as intangible or property, plant and equipment according to their nature. Intangible assets comprise costs relating to the exploration and evaluation of properties which the Directors consider to be unevaluated until reserves are appraised as commercial, at which time they are transferred to tangible assets as 'Developed oil and gas assets' following an impairment review and depreciated accordingly. Where properties are appraised to have no commercial value, the associated costs are treated as an impairment loss in the period in which the determination is made.

Costs are amortised on a field by field unit of production method based on commercial proven and probable reserves, or to the expiry of the licence, whichever is earlier.

The calculation of the 'unit of production' amortisation takes account of the estimated future development costs and is based on the current period and un-escalated price levels. Changes in reserves and cost estimates are recognised prospectively.

E&E costs are not amortised prior to the conclusion of appraisal activities.

Property, plant and equipment

Non oil and gas assets

Non oil and gas assets are stated at cost of acquisition less accumulated depreciation and impairment losses. Depreciation is provided on a straight-line basis at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset were already of the age and in the condition expected at the end of its useful life.

Buildings, plant and equipment unrelated to production are depreciated using the straight-line method based on estimated useful lives.

The annual rate of depreciation for each class of depreciable asset is:

Equipment and machinery	4-10 years
-------------------------	------------

The carrying value of tangible fixed assets is assessed annually and any impairment is charged to the income statement.

Investments

Investments are stated at cost less provision for any impairment in value.

15. Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

Cash and cash equivalents

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

Taxation

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit or loss for the year. Taxable profit or loss differs from profit or loss as reported in the same income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Trade and other payables

Trade payables are not interest bearing and are stated at their nominal value. Trade and other payables are initially recognised at fair value. They are subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

15. Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Fair values

The carrying amounts of the financial assets and liabilities such as cash and cash equivalents, receivables and payables of the Group at the statement of financial position date approximated their fair values, due to the relatively short term nature of these financial instruments.

Share-based compensation

The fair value of the employee and suppliers services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each statement of financial position date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Share based payments (Note 20)

The fair value of share-based payments recognised in the income statement is measured by use of the Black Scholes model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The share price volatility percentage factor used in the calculation is based on management's best estimate of future share price behaviour and is selected based on past experience, future expectations and benchmarked against peer companies in the industry.

Equity instruments

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Loans and receivables

The Group classifies all its financial assets as trade and other receivables. The classification depends on the purpose for which the financial assets were acquired.

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss.

The Group's loans and receivables financial assets comprise other receivables (excluding prepayments) and cash and cash equivalents included in the Statement of Financial Position.

Lease accounting

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

15. Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account.

On the statement of financial position, lease liabilities have been included in current and non-current liabilities.

Financial liabilities

Financial liabilities are recognised when, and only when, the Group becomes a party to the contracts which give rise to them and are classified as financial liabilities at fair value through the profit and loss or loans and payables as appropriate. The Group's loans and payables comprise trade and other payables.

When financial liabilities are recognised initially, they are measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through income statement.

The Group determines the classification of its financial liabilities at initial recognition and re-evaluates the designation at each financial year end.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the statement of financial position date and are discounted to present value where the effect is material.

Financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transactions costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

15. Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Foreign currencies

i) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency), which are mainly in Pounds Sterling (£) and US Dollars (USD). The financial statements are presented in Pounds Sterling (£), which is the Group's presentation currency.

ii) Transactions and balances

Foreign currency transactions are translated into the presentational currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

iii) Group companies

The results and financial position of all Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Management of capital

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to raise new equity finance and debt sufficient to meet the next phase of exploration and where relevant development expenditure.

The Board receives cash flow projections on a regular basis as well as information on cash balances. The Board will not commit to material expenditure in respect of its ongoing exploration work prior to being satisfied that sufficient funding is available to the Group to finance the planned programmes.

Dividends cannot be issued until there are sufficient reserves available.

15. Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the consolidated financial statements requires management to make estimates and assumptions concerning the future that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The resulting accounting estimates will, by definition, differ from the related actual results.

Carrying value of intangible exploration and evaluation assets

Valuation of oil and gas properties: judgements regarding timing of regulatory approval, the general economic environment, and the ability to finance future activities has an impact on the impairment analysis of intangible exploration and evaluation assets. All these factors may impact the viability of future commercial production from unproved properties, and therefore may be a need to recognise an impairment. The timing of an impairment review and the judgement of when there could be a significant change affecting the carrying value of the intangible exploration and evaluation asset is a critical accounting judgement in itself.

The Board also assesses potential impairment of the Company's net investment in subsidiaries by reference to the same judgements around the circumstances of the Group's oil and gas exploration projects. At year end the Group's exploration assets which the Board reviewed for impairment were carried at £3.7m and the Company's net investment in subsidiaries was held at £5.0m. Further details are given in Notes 9 and 12 respectively.

Commercial reserves estimates

Oil and gas reserve estimates: estimation of recoverable reserves include assumptions regarding commodity prices, exchange rates, discount rates, production and transportation costs all of which impact future cashflows. It also requires the interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Changes in estimated reserves can impact developed and undeveloped property carrying values, asset retirement costs and the recognition of income tax assets, due to changes in expected future cash flows.

15. Notes to the Financial Statements (continued)

2. Segmental information

In the opinion of the Directors the Group has one class of business, being the exploration for, and development and production of, oil and gas reserves, and other related activities.

The Group's primary reporting format is determined to be the geographical segment according to the location of the oil and gas asset. There are currently three geographic reporting segments: South East Asia where production, development and exploration activity is being assessed, South America, which has previously been involved in production, development and exploration activity but is now being phased out, and the United Kingdom being the head office and where exploration activity is taking place.

