



**UK Oil & Gas Plc  
Annual Report and Accounts  
For the year ended 30 September 2023**



<b>STRATEGIC REPORT</b> .....	3
Our business .....	3
Our strategy .....	4
Statement from the Chairman .....	5
Chief Executive's Statement .....	6
Operational Review .....	9
Reserves and Resources .....	12
Health, Safety and the Environment .....	14
Financial Review .....	15
Principal Risks and Uncertainties .....	17
<b>CORPORATE GOVERNANCE</b> .....	19
Directors' Section 172 Statement .....	19
Corporate Governance .....	20
Directors' Remuneration Report .....	26
Report of the Directors .....	28
<b>FINANCIAL STATEMENTS</b> .....	36
Consolidated Statement of Comprehensive Income .....	36
Consolidated Statement of Financial Position .....	37
Company Statement of Financial Position .....	38
Consolidated Statement of Changes in Equity .....	39
Company Statement of Changes in Equity .....	40
Consolidated Statement of Cash Flow .....	41
Company Statement of Cash Flow .....	42
Notes to the Financial Statements .....	43



## **STRATEGIC REPORT FOR THE YEAR ENDED 30 September 2023**

### **OUR BUSINESS**

UK Oil & Gas Plc (“UKOG” or the “Company”) aims to build a sustainable oil and gas production base that can help deliver its new UK hydrogen storage business as part of the UK’s transition to Net Zero and which will act as a springboard to further worldwide growth opportunities in the hydrogen space.

In May 2022, the Company’s wholly-owned subsidiary, UK Energy Storage Ltd (“UKEn”), signed an Agreement to Lease with Portland Port Limited covering two sites at the former Royal Navy port in Dorset, with the intent to develop, subject to new planning consent and securing necessary development finance, a planned integrated Energy-Hub, centred around hydrogen-ready gas storage and a future green hydrogen generation capability.

The government’s newly announced one year acceleration of the first hydrogen storage allocation round to Q3 2024 against the prior Q3/Q4 2025 timeline, also necessitates the Company to accelerate its Portland project schedule. In order to prepare and submit a bid for an allocation award, the round’s timetable necessitates an acceleration of specific conceptual design, pre-FEED and environmental/ecology works during 2024. The Company is also in discussion with several significant potential international investors with regard to their participation in the Company’s hydrogen storage project.

Our current oil and gas operational focus is on the UK and Turkey onshore sectors. UKOG has operated safely and environmentally responsibly in the UK since 2013.

Our current UK onshore portfolio consists of direct and indirect interests in five oil & gas exploration, appraisal, development and production assets, all situated within the Weald and Purbeck-Wight Basins of southern England. We are the largest acreage holder in the south of England, with assets covering 489 gross km<sup>2</sup>.

We hold majority interests in the Horse Hill oil field and Loxley gas discovery in Surrey, together with a significant position in the Kimmeridge Limestone (KL) oil deposit or “play”.

Our UK oil & gas portfolio contains a good balance of low-risk production, appraisal and development assets as well as upside exploration assets within both the Kimmeridge Limestone and Portland conventional plays.

Our portfolio in Turkey consists of a 50% non-operated working interest in the 305 km<sup>2</sup> Resan licence in southeast Turkey, containing the potentially significant undeveloped Basur-Resan oil discovery plus further exploration prospects. This project is assessed to contain significantly greater discovered oil volumes than any of our UK projects and, if successful, offers potentially transformational growth for the Company.

In order to move our business forwards, we maintain a high level of operational activity, conducting near-continuous drilling, flow testing and production operations since May 2017.

Our portfolio, notably Loxley and our hydrogen storage portfolio in the UK, has the potential to generate significant returns for the Company and its shareholders.



## OUR STRATEGY

UKOG aims to build a diverse, sustainable and self-funding energy business which has the following strategic objectives:

### Oil and Gas:

#### 1. Find and Develop Low-Cost and Long-life Assets

- Continuing to invest in new and existing near-term production assets both domestically and internationally is a key priority.
- New assets added to the Company's portfolio must demonstrate potential self-funding capacity in the near term. Once in production, revenues from these assets will provide free cash flow to re-invest and deliver shareholder returns.

#### 2. Resource and Reserve Growth

- Building our recoverable resources, reserves and future production through targeted and disciplined high-impact exploration, appraisal projects and acquisitions, both in UK and increasingly abroad.

#### 3. Balance Risk and Reward

- Maximising value by ground floor or early entry where possible. Judicious use of farmouts to provide operational funding. Maximising return on investment by actively considering divestment after an asset has been de-risked, where appropriate.

### Hydrogen and Renewables:

#### 1. Hydrogen

- Investigate potential sites for hydrogen generation, storage and hydrogen battery concept.
- Focus initially on the UK, with international expansion if successful or if commercially viable opportunities arise.
- Ground floor operated entry through planning permission stages, with possible subsequent strategic partnerships/JV arrangements with large infrastructure players.
- Strategic partnerships with sector technology specialists.

#### 2. UK Energy Diversification - Reduce Carbon Footprint of Company's Existing Petroleum Producing Sites

- Where viable, implement geothermal and/or solar energy cogeneration plus battery storage from existing wells/sites.
- Where viable, add new standalone geothermal and battery storage for grid/heat export.
- Investigate replacement of diesel powered off grid mobile generation.

#### 3. Find and Develop New Stand-alone Energy-Hub Projects

- Ground floor entry, either operated or as joint venture partner.
- UK initial focus, international expansion if successful or commercially viable opportunities arise.

### Targeted Portfolio Management:

Continuously review and upgrade our portfolio to either acquire or divest further stakes in existing assets. We also look to acquire assets at any stage in the life cycle and are not limited by geography, where we can create significant value for shareholders.

UKOG shares this vision and strategy through internal dialogue with employees and externally with shareholders and stakeholders via public announcements and dissemination of information through our website and the Annual Report and Accounts.



## STATEMENT FROM THE CHAIRMAN

The resilience of the UKOG team has been illustrated during this period by their steadfast refusal to buckle to challenges in the courts. The Company's victory in the Court of Appeal against legal limbo over their 100%-owned hydrogen feedstock project at Loxley was both emphatic and hugely welcome.

UKOG began the Loxley journey in early 2019 with a public meeting in Dunsfold village hall and Surrey County Council twice refused the proposal for the Loxley site in June and November 2020. As the years rolled by, the local protest group and the borough council kept being given another chance, offering up claim after claim.

It eventually required a number of senior judges to rule in favour of UKOG and there is no room for a further appeal and therefore the case is finally settled.

The gas discovery at Loxley was never going to involve fracking, it was never going to cause a danger to local residents or road users, and it was never going to be a threat to local businesses. But it is going to play its part in the future hydrogen economy, fully supporting the government's British Energy Security strategy.

UKOG's chief executive made it clear on several occasions that as soon as the field has been depleted of natural gas, the vision was for it to be repurposed to store around 1 billion cubic metres of hydrogen.

Hydrogen storage is a major part of the Company's future thanks to its wholly-owned subsidiary, UKEn, who plan to develop salt caverns at Portland Port in Dorset and elsewhere in the UK. Based on intriguing conversations with major infrastructure players, I believe the UKEn business has massive potential for growth.

Our loyal shareholders will hopefully be rewarded as soon as the Portland Port development consent application has been submitted in due course.

**Nicholas Mardon Taylor**  
**Non-Executive Chairman**



## CHIEF EXECUTIVE'S STATEMENT

The **Portland Dorset hydrogen storage project** continues to provide very positive news from Government and potential investors for our wholly-owned subsidiary, UKEn. We remain excited to be at the leading edge of this new and developing major infrastructure sector and continue to build towards making an application for Revenue Support in the UK's first Hydrogen Storage Allocation Round, currently scheduled to open in Q3 2024.

Success in this, or even a subsequent second allocation round, would provide the project with a sovereign guaranteed revenue stream that would, via the provision of a storage floor price, guarantee full pay back of the project's capital costs, currently estimated at c. £1 billion, its fixed operating costs, plus a modest return on capital employed over the 15-year support period. Revenue Support also has the major benefit of creating a substantive terminal value at the end of the 15-year support contract, giving a 15-30+ year remaining operating life unburdened by capital costs. The Government's support model also provides an upside incentive in that storage prices above the floor price will be shared between the operator and Government.

We also plan to conduct and complete further detailed engineering studies and the submission of a Nationally Significant Infrastructure Project planning application. UKEn has also identified further hydrogen storage sites, one in Dorset and one in East Yorkshire which we are also intending to pursue and secure Revenue Support for in future allocation rounds.

The facility in Dorset at the former Royal Naval port, will see the development of 19 man-made salt caverns (a proven and safe technology used in the UK and globally since the 1970s) to play a major part in the UK realising a future powered by home-grown renewable energy.

During the reporting period and post-period I have enjoyed one-on-one meetings with the three key figures from the Department for Energy Security and Net Zero ("DESNZ"), Secretary of State Claire Coutinho, Lord Callanan, Minister for Energy Efficiency and Green Finance and Graham Stuart, Minister for Energy Security and Net Zero. We have also liaised closely with DESNZ and the Company has enjoyed an influential role in helping to design a Hydrogen Storage Business Model that forms the centrepiece of the Government's Revenue Support scheme.

With input from our and our peers' lobbying and efforts over the past few years, the government now fully supports hydrogen storage, and the October 2023 Energy Act includes the necessary mechanisms to implement contracts for sovereign guaranteed revenue support in the hydrogen storage sector. The support provides a critical element to underpin and remove much of the business risk needed to attract substantive private investment into this completely new sector. The Government's publication of the Revenue Support scheme has created much interest in the investment sector and has directly enabled me to enter positive discussions with a number of major potential funders and infrastructure players.

UKEn is an active member of the Solent Cluster partnership of organisations who wish to collaborate to decarbonise the Solent region and beyond. Our vision is that our Portland hydrogen storage would provide the key enabler for the decarbonisation of the region including ExxonMobil's Fawley Refinery.

Portland Port is ideally situated for the construction of large salt caverns as it overlies a 450-metre thick, high quality rock salt or halite section of Triassic age. Halite deposits with sufficient thickness to accommodate significant caverns are confined to only three areas of mainland Great Britain and are found in Dorset, Cheshire and along the north-east Yorkshire coast.

### **Loxley gas discovery (100% owned and operated)**

The conventional gas and hydrogen feedstock project at Loxley could also play a significant role in the UK's future hydrogen economy. That's why the post-period news from the Court of Appeal in January 2024, that it had upheld the project's planning consent and refused permission for any further appeal was so welcome.

The best news is that the Court's decision is final and consequently Loxley's planning permission will remain in full force and effect for its full term.



The order made by the Right Honourable Lord Justice Stuart-Smith has upheld the Honourable Mrs Justice Steyn DBE's High Court order dated 20 July 2023 refusing permission to appeal. Both the Court of Appeal and High Court orders state that an appeal would have no real prospect of success.

UKOG has consistently stated that Loxley can play its part in the government's Hydrogen and British Energy Security strategies via the supply of its gas as feedstock for reformation into clean burning hydrogen in the Solent Cluster. Once the field has been depleted of natural gas, Loxley can also be repurposed to store around 1 billion cubic metres of hydrogen, which is around a tenth of National Grid's mid-case Future Energy Scenarios forecast of required hydrogen storage by 2035.

In February 2023, RPS Energy Consultants completed a Competent Person's Report illustrating the potential economic value of Loxley – up to £124 million net UKOG mid-case 2C post-tax net present value (at 10% discount rate). We are in discussions with several interested parties to farm out an interest in the project in return for a full carry in the drilling and testing of Loxley-1.

The North Sea Transition Authority ("NSTA") has granted its consent to a modified PEDL234 Retention Area work programme ("RAWP"). The revision permits UKOG to focus licence activities entirely upon the acceleration of the appraisal campaign at Loxley. The Company has agreed to commence the Loxley-1 appraisal well by 30<sup>th</sup> June 2025 to retain the full 300 square km PEDL234 Licence and confirm the commercial viability of the discovery.

If successful, the Company has also agreed to submit a Field Development Plan for NSTA consent by the end of 2026.

#### **Horse Hill (85.635% operated interest)**

The oil field continues to produce and we welcomed the news that the NSTA has granted a one-year extension to the PEDL137 retention area work programme to 30 September 2025, fully corresponding to the farmin programme agreed with Pennpetro Energy Plc, comprising one new production well, HH-3, plus a 12 km<sup>2</sup> 3D seismic survey. In addition to the new HH-3 infill well, we see room for another crestal production well, HH-4 to be drilled to further boost production if HH-3 is successful.

As a necessary precursor to its planned Horse Hill-2z Portland formation water reinjection project, UKOG finished work on the installation of three shallow groundwater monitoring boreholes in February last year, seeking to improve the field's net earnings by approximately £250,000 per annum by eliminating the substantive costs of tankering and disposing of produced saline formation water at distant third-party sites.

This removal will reduce the field's overall carbon footprint and maintain reservoir pressure. A three-month baseline monitoring period sampling of the boreholes, which terminate within the impermeable Weald Clay formation, found no obvious groundwater immediately beneath the site.

The new boreholes are fully in keeping with current environmental standards and practices and demonstrates UKOG's responsible attitude towards ensuring the area beneath the site remains as well protected as possible.

Similarly, we were pleased to announce that the continued profitability of Horse Hill enabled the field's operator, Horse Hill Developments Limited ("HHDL"), to make a payment of approximately £675,000 to the Company, representing partial repayment of certain historic shareholder loans. The Company holds an effective 85.635% interest in the field and surrounding PEDL137 licence and a 77.9% direct shareholding in HHDL.

The Company and our legal counsel remain convinced that planning consent at Horse Hill was granted entirely lawfully. In June last year, opponents took their legal action to the Supreme Court to challenge Surrey County Council's oil production consent. To date five judges and the Court of Appeal have dismissed the appellants claim.

#### **Pinarova-1, Turkey (50% non-operated interest)**

Testing operations in Turkey at Pinarova-1, operated by our partners Aladdin Middle East, were temporarily suspended in late May 2023 in order to access larger and more powerful 7-inch perforating guns, capable of fully penetrating Pinarova's 9<sup>5/8</sup>-inch casing and cement.



The decision resulted from analysis of downhole pressure gauge data from testing operations, which indicated that the 4.5-inch perforating guns used were unable to establish direct contact with the formation through the casing and cement.

In December all the required explosives permits for the deployment of the new perforating guns were finally secured by the service provider, PSI.

Following the successful reperforating and extensive swab testing, we mutually concluded with AME that, in the absence of commercial rates of hydrocarbons, no further testing will take place.