Exploration and production year ended 31 December 2022

	United Kingdom £'000	South America £'000	South East Asia £'000	Total £'000
Revenue	–	–	–	–
Cost of sales	–	–	–	–
Gross profit	–	–	–	–
Exploration and evaluation expenditure	(67)	(8)	(138)	(213)
Property, plant and equipment impairment and depreciation	(12)	–	(21)	(33)
Administration expenses	(686)	(64)	(441)	(1,191)
Gain on exchange	43	–	–	43
Loss before interest and taxation	(722)	(72)	(600)	(1,394)
Finance cost	(1)	–	(4)	(5)
Finance income	11	1	–	12
Loss before taxation	(712)	(71)	(604)	(1,387)
Income tax expense	–	–	–	–
Loss after taxation	(712)	(71)	(604)	(1,387)
Assets and liabilities				
Segment assets	298	1	4,403	4,702
Cash and cash equivalents	5,625	5	177	5,807
Total assets	5,923	6	4,580	10,509
Segment liabilities	194	1	212	407
Current tax liabilities	14	–	–	14
Total liabilities	208	1	212	421
Other segment items				
Capital expenditure	92	–	794	886
Depreciation, amortisation and impairment charges	12	–	21	33

15. Notes to the Financial Statements (continued)

2. Segmental information (continued)

Exploration and production year ended 31 December 2021 (restated)

	United Kingdom £'000	South America £'000	South East Asia £'000	Total £'000
Revenue	–	–	–	–
Cost of sales	–	–	–	–
Gross profit	–	–	–	–
Exploration and evaluation expenditure	(50)	(101)	(67)	(218)
Intangible asset impairment	–	(17)	–	(17)
Property, plant and equipment impairment and depreciation	(11)	–	–	(11)
Receivables and inventory impairment	–	(7)	–	(7)
Administration expenses	(1,031)	(5)	(285)	(1,321)
Gain on exchange	22	–	–	22
Other operating income	–	–	89	89
Operating (loss)/profit	(1,070)	(130)	(263)	(1,463)
Income from associated undertaking	–	–	29	29
Gain on disposal of associated undertaking	–	–	302	302
Loss before interest and taxation	(1,070)	(130)	68	(1,132)
Finance costs	(2)	–	–	(2)
Finance income	7	–	–	7
(Loss)/Profit before taxation	(1,065)	(130)	68	(1,127)
Income tax expense	–	–	–	–
Loss/(Profit) before taxation	(1,065)	(130)	68	(1,127)
Assets and liabilities				
Segment assets	2,816	4	863	3,683
Cash and cash equivalents	1,527	5	118	1,650
Total assets	4,343	9	981	5,333
Segment liabilities	94	3	542	639
Current tax liabilities	12	–	–	12
Total liabilities	106	3	542	651
Other segment items				
Capital expenditure	50	–	1,307	1,357
Depreciation, amortisation and impairment charges	11	24	–	35

15. Notes to the Financial Statements (continued)**3. Operating loss**

	2022 £'000	2021 £'000
The operating loss is stated after charging:		
Auditor's remuneration		
Audit of group and company financial statements – current year	29	25
Audit of group and company financial statements – prior year	4	–
Non-audit services: Tax compliance	2	2
Non-audit services: Other assurance services	2	1
Exploration and evaluation expenditure	213	218
Impairment of intangible assets	–	17
Depreciation of property, plant and equipment	33	11
Impairment of foreign tax receivables	–	7
(Gain) on exchange	(43)	(22)
Other operating income	–	(89)

Other operating income in 2021 arose on the capitalisation into cost of investment of development costs written off in prior years in respect of Chuditch, Timor-Leste. This was due to a reconstruction of the balance sheet of SundaGas (Timor-Leste Sahul) Pty Ltd ("TLS") when the Group took majority control in TLS.

The analysis of development and administrative expenses in the consolidated income statement by nature of expense is:

	2022 £'000	2021 £'000
Employee benefit expense	632	521
Share based payments	–	261
Exploration and evaluation expenditure	213	218
Depreciation, amortisation and impairment charges	33	35
Legal and professional fees	410	454
(Gain) on exchange	(43)	(22)
Other expenses	149	85
	1,394	1,552

15. Notes to the Financial Statements (continued)

4. Staff numbers and cost

The average number of persons employed by the Group (including directors) during the year, analysed by category, were as follows:

	2022		2021	
	Group Number	Company Number	Group Number	Company Number
Directors	3	3	3	3
Technical and production	4	–	–	–
Administration	2	1	2	1
Total	9	4	5	4

The aggregate payroll costs of these persons were as follows:

	£'000	£'000	£'000	£'000
Wages and salaries	206	49	96	80
Directors' fees, salaries and benefits	390	390	349	349
Share based payments	–	–	286	286
Social security costs	47	47	51	51
	643	486	782	766

5. Finance income and expenses

	2022 £'000	2021 £'000
Bank and other interest received	12	7
Interest on lease liability	(4)	(2)
Other finance cost	(1)	–
Total	7	5

15. Notes to the Financial Statements (continued)

6. Income tax expense

	2022 £'000	2021 £'000
The tax charge on the loss on ordinary activities was:-		
UK Corporation Tax – current	–	–
Foreign taxation	–	–
	–	–

The total charge for the year can be reconciled to the accounting result as follows:

	2022 £'000	2021 £'000
(Loss) before tax		
Continuing operations	(1,387)	(1,127)
Tax at composite group rate of 18.6% (2021: 22.4%)	(258)	(253)
Effects of:		
Losses not subject to tax	163	123
Movement on capital allowances	(76)	(97)
Increase in tax losses	171	227
Foreign taxation	–	–
Tax expense	–	–

At 31 December 2022, the Group had estimated tax losses of £36,011,000 (2021 – £32,933,000) to carry forward against future profits. The potential deferred tax asset on these tax losses at a composite group rate of 29.5% of £10,636,000 (2021: at 18.1%, £5,964,000) has not been recognised due to uncertainty over the timing and existence of future taxable profits. The current tax reconciliation has been prepared using a blended rate of 18.6% (2021: 22.4%) based on prevailing headline taxation rates as applied to the Group's taxable entities in the year. The rate assessed for the unrecognised deferred tax asset reflects management's best estimate of the applicable rates which would apply to oil and gas revenues in the Group's respective countries of operation.

7. Earnings per share

	2022	2021
Loss per ordinary share		
– Basic	(0.010p)	(0.012p)
– Diluted	(0.010p)	(0.012p)

Earnings per ordinary share is based on the Group's loss attributable to controlling interests for the year of £1,387,000 (2021: £1,127,000).

The weighted average number of shares used in the calculation is the weighted average ordinary shares in issue during the year of 13,784,079,264 (2021: 9,460,727,853).

Due to the Group's results, the diluted earnings per share was deemed to be the same as the basic earnings per share for that year.

15. Notes to the Financial Statements (continued)

8. Property, plant and equipment

	Equipment and machinery £'000	Right of use assets £'000	Total £'000
Group			
<i>Cost</i>			
At 1 January 2021	29	–	29
Foreign exchange translation adjustment	1	–	1
Additions	1	45	46
At 1 January 2022	31	45	76
Foreign exchange translation adjustment	4	–	4
Additions	17	62	79
Disposals	(34)	–	(34)
At 31 December 2022	18	107	125
<i>Depreciation</i>			
At 1 January 2021	29	2	31
Charge for the period	–	11	11
At 1 January 2022	29	13	42
Foreign exchange translation adjustment	5	1	6
Charge for the period	5	28	33
Disposals	(34)	–	(34)
At 31 December 2022	5	42	47
Net book value			
At 31 December 2022	13	65	78
At 31 December 2021	2	32	34

Included in the above line items are Right of Use assets of £65,000 (2021: £32,000) in respect of a motor vehicle and an office lease.

15. Notes to the Financial Statements (continued)

8. Property, plant and equipment (continued)

	Equipment and machinery £'000	Right of use asset £'000	Total £'000
Company			
<i>Cost</i>			
At 1 January 2021	–	45	45
Additions	1	–	1
At 1 January and 31 December 2022	1	45	46
<i>Depreciation</i>			
At 1 January 2021	–	2	2
Charge for the period	–	11	11
At 1 January 2022	–	13	13
Charge for the period	–	12	12
At 31 December 2022	–	25	25
Net book value			
At 31 December 2022	1	20	21
At 31 December 2021	1	32	33

Included in the above line items are Right of Use assets of £20,000 (2021: £32,000) in respect of a motor vehicle.

15. Notes to the Financial Statements (continued)

9. Intangible fixed assets

	Exploration and evaluation assets £'000	Total £'000
Group		
<i>Cost</i>		
At 1 January 2021	2,319	2,319
Foreign exchange translation adjustment	17	17
Additions	1,356	1,356
Consolidation of single asset company	1,362	1,362
At 1 January 2022	5,054	5,054
Foreign exchange translation adjustment	275	275
Additions	806	806
Disposals	(2,439)	(2,439)
At 31 December 2022	3,696	3,696
<i>Impairment</i>		
At 1 January 2021	2,301	2,301
Foreign exchange translation adjustment	–	–
Charge for the period	17	17
At 1 January 2022	2,318	2,318
Foreign exchange translation adjustment	121	121
Charge for the period	–	–
Disposals	(2,439)	(2,439)
At 31 December 2022	–	–
Net book value		
At 31 December 2022	3,696	3,696
At 31 December 2021	2,736	2,736

15. Notes to the Financial Statements (continued)

9. Intangible fixed assets (continued)

	Exploration and evaluation assets £'000	Total £'000
Company		
<i>Cost</i>		
At 1 January 2021	653	653
Additions	50	50
At 1 January 2022	703	703
Additions	91	91
Disposals	(635)	(635)
At 31 December 2022	159	159
<i>Impairment</i>		
At 1 January 2021 and 2022	635	635
Disposals	(635)	(635)
At 31 December 2022	–	–
Net book value		
At 31 December 2022	159	159
At 31 December 2021	68	68

Exploration and evaluation assets represent amounts capitalised in progressing the Group's interest in licences for the exploration of oil and gas in the UK and Timor-Leste.

The Directors have performed an assessment of impairment as at the balance sheet date in respect of exploration and evaluation assets, taking account of the facts and circumstances which existed at that date. Impairment reviews were performed at the Operating Segment level and therefore separate tests were performed for the Chuditch and Inner Moray Firth P2478 exploration assets. The Directors concluded that the facts did not give rise to an impairment and therefore no impairment charge has been reflected in 2022 (2021: £17,000).

During the previous year, the Group increased its holding in SundaGas (Timor-Leste Sahul) Pty. Ltd ("TLS") from 33.33% to 100%. As a consequence of the increased holding in TLS, the Company was consolidated into the Group Income Statement and Statement of Financial Position. As TLS is a single asset company in pre-production phase, it is included as an oil and gas asset purchase rather than as a business combination, and its carrying value is included in intangible assets.

Block XXI Peru: this licence was fully impaired in 2018 and was relinquished in April 2022.