Given the prior recovery of mobile light 42° API oil from the mud pit in September 2023, oil shows, strong oil odours at surface over a 12-hour drilling period and the associated shot-hole oil seep with geochemically identical oil, we were disappointed that Pinarova-1 had not met our joint expectations.

Costs for the operations were kept to a minimum throughout.

Further to this, an impairment charge of £0.4m has been recognised in respect of this asset.

### **Other assets**

Our application to extend the planning permission for Broadford Bridge (UKOG 100%) was turned down by West Sussex County Council post-period in March 2024. We still want to assess the viability of using the site and the Broadford Bridge-1z well to harness geothermal heat and power. The Company will further consider its position and has six months in which to lodge an appeal should it so decide.

In March 2023, a Competent Person's Report was completed on the Horndean field in Hampshire by Texas-based DeGolyer & MacNaughton, a globally recognised oil and gas reserve estimation and valuations consultancy. UKOG's net share of Horndean production revenues was £297,000 for calendar year 2023, with net earnings after costs of £140,000.

We were also encouraged that the Avington Joint Operating Committee had agreed to restart oil production at the field (UKOG holds a 5% non-operated interest). Prior to its 2017 shut-in, the field had produced 0.276 million barrels of an estimated mid case of 59 million barrels of original oil in place.

### **Funding**

The Company secured a £2 million facility with RiverFort Global Opportunities PCC Ltd and YA II PN Ltd as working capital for key activities in Turkey, Loxley, Horse Hill and Portland Port. In January 2024, the Company successfully raised gross proceeds of £0.75 million by means of a placing of new ordinary shares at a price of 0.02 pence per share.

In March 2024, further to the General Meeting, where all the resolutions successfully passed, the Company completed the share reorganisation to consolidate the 32,539,926,104 ordinary shares of £0.0000001 each in the capital of the Company on a 10:1 ratio into 3,253,992,610 ordinary shares of £0.000001 each. The Directors were also granted with authority to allot and issue shares and grant rights to subscribe for shares for approximately 50% of the Company's ordinary share capital.

**Stephen Sanderson**  
Chief Executive





## OPERATIONAL REVIEW

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### OIL AND GAS ASSETS

#### **Loxley, Broadford Bridge, PEDL234 (UKOG (234) 100%)**

RPS Energy issued a Competent Person's Report ("CPR") illustrating the potential economic value of the Loxley gas discovery, located near Dunsfold in Surrey. 31 billion cubic feet of 2C Contingent Resources were estimated to be in the PEDL234 licence. The CPR demonstrates that the NPV10 of Loxley's 2C recoverable gas ranges from £123.7 million net to UKOG, assuming a gas price of £1.86/therm, the UK gas price on 31<sup>st</sup> December 2022, the effective date of the CPR, and £86.5 million net to UKOG utilising RPS' proprietary gas price forecast.

Following the conclusion of the discharge of conditions with Surrey County Council, UKOG will be in a position to commence site construction ready for the drilling of Loxley-1z in the second half of 2024. Prior to commencing operations UKOG will look to de-risk by the introduction of farm in partners for the project.

SGN (southern England's gas distribution pipeline network operator) has confirmed that their Local Transmission System ("LTS") can accept all the potential future gas production from the Loxley gas discovery. SGN's capacity thus provides a clear route to the wider gas market and the monetisation of Loxley's gas. A study of the Loxley pipeline connection into the LTS has confirmed its feasibility. It is proposed that Loxley gas will be sold into the national grid as feedstock for blue hydrogen projects supporting the UK transition to net zero.

The Company submitted a further application for a two-year planning permission extension to West Sussex County Council's Planning Committee for its Broadford Bridge-1z Kimmeridge oil discovery. Post-period this application was refused and we are considering our position.

Commercial discussions continue with CeraPhi Energy regarding potential for a geothermal energy agriculture project incorporating the Broadford Bridge asset.

#### **Horse Hill Oil Field, PEDL137 and PEDL246 (UKOG 85.635%)**

The field and surrounding licences are operated by UKOG's subsidiary company HHDL in which UKOG has 77.9% ownership. The Licensees are HHDL (65% interest) and UKOG (137/246) Ltd (35% interest).

In March 2023 HHDL and UKOG (137/246) executed a conditional binding term sheet with Pennpetro Energy ("PPP"), whereby PPP will farm into Horse Hill on an incremental production basis via funding the acquisition of a targeted 3D seismic campaign and the drilling of the next infill production well, Horse Hill-3 ("HH-3").

Farm out highlights:

- PPP to fund 100% of a new crestal infill production well, HH-3, to be spudded after the completion of a PPP 100% funded ~12 square km high-definition 3D seismic survey (the Farmout Programme), subject to an aggregate cap of £4.6 million.
- Upon Farmout Programme completion, PPP will earn a 49% share of any oil production from HH-3. PPP will also earn an aggregate 49% non-operated licences interest, comprised of an initial 7% on 3D seismic completion and a further 42% interest upon HH-3 completion.
- UKOG and HHDL will retain 100% ownership and rights to all oil production and revenues from Horse Hill-1 ("HH-1"). UKOG will remain as the Horse Hill and licences operator.
- The assignment of the aggregate 49% licences interest to PPP is subject to PPP providing the necessary funds to drill HH-3 and complete the Farmout Programme within six months from the completion of the 3D seismic which is at its discretion.
- Subject to farmout completion, UKOG's interest in HH-1 production will remain at 85.635% and its net interest in any HH-3 production and the Licences will be 43.67%.
- The farmout to PPP is subject to the completion of a formal Farmout Agreement between the Parties, formal consent by each Parties' respective boards, the full consent of all HHDL's shareholders and regulatory consent from the North Sea Transition Authority for any Licences interest assignment.



- Post Farmout Completion, each Licences participant will bear and pay cash calls pro rata to their respective interest in the Licences.

Three groundwater monitoring boreholes were constructed, and baseline monitored for a period of three months in preparation for water reinjection via a recompleted well Horse Hill-2z. All permit pre-operational conditions have now been submitted to the Environment Agency for discharge in line with the permit requirements.

NSTA have extended the Horse Hill RAWP to September 2025. The RAWP is in line with the Farmout Programme agreed with PPP.

As of end-December over 199,000 bbl of Brent quality crude had been produced and exported from the Kimmeridge and Portland pools.

#### **Turkey, Basur-Resan Licence (UKOG 50%)**

The Basur-Resan anticline containing the Basur-1 oil discovery is located within the surrounding 305 km<sup>2</sup> Resan M47-b1, b2 licence in SE Turkey, in which UKOG's wholly owned subsidiary, UKOG Turkey Ltd, holds a 50% non-operated interest.

Our partner and licence operator, Aladdin Middle East ("AME"), advised us that our Resan licence area was unaffected by the severe earthquakes in February 2023, being located some distance away from the fault zone and the earthquake epicentre.

Abu Dhabi based BGP completed the 2D seismic processing. Interpretation and geological mapping of the processed data have also been completed.

UKOG and AME constructed the Pinarova-1 well pad and access road in March 2023. The well reached total depth of 600 metres in April.

Following acquisition of cased and open hole logs, flow testing was carried out over the 9 $\frac{5}{8}$  inch cased hole zone corresponding to the oil odour and live oil to surface. No flow or injectivity within the cased hole test zone was observed and down hole pressure gauge and casing collar locator data confirmed that the small available 4.5-inch perforating guns had likely been of insufficient power and/or proximity to the casing wall to penetrate 9 $\frac{5}{8}$  inch casing and cement to provide full contact with the formation.

Consequently, AME and the Company jointly decided to suspend testing operations pending access to larger, more powerful, 7-inch perforating guns, capable of fully penetrating Pinarova's 9  $\frac{5}{8}$ -inch casing and cement.

The 7-inch guns were sourced from outside the country and road and well site repairs completed. Reperforation and testing operations were successfully completed including full communication with the formation, but in the absence of commercial rates of hydrocarbons it was agreed with AME that no further testing will take place. Further to this, an impairment charge of £0.4m has been recognised in respect of this asset.

UKOG and AME will now jointly assess future prospectivity within the Resan Licence.

#### **Horndean Oil Field (UKOG 10%)**

UKOG's second producing field is Horndean located in Hampshire. Star Energy, the Horndean oil field operator, advised that the surface beam pumps in the field have been replaced with new surface pumps. This resulted in Horndean oil production in 2023 being more than 20% above 2022 production. Operating costs were also 6% below budget in 2023.

#### **Avington Oil Field (UKOG 5%)**

Star Energy, the Avington oil field operator, advised that the field is being prepared to restart production. Avington ceased production in late 2017 due to high operating costs. However, with higher oil prices and all regulatory approvals in place, the joint venturers have agreed to restart production from the field. A workover of the Avington-3z well is being scheduled, followed by surface facilities modifications.



## HYDROGEN STORAGE ASSET

### Portland Energy Hub (UKEn 100%)

UKOG, through its wholly owned subsidiary UKEn, made a highly strategic entry into the UK hydrogen storage business via our legal agreement for a very large gas storage facility on the Isle of Portland. We intend to create a hydrogen energy hub centred on salt cavern storage at the former Royal Navy port in Dorset.

Planning approval was granted in 2008 for a 1 billion cubic metres methane gas storage project utilising salt caverns, but, in line with the move to a hydrogen economy, UKEn's development will involve hydrogen storage and is also intended to incorporate in due course green hydrogen production via electrolysis using offshore wind power.

The commercial and legal terms of an Agreement to Lease were negotiated and executed with the landowner, Portland Port Ltd.

Since execution of the agreement, UKEn has:

- Carried out site activities to confirm ground conditions.
- Pursued the lease of the required subsurface mining and mineral rights with The Crown Estate.
- Initiated planning and other regulatory activities, with a detailed review of planning requirements, the Development Consent Order process and related activities such as approvals required for the pipelines and other ancillaries.
- Prepared an overall work programme and budget to achieve the DCO and reach FID.
- Met with key stakeholders, such as Claire Coutinho, Secretary of State for Energy Security and Net Zero, Graham Stuart MP, Minister of State for Energy Security, Richard Drax, South Dorset MP, Matt Prosser, Chief Executive of Dorset Council and Lord Callanan, Minister for Energy Efficiency and Green Finance.
- Worked closely with the Department of Energy Security and Net Zero (DESNZ) on the development of their business model for hydrogen storage, as announced in December.

Technical reviews and studies are being completed, including an update of the original salt cavern design basis, conceptual design, plus overall development cost estimation and sensitivities/optimisations.

**Kris Bone**  
Operations Director

**Matt Cartwright**  
Commercial Director



## RESERVES AND RESOURCES

Total aggregate net discovered 2C (mid case) contingent resources and 2P (mid case) reserves now stand at 23.4 mmboe.

HH-1 production remains in contingent resource category, as the company requires more data to establish the long-term decline trend of the well. The company now holds the Environment Agency Production Permit. Once the company gets sufficient data it intends to review the HH-1 production decline and attribute reserves to HH-1, thus transferring them from Contingent Resources to Reserves category.

Discovered prospective resources (i.e., undiscovered but drill ready within identified exploration prospects) have reduced compared to last year due to the relinquishment of PEDL331.

**Table 1: Recoverable Reserves mmbbl: Producing Fields, Gross and Net (as of 31 December 2023)**

Asset	UKOG % Interest	Gross mmbbl			Net Attributable mmbbl			Operator
		1P	2P	3P	1P	2P	3P	
Horndean <sup>1</sup>	10	0.93	1.06	1.19	0.09	0.11	0.12	Star Energy
<b>TOTAL (mmbbl)<sup>2</sup></b>					<b>0.09</b>	<b>0.11</b>	<b>0.12</b>	

**Notes:**  
1. DeGolyer and MacNaughton (“D&M”) for Star Energy Jan 2024, 2. Horse Hill reserve volumes await external CP verification following 12 months of stable production history, see text above.

**Table 2: Contingent Resources mmbbl/mmboe (i.e., discovered and drill ready recoverable volumes)**

Asset	Licence	UKOG %	Gross mmbbl/mmboe				Net Attributable mmbbl/mmboe				Operator
			1C	2C	3C	mean	1C	2C	3C	mean	
Turkey, Basur-Resan <sup>4</sup>	M47 b1, b2	50	14.9	30.5	67.0	37.2	7.5	15.3	33.5	18.6	AME
Horse-Hill Portland <sup>1</sup>	PEDL137	85.64	0.4	1.4	3.5	1.8	0.4	1.2	3.0	1.5	HHDL
Horse-Hill Kimmeridge <sup>6</sup>	PEDL137	85.64	0.4	1.6	6.1	2.7	0.3	1.4	5.2	2.3	HHDL
Loxley Gas <sup>3,5</sup>	PEDL234	100	2.8	5.3	9.1	5.8	2.8	5.3	9.1	5.8	UKOG
Avington <sup>2</sup>	PEDL070	5	0.6	0.8	1.1	0.8	0.03	0.04	0.05	0.04	Star Energy
Horndean <sup>2</sup>	PL211	10	0.3	0.8	1.3	0.8	0.03	0.08	0.13	0.08	Star Energy
<b>TOTAL mmboe</b>							<b>11.0</b>	<b>23.3</b>	<b>51.0</b>	<b>28.3</b>	

**Notes:**  
1. Xodus June 2018 CPR figures revised for actual Portland production to end Dec 2023, estimates for Horse Hill are deterministic based upon per well recoveries, 2. D&M for Star Energy Jan 2024, estimates for Horndean and Avington are deterministic, not probabilistic, 3. RPS CPR February 2023, probabilistic based upon range of recovery factors, 4. Xodus June 2020, probabilistic based upon range of recovery factors, 5. 1 million bbl oil equivalent (mmboe) = 5.8 bcf, 6. RPS Jun 2019.



Table 3: Prospective Resources (i.e., exploration, drill ready but as yet undiscovered recoverable volumes)

Asset	Licence	UKOG %	Gross mmbbl				Net Attributable mmbbl			
			Low	Best	High	Mean	Low	Best	High	Mean
Turkey, Prospect A <sup>1</sup>	M47 b1,b2	50	4.0	8.7	17.0	9.9	2.0	4.4	8.5	5.0
<b>TOTAL</b>							<b>2.0</b>	<b>4.4</b>	<b>8.5</b>	<b>5.0</b>

**Notes:**

1. Xodus June 2020



## HEALTH, SAFETY AND THE ENVIRONMENT

UKOG is committed to providing, so far as is reasonably practicable, a quality working environment that is safe and one that poses no risks to the health and safety of our employees, contractors, the local community and stakeholders.

The health & safety of employees and the public, and the protection of the environment are core business objectives of UKOG. They rank equally with the company's other business objectives.

Health, safety and environmental ("HSE") risks associated with the business practices of UKOG are addressed through the effective implementation of our HSE Policy, which is designed to ensure that every person who works for UKOG is responsible for ensuring that health and safety is managed in all aspects of our business.

The Company's HSE aspirations are: "get it right, first time, every time with no accidents, no harm to people, the ecology and the environment".

To achieve the identified objectives, we will ensure that all necessary and reasonable resources are made available. We will confirm that objectives are being met by reviewing and reporting on performance and auditing the implementation and operation of UKOG's HSE Management System.

Our full HSE framework is available on our website: <http://www.ukogplc.com/page.php?plD=101>

### Health & safety review

UKOG, under our operating subsidiary HHDL, has continued production activities at Horse Hill.

Planning conditions were discharged and groundwater water monitoring boreholes were installed at Horse Hill. Baseline monitoring was completed during 2023 and the groundwater monitoring boreholes will be routinely monitored during field life to demonstrate full environmental permit compliance. Environment Agency ("EA") permit pre-operational conditions, to allow for produced water re-injection, were submitted to the regulator for discharge during the reporting period.

There were no lost time injuries or environmental incidents on any of UKOG's sites or at AME's Pinarova well site in Turkey during the reporting period or post period. The lost time injury frequency was also zero.

The EA and Health and Safety Executive made a number of site visits, linked to Horse Hill well operations and production equipment.

UKOG continues to maintain good housekeeping standards on its sites. The Company continuously monitors all its live operations for noise, ensuring noise from its sites is kept to a minimum and is compliant with the levels set by the relevant site planning approval. UKOG only utilises service companies that can demonstrate commitment to our HSE standards.

### Community engagement

Any complaints received are reviewed and responded to. Communication links are in place with the residents close to our sites, who can call UKOG at any time.

The Company meets and communicates regularly with local police to give operational updates where necessary.

### Route to development

UKOG operates within a highly regulated industry, led by the NSTA, a Government agency reporting to DESNZ, who among other things are responsible for checking a company's financial and operational competency before issuing a Petroleum Exploration and Development Licence ("PEDL") and other regulatory approvals.

Once a potential site has been identified, UKOG must secure landowner consent and a land lease to operate on the land, before the EA assess any risk to groundwater and air quality, as well as the arrangements for waste management.

In parallel with seeking EA permits, discussions with local planning authorities begin. They in turn seek the views of the local community and statutory consultees. The Health and Safety Executive also regulates and monitors all onshore oil & gas exploration and production activities.



## FINANCIAL REVIEW

In the reporting period we managed to successfully raise capital to provide the Group with a source of general working capital and help deliver the Group strategy.

### Income Statement

Revenues for the year from sales of oil amounted to £1.5 million (2022: £1.8 million). This decrease was largely driven by an oil production decrease at Horse Hill, via HH-1. For more detail please refer to the Operational update. Depletion, Depreciation and Amortisation costs amounted to £0.2 million (2022: £0.8 million), reflecting the production from Horse Hill during the year and updated reserves used for calculation of depletion. Other Cost of Sales increased to £1.0 million (2022: £0.7 million). The Group recorded a gross profit for the year of £0.3 million (2022: profit £0.3 million). Following an impairment review carried out as at 30 September 2023, the net present value of the Horse Hill-1 well was determined to be higher than its recorded book value, and it was therefore determined that no impairment of oil and gas assets was recognised in 2023.

The Directors have also assessed the fair value of the exploration & evaluation assets as at 30 September 2023. Following re-perforating and extensive swab testing at Pinarova-1 by the operator, it was mutually concluded that, in the absence of commercial rates of hydrocarbons, no further testing will be performed. Therefore, the exploration and evaluation assets associated with Pinarova-1 at 30 September 2023 were impaired by £0.4m.

An Operating loss for the year of £3.5 million was recorded (2022: £5.3 million).

Finance costs amounted to £0.6 million (2022: £0.2 million), relating primarily to convertible loan finance costs and unwinding of discounts on decommissioning provisions.

### Balance Sheet

During the financial year to 30 September 2023, non-current assets increased to £36.9 million (2022: £35.9 million). This included mainly capital expenditure on exploration and evaluation assets and the increase was primarily due to the hydrogen storage project in the UK. The exploration and evaluation assets associated with Pinarova-1 at 30 September 2023 were impaired by £0.4m. Cash and cash equivalents totalled £1.9 million at the year-end (2022: £4.6 million) which allowed liquidity to be successfully maintained.

### Cash Flow and Financing

The net cash outflow from operating activities during the reporting period was £2.9 million (2022: cash outflow of £2.0 million). The increased outflow is primarily attributable to working capital movements and reduced operating cash flows from Horse Hill in the year to 30 September 2023, due to lower oil prices and production. UKOG raised £1.9 million during the reporting period via the convertible loan, which was used primarily to fund investing activities.

The Company secured a £2 million facility with RiverFort Global Opportunities PCC Ltd and YA II PN Ltd as working capital for key activities in Turkey, Loxley, Horse Hill and Portland Port. In January 2024, the Company successfully raised gross proceeds of £0.75 million by means of a placing of new ordinary shares at a price of 0.02 pence per share.

In March 2024, the Company completed the share reorganisation and the total voting rights in the Company are now 3,253,992,610 ordinary shares of £0.000001 each.

### Going Concern

The Directors note the losses and cash outflows that the Group has made for the year ended 30 September 2023. The Directors have prepared cash flow forecasts for the period to 31 March 2025, which take into account anticipated production and costs, the forward curve of Brent crude oil, expected revenue streams and external funding.



The forecasts prepared demonstrate that the Group will have sufficient cash funds available to allow it to continue in business for a period of at least 12 months from the date of approval of these financial statements. Notwithstanding the Company's current cash balance and contractual expenditure commitments, the Board are cognisant of any possible unforeseen events outside of its control on the Group. Whilst some of these events are contingent (farm-in to the Horse Hill Oil Field), the Company, if required, will take actions to address any cash constraints by seeking to raise capital through equity or debt. Whilst there can be no certainty that sufficient funding can be obtained in the timescales required, the Directors are confident of their ability to raise capital, which is supported by successful capital placements in the past.

For these reasons the Directors adopt the going concern basis in the preparation of the Financial Statements however confirm that there remains a material uncertainty that may cause significant doubt over the going concern nature of the Group.

The independent auditor's report also refers to material uncertainty related to going concern.





**PRINCIPAL RISKS AND UNCERTAINTIES**

UKOG continuously monitors its risk exposures and reports its review to the board of directors (“The Board”). The Board reviews these risks and focuses on ensuring effective systems of internal financial and non-financial controls are in place and maintained.

**Key Risk Areas**

The high-risk areas surrounding our existing business is tabulated below; the key areas are Strategic, Operational and Financial.

Risk	Mitigation	Magnitude and likelihood
<b>Strategic risks</b>		
<b>Exposure to political risk</b> , We operate in and may seek new opportunities in countries, regions and cities where political, economic and social transition may take place. Political instability, changes to the regulatory or taxation environment, international trade disputes and barriers to free trade, international sanctions, expropriation or nationalisation of property, civil strife, strikes, insurrections, acts of terrorism, acts of war and public health situations (including any future epidemic or pandemic) may disrupt or curtail our operations or development activities and could affect the ability of UKOG to deliver to its Strategy	Through industry associations and direct contact, the Company engages with Government and other appropriate organisations to ensure the Company is kept abreast of expected potential changes and takes an active role in making appropriate representations.	Magnitude - Low to Moderate Likelihood - Low to Moderate
<b>Operational risks</b>		
<b>Permitting risk</b> , planning, environmental, licensing and other permitting risks associated with our operations particularly with exploration drilling operations.	During the period the Company faced several challenges in obtaining all the required permits. This is despite UKOG’s compliance with regulations, proactive engagement with regulators, communities and the expertise and experience of the management teams. We believe this is because of changing priorities within the United Kingdom and the Company has sought to further diversify this risk by seeking investments outside the United Kingdom	Magnitude - Moderate Likelihood - Moderate to High
<b>Exploration risk</b> , the Company fails to locate and explore hydrocarbon-bearing prospects that have the potential to deliver commercially, e.g. key wells are dry or less successful than anticipated	Analysis of available technical information to determine the work programme. Risk-sharing arrangements entered to reduce downside risk	Magnitude- Moderate Likelihood – Moderate



<p><b>Oil production</b>, oil is not produced in the anticipated quantities from the Group's assets, or it cannot be produced economically</p>	<p>Analysis of available technical information to improve our understanding of the reservoir and continue to review cost structure to target low production costs</p>	<p>Magnitude - Low Likelihood - Low to Moderate</p>
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<p><b>Price and markets</b>, our financial performance is impacted by fluctuating prices of oil, gas and refined products. Oil, gas and product prices are subject to international supply and demand and margins can be volatile. Political developments, increased supply from new oil and gas or alternative low carbon energy sources, technological change, global economic conditions, public health situations.</p>	<p>During the prior reporting period the Group entered into production at the Horse Hill assets. The Group determined that given its stage of development the costs of hedging would be prohibitive. The Group will keep this under review. At this point the Group continues to review costs where appropriate.</p>	<p>Magnitude - Moderate Likelihood - Moderate to High</p>
<p><b>Loss of key staff</b></p>	<p>Provide and maintain competitive remuneration packages to attract the right calibre of staff. Build a strong and unified team</p>	<p>Magnitude- Moderate Likelihood – Low</p>
<p><b>Financial risks</b></p>		
<p><b>Liquidity risk</b>, exposure through its operations to liquidity risks.</p>	<p>The Board regularly reviews UKOG's cash flow forecast and the availability or adequacy of its current facilities to meet UKOG's cash flow requirements</p>	<p>Magnitude- Moderate Likelihood – Moderate</p>

## **Directors' Section 172 Statement**

The following disclosure describes how the Directors have had regard to the matters set out in section 172(1)(a) to (f) and forms the Directors' statement required under section 414CZA of The Companies Act 2006.

The matters set out in section 172(1) (a) to (f) are that a Director must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers/customers and others;
- the impact of the company's operations on the community and environment;
- the company's reputation for high standards of business conduct; and
- the need to act fairly between members of the company.

As set out above in the Strategic Report the Board remains focused on providing value for shareholders through the long term success of the Company. The means by which this is achieved is set out further below.

### **Likely consequences of any decisions in the long term**

The statement from the Chairman, the Chief Executive's Statement and the Strategic Review set out the Company's strategy. In applying this strategy, particularly in seeking new projects and developing current ones to deliver reserves and resource growth, the Board assesses the long term future of our projects and investments with a view to maximise shareholder return. The approach to general strategy and risk management strategy of the group is set out in the Statement of Compliance with the QCA Code of Practice (Principles 1 and 4).

### **Interest of employees**

The Group has a very limited number of employees and all have direct access to the Executive Directors on a daily basis and to the Chairman, if necessary. The Group has a formal Employees' Policy manual which includes processes for confidential report and whistleblowing.

### **Need to foster the Company's business relationships with suppliers/customers and others**

The Group continuously interacts with a variety of suppliers and customers important to its success. The Group strives to strike the right balance between engagement and communication. Furthermore, the Company works within the limitations of what can be disclosed to the various stakeholders with regards to maintaining confidentiality of market and/or commercially sensitive information. Our suppliers are fundamental to ensuring that the Group can execute its development and production strategy on time and on budget. Using quality suppliers ensures that as a business we meet the high standards of performance that we expect of ourselves and vendor partners. Our management team work closely with our suppliers, via one on one meetings and where possible supplier site visits and facility reviews to ensure our suppliers are able to meet our requirements.

### **Impact of the Company's operations on the community and environment**

The Group takes its responsibility within the community and wider environment seriously. Its approach to its social responsibilities is set out in the Statement of Compliance with the QCA Code of Practice (Principle 3).

### **The Company's commitment to maintain a reputation for high standards of business conduct**

The Directors are committed to high standards of business conduct and governance and have adopted the QCA Code of Practice which is set out on pages 20 to 22. Where there is a need to seek advice on particular issues, the Board will consult with its lawyers and nominated advisers to ensure that its reputation for good business conduct is maintained.

### **The need to act fairly between members of the Company**

The Board's approach to shareholder communication is set out in the Statement of Compliance with the QCA Code of Practice (Principle 2) on page 23. The Company aims to keep shareholders fully informed of significant developments in the Group's progress. Information is disseminated through Stock Exchange announcements, website updates and, where appropriate, video-casts.

During 2023 the Company issued numerous stock exchange announcements on operational issues. All information is made available to all shareholders at the same time and no individual shareholder, or group of shareholders, is given preferential treatment.



## Corporate Governance

### Introduction to governance

The Directors recognise that good corporate governance is a key foundation for the long-term success of the Company. As the Company is listed on the AIM market of the London Stock Exchange it also is subject to the continuing requirements of the AIM Rules. The Board has therefore adopted the principles set out in the Corporate Governance Code for small and mid-sized companies published by the Quoted Companies Alliance (“QCA Code”). The principles are listed below with an explanation of how the Company applies each principle, and the reasons for any aspect of non-compliance.

#### 1. Establish a strategy and business model which promote long-term value for shareholders

UK Oil & Gas Plc (“UKOG”) provides shareholders with a full discussion of corporate strategy within our Annual Report. A dedicated section explains how we will establish long term shareholder value, as set out on page 2.

The Group is focused around 3 key strategic goals: Maximise production and recovery from its existing asset portfolio, grow the asset portfolio through select onshore development and appraisal projects, actively manage costs and risks through operational and management control of the entire process of exploring, appraising and developing its assets.

The Management team actively evaluates projects that simultaneously de-risk the current portfolio and create long-term shareholder value. Projects are evaluated based on many characteristics to mitigate risk to our current activities, including but not limited to, alignment with the Company’s core competencies, geography, time horizon and value creation. Further, a core component of the Company’s activities includes an active dialogue with our legal and legislative advisors to ensure the Company remains up to date on current legislation, policy and compliance issues.

Key business challenges and how they may be mitigated are detailed on pages 6 to 7.

#### 2. Seek to understand and meet shareholder needs and expectations

UKOG encourages two-way communication with institutional and private investors. The Chief Executive talks regularly with the Company’s major shareholders and ensures that their views are communicated fully to the Board. Where voting decisions are not in line with the company’s expectations the Board will engage with those shareholders to understand and address any issues. The Company Secretary is the main point of contact for such matters.