15. Notes to the Financial Statements (continued)

10. Goodwill

	Goodwill on consolidation of subsidiaries £'000
Group	
<i>Cost</i>	
At 1 January 2021 and 1 January 2022	81
Goodwill written off	(81)
At 31 December 2022	–
<i>Impairment</i>	
At 1 January 2021 and 1 January 2022	81
Adjustment on write off of goodwill	(81)
At 31 December 2022	–
Net book value	
At 31 December 2022	–
At 31 December 2021	–

The carrying value of goodwill represents the purchase of shares in Gold Oil Peru SAC. This has been written off during the period as there is no prospect of recovery.

11. Associated undertaking

	Shares in associated undertaking £'000	Total £'000
Group		
<i>Gross investment value</i>		
At 1 January 2021	151	151
Additions	93	93
Share of post acquisition net result	29	29
Disposal	(273)	(273)
At 1 January and 31 December 2022	–	–
<i>Impairment</i>		
At 1 January 2021, 1 January and 31 December 2022	–	–
<i>Carrying value</i>		
At 31 December 2022	–	–
At 31 December 2021	–	–

On 27 April 2020, the Group acquired a 33.33% interest in SundaGas (Timor-Leste Sahul) Pte. Ltd, incorporated in Singapore at a gross cost of £195,000. In accordance with IAS28, the Group accounted for its investment in this company using the equity method.

During the preceding period, the Company increased its stake in SundaGas (Timor-Leste Sahul) Limited ("TLS") from 33.33% to 100%. In accordance with IFRS3, this is treated as an effective disposal of the interest in the associated undertaking requiring a remeasurement of its cost to fair value. This resulted in a gain on disposal of £302,000 in 2021.

15. Notes to the Financial Statements (continued)

12. Investments

	Loans to group undertaking £'000	Shares in group undertaking £'000	Shares in associated undertaking £'000	Total £'000
Company				
<i>Cost</i>				
At 1 January 2021	775	5,444	195	6,414
Exchange rate adjustment	19	–	–	19
Additions	–	2,104	93	2,197
Net loan movements	1,030	–	–	1,030
Disposals	–	–	(288)	(288)
At 1 January 2022	1,824	7,548	–	9,372
Exchange rate adjustment	205	–	–	205
Net loan movements	1,811	–	–	1,811
At 31 December 2022	3,840	7,548	–	11,388
<i>Impairment</i>				
At 1 January 2021	775	5,444	–	6,219
Charge for the year	124	–	–	124
At 1 January 2022	899	5,444	–	6,343
Charge for the year	43	–	–	43
At 31 December 2022	942	5,444	–	6,386
<i>Carrying value</i>				
At 31 December 2022	2,898	2,104	–	5,002
At 31 December 2021	925	2,104	–	3,029

The Company elected to recognise the investment in associate in respect of SundaGas (Timor-Leste Sahul) Pte. Ltd. under the cost model.

The Company makes loans to its subsidiary operations as part of its longer term strategy of undertaking exploration activities. Whilst the loans are made on informal terms, the Board consider that such loans form part of the company's net investment in its subsidiaries and therefore are presented within investments and treated as non-current. No interest is charged on intercompany loans.

The Company has made provision on the investment in Gold Oil Peru S.A.C. of £6,386,000 (2021: £6,343,000).

15. Notes to the Financial Statements (continued)

12. Investments (continued)

The Company's subsidiary undertakings at the year end were as follows:

Subsidiary	Place of incorporation and operation	Proportion of ownership interest %	Proportion of voting power held %	Nature of business
SundaGas (Timor-Leste Sahul) Pte. Ltd. 8 Chang Charn Road #02-01 Link (Thim) Building Singapore 159637	Singapore	100	100	Exploration of oil and gas
SundaGas Banda Unipessoal, Lda* Timor Plaza Pisso 3. #337 Av. President Nicolau Lobato 20 de Setembro, Bebonuk, Dom Aleixo Dili, Timor-Leste	Timor-Leste	100	100	Exploration of oil and gas
Gold Oil Peru S.A.C Jr. General Julian Arias Araguez 250 Miraflores, Lima-18, Peru	Peru	100	100	Exploration of oil and gas

All shareholdings are in ordinary, voting shares.

* A direct subsidiary of SundaGas (Timor-Leste Sahul) Pte. Ltd.

13. Trade and other receivables

	2022		2021	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade receivables	–	–	–	–
Other receivables	24	24	12	12
Prepayments and accrued income	77	37	42	34
	101	61	54	46

15. Notes to the Financial Statements (continued)**14. Bank guarantee bond**

	2022		2021	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank guarantee bond at 31 December 2022	827	–	859	–

The Company's wholly-owned subsidiary, SundaGas Banda Unipessoal, Lda ("Banda"), has provided a performance guarantee to Autoridade Nacional do Petróleo e Minerais ("ANPM") in respect of the offshore Timor-Leste TL-SO-19-16 Production Sharing Contract ("PSC"). This performance guarantee is secured by a bank guarantee given by United Overseas Bank Limited of Singapore ("UOB") backed by a cash deposit of US\$1 million. This arrangement was originally put in place in November 2019 at the outset of the PSC, was extended in November 2022, and now expires on 1 August 2023. It is anticipated that the bank guarantee will be released following the conclusion of the current phase of the PSC which is currently 18 June 2023 as the Directors consider that all work commitments to the end of the current phase will have been met.

The original bond was set up by SundaGas Pte. Ltd ("SGPL"), the former owners of Banda, and has remained in their name beyond the acquisition of Banda by the Company, so as not to disrupt the contractual position of the PSC. As a result, the bond will be initially released to SGPL which is contractually bound by the Relationship Agreement that exists between the parties to account for the funds released to Banda.

As the bond represents a financial asset with contractual cash flows, the Directors have had regard to the credit risk associated with the recovery of the asset. In taking account of the Group's close working relationship with both ANPM and SGPL along with the Group's history of dealings with them, the Directors consider that any credit risk associated with the bond asset is immaterial and therefore no provision for credit loss has been made.