The Company seeks out appropriate platforms to communicate to a broad audience its current activities, strategic goals and broad view of the sector and other related issues. This includes but is not limited to media interviews, website videos, in-person investor presentations and written content.

Communication to all stakeholders is the direct responsibility of the Senior Management team. Managers work directly with professionals to ensure all inquiries (through established channels for this specific purpose such as email or phone) are addressed in a timely matter and that the Company communicates with clarity on its proprietary internet platforms. Senior management routinely provides interviews to local media and business reporters in support of the company’s activities. The Board routinely reviews the Company communication policy and programmes to ensure quality communication with all stakeholders.

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

The Company seeks out methodologies, processes and expertise in order to address the concerns of the non-investment community. As such, it actively identifies the bespoke needs of local communities and their respective planners. For example, the company provides for local hotlines and establishes community liaison groups to address local questions and concerns.

UKOG seeks to maintain positive relationships within the communities in which it operates. As such, UKOG is dedicated to ensuring:

- Open and honest dialogue;
- Engagement with stakeholders at all stages of development;
- Proactive addressing of local concerns;
- Active minimisation of impact on our neighbours; and
- Adherence to a strict health and safety code of conduct.

As a responsible OGA approved and Environmental Agency permitted UK operator, UKOG is committed to utilising industry best practices and achieving the highest standards of environmental management and safety.

Our operations:

- Continuously assess and monitor environmental impact;
- Promote internally and across our industry best practices for environmental management and safety; and
- Constant attention to maintaining our exemplary track record of safe oil & gas production.



#### **4. Embed effective risk management, considering both opportunities and threats, throughout the organization**

Risk Management on pages 6 to 7 of the Annual Report details risks to the business, how these are mitigated and the change in the identified risk over the last reporting period.

The Board considers risks to the business at every Board meeting (at least 4 meetings are held each year) and the risk register is updated at each meeting. The Company formally reviews and documents the principal risks to the business at least annually.

Both the Board and senior managers are responsible for reviewing and evaluating risk and the Executive Directors meet at least monthly to review ongoing trading performance, discuss budgets and forecasts and new risks associated with ongoing trading.

#### **5. Maintain the Board as a well-functioning, balanced team led by the chair**

Oversight of UK Oil & Gas Plc is performed by the Company's Board of Directors. Nicholas Mardon Taylor, the Non-Executive Chairman, is responsible for the running of the Board and Stephen Sanderson, the Chief Executive, has executive responsibility for running the Company's business and implementing Company strategy. All Directors receive regular and timely information regarding the Company's operational and financial performance.

Relevant information is circulated to the Directors in advance of meetings. In addition, minutes of the meetings of the Directors of the UK subsidiaries are circulated to the Board. All Directors have direct access to the advice and services of the Company Secretary and are able to take independent professional advice in the furtherance of their duties, if necessary, at the company's expense.

The Board comprises two Executive Directors and two Non-Executive Directors with a mix of significant industry and business experience within public companies. The Board considers that all Non-Executive Directors bring an independent judgement to bear. All Directors must commit the required time and attention to thoroughly fulfil their duties.

The Board has a formal schedule of matters reserved to it and is supported by the Audit, Remuneration, Nomination and AIM Rules compliance committees. The Schedule of Matters Reserved and Committee Terms of Reference are available on the Company's website and can be accessed on the Corporate Governance page of the website.

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

The Nomination Committee will determine the composition of the Board of the Company and appointment of senior employees. It will develop succession plans as necessary and report to the Directors. Where new Board appointments are considered, the search for candidates is conducted, and appointments are made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender.

The Company Secretary supports the Chairman in addressing the training and development needs of Directors.

As a small company, all members of the Board share responsibility for all Board functions. As such the Board will from time to time engage outside consultants to provide an independent assessment.

#### **7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement**

The Board intends to carry out an internal evaluation on individual Directors on an ad-hoc basis in the form of peer reviews and appraisals. The individual reviews and appraisals are used to identify group and individual targets which are reviewed and assessed at the end of the financial year.

#### **8. Promote a corporate culture that is based on ethical values and behaviours**

The Company is committed to maintaining and promoting high standards of business integrity. Company values, which incorporate the principles of corporate social responsibilities (CSR) and sustainability, guide the Company's relationships with clients, employees and the communities and environment in which we operate. The Company's approach to sustainability addresses both our environmental and social impacts, supporting the Company's vision to remain an employer of choice, while meeting client demands for socially responsible partners.

Company policy strictly adheres to local laws and customs while complying with international laws and regulations. These policies have been integral in the way group companies have done business in the past and will continue to play a central role in influencing the Group's practice in the future.

The ethical values of UKOG including health, safety, environmental, social and community and relationships, are set out on page 19 of the Annual Report.

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

The Company has adopted a model code for directors' dealings and persons discharging managerial responsibilities appropriate for an AIM company, considering the requirements of the Market Abuse Regulations ("MAR"), and takes reasonable steps to ensure compliance is also observed by the Company's employees (AIM Rule 21 in relation to directors' dealings).



The Corporate Governance Statement details the company's governance structures, the role and responsibilities of each director. Details and members of the Audit Committee and Remuneration Committee can be found on page 26.

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

The Company encourages two-way communication with both its institutional and private investors and responds quickly to all queries received. The Chief Executive talks regularly with the Company's major shareholders and ensures that their views are communicated fully to the Board.

The Board recognises the AGM as an important opportunity to meet private shareholders. The Directors are available to listen to the views of shareholders informally immediately following the AGM.

To the extent that voting decisions are not in line with expectations, the Board will engage with shareholders to understand and address any issues.

In addition to the investor relations activities carried out by the Company as set out above, and other relevant disclosures included within the Investor Relations section of the Company's website, reports on the activities of each of the Committees during the year are set out in the Annual Report.

While building a strong governance framework the Company also tries to ensure that it takes a proportionate approach and that its processes remain fit for purpose as well as embedded within the culture of the organisation. We continue to evolve our approach and make ongoing improvements as part of building a successful and sustainable company.

### **Board of Directors**

The Board consists of a team of experienced multidisciplinary members who are committed to delivering shareholder value.

#### **Nicholas Mardon Taylor, Non-Executive Chairman**

Nicholas Mardon Taylor served as the Chief Financial Officer of Hurricane Energy PLC from May 2012 until January 2016. He has worked in the oil industry for over 35 years, his first involvement in the North Sea being in the early licensing rounds. He was with Hurricane from 2005 to January 2016 when he was the Company's first CFO and was subsequently responsible for the Company's Environmental Management System.

#### **Stephen Sanderson, Chief Executive**

Stephen Sanderson joined UK Oil & Gas Plc in September 2014. He was appointed Executive Chairman and Chief Executive in July 2015 and in August 2018 ceded his role as Executive Chairman as part of improvements in corporate governance. A highly experienced petroleum geologist, oil industry veteran and upstream energy business leader, with over 30 years operating experience, Stephen is a proven oil finder and has been instrumental in the discovery of more than 12 commercial conventional fields, including the Norwegian Smorbuk-Midgaard field complex.

Stephen held a variety of senior management roles for ARCO (which was acquired by BP in 2000), Wintershall AG (a subsidiary of German chemical giant BASF) and three junior start-ups. He created and ran successful new exploration businesses in Africa, Europe and South America. He has significant technical and commercial expertise in the petroleum systems of Africa, the North Sea, Norway, onshore UK & Europe, South America, the South Atlantic, Middle East, Asia, India, Australia and the USA. He is a graduate and Associate of the Royal School of Mines, Imperial College, London, a Fellow of the Geological Society of London and a member of the American Association of Petroleum Geologists.

#### **Allen D Howard, Executive Director**

Allen Howard was Senior Vice President of Houston-based Premier Oilfield Laboratories, having been Chief Operating Officer of well analysis experts Nutech. Allen also held senior positions with Schlumberger. He holds a degree in Chemical Engineering from Texas Tech University and an MBA from Mays Business School in Texas. Allen was appointed as Non-Executive Chairman for UKOG in August 2018, before taking up his current Executive role at the beginning of 2022.

#### **Kiran Morzaria, Non-Executive Director**

Kiran Morzaria holds a Bachelor of Engineering (Industrial Geology) from the Camborne School of Mines and an MBA (Finance) from CASS Business School. He has extensive experience in the mineral resource industry working in both operational and management roles. Mr Morzaria spent the first four years of his career in exploration, mining and civil engineering. He then obtained his MBA and became the Finance Director of Vatukoula Gold Mines Plc for seven years. He has served as a director of a number of public companies in both an executive and non-executive capacity; he is a non-executive director of European Metals Holdings Ltd and the Chief Executive Officer for Cadence Minerals Plc. Mr Morzaria previously served in an Executive capacity as the Finance Director of UKOG, transitioning to his current Non-Executive position at the beginning of 2022.

## Board and Committee membership

Member	Board Title	Audit Committee Title	Remuneration Committee Title
Stephen Sanderson	Chief Executive		
Allen D Howard	Executive Director		
Nicholas Mardon Taylor	Non-Executive Chairman	Member	Member
Kiran Morzaria	Non-Executive Director	Chairman	Chairman

## The Board and its Committees

The Board of the Company consists of two Executive Directors and two Non-Executive Directors. The Non-Executive Directors are not considered independent under the QCA Code as they hold options and/or shares in the Company. However, the Board considers that the Non-Executive Directors are independent of management under all other measures and are able to exercise independence of judgement.

With effect from 1 January 2022 the board was restructured. Kiran Morzaria stepped down as Finance Director and became a Non-Executive Director. Allen Howard moved from Non-Executive Chairman to become an Executive Director of the Company on a part-time basis. Nicholas Mardon Taylor became the Non-Executive Chairman.

The Board is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day-to-day management is devolved to the executive directors, who are charged with consulting the Board on all significant financial and operational matters. The Board retains ultimate accountability for governance and is responsible for monitoring the activities of the executive team.

The roles of Chairman and Chief Executive are split in accordance with best practice. The Chairman has the responsibility of ensuring that the Board discharges its responsibilities. The Chairman is also responsible for the leadership and effective working of the Board, for setting the Board agenda, and ensuring that Directors receive accurate, timely and clear information. No one individual has unfettered powers of decision.

The Chief Executive has the overall responsibility for creating, planning, implementing, and integrating the strategic direction of the Company. This includes responsibility for all components and departments of the business. The Chief Executive ensures that the organisation's leadership maintains constant awareness of both the external and internal competitive landscape, opportunities for expansion, customer base, markets, new industry developments and standards.

The Board met regularly during the year. Tabulated below is the attendance of Board Members during the reporting period.

Board Member	Meetings attended (out of a total possible)
Nicholas Mardon Taylor	5/5
Stephen Sanderson	5/5
Allen D Howard	5/5
Kiran Morzaria	5/5

## Audit Committee

The audit committee consists of Kiran Morzaria (Chairman) and Nicholas Mardon Taylor. Prior to 1 January 2022 the audit committee consisted of Nicholas Mardon Taylor (Chairman) and Allen D Howard. The Audit Committee met once during the year.

Board member	Meetings attended (out of a total possible)
Kiran Morzaria	1/1
Nicholas Mardon Taylor	1/1

The principal duties and responsibilities of the Audit Committee include:

- Overseeing the Company's financial reporting disclosure process; this includes the choice of appropriate accounting policies



- Monitoring the Company's internal financial controls and assess their adequacy
- Reviewing key estimates, judgements and assumptions applied by management in preparing published financial statements
- Annually assessing the auditor's independence and objectivity
- Making recommendations in relation to the appointment, re-appointment and removal of the company's external auditor

### **Remuneration Committee**

The Remuneration Committee consists of Kiran Morzaria (Chairman) and Nicholas Mardon Taylor. Prior to 1 January 2022 the Remuneration Committee consisted of Nicholas Mardon Taylor (Chairman) and Allen D Howard. The Remuneration Committee met once during the year.

Board member	Meetings attended (out of a total possible)
Kiran Morzaria	1/1
Nicholas Mardon Taylor	1/1

The principal duties and responsibilities of the Remuneration Committee include:

- Setting the remuneration policy for all Executive Directors
- Recommending and monitoring the level and structure of remuneration for senior management
- Approving the design of, and determining targets for, performance related pay schemes operated by the company and approve the total annual payments made under such schemes
- Reviewing the design of all share incentive plans for approval by the board and shareholders

None of the Committee members have any personal financial interest (other than as shareholders and option holders), conflicts of interest arising from cross-directorships or day-to-day involvement in the running of the business. No director plays a part in any financial decision about his or her own remuneration.

### **Internal controls**

The Board is responsible for establishing and maintaining the Company's system of internal controls and reviewing its effectiveness. The procedures that include financial, operational, health and safety, compliance matters and risk management are reviewed on an ongoing basis.

The Company's internal control procedures include the following:

- Board approval for all significant projects, including corporate transactions and major capital projects;
- The Board receives and reviews regular reports covering both the technical progress of projects and the Company's financial affairs to facilitate its control;
- There is a comprehensive budgeting and planning system for all items of expenditure with an annual budget approved by the Board;
- The Company has in place internal control and risk management systems in relation to the Company's financial reporting process and the Company's process for preparing consolidated accounts. These systems include policies and procedures to ensure that adequate accounting records are maintained, and transactions are recorded accurately and fairly to permit the preparation of consolidated financial statements in accordance with UK-Adopted IAS; and
- The Audit Committee reviews draft annual and interim reports before recommending their publication to the Board. The Audit Committee discusses with the Chief Financial Officer and external auditors the significant accounting policies, estimates and judgements applied in preparing these reports.

The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has considered the need for a separate internal audit function but, bearing in mind the present size and composition of the Company, does not consider it necessary at the current time.

### **UK Bribery Act**

UK Oil & Gas Plc has reviewed the appropriate policies and procedures to ensure compliance with the UK Bribery Act. The Company continues actively to promote good practice throughout the Company and has initiated a rolling programme of anti-bribery and corruption training for all relevant employees.



**Relations with shareholders**

Communications with shareholders are considered important by the Directors. The primary contact with shareholders, investors and analysts is the Chief Executive. Other senior management, however, regularly speak to investors and analysts during the year.

Company circulars and press releases have also been issued throughout the year for the purpose of keeping investors informed about the Company's progress and in accordance with AIM regulations.

The Company also maintains a website ([www.ukogplc.com](http://www.ukogplc.com)) which is regularly updated and contains a wide range of information about the Company.



## Directors' Remuneration Report

This report explains our remuneration policy for Directors and sets out how decisions regarding Directors' pay for the period under review have been taken.

### Directors' remuneration policy

The Company's policy is to maintain levels of remuneration sufficient to attract, motivate and retain senior executives.

Executive Director's remuneration currently consists of basic salary, pensions, annual bonus (based on annually set targets) and long-term incentives (to reward long term performance).

The Company seeks to strike an appropriate balance between fixed and performance-related reward so that the total remuneration package is structured to align a significant proportion to the achievement of performance targets, reinforcing a clear link between pay and performance. The performance targets for staff, senior executives and the Executive Directors are each aligned to the key drivers of the business strategy, thereby creating a strong alignment of interest between staff, Executive Directors and shareholders.

The Remuneration Committee will continue to review the Company's remuneration policy and make amendments, as and when necessary, to ensure it remains fit for purpose and continues to drive high levels of executive performance and remains both affordable and competitive in the market.

### Remit of the Remuneration Committee

The remit of the Remuneration Committee is provided in the Corporate Governance section.

### Share price movements during the year

The share price range during the year was £0.00033 to £0.0012 (2022: £0.00077 to £0.0017).

### Current arrangement in financial year (audited)

Executive Directors are employed under rolling contracts with notice periods of 12 months or less from the Company. Non-Executive Directors are employed under rolling contracts with notice period of three months, under which they are not entitled to any pension, benefits or bonuses.

During the years ended 30 September 2023 and 2022 the Directors occupied the following Board positions: Nicholas Mardon Taylor (Non-Executive Chairman), Stephen Sanderson (Chief Executive Officer), Allen D Howard (Executive Director), Kiran Morzaria (Non-Executive Director), The Directors' emoluments for the year were as follows:

#### Year ended 30 September 2023

Director	Board Position*	Salary £'000	Bonus £'000	Pension £'000	Share Based Payments £'000	Benefits in Kind £'000	Total £'000
Nicholas Mardon Taylor	Non-Executive Chairman	61	-	-	-	-	61
Stephen Sanderson	Chief Executive	337	-	1	-	-	338
Allen D Howard	Executive Director	82	-	-	-	-	82
Kiran Morzaria	Non-Executive Director	27	-	-	-	-	27
<b>Total Directors</b>		<b>507</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>508</b>

#### Year ended 30 September 2022

Director	Board Position*	Salary £'000	Bonus £'000	Pension £'000	Share Based Payments £'000	Benefits in Kind £'000	Total £'000
Nicholas Mardon Taylor	Non-Executive Director	56	-	-	-	-	56
Stephen Sanderson	Chief Executive	311	-	1	-	-	312
Allen D Howard	Non-Executive Chairman	72	-	-	-	-	72
Kiran Morzaria**	Finance Director	55	-	1	-	-	56
<b>Total Directors</b>		<b>494</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>496</b>

\* Board positions listed are the positions which were occupied at the end of the financial year being reported. The Board was restructured with effect from 1 January 2022, as detailed within the Corporate Governance section.

\*\* includes remuneration of Kiran Morzaria as Finance Director for the year ended 30 September 2022



As at 30 September 2023, the outstanding long-term incentives, in the form of options, held by the Directors who served during the period are set out in the table below.

Share options	At 1 October 2022 No. million	Issued during the year No. million	lapsed / exercised during the year No. million	At 30 September 2023 No. million	Exercise price	Date from which exercisable	Expiry date
Stephen Sanderson	25	-	-	25	0.0130	27/09/2020	25/09/2024
<b>Total</b>	<b>25</b>	<b>-</b>	<b>(25)</b>	<b>25</b>			

Share options	At 1 October 2022 No. million	Issued during the year No. million	lapsed / exercised during the year No. million	At 30 September 2023 No. million	Exercise price	Date from which exercisable	Expiry date
Kiran Morzaria	6.5	-	-	6.5	0.0130	27/09/2020	25/09/2024
<b>Total</b>	<b>6.5</b>	<b>-</b>	<b>(20)</b>	<b>6.5</b>			

Share options	At 1 October 2022 No. million	Issued during the year No. million	lapsed / exercised during the year No. million	At 30 September 2023 No. million	Exercise price	Date from which exercisable	Expiry date
Allen Howard	5	-	-	5	0.0130	27/09/2020	25/09/2024
<b>Total</b>	<b>5</b>	<b>-</b>	<b>(10)</b>	<b>5</b>			

Share options	At 1 October 2022 No. million	Issued during the year No. million	lapsed / exercised during the year No. million	At 30 September 2023 No. million	Exercise price	Date from which exercisable	Expiry date
Nicholas Mardon Taylor	4	-	-	4	0.0130	27/09/2020	25/09/2024
<b>Total</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>4</b>			



## Report of the Directors

The Directors present their annual report together with the audited consolidated financial statements of the Group for the year ended 30 September 2023.

### Business review and future developments

A review of business activities in the year and future developments is outlined in the Chief Executive's Statement, the Statement from the Chairman, and the Operational Review.

### Principal activity and business review

The principal activity of the Group is exploring for, appraising and developing oil & gas assets.

### Results and dividends

Loss on ordinary activities of the Group amounted to £4,069,000 (2022: loss of £5,624,000). The Directors do not recommend the payment of a dividend (2022: £nil). The Company has no plans to adopt a dividend policy in the immediate future.

### Principal risks and uncertainties

Information of the principal risks and uncertainties facing the Group is included in the Principal Risks and Uncertainties section of the Strategic Report.

### Financial risk management objectives and policies

The Group's principal financial instruments are trade receivables, trade payables, cash at bank, and borrowings. The main purpose of these financial instruments is to fund the Group's operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risk arising from the Group's financial instruments is liquidity risk. The Board reviews and agrees policies for managing this risk and this is summarised below.

### Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of equity and its cash resources. Further details of this are provided in the principal accounting policies, headed 'going concern'.

### Key Performance Indicators ("KPIs")

KPIs adopted by the Group are detailed in the KPIs section of the Strategic Report.

### Going concern

The Directors note the losses and cash outflows that the Group has made for the year ended 30 September 2023. The Directors have prepared cash flow forecasts for the period to 31 March 2025, which take into account anticipated production and costs, the forward curve of Brent crude oil, expected revenue streams and external funding.

The forecasts prepared demonstrate that the Group will have sufficient cash funds available to allow it to continue in business for a period of at least 12 months from the date of approval of these financial statements. Notwithstanding the Company's current cash balance and contractual expenditure commitments, the Board are cognisant of any possible unforeseen events outside of its control on the Group. Whilst some of these events are contingent (farm-in to the Horse Hill Oil Field), the Company, if required, will take actions to address any cash constraints by seeking to raise capital through equity or debt. Whilst there can be no certainty that sufficient funding can be obtained in the timescales required, the Directors are confident of their ability to raise capital, which is supported by successful capital placements in the past.

For these reasons the Directors adopt the going concern basis in the preparation of the Financial Statements however confirm that there remains a material uncertainty that may cause significant doubt over the going concern nature of the Group.

Independent auditor's report also refers to material uncertainty related to going concern.

### Events after the reporting period

Events after the Reporting Period are outlined in Note 24 to the Financial Statements.

### Corporate governance

Information in relation to the Corporate Governance of the Group is contained within the Corporate Governance Section of the Strategic Report.

### Suppliers' payment policy

The Group's policy is to agree terms and conditions with suppliers in advance; payment is then made in accordance with the agreement provided the supplier has met the terms and conditions. Suppliers are typically paid within 30 days of issue of invoice.

**Charitable contributions**

During the year the Group made charitable donations amounting to £Nil (2022 - £Nil).

**Substantial shareholdings update**

As at 31 December 2023, the Company had been notified of the following substantial shareholdings in its ordinary share capital:

Shareholder	Number of Ordinary Shares	Holding %
Hargreaves Lansdown (Nominees) Limited	7,251,717,353	30.44%
Interactive Investor Services Nominees Limited	3,907,456,689	16.40%
HSDL Nominees Limited	2,910,372,218	12.22%
Barclays Direct Investing Nominees Limited	1,782,317,013	7.48%
IG Markets	997,943,140	4.19%

**Current Board and directors' interests**

Nicholas Mardon Taylor	Non-Executive Chairman
Stephen Sanderson	Chief Executive
Allen D Howard	Executive Director
Kiran Morzaria	Non-Executive Director

The directors hold options to purchase new ordinary shares in the Company, details of which are specified in the Remuneration Report on pages 25 to 26. In addition, Stephen Sanderson holds 12,457,310 ordinary shares in the Company and Kiran Morzaria holds 4,508,178 ordinary shares in the Company.

**Auditor**

PKF Littlejohn LLP has expressed their willingness to continue in office as auditor and a resolution to reappoint PKF Littlejohn LLP as auditor will be proposed at the forthcoming Annual General Meeting ("AGM").

**Annual General Meeting**

Notice of the forthcoming Annual General Meeting will be provided separately.

**Statement of directors' responsibilities**

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Group and Parent Company financial statements in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. 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 period. These financial statements have been prepared in accordance with:

- UK-adopted international accounting standards and
- the requirements of the Companies Act 2006.

In preparing these 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;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding



the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions. The Company's website is maintained in accordance with AIM Rule 26.

**Statement as to disclosure of information to the auditor**

As at the date of this report the serving directors confirm that:

- So far as each Director is aware, there is no relevant audit information of which the Group's auditors are unaware, and
- They have taken all the 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's auditor are aware of that information.

On behalf of the board

Stephen Sanderson  
Director  
28 March 2024



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK OIL & GAS PLC

### Opinion

We have audited the financial statements of UK Oil & Gas Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2023 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent company Statements of Financial Position, the Consolidated and Parent company Statements of Changes in Equity, the Consolidated and Parent company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2023 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;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; 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 group and parent 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.

### Material uncertainty related to going concern

We draw attention to note 2b in the financial statements, which indicates that the group will require additional funding in the coming twelve months to meet their ongoing cash requirements. Whilst the directors anticipate that such funding may be obtained from a number of sources, there can be no certainty that such sources of funding are obtained in the timeframes necessary. As stated in note 2b, these events or conditions, along with the other matters as set forth in note 2b, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's 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 group's and parent company's ability to continue to adopt the going concern basis of accounting included a review of budgets and cash flow forecasts covering a period of at least 12 months from the date of approval of the financial statements, including challenge of management on the basis of preparation, together with ascertaining the most recent cash position of the group and company, and identifying subsequent events impacting the going concern position.

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

### Our application of materiality

For the purposes of determining whether the financial statements are free from material misstatement, we define materiality as a magnitude of misstatement that makes it probable that the economic decisions of a reasonable knowledgeable person, relying on the financial statements, would be charged or influenced. We also determine a level of performance materiality which we use to assess the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceed materiality for the financial statements as a whole.



Materiality for the group financial statements was set at £666,000 (2022: £783,000). This was calculated based on 2% of net assets (2022: 2% of net assets). Net assets was used as the benchmark for the basis of materiality being the key area of relevance to stakeholders in assessing the financial performance of the group in its early years of production and exploration. The same basis for the calculation of materiality for the Parent company financial statements was used, however restricted to £665,999 (2022: £782,999), to ensure a level below that of group materiality as required by ISA (UK) 600.

We also determine a level of performance materiality which we use to assess the extent of testing needed to reduce to an appropriately low level probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality for the group and Parent company was set at £432,900 (2022: £508,950) and £432,899 (2022: £508,949) respectively, being 65% of materiality for the financial statements as a whole.

We agreed to report to those charged with governance all corrected and uncorrected misstatements we identified through our audit with a value in excess of £33,300 for both the group and Parent company. We also agreed to report any other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

### Our approach to the audit

The scope of our audit was influenced by our application of materiality. The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures.

As part of our planning, we assessed all components of the group for their significance under ISA (UK) 600 in order to determine the scope of the work to be performed. Those entities of the group which were considered to be significant components, being UK Oil & Gas plc, Horse Hill Developments Limited and UKOG (234) Limited, were subject to full scope audit procedures, and those considered to be material, being UKOG (137/246) Holdings Limited, UKOG (137/246) Ltd, UKOG Turkey Limited and UK Energy Storage Limited were subject to audit procedures on significant and identified risk areas and material balances only, in accordance with ISA (UK) 600. Procedures were then performed to address the risks identified and for the most significant assessed risks of material misstatement, the procedures are outlined below in the key audit matters section of this report. The remaining components were subject to analytical review procedures.

We did not rely on the work of any component auditors.