15. Cash and cash equivalents

	2022		Restated 2021	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank current accounts	837	655	238	120
Bank deposit accounts	4,970	4,970	1,412	1,407
	5,807	5,625	1,650	1,527

Bank deposit accounts comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less and earn interest at respective short-term deposit rates. The carrying amount of these assets approximates to their fair value.

15. Notes to the Financial Statements (continued)

16. Trade and other payables

	2022		2021	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade payables	67	66	19	18
Other payables	–	–	495	–
Accruals	274	109	96	48
Lease finance liabilities due within 12 months	36	10	10	10
Taxation	14	14	12	12
	391	199	632	88
Non-current liabilities				
Lease finance liabilities due after 12 months	30	9	19	19

17. Lease finance

Lease liabilities are presented in the statement of financial position as follows:

	2022		2021	
	Group £'000	Company £'000	Group £'000	Company £'000
Current	36	10	10	10
Non-current	30	9	19	19
	66	19	29	29

18. Share capital

	2022 £'000	2021 £'000
<i>Allotted, called up and fully paid</i>		
Equity: 18,920,260,428 (2021: 11,583,612,461) ordinary shares of £0.00025 each	4,730	2,896
	4,730	2,896

The Company issued the following new shares for cash during the year.

- (i) 2,750,000,000 new ordinary shares of £0.00025 each at £0.0006 per share on 9 May 2022.
- (ii) 117,125,001 new ordinary shares of £0.00025 each at £0.0010 per share on 4 November 2022.
- (iii) 4,469,522,966 new ordinary shares of £0.00025 each at £0.0012 per share on 29 November 2022.

Ordinary shares entitle the holder to full rights as to voting, dividends and any distribution upon winding up.

15. Notes to the Financial Statements (continued)

19. Share premium and reserves

	Share premium account £'000	Share Option reserve £'000	Foreign exchange translation reserve £'000	Profit and loss account £'000
Group				
At beginning of the year	34,061	388	1,561	(34,224)
Loss for the year attributable to controlling interests	–	–	–	(1,387)
Issue of new shares	5,296	–	–	–
Share issue costs	(511)	–	–	–
Share option reserve released	–	(56)	–	56
Foreign exchange translation adjustments	–	–	174	–
	38,846	332	1,735	(35,555)
Company				
At beginning of the year	34,061	388	(163)	(32,586)
Loss for the year	–	–	–	(555)
Issue of new shares	5,296	–	–	–
Share issue costs	(511)	–	–	–
Share option reserve released	–	(56)	–	56
	38,846	332	(163)	(33,085)

Details of options and warrants issued, exercised and lapsed during the year together with options and warrants outstanding at 31 December 2022 are as follows:

Issue date	Final exercise date	Exercise price	1 January 2022 Number	New Issue Number	Exercised Number	Lapsed or cancelled Number	31 December 2022 Number
6 August 2019	6 August 2022	£0.00080	27,500,000	–	–	(27,500,000)	–
26 March 2020	26 March 2023	£0.00100	117,125,001	–	(117,125,001)	–	–
26 May 2020	26 May 2030	£0.00100	290,000,000	–	–	(165,000,000)	125,000,000
10 November 2020	10 November 2030	£0.00100	75,000,000	–	–	(75,000,000)	–
22 July 2021	22 July 2031	£0.00070	440,000,000	–	–	–	440,000,000
22 July 2021	31 December 2025*	£0.00070	150,000,000	–	–	–	150,000,000
17 December 2021	17 December 2031	£0.00060	530,000,000	–	–	–	530,000,000
14 July 2022	14 July 2025	£0.00070	–	175,000,000	–	–	175,000,000
			1,629,625,001	175,000,000	(117,125,001)	(267,500,000)	1,420,000,000

* These options have been granted to two external contractors who have been engaged by SundaGas (Timor-Leste Sahul) Pte. Ltd. The final exercise dates of these options was extended during the year from 22 July 2024 to 31 December 2025.

15. Notes to the Financial Statements (continued)

19. Share premium and reserves (continued)

Details of options and warrants issued, exercised and lapsed during the year together with options and warrants outstanding at 31 December 2021 are as follows:

Issue date	Final exercise date	Exercise price	1 January 2021 Number	New Issue Number	Exercised Number	Lapsed or cancelled Number	31 December 2022 Number
27 November 2018	27 November 2021	£0.00435	20,000,000	–	–	(20,000,000)	–
3 December 2018	3 December 2021	£0.00440	10,000,000	–	–	(10,000,000)	–
6 August 2019	6 August 2022	£0.00080	27,500,000	–	–	–	27,500,000
26 March 2020	26 March 2023	£0.00100	117,125,001	–	–	–	117,125,001
26 May 2020	26 May 2030	£0.00100	290,000,000	–	–	–	290,000,000
10 November 2020	10 November 2030	£0.00100	75,000,000	–	–	–	75,000,000
22 July 2021	22 July 2031	£0.00070	–	440,000,000	–	–	440,000,000
22 July 2021	22 July 2024	£0.00070	–	150,000,000	–	–	150,000,000
17 December 2021	17 December 2031	£0.00060	–	530,000,000	–	–	530,000,000
			539,625,001	1,120,000,000	–	(30,000,000)	1,629,625,001

The number of share options which were exercisable at year end was 1,245,000,000 (2021: 1,099,625,001). The weighted average remaining life of share options at the year end was 7 years (2021: 8 years). The weighted average exercise price (in pence) applying to share options during the year was as follows:

	2022	2021
Opening	0.08p	0.12p
Exercised	0.10p	–
Lapsed	0.08p	0.44p
Cancelled	0.10p	–
Issued	0.07p	0.07p
Closing	0.07p	0.08p

20. Share based payments

The fair values of the options and warrants granted have been calculated using Black–Scholes model assuming the inputs shown below:

Grant date	14 July 2022	17 December 2021	22 July 2021	22 July 2021	26 May 2020
Number of options or warrants granted	175,000,000	530,000,000	150,000,000	440,000,000	290,000,000
Share price at grant date	0.07p	0.06p	0.07p	0.07p	0.05p
Exercise price at grant date	0.07p	0.06p	0.07p	0.07p	0.1p
Option life	3 years	10 years	3 years	10 years	10 years
Risk free rate	0.86%	0.86%	0.86%	0.86%	0.86%
Expected volatility	80%	80%	80%	80%	80%
Expected dividend yield	0%	0%	0%	0%	0%
Fair value of option	0.017p	0.025p	0.02p	0.03p	0.02p

15. Notes to the Financial Statements (continued)

20. Share based payments (continued)

During the year, as announced on 14 July 2022, the Company awarded 175,000,000 share options to a director of both SundaGas (Timor-Leste Sahul) Pte. Ltd and SundaGas Banda Unipessoal Lda, the latter being the operator of the 'Chuditch' Timor-Leste TL-SO-19-16 PSC. The share options are exercisable at 0.07p, expire three years from grant date and will only vest upon Baron Oil making an announcement that the first appraisal well on the Chuditch PSC has spudded, or in certain limited circumstances such as a takeover event. SundaGas (Timor-Leste Sahul) Pte. Ltd and SundaGas Banda Unipessoal Lda are wholly owned subsidiaries of Baron Oil Plc.

Given that vesting is contingent on the spudding of a well at the Chuditch project and that the occurrence of this event is dependent, inter alia, on events outside the control of the director, the Board considered that the current degree of certainty over vesting was such that no share-based payment charges were recorded in respect of these options during 2022. A detailed summary of the current status and future plans for the Chuditch project are given in the Chairman's Statement & Operations Report.

Volatility was determined by reference to the Company's historical share price volatility over a suitable period. During the year, and as announced on 12 January 2022, 240,000,000 share options were cancelled.

21. Directors' emoluments

	2022 £'000	2021 £'000
Directors' remuneration	390	349
Compensation for loss of office	–	53
Share based payments	–	256
	390	658

Highest paid director emoluments and other benefits are as listed below.

	2022 £'000	2021 £'000
Remuneration	214	216
Post termination benefits	17	–
Share based payments	–	145
	231	361

Total remuneration in respect of key management personnel amounted to £432,000 (2021: £698,000).

15. Notes to the Financial Statements (continued)

22. Financial instruments

The Group's activities expose it to a variety of financial risks: credit risk, cash flow interest rate risk, foreign currency risk, liquidity risk, price risk and capital risk. The Group's activities also expose it to non-financial risks: market risk. The Group's overall risk management programme focuses on unpredictability and seeks to minimise the potential adverse effects on the Group's financial performance. The Board, on a regular basis, reviews key risks and, where appropriate, actions are taken to mitigate the key risks identified.

Financial instruments – Risk Management

The Group is exposed through its operations to the following risks:

- Credit risk
- Cash flow interest rate risk
- Foreign Exchange Risk
- Liquidity risk
- Price risk
- Capital risk
- Market risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises are as follows:

- Loans and receivables
- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives regular updates from the Executive Directors through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

15. Notes to the Financial Statements (continued)

22. Financial instruments (continued)

Credit risk

The Group's principal financial assets are bank balances and cash, and other receivables. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The amounts presented in the statement of financial position are net of allowance for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experiences, is evidence of a reduction in the recoverability of the cash flows.

As at 31 December 2022 and 2021 there were no trade receivables.

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk from its deposits of cash and cash equivalents with banks.

The cash balances maintained by the Group are proactively managed in order to ensure that the maximum level of interest is received for the available funds but without affecting the working capital flexibility the Group requires.

The Group is not at present exposed to cash flow interest rate risk on borrowings as it has no significant debt. No subsidiary company of the Group is permitted to enter into any borrowing facility or lease agreement without the prior consent of the Company.

Interest rates on financial assets

The Group's financial assets consist of cash and cash equivalents, loans, trade and other receivables. The interest rate profile at period end of these assets was as follows:

31 December 2022

	Financial assets on which interest earned £'000	Financial assets on which interest not earned £'000	Total £'000
UK sterling	4,802	397	5,199
US dollar (USD)	168	1,287	1,455
Singapore Dollar (SGD)	–	4	4
Peruvian Nuevo Sol (PEN)	–	–	–
	4,970	1,688	6,658

31 December 2021

	Financial assets on which interest earned £'000	Financial assets on which interest not earned £'000	Total £'000
UK sterling	780	123	903
US dollar (USD)	1,486	174	1,660
Peruvian Nuevo Sol (PEN)	–	–	–
	2,266	297	2,563

The Group earned interest on its interest bearing financial assets at rates between 1.5% and 4% (2021 0.3% and 1%) during the period.

15. Notes to the Financial Statements (continued)

22. Financial instruments (continued)

A change in interest rates on the statement of financial position date would increase/(decrease) the equity and the anticipated annual income or loss by the theoretical amounts presented below. The analysis is made on the assumption that the rest of the variables remain constant. The analysis with respect to 31 December 2021 was prepared under the same assumptions.