### 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 scope addressed this matter
<b>Carrying value and correct classification of exploration and evaluation assets (Note 11)</b>	
<p>The group accounts for exploration and evaluation (E&amp;E) costs in accordance with the requirements of IFRS 6 – Exploration for and evaluation of mineral resources. Costs such as exploration licences, leasehold land and property acquisition costs and costs directly associated with exploration activities are capitalised as exploration and evaluation intangible assets. There is a risk that the exploration and evaluation assets are incorrectly valued or need to be impaired.</p> <p>If no future activity is planned, the licence has been relinquished or has expired, or where development is likely to proceed but there are indications that the E&amp;E asset costs are unlikely to be</p>	<p>Our work in this area included:</p> <ul style="list-style-type: none"> <li>• Vouching a sample of additions in the period to supporting documentation and ensuring they have been capitalised in line with the requirements of IFRS 6;</li> <li>• A review of management's indicators of impairment review and performing an independent assessment to ascertain whether indicators of impairment exist under IFRS 6. Including challenging estimates and assumptions made by management;</li> <li>• Obtaining and reviewing latest Competent Person's Reports, as well as any other relevant technical reports, and</li> </ul>





<p>recovered in full, the carrying value may be impaired and require being written off to the income statement.</p> <p>This risk is classed as a KAM given that management’s review for indicators of impairment may be subject to significant judgements and estimates and is one of the most significant balances on the statement of financial position.</p>	<p>considering the impact of any key findings on the indicators of impairment review;</p> <ul style="list-style-type: none"> <li>Assessing whether good title to the licences in place remains and whether they are valid for the period under review;</li> <li>Reviewing the terms of the licenses to identify any stipulations and assessing whether these have been met; and</li> <li>Ensuring disclosures made in the financial statements in relation to critical accounting estimates and judgments are adequate and in line with our understanding of the group and its activities.</li> </ul>
<p><b>Carrying value of producing assets (Note 12)</b></p>	
<p>The group carries an amount of producing assets on its statement of financial position. Management reviews the group’s producing assets annually to determine whether any indication of impairment exists. Where indicators exist, a formal estimate of the recoverable amount is made, which requires the use of key assumptions and judgements such as long-term oil prices, foreign exchange rates, discount rates, reserves, production profiles and capital expenditure all of which are subject to risk and uncertainty.</p> <p>There exists a risk of material misstatement around the carrying value of the producing assets, as to whether any impairment is required.</p> <p>This is classed as a KAM given that management’s valuation workings are subject to significant judgements and estimates.</p>	<p>Our work in this area included:</p> <ul style="list-style-type: none"> <li>A critical assessment of managements impairment review of the carrying value of the producing assets, including management’s net present value workings, and challenging key assumptions made including the discount rate, forecasted oil price, production levels and reserves estimates;</li> <li>A review of the unit of production method of depletion and performing a recalculation thereto;</li> <li>Verifying the mathematical accuracy of the calculations prepared by management; and</li> <li>Physically verifying a sample of assets to supporting existence and assessing he appropriate classification.</li> </ul>
<p><b>Carrying value of investments – company only (Note 13)</b></p>	
<p>The Company holds an investment in a Joint venture investment in Turkey and investments in the Group subsidiaries. At each reporting period, the directors carry out an impairment review of the company’s investment in subsidiaries and joint venture applying the same assumptions used for the impairment review of oil and gas properties and the exploration assets within those entities.</p> <p>There is a risk that these investments are not fairly stated and require an impairment should there be corresponding impairments in the underlying oil and gas properties and exploration assets.</p> <p>This risk is classed as a KAM given that management’s valuation and classification of investments are subject to significant judgements and estimates.</p>	<p>Our work in this area included:</p> <ul style="list-style-type: none"> <li>Reviewing valuation and/or impairment workings, including testing key inputs to supporting documentation and challenging estimates and assumptions made by management;</li> <li>Agreeing investment holdings to supporting documentation to support the ownership;</li> <li>Agreeing capitalisation of intercompany loans to supporting documentation;</li> <li>Considering the recoverability of investments by reference to underlying net asset values; and</li> <li>Ensuring disclosures made in the financial statements in relation to critical accounting judgements are adequate.</li> </ul>



## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

- the information given in the strategic report and the directors' report for the financial 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 the parent company and their 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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent 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, the directors are responsible for the preparation of the group and parent company 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 group and parent company financial statements, the directors are responsible for assessing the group and the parent 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 parent 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:



- We obtained an understanding of the group and Parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research and application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the group and Parent company in this regard to be those arising from:
  - Companies Act 2006
  - UK adopted International Accounting Standards
  - Employment Law
  - Bribery Act 2010
  - Tax legislation
  - Health and Safety legislation
  - Environmental law
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and Parent company with those laws and regulations. These procedures included, but were not limited to:
  - enquiries of management
  - review of RNS announcements
  - review of board and other committee minutes
  - review of legal correspondence
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that the potential for management bias was identified in relation to the impairment of the carrying value of exploration and evaluation assets, oil and gas assets and investments in subsidiaries. We addressed this by challenging the assumptions and judgements made by management when auditing them. We did not identify any significant fraud risks.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

### Use of our report

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

**Daniel Hutson (Senior Statutory Auditor)**

**For and on behalf of PKF Littlejohn LLP**

**Statutory Auditor**

15 Westferry Circus

Canary Wharf

London E14 4HD

28 March 2024



## Financial Statements

### Consolidated statement of comprehensive income for year ended 30 September 2023

	Notes	30 Sep 2023 £'000	30 Sep 2022 £'000
<b>REVENUE</b>	6	<b>1,538</b>	<b>1,780</b>
<b>Cost of sales</b>			
Depletion, Depreciation and Amortisation		(244)	(769)
Other Cost of Sales		(1,019)	(701)
<b>Gross profit</b>		<b>275</b>	<b>310</b>
<b>Operating expenses</b>			
Administrative expenses		(3,320)	(2,643)
Impairment of oil and gas assets	12	-	(2,890)
Impairment of E&E assets	11	(402)	(100)
Foreign exchange losses		(33)	(65)
<b>Operating loss</b>	5	<b>(3,480)</b>	<b>(5,388)</b>
Finance Cost	8	(589)	(234)
<b>Loss before taxation</b>		<b>(4,069)</b>	<b>(5,622)</b>
<b>Taxation</b>	9	-	-
Retained loss for the year		(4,069)	(5,622)
<b>Retained loss attributable to</b>			
Equity holders of the Parent		(3,777)	(4,870)
Non-Controlling Interests		(292)	(752)
		(4,069)	(5,622)

There are no other comprehensive income or expenses during the two reported periods to disclose.

All operations are continuing.

	Note	Pence	Pence
<b>Earnings per share</b>			
Basic and diluted	10	(0.02)	(0.04)

The accompanying accounting policies and notes form an integral part of these financial statements.

**Consolidated statement of financial position  
as at 30 September 2023**

	Notes	30 Sep 2023 £'000	30 Sep 2022 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Exploration & evaluation assets	11	33,201	32,155
Oil & Gas properties	12	2,276	2,199
Property, Plant & Equipment	12	1,439	1,563
<b>Total non-current assets</b>		<b>36,916</b>	<b>35,922</b>
<b>Current assets</b>			
Inventory	14	18	3
Trade and other receivables	15	754	748
Cash and cash equivalents	16	1,868	4,595
<b>Total current assets</b>		<b>2,640</b>	<b>5,346</b>
<b>Total assets</b>		<b>39,556</b>	<b>41,269</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	17	(635)	(801)
Borrowings	18	(4,784)	(3,114)
<b>Total current liabilities</b>		<b>(5,419)</b>	<b>(3,915)</b>
<b>Non-current Liabilities</b>			
Provisions	19	(1,451)	(1,442)
<b>Total non-current liabilities</b>		<b>(1,451)</b>	<b>(1,442)</b>
<b>Total liabilities</b>		<b>(6,869)</b>	<b>(5,355)</b>
<b>Net Assets</b>		<b>32,687</b>	<b>35,912</b>
<b>Equity</b>			
Share capital	20	13,808	13,693
Share premium account		110,915	110,480
Share based payment reserve	21	2,039	1,745
Accumulated losses		(92,753)	(88,976)
		<b>34,009</b>	<b>36,942</b>
Non-controlling interest		(1,322)	(1,030)
<b>Total shareholders' equity</b>		<b>32,687</b>	<b>35,912</b>

These financial statements were approved by the Board of Directors on 28 March 2024 and are signed on its behalf by:

Stephen Sanderson  
Director

Allen Howard  
Director

The accompanying accounting policies and notes form an integral part of these financial statements.


**Company statement of financial position  
as at 30 September 2023**

	Notes	2023 £'000	2022 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Exploration & evaluation assets	11	1,166	841
Investment in subsidiary companies	13	26,242	26,242
Property, Plant and Equipment	12	1,412	1,505
<b>Total non-current assets</b>		<b>28,820</b>	<b>28,588</b>
<b>Current assets</b>			
Trade and other receivables	15	172	229
Intercompany balances	15	13,157	24,753
Cash and cash equivalents	16	497	3,634
<b>Total current assets</b>		<b>13,826</b>	<b>28,616</b>
<b>TOTAL ASSETS</b>		<b>42,646</b>	<b>57,204</b>
<b>LIABILITIES</b>			
Current liabilities			
Trade and other payables	17	(254)	(341)
Borrowings		(1,540)	-
<b>Total Current Liabilities</b>		<b>(1,794)</b>	<b>(341)</b>
<b>TOTAL LIABILITIES</b>		<b>(1,794)</b>	<b>(341)</b>
<b>Net Assets</b>		<b>40,852</b>	<b>56,863</b>
<b>Shareholders' Equity</b>			
Share capital	20	13,808	13,693
Share premium account		110,915	110,480
Share based payment reserve		2,039	1,745
Accumulated losses		(85,910)	(69,055)
<b>Total shareholders' equity</b>		<b>40,852</b>	<b>56,863</b>

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the parent company has not been separately presented in these accounts. The parent company loss for the year was £16,757,000 (2021: loss £1,716,000).

These financial statements were approved by the Board of Directors on 28 March 2024 and are signed on its behalf by:

Stephen Sanderson  
Director

Allen Howard  
Director

Registered number: 05299925

The accompanying accounting policies and notes form an integral part of these financial statements.

**Consolidated statement of changes in equity  
for the year ended 30 September 2023**

	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Accumulated losses £'000	Total £'000	Non-controlling Interests £'000	Total £'000
<b>Balance at 30 September 2021</b>	<b>13,208</b>	<b>107,097</b>	<b>2,056</b>	<b>(84,580)</b>	<b>37,780</b>	<b>(278)</b>	<b>37,503</b>
Loss for the year	-	-	-	(4,870)	(4,870)	(752)	(5,622)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,870)</b>	<b>(4,870)</b>	<b>(752)</b>	<b>(5,622)</b>
Issue of shares	485	3,764	-	-	4,249	-	4,249
Cost of share issue	-	(381)	163	-	(218)	-	(218)
Share options expired	-	-	(474)	474	-	-	-
Total transactions with owners	485	3,383	(311)	474	4,031	-	4,031
<b>Balance at 30 September 2022</b>	<b>13,693</b>	<b>110,480</b>	<b>1,745</b>	<b>(88,976)</b>	<b>36,942</b>	<b>(1,030)</b>	<b>35,912</b>
Loss for the year	-	-	-	(3,777)	(3,777)	(292)	(4,069)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,777)</b>	<b>(3,777)</b>	<b>(292)</b>	<b>(4,069)</b>
Loan conversion	115	435	-	-	550	-	550
Warrants issued	-	-	294	-	294	-	294
Total transactions with owners	115	435	294	-	844	-	844
<b>Balance at 30 September 2023</b>	<b>13,808</b>	<b>110,915</b>	<b>2,039</b>	<b>(92,753)</b>	<b>34,009</b>	<b>(1,322)</b>	<b>32,687</b>


**Company statement of changes in equity  
for the year ended 30 September 2023**

	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Accumulated losses £'000	Total £'000
<b>Balance at 30 September 2021</b>	<b>13,208</b>	<b>107,097</b>	<b>2,056</b>	<b>(67,813)</b>	<b>54,548</b>
Loss for the year				(1,716)	(1,716)
<b>Total comprehensive income</b>				<b>(1,716)</b>	<b>(1,716)</b>
Issue of shares	485	3,764	-	-	4,249
Cost of share issue	-	(381)	163	-	(218)
Share options expired	-	-	(474)	474	-
Total transactions with owners	485	3,383	(311)	474	4,031
<b>Balance at 30 September 2022</b>	<b>13,693</b>	<b>110,480</b>	<b>1,745</b>	<b>(69,055)</b>	<b>56,863</b>
Loss for the year				(16,757)	(16,757)
<b>Total comprehensive income</b>				<b>(16,757)</b>	<b>(16,757)</b>
Loan conversion	115	435	-	-	550
Warrants issued	-	-	294	-	294
Total transactions with owners	115	435	294	-	844
<b>Balance at 30 September 2023</b>	<b>13,808</b>	<b>110,915</b>	<b>2,039</b>	<b>(85,910)</b>	<b>40,852</b>



**Consolidated statement of cash flow  
for the year ended 30 September 2023**

	2023 £'000	2022 £'000
<b>Cash flows from operating activities</b>		
Loss before tax	(4,069)	(5,622)
Depletion & impairment	244	3,659
Impairment of E&E assets	402	100
Movement in provisions	(8)	146
Inventories	(15)	(1)
Increase in Trade & other receivables	(6)	(205)
Decrease in Trade & other payables	(167)	(268)
Finance cost	683	233
<b>Net cash outflow from operating activities</b>	<b>(2,936)</b>	<b>(1,958)</b>
<b>Cash flows from investing activities</b>		
Expenditures on exploration & evaluation assets	(1,448)	(2,079)
Expenditures on oil & gas properties	(225)	(98)
Expenditures on plant, property & equipment	-	(39)
<b>Net cash outflow from investing activities</b>	<b>(1,673)</b>	<b>(2,216)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital	-	4,250
Share issue costs	-	(208)
Proceeds from loan	1,882	-
<b>Net cash inflow from financing activities</b>	<b>1,882</b>	<b>4,042</b>
<b>Net change in cash and cash equivalents</b>	<b>(2,726)</b>	<b>(132)</b>
Cash and cash equivalents at beginning of the period	4,595	4,727
<b>Cash and cash equivalents at end of the period</b>	<b>1,868</b>	<b>4,595</b>


**Company statement of cash flow  
for the year ended 30 September 2023**

	2023 £'000	2022 £'000
<b>Cash flows from operating activities</b>		
Loss before tax	(16,757)	(1,716)
Depletion & impairment	14,690	132
Decrease in trade & other receivables	136	79
(Decrease)/increase in trade & other payables	(71)	15
Interest income	(724)	(142)
Finance cost	502	10
<b>Net cash (outflow) from operating activities</b>	<b>(2,224)</b>	<b>(1,622)</b>
<b>Cash flows from investing activities</b>		
Expenditures on property, plant & equipment	(2)	(14)
Loan advanced to subsidiary	(2,792)	(2,918)
<b>Net cash (outflow) from investing activities</b>	<b>(2,794)</b>	<b>(2,932)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital	-	4,250
Share issue costs	-	(208)
Proceeds from loan	1,882	-
<b>Net cash inflow from financing activities</b>	<b>1,882</b>	<b>4,042</b>
<b>Net change in cash and cash equivalents</b>	<b>(3,137)</b>	<b>(512)</b>
Cash and cash equivalents at beginning of the period	3,634	4,146
<b>Cash and cash equivalents at end of the period</b>	<b>497</b>	<b>3,634</b>



## Notes to the Financial Statements

### 1. Corporate information

The consolidated financial statements of UK Oil & Gas Plc (the Company) and its subsidiaries (collectively, the Group), for the year ended 30 September 2023 were authorised for issue by the directors on 28 March 2024. UK Oil & Gas Plc (the Company & parent) is a public limited company incorporated in England and Wales under the UK Companies Act and listed on the Alternative Investment Market (AIM). The registered office is located at The Broadgate Tower, 20 Primrose Street, London EC2A 2EW.

The Group is principally engaged in oil production and oil & gas exploration and evaluation (see Note 4). Information on the Group's structure is provided in Note 13 and information on other related parties is provided in Note 25.

### 2. Principal accounting policies

#### a) Basis of preparation

The consolidated financial statements of the UK Oil & Gas Plc (the Company) and subsidiaries (the Group) have been prepared in accordance with UK- Adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 as they apply to the Group for the year ended 30 September 2023.