	Change of 1.0% in the interest rate as of			
	31 December 2022		31 December 2021	
	Increase of 1.0%	Decrease of 1.0%	Increase of 1.0%	Decrease of 1.0%
Instruments bearing variable interest (£'000)	50	(50)	10	(10)

It is considered that there have been no significant changes in cash flow interest rate risk at the reporting date compared to the previous period end and that therefore this risk has had no material impact on earnings or shareholders' equity.

Foreign exchange risk

Foreign exchange risk arises because the Group has operations located in various parts of the world whose functional currency is not the same as the functional currency in which other Group companies are operating. Although its geographical spread reduces the Group's operation risk, the Group's net assets arising from such overseas operations are exposed to currency risk resulting in gains and losses on retranslation into Sterling. Only in exceptional circumstances will the Group consider hedging its net investments in overseas operations, as generally it does not consider that the reduction in foreign currency exposure warrants the cash flow risk created from such hedging techniques. It is the Group's policy to ensure that individual Group entities enter into local transactions in their functional currency wherever possible and that only surplus funds over and above working capital requirements should be transferred to the parent company treasury. The Group considers this policy minimises any unnecessary foreign exchange exposure.

In order to monitor the continuing effectiveness of this policy the Board, through its approval of both corporate and capital expenditure budgets and review of the currency profile of cash balances and management accounts, considers the effectiveness of the policy on an ongoing basis.

The following table discloses the major exchange rates of those currencies utilised by the Group:

	USD	SGD	PEN
Average for year ended 31 December 2022	1.24	1.71	4.73
At 31 December 2022	1.21	1.62	4.55
Average for year ended 31 December 2021	1.37	1.84	5.27
At 31 December 2021	1.35	1.82	5.35

15. Notes to the Financial Statements (continued)

22. Financial instruments (continued)

A change in exchange rates on the statement of financial position date would increase/(decrease) the equity and net asset position by the theoretical amounts presented below. The analysis is made on the assumption that the rest of the variables remain constant. The analysis with respect to 31 December 2021 was prepared under the same assumptions.

	Change of 10.0% in the GBP/USD rate as of			
	31 December 2022		31 December 2021	
	Increase of 10.0%	Decrease of 10.0%	Increase of 10.0%	Decrease of 10.0%
Net assets (£'000)	(279)	340	(148)	393

It is considered that there have been no significant changes in exchange rate risk at the reporting date compared to the previous period end and that therefore this risk has had no material impact on earnings or shareholders' equity.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain readily available cash balances (or agreed facilities) to meet expected requirements for a period of at least 60 days. The Group currently has no long term borrowings.

Price risk

Potential oil and gas sales revenue is subject to energy market price risk.

Given that the Company currently does not have production, it is not considered appropriate for the Group to enter into any hedging activities or trade in any financial instruments, such as derivatives. This strategy will continue to be subject to regular review.

It is considered that price risk of the Group at the reporting date has not increased compared to the previous period end.

Volatility of oil and gas prices

A material part of the Group's revenue will be derived from the sale of oil and gas that it expects to produce. A future substantial or extended decline in prices for oil and gas and refined products could adversely affect the Group's future revenues, cash flows, profitability and ability to finance its planned capital expenditure. The movement of crude oil and natural gas prices is shown below:

	31 December 2022	Average price 2022	31 December 2021
Crude oil – WTI			
Per barrel – US\$	\$81	\$92	\$75
Per barrel – £	£67	£74	£56
Natural gas LNG Japan/Korea Marker (Platts)			
Per Million Btu – US\$	\$19	\$32	\$25
Per Million Btu – £	£15	£26	£18

Oil and gas prices are dependent on a number of factors impacting world supply and demand. Due to these factors, prices may be subject to significant fluctuations from year to year. However, these prices had no effect on the Group's results for 2022, since it had no production.

15. Notes to the Financial Statements (continued)

22. Financial instruments (continued)

Capital risk

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

23. Capital commitments

As of 31 December 2022, there were no capital commitments (2021: none).

24. Contingent Liabilities

The Company considers that there are no potential decommissioning costs in respect of abandoned fields.

25. Events after the reporting period

On 20 February 2023, the Company issued 62,500,000 new ordinary shares of 0.025p each following the exercise of options by a former director, raising new capital of £62,000 gross, £50,000 net of costs.

26. Ultimate controlling party

Baron Oil Plc is listed on the AIM market operated by the London Stock Exchange. At the date of the Annual Report in the Directors' opinion there is no controlling party.

27. Related party transactions

Company

During the year, the Company advanced loans to its subsidiaries. The details of the transactions and the amount owed by the subsidiaries at the year end were.

	Year ended 31 December 2022		Year ended 31 December 2021	
	Balance £'000	Loan advance £'000	Balance £'000	Loan advance £'000
SundaGas (Timor-Leste Sahul) Pty. Ltd	2,898	1,972	926	926
Gold Oil Peru S.A.C*	941	42	899	124

* The Company has provided for an impairment of £941,000 (2021: £899,000) on the outstanding loans.

Group and company

SundaGas (Timor-Leste Sahul) Pty. Ltd ("TLS"), a wholly-owned subsidiary paid fees amounting to US\$285,000 (2021: US\$369,000) to SundaGas Pte. Ltd, a company in which Dr. Andrew Butler, a director of TLS, held a significant interest.

The Directors' aggregate remuneration and any associated benefits in respect of qualifying services are disclosed in note 21.

During the year, key management personnel subscribed for new ordinary shares of £0.00025 each in the Company as part of placings and subscriptions of new ordinary shares as follows.

	Announced 29 April 2022, at a price of 0.06p per share	Announced 16 November 2022, at a price of 0.12p per share
Andrew Yeo	16,150,000 shares	8,000,000 shares
Dr Andrew Butler*	—	50,000,000 shares

15. Notes to the Financial Statements (continued)

27. Related party transactions (continued)

During the year, key management personnel were awarded options to subscribe to new ordinary shares of £0.00025 each in the Company as follows.