The accounting policies have been applied consistently throughout the preparation of these financial statements, the financial report is presented in Pound Sterling (£) and all values are rounded to the nearest thousand pounds (£'000) unless otherwise stated. The consolidated financial statements provide comparative information in respect of the previous period.

#### Subsidiary undertakings exempt from audit

UK Oil & Gas Plc has guaranteed the liabilities of the subsidiaries listed below under section 479A of the Companies Act 2006 in respect of the year ended 30 September 2023.

- UKOG (234) Ltd – 07055133
- UKOG (GB) Limited – 04050227
- UKOG Solent Limited – 0500092
- UKOG Weald Limited – 04881234
- UKOG (137/246) Holdings Ltd – 09010542
- UKOG (137/246) Ltd – 06807023
- UK Oil & Gas Investments Ltd – 11252712
- UKOG (Turkey) Ltd – 10212262
- UK Geothermal Ltd – 13386906
- UK Energy Storage Ltd – 14108327

#### New and amended standards and interpretations

There is no material impact on the financial statements following the adoption of new standards and interpretations.

#### New and amended standards, and interpretations issued and effective for the financial year beginning 1 October 2022

There were no new standards, amendments or interpretations effective for the first time for periods beginning on or after 1 October 2022 that had a material effect on the Group or Company financial statements.

#### New standards, amendments and interpretations in issue but not yet effective

At the date of approval of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Amendments to IAS 1: Classification of Liabilities as Current or Non-current – Deferral of Effective Date – effective 1 January 2024
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies - effective 1 January 2024
- Amendments to IFRS 16 Leases effective 1 January 2024

The Directors do not expect that the adoption of these standards will have a material impact on the financial information of the Group and Company in future periods.



## **b) Going concern**

### **Going concern**

The Directors note the losses and cash outflows that the Group has made for the year ended 30 September 2023. The Directors have prepared cash flow forecasts for the period to 31 March 2025, which take into account anticipated production and costs, the forward curve of Brent crude oil, expected revenue streams and external funding.

The forecasts prepared demonstrate that the Group will have sufficient cash funds available to allow it to continue in business for a period of at least 12 months from the date of approval of these financial statements. Notwithstanding the Company's current cash balance and contractual expenditure commitments, the Board are cognisant of any possible unforeseen events outside of its control on the Group. Whilst some of these events are contingent (farm-in to the Horse Hill Oil Field), the Company, if required, will take actions to address any cash constraints by seeking to raise capital through equity or debt. Whilst there can be no certainty that sufficient funding can be obtained in the timescales required, the Directors are confident of their ability to raise capital, which is supported by successful capital placements in the past.

For these reasons the Directors adopt the going concern basis in the preparation of the Financial Statements however confirm that there remains a material uncertainty that may cause significant doubt over the going concern nature of the Group.

Independent auditor's report also refers to material uncertainty related to going concern.

### **c) Basis of consolidation**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. All intercompany transactions and balances between Group companies, including unrealised profits arising from them, are eliminated in full.

At 30 September 2023, the Group comprised the Company and entities controlled by UK Oil & Gas Plc (its subsidiaries) (note 13).

### **d) Business combinations**

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

### **e) Joint arrangements**

Some of the Group's licence interests are held jointly with others under arrangements whereby unincorporated and jointly controlled ventures are used to explore, evaluate and ultimately develop and produce from its oil & gas interests. The Group's share of assets, liabilities, income and expenditure of these joint operations, have been classified in the appropriate balance sheet and income statement headings, except where its share of such amounts remain the responsibility of another party in accordance with the terms of carried interests.

When the Group, acting as an operator or manager of a joint arrangement, receives reimbursement of direct costs recharged to the joint arrangement, such recharges represent reimbursements of costs that the operator incurred as an agent for the joint arrangement and therefore have no effect on profit or loss.

### **f) Revenue**

Revenue comprises the invoiced value of goods and services supplied by the Group, excluding value added tax and trade discounts. Revenue is recognised when control passes to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. In the case of oil and petroleum products, this generally occurs when the product is physically transferred into a vessel, pipe or other delivery mechanism.

Revenue from the production of oil, from fields in which the Group has an interest with other producers, is recognised based on the Group's working interest and the terms of the relevant production sharing contracts. Differences between oil lifted and sold and the Group's share of production are not significant.



## **g) Non-current assets**

### **Intangible exploration and evaluation assets**

The Group accounts for exploration and evaluation costs in accordance with the requirements of IFRS 6 Exploration for and Evaluation of Mineral Resources as follows:

- Pre-licence costs (costs incurred prior to obtaining the legal rights to explore an area) are expensed immediately to the Income Statement.
- Exploration licence and leasehold land and property acquisition costs are capitalised in intangible assets.
- Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.
- Costs directly associated with an exploration well are capitalised as exploration and evaluation intangible assets until the drilling of the well is complete and the results have been evaluated. These costs include directly attributable employee remuneration, materials and consumables, drilling (including coring and sampling), evaluation of technical feasibility and commercial viability (including appraisal drilling and production testing).

Exploration and evaluation assets are assessed for impairment at each reporting date, before reclassification and whenever facts and circumstances suggest that they may be impaired. If no future activity is planned, the licence has been relinquished or has expired, or where development is likely to proceed but there are indications that the exploration and evaluation asset costs are unlikely to be recovered in full either by development or through sale, the carrying value of the asset is written off to the Income Statement.

### **Property, plant and equipment - oil & gas properties**

Oil & gas properties are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of any associated finance lease is also included within property, plant and equipment.

Oil & gas properties are depreciated/amortised on a unit-of-production basis over the total proved developed and undeveloped reserves of the field concerned. The unit-of-production rate calculation for the depreciation/amortisation of field development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure.

The Group's interests in oil & gas properties are assessed for indicators of impairment including events or changes in circumstances which indicate that the carrying value of an asset may not be recoverable. Any impairment in value is charged to the Income Statement.

### **Other property, plant and equipment**

Other property, plant and equipment is stated at cost to the Group less accumulated depreciation. These assets are generally depreciated on a straight-line basis over their estimated useful lives, depending on the type of asset.

### **Decommissioning assets**

A decommissioning asset is recognised in the appropriate category of the Group's non-current assets (intangible exploration and evaluation assets and property, plant and equipment) depending on the underlying accounting treatment for the operations or asset leading to the associated decommissioning provision. The asset is assessed for impairment as necessary and otherwise depleted on a straight-line basis over the estimated period to future removal of production facilities or site restoration.

## **h) Decommissioning provisions**

A provision for decommissioning is recognised where a liability for the removal of production facilities or site restoration exists. Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

## **i) Segmental information**

An operating segment is a distinguishable component of the Group that is involved in oil production, oil exploration or related activities, within a particular economic environment, which is subject to risks and rewards that are different from those of other segments.

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company.



## **j) Financial instruments**

### **Financial assets**

Financial assets are divided into the following categories: loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired, and are recognised when the Group becomes party to contractual arrangements. Both loans and receivables and available for sale financial assets are initially recorded at fair value.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables, most other receivables and cash and cash equivalents fall into this category of financial assets. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Cash and cash equivalents comprise cash on hand and short term deposits. Any interest earned is classified as interest income within finance income.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred, and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients.

A financial asset that is transferred qualifies for derecognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

### **Financial liabilities**

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument.

All financial liabilities initially recognised at fair value less transaction costs and thereafter carried at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

### **Impairment of financial assets**

At the end of each reporting period, a provision is made if there is sufficient evidence that a financial asset or group of financial assets has been impaired. Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

## **k) Inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of materials is the purchase cost, determined on first-in, first-out basis. The cost of crude oil and refined products is the purchase cost, the cost of refining, including the appropriate proportion of depreciation, depletion and amortisation and overheads based on normal operating capacity, determined on a weighted average basis. The net realisable value of crude oil and refined products is based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

## **l) Taxation**

The tax charge includes both current and deferred tax.

Current tax assets and liabilities are measured at the amount expected to be paid to or received from the tax authorities, calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Taxable profits or losses differ from the reported profit or loss before taxation in the Income Statement as it excludes items that are taxable or deductible in different periods, as well as items that are never deductible or taxable.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.



Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

#### **m) Share-based payments**

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions;
- Excluding the impact of any service and non-market performance vesting conditions (for example, profitability or sales growth targets, or remaining an employee of the entity over a specified time period; and,
- Including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances, employees may provide services in advance of the grant date, and therefore the grant-date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium.

#### **n) Equity**

Equity comprises the following:

- "Share capital" representing the nominal value of equity shares.
- "Share premium" representing the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Share based payment reserve" represents the value of equity benefits provided to employees and directors as part of their remuneration and provided to consultants and advisors hired by the Group from time to time as part of the consideration paid.
- "Accumulated losses" represents retained and (losses).

#### **o) Foreign currencies**

The consolidated financial statements are presented in UK pound sterling, the functional currency of the Group. Transactions in other currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the profit or loss in the period in which they arise. Exchange differences on non-monetary items are recognised in other comprehensive income to the extent that they relate to a gain or loss on that non-monetary item taken to other comprehensive income, otherwise such gains and losses are recognised in the income statement. The Group and Company's functional currency and presentational currency is Sterling.

### **3. Significant accounting judgements, estimates and assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses during the reporting period, and reported amounts of assets and liabilities, and the disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

In particular, the Group has identified the following areas where significant judgements, estimates and assumptions are required, and where if actual results were to differ, this could materially affect the financial position of financial results reported in a future period. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the financial statements.



## Judgements

### (i) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

### (ii) Hydrocarbon reserve and resource estimates

The Group estimates and reports hydrocarbon reserves in line with the principles contained in the SPE Petroleum Resources Management Reporting System (PRMS) framework. As the economic assumptions used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change.

The volume of proved and probable oil & gas reserves is an estimate that affects the unit of production depreciation of producing oil & gas property, plant and equipment as well as being a significant estimate affecting decommissioning provisions, impairment calculations and the valuation of oil & gas properties in business combinations. Contingent resources affect the valuation of exploration and exploration assets acquired in business combinations and the estimation of the recoverable value of those assets in impairment tests. Proved and probable reserves and contingent resources are estimated using standard recognised evaluation techniques. Estimates are reviewed at least annually and are regularly estimated by independent consultants. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

The current long-term Brent oil price assumption used in the estimation of reserves is US\$78/bbl. The carrying amount of oil & gas development and production assets at 30 September 2023 is shown in the reserves report.

### (iii) Recoverable value of intangible exploration and evaluation assets and goodwill

The Group has capitalised intangible exploration and evaluation assets in accordance with IFRS 6. Significant judgement is required to determine whether it continues to be appropriate to carry these costs on the balance sheet and whether the assets have been impaired.

The key areas in which management have applied judgement include the Group's intention to proceed with a future work programme for a prospect or licence, the likelihood of licence and planning permission renewal, plans for relinquishment, assessment of results from wells or geological or geophysical studies, and the assessment of whether the carrying value of the exploration and evaluation assets is unlikely to be recovered in full from successful development or by sale.

Goodwill is assessed in each reporting period to determine whether there is any impairment.

In both the above areas, the assessments include estimates and assumptions such as long-term oil prices, foreign exchange rates, discount rates, reserves, production profiles and capital expenditure, all of which are subject to risk and uncertainty. It is possible therefore that changes in these estimates may impact the recoverable values of goodwill and exploration and evaluation assets.

Details of the Group's intangible exploration and evaluation assets and goodwill are disclosed in Note 11 to the financial statements.

### (iv) Recoverable value of property, plant and equipment

Management reviews the Group's reported property, plant and equipment each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which requires the use of key assumptions and judgements such as long-term oil prices, foreign exchange rates, discount rates, reserves, production profiles and capital expenditure, all of which are subject to risk and uncertainty.

Details of the Group's property, plant and equipment are disclosed in Note 12 to the financial statements.

### (v) Decommissioning costs

The estimated cost of decommissioning at the end of the producing lives of fields is periodically reviewed and is based on forecast prices and technology at the balance sheet date which are provided by technical teams. Provision is made for the estimated cost using a discounted cash flow method and a risk free rate of return. Details of the Group's decommissioning provisions are disclosed in Note 19 to the financial statements.

## 4. Segmental reporting

All of the Group's assets and operations are located in the United Kingdom and Turkey. For management purposes, the Group is organised into business units based on the main types of activities and has three reportable segments, as follows:

- Oil production: includes producing business activities
- Oil exploration and evaluation: includes non-producing activities.
- Head Office, corporate and administrative, including parent company activities.

The Board of Directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently





with operating profit or loss in the consolidated financial statements. However, the Group's financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

The accounting policies used by the Group in reporting segments internally are the same as those used in the financial statements.

Revenues of £1,538,000 are derived from a single external customer. These revenues are attributed to the oil production segment.

#### Year ended 30 September 2023

Group	Oil production £'000	Oil exploration & evaluation £'000	Corporate & administrative £'000	Consolidated £'000
<b>REVENUE</b>				
External Customers	1,538	-	-	1,538
<b>Total revenue</b>	<b>1,538</b>	<b>-</b>	<b>-</b>	<b>1,538</b>
<b>Results</b>				
Depreciation, Depletion & Amortisation	(98)	(49)	(98)	(244)
Write offs & Impairment	-	(402)	-	(402)
Finance costs	(135)	(92)	(505)	(731)
<b>Loss before taxation</b>	<b>(779)</b>	<b>(630)</b>	<b>(2,881)</b>	<b>(4,069)</b>
Taxation	-	-	-	-
<b>Loss after taxation</b>	<b>(779)</b>	<b>(672)</b>	<b>(2,618)</b>	<b>(4,069)</b>
<b>Segment assets</b>	<b>1,036</b>	<b>4,675</b>	<b>33,846</b>	<b>39,556</b>
<b>Segment liabilities</b>	<b>(3,049)</b>	<b>(2,021)</b>	<b>(1,798)</b>	<b>(6,868)</b>
<b>Other disclosures:</b>				
Capital expenditure <sup>(1)</sup>	225	1,448	-	1,673

(1) Capital expenditure consists of capitalised exploration expenditure, development expenditure, additions to oil & gas properties and to other intangible assets including expenditure on assets from the acquisition of subsidiaries.