	Number	Exercise price	Final exercise date
Dr Andrew Butler*	175,000,000	0.07p	14 July 2025

* Director of SundaGas (Timor-Leste Sahul) Pty. Ltd.

On 25 November 2022, the Company assumed 100% of the collateral for a US\$1 million amount (the "Deposit") in relation to the performance bank guarantee arrangements connected to the Chuditch PSC (the "Guarantee"), by providing approximately US\$667,000 to SundaGas Pte. Ltd ("SGPL") to replace the two thirds contribution (approximately US\$667,000) previously made by SGPL, which was the other indirect shareholder in SundaGas Banda Unipessoal Lda. until 18 June 2021. The relationship agreement between SGPL, its principals and Baron as originally announced on 18 June 2021 (the "Relationship Agreement") was also varied so that Baron is entitled to all the benefit of and rights to the return of the Deposit should it be released or when the Guarantee expires in due course on 1 August 2023. The changes to the provision of the funds for the Deposit and the variations to the Relationship Agreement were deemed to be related party transactions pursuant to the AIM Rules for Companies.

In June 2021, the Company agreed to acquire the remaining 15% of SundaGas Timor-Leste (Sahul) Pte. Ltd. ("TLS") which the Company did not own in exchange for the issuance of 1,157,202,885 new ordinary shares in the Company to SundaGas Pte. Ltd ("SGPL") (the "Share Exchange"). TLS is the parent company of the Timor-Leste subsidiary SundaGas Banda Unipessoal Lda. ("Banda"), which is the Operator of and 75% interest holder in the offshore Timor-Leste TL-SO-19-16 PSC (the "Chuditch PSC"). SGPL is the parent company of SundaGas Resources Pte. Ltd. ("SGR"), which was the holder of the 15% interest in TLS acquired by Baron pursuant to the Share Exchange.

Through the Share Exchange, the Company became the sole shareholder of TLS, which provided a 75% effective interest in the Chuditch PSC. The Company's responsibility to carry SGR's share of financial contributions until the end of the PSC's Firm Commitment Period in November 2022 was extinguished following completion of the Share Exchange. Under the terms of an Amended Services Agreement between SGPL and TLS (which was extended to the end of December 2022), SGPL will continue to be paid fees for management and administrative services.

As SGPL through its subsidiary SGR held more than 10% of TLS's ordinary shares immediately before the Share Exchange, the Share Exchange was deemed to be a related party transaction pursuant to rule 13 of the AIM Rules for Companies.

28. Restatement of comparative figures

The Directors have reviewed the presentation of the performance bonds deposited with banks as part of the Group's exploration activities and have concluded that such deposits should not be considered as cash equivalents. Therefore the comparative period has been restated to represent this reallocation. Further details of the terms of the performance bonds held are given in Note 15.

In addition, the Board have reviewed the allocation of certain non-cash items within the cash flow statement have restated the comparative consolidated cash flow statement accordingly.

The comparative figures in the Statement of Other Comprehensive Income have also been restated so that movements in the share-based payment reserve following share option exercises or lapses are presented as an adjustment between reserves within equity and not within Other Comprehensive Income.

None of the restatements impact on the Earnings Per Share as reported in 2021.

16. Glossary of Technical Terms

BSCF	Billion standard cubic feet of natural gas.
Geological chance of success	The estimated probability that exploration activities will confirm the existence of a significant accumulation of potentially recoverable petroleum.
GIIP	Volume of natural gas initially in-place in a reservoir.
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable owing to one or more contingencies
High or 3U Estimate	Denotes the high estimate qualifying as Prospective Resources. Reflects a volume estimate that there is a 10% probability that the quantities actually recovered will equal or exceed the estimate.
Licence Operator or Administrator	The Company nominated to carry out operational activities. In the context of the UK jurisdiction, during the initial Phase A of a licence the nominated Company is termed a licence administrator.
MMBBL	Million barrels of oil or condensate.
MMBOE, Oil equivalent	Million barrels of oil equivalent. Volume derived by dividing the estimate of the volume of natural gas in billion cubic feet by six in order to convert it to an equivalent in million barrels of oil or condensate, and, where relevant, adding this to an estimate of the volume of oil in millions of barrels.
Prospective Resources	Quantities of petroleum that are estimated to exist originally in naturally occurring reservoirs, as of a given date. Crude oil in-place, natural gas in-place, and natural bitumen in-place are defined in the same manner.
SPE PRMS 2018	The Society of Petroleum Engineers' ("SPE") Petroleum Resources Management System ("PRMS") is a system developed for consistent and reliable definition, classification, and estimation of hydrocarbon resources prepared by the Oil and Gas Reserves Committee of SPE and approved by the SPE Board in June 2018 following input from six sponsoring societies: the World Petroleum Council, the American Association of Petroleum Geologists, the Society of Petroleum Evaluation Engineers, the Society of Exploration Geophysicists, the European Association of Geoscientists and Engineers, and the Society of Petrophysicists and Well Log Analysts.
SPE PRMS Unrisked Prospective Resources	Denotes the unrisked estimate qualifying as SPE PRMS 2018 Prospective Resources.

16. Glossary of Technical Terms (continued)

Mean	Reflects an unrisks median or best-case volume estimate of resource derived using probabilistic methodology. This is the mean of the probability distribution for the resource estimates and is often not the same as 2U as the distribution can be skewed by high resource numbers with relatively low probabilities.
PSC	Production Sharing Contract.
PSDM	Pre-Stack Depth Migration version of processed seismic data.
TGS-NOPEC	TGS-NOPEC Geophysical Company.