#### Year ended 30 September 2022

Group	Oil production £'000	Oil exploration & evaluation £'000	Corporate & administrative £'000	Consolidated £'000
<b>REVENUE</b>				
External Customers	1,780	-	-	1,780
<b>Total revenue</b>	<b>1,780</b>	<b>-</b>	<b>-</b>	<b>1,780</b>
<b>Results</b>				
Depreciation, Depletion & Amortisation	(542)	(292)	(133)	(610)
Write offs & Impairment	(2,890)	(100)	-	(2,990)
Finance costs	(74)	(128)	(10)	(211)
<b>Loss before taxation</b>	<b>(42)</b>	<b>(669)</b>	<b>(1,755)</b>	<b>(2,466)</b>
Taxation	-	-	-	-
<b>Loss after taxation</b>	<b>(42)</b>	<b>(669)</b>	<b>(1,755)</b>	<b>(2,466)</b>
<b>Segment assets</b>	<b>5,015</b>	<b>5,499</b>	<b>33,890</b>	<b>41,267</b>
<b>Segment liabilities</b>	<b>(3,004)</b>	<b>(2,007)</b>	<b>(344)</b>	<b>(5,355)</b>
<b>Other disclosures:</b>				
Capital expenditure <sup>(1)</sup>	98	1,841	39	1,978

(1) Capital expenditure consists of capitalised exploration expenditure, development expenditure, additions to oil & gas properties and to other intangible assets including expenditure on assets from the acquisition of subsidiaries.



## 5. Operating loss

Group	2023 £'000	2022 £'000
<b>Operating (loss) is stated after charging:</b>		
Directors' remuneration – fees & salaries	508	471
Employee Benefit Trust charge	7	7
Auditors' remuneration		
Audit-related assurance services	85	71
Non-audit services	30	
Depletion of oil & gas properties	23	470

## 6. Revenue

The Group has recognised the following amounts relating to revenue in the statement of comprehensive income:

Group	2023 £'000	2022 £'000
Revenue from contracts with customers	1,538	1,780
<b>Total</b>	<b>1,538</b>	<b>1,780</b>

All revenue is derived from sales of oil from one geographic location and is recognised at a point in time.

## 7. Directors and employees

The Company employed the services of an average of 14 employees in the year (2022: 14). Remuneration in respect of these employees was:

Group	2023 £'000	2022 £'000
Employment costs, including Directors, during the year:		
Wages and salaries	1,799	1,628
Social security costs	233	216
Employee pension costs	13	13
Benefits in kind	15	10
<b>Total</b>	<b>2,060</b>	<b>1,867</b>

Employee pension costs payable at the end of the year amounted to £2,000 (2022: £2,000).

### Average number of persons, including Executive Directors employed

	2023 No.	2022 No.
Administration	8	8
Operations	6	6
<b>Total</b>	<b>14</b>	<b>14</b>

### Directors' remuneration

	2023 £'000	2022 £'000
Stephen Sanderson	338	312
Kiran Morzaria	27	56
Allen Howard	82	72
Nicholas Mardon Taylor	61	56
<b>Total</b>	<b>508</b>	<b>496</b>

**Year ended 30 September 2023**

2023	Fees and salaries £'000	Bonuses £'000	Pension £'000	Benefits in Kind £'000	Share based payments (*) £'000	Total £'000
Stephen Sanderson	337	-	1	-	-	338
Kiran Morzaria	27	-	-	-	-	27
Allen Howard	82	-	-	-	-	82
Nicholas Mardon Taylor	61	-	-	-	-	61
<b>Total</b>	<b>507</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>508</b>

2022	Fees and salaries £'000	Bonuses £'000	Pension £'000	Benefits in Kind £'000	Share based payments (*) £'000	Total £'000
Stephen Sanderson	311	-	1	-	-	312
Kiran Morzaria	55	-	1	-	-	56
Allen Howard	72	-	-	-	-	72
Nicholas Mardon Taylor	56	-	-	-	-	56
<b>Total</b>	<b>494</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>496</b>

\* Share based payments are non-cash remuneration by way of the issue of share options in the company.

**8. Finance costs**

	2023 £'000	2022 £'000
Loan interest due to non-controlling interests	139	26
Interest income	31	
Unwind discount on decommissioning provision (note 19)	128	198
Change in estimate of decommissioning liability	(68)	-
Convertible loan fees	502	10
<b>Total - Finance costs</b>	<b>589</b>	<b>234</b>

**9. Income tax**

There is no tax credit on the loss for the current or prior year. The tax assessed for the year differs from the standard rate of corporation tax in the UK as follows:

	2023 £'000	2022 £'000
Loss for the year before tax	(4,069)	(5,622)
Tax rate 40% (30% for ring-fenced activities plus 10% ring fence supplement)	40%	40%
Expected tax credit	(1,628)	(2,249)
Tax adjustment for non-deductible expenditure	322	192
Tax impact of capital allowances	(10)	(8)
Adjustment in respect of prior periods	-	-
Impact of losses taxed at different rates	699	454
Tax impact of losses carried forward	130	1,464
Other movements	487	147
<b>Total - Actual tax expense</b>	<b>-</b>	<b>-</b>



The Group estimated carried forward tax losses are £20,313,000 (2022: £16,421,000), none of which are recognised as a deferred tax asset. Deferred tax assets have not been recognised in respect of the unprovided deferred taxation items because it is not probable that future taxable profit will be available to utilise these deductible temporary differences.

## 10. Earnings per share

The calculation of the basic loss per share is calculated by dividing the consolidated loss attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

Group	2023 £'000	2022 £'000
Loss attributable to ordinary shareholders	(3,777)	(4,870)

  

Group	2023 No.	2022 No.
Weighted average number of ordinary shares for calculating basic loss per share	22,241,911,627	16,605,573,760

  

Group	2023 Pence	2022 Pence
Basic and diluted loss per share	(0.02)	(0.04)

As inclusion of the potential ordinary shares would result in a decrease in the earnings per share they are considered to be anti-dilutive, as such, a diluted earnings per share is not included. The potential amount of dilutive shares is 435,125,816, which represents outstanding options and warrants.

## 11. Intangible assets

Cost & Net Book Value	Group		Total £'000
	Exploration & evaluation costs £'000	Decommissioning asset £'000	
<b>As at 30 September 2021</b>	<b>30,420</b>	<b>95</b>	<b>30,515</b>
Additions	1,835	-	1,835
Exploration Write offs & Amortisation	(100)	(95)	(195)
<b>As at 30 September 2022</b>	<b>32,155</b>	<b>-</b>	<b>32,155</b>
Additions	1,448	-	1,448
Impairment of E&E assets	(402)	-	(402)
<b>As at 30 September 2023</b>	<b>33,201</b>	<b>-</b>	<b>33,201</b>



	Company
	Exploration & evaluation costs
Cost & Net Book Value	£'000
<b>As at 30 September 2021</b>	<b>823</b>
Additions	18
Exploration Write offs & Amortisation	-
<b>As at 30 September 2022</b>	<b>841</b>
Additions	325
Exploration Write offs & Amortisation	-
<b>As at 30 September 2023</b>	<b>1,166</b>

The Directors have assessed the carrying value of the exploration & evaluation assets as at 30 September 2023. The Directors have determined that the potential value of the Horse Hill development to be £19.3 million, which takes into account drilling of four additional wells in the field, and supports the value of intangible assets of Horse Hill.

Exploration and evaluation activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Additions during the year reflect the associated exploration and evaluation activities.

At this point the Company is still assessing the potential of the remaining assets and will continue to develop and evaluate these assets in the coming year. Since their acquisition dates there has been no further material changes to the Licence areas. The directors therefore consider that no further impairment is required at 30 September 2023.

#### **Joint operations**

UKOG's wholly owned subsidiary UKOG Turkey Ltd signed a participation agreement and joint operating agreement with AME in 2021, to take a 50% non-operated working interest in the 305 km<sup>2</sup> Resan M47-b1, b2 licence in Turkey. Together with AME, the business is working towards finalising the design and delivery of a successful first appraisal well aimed at establishing the commerciality of the aerially extensive and as yet undeveloped Basur-Resan oil discovery contained within the licence.

Subsequently to the year-end, following reperforating and extensive swab testing at Pinarova-1 by the operator, it was mutually concluded that, in the absence of commercial rates of hydrocarbons, no further testing will be performed. Therefore, the Exploration & evaluation assets associated with Pinarova-1 at 30 September 2023 (£402K) were impaired.



## 12. Oil & gas properties

Group	Oil & gas properties 2023	Decommissioning asset 2023	Property, plant & equipment 2023	Total 2023	Total 2022
<b>Cost</b>					
<b>As at 1 October</b>	<b>17,260</b>	<b>460</b>	<b>2,236</b>	<b>19,956</b>	19,819
Transfers	-	-	-	-	-
Additions	220	-	5	225	137
Change in estimate	-	(75)	-	(75)	-
<b>As at 30 September</b>	<b>17,481</b>	<b>385</b>	<b>2,241</b>	<b>20,106</b>	<b>19,956</b>
<b>Depletion &amp; impairment</b>					
As at 1 October	(15,499)	(23)	(673)	(16,195)	(12,657)
Impairment	-	-	-	-	(2,890)
Depletion charge	(32)	(36)	(128)	(244)	(648)
<b>As at 30 September</b>	<b>(15,531)</b>	<b>(59)</b>	<b>(801)</b>	<b>(16,391)</b>	<b>(16,195)</b>
<b>Carrying value</b>					
<b>As at 30 September</b>	<b>1,950</b>	<b>326</b>	<b>1,439</b>	<b>3,715</b>	<b>3,761</b>

### Impairment review

The Directors have carried out an impairment review of oil and gas assets of HH-1 well (£0.8m) as at 30 September 2023 which is included into oil and gas properties of £2m per the above. The Directors determined that the net present value of the HH-1 well was £1.4 million and therefore determined that HH-1 should not be impaired. The net present value utilised an internally generated depletion curve that was independently reviewed. Costs were based on current costs less any anticipated savings. A long-term average Brent oil price of US\$78/bbl was used being the Brent curve until 2031 and then kept flat at \$75/bbl. A discount rate of 2.79% was based on a Capital Asset Pricing Model analysis being the weighted average costs of capital of Horse Hill Developments Ltd, the holding company of the assets under review.

Based on current production and future forecast at Horndean, the Directors determined that for oil and gas properties of associated asset (£1.5m) no impairment was deemed necessary.

### Property, plant & equipment (Company)

Company	2023 £'000	2022 £'000
<b>Cost</b>		
<b>As at 1 October</b>	<b>1,824</b>	<b>1,819</b>
Additions	5	5
<b>As at 30 September</b>	<b>1,829</b>	<b>1,824</b>
<b>Depletion &amp; impairment</b>		
As at 1 October	(319)	(187)
Depletion charge	(97)	(132)
<b>As at 30 September</b>	<b>(416)</b>	<b>(319)</b>
<b>Carrying value</b>		
<b>As at 30 September</b>	<b>1,412</b>	<b>1,505</b>

### 13. Investment in subsidiaries

Company	2023 £'000	2022 £'000
<b>Cost and net book amount</b>		
At 1 October	26,242	26,242
<b>At 30 September</b>	<b>26,242</b>	<b>26,242</b>

The Directors carried out an impairment review of the Company's Investment in its subsidiaries as at 30 September 2023 and determined that no impairment was required. In the opinion of the Directors the carrying value of the investments is supported by their underlying net assets of the Group's subsidiaries or the net present value.

The Company holds more than 50 per cent of the share capital of the following companies as at 30 September 2023:

Company	Country of Registration	Proportion held	Functional Currency	Nature of business
UKOG (GB) Limited	UK	100%	GB£	Oil production
UKOG (234) Limited	UK	100%	GB£	Oil exploration
Horse Hill Developments Ltd	UK	77.9%	GB£	Oil production
UKOG (137/246) Holdings Ltd	UK	100%	GB£	Holding Company
UKOG (137/246) Ltd	UK	100%	GB£	Oil exploration
UKOG (Turkey) Ltd	UK	100%	GB£	Oil exploration
UK Energy Storage Ltd	UK	100%	GB£	Energy storage
UK Oil & Gas Investments Limited	UK	100%	GB£	Dormant
UK Geothermal Limited	UK	100%	GB£	Dormant

The registered address of each of these subsidiaries can be found on the website of Companies House.

All subsidiary undertakings are included in the consolidated financial statements. The proportion of the voting rights in the subsidiary undertaking held directly by the parent company do not differ from the proportion of the ordinary shares held. The following companies are taking an exception from the audit of the financial statements as per S479A of the Companies Act; UKOG (GB) Limited (04050227), UKOG (234) Ltd (07055133), UKOG (137/246) Holdings Ltd (09010542), UKOG (Turkey) Ltd (10212262), UK Oil & Gas Investments Limited (11252712), UK Geothermal Limited (13386906), UKOG (137/246) Limited (06807023), UK Energy Storage Ltd (14108327).

### 14. Inventory

Group	2023 £'000	2022 £'000
Inventories - Crude Oil	18	3
<b>Total</b>	<b>18</b>	<b>3</b>

### 15. Trade and other receivables

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade debtors	187	217	4	24
Other debtors	208	228	64	77
Loans to subsidiary companies	-	-	13,157	24,753
Prepayments and accrued income	359	303	104	128
<b>Total</b>	<b>754</b>	<b>748</b>	<b>13,329</b>	<b>24,982</b>

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current.



The Directors carried out an impairment review of the loans to subsidiary companies and determined that an impairment charge of £14.7m is required in respect of the loan owed by Horse Hill Developments Limited. The analysis was based on the expected values of Horse Hill Developments Limited and the carrying value of investments and loan recorded in the Company.

## 16. Cash and cash equivalents

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Cash at bank and in hand	1,868	4,595	497	3,634
<b>Total</b>	<b>1,868</b>	<b>4,595</b>	<b>497</b>	<b>3,634</b>

## 17. Trade and other payables

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade creditors	383	564	74	165
Other creditors	64	63	64	63
Accruals and deferred income	188	174	116	113
<b>Total</b>	<b>635</b>	<b>801</b>	<b>254</b>	<b>341</b>

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

## 18. Borrowings

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Borrowings				
Convertible Loan notes	1,540		1,540	
Loans payable to Non-Controlling Interests	3,244	3,114	-	-
<b>Total</b>	<b>4,784</b>	<b>3,114</b>	<b>1,540</b>	<b>-</b>

On 27 June 2023, the Company secured a £3 million committed funding facility with RiverFort Global Opportunities PCC Ltd and YA II PN Ltd (“Investors”).

### Facility Summary:

- £2 million
- Further advance of up to £2 million by mutual consent,
- 0% interest, repayable 18 months after each advance,
- Company retains a right to repay any outstanding amount of the Loan prior to the expiry of the term, subject to a repayment fee of 10% of the outstanding balance,
- Company can raise cash via equity as it may see fit during the Loan’s term.

In addition, as disclosed in the Note 21, 1,125,895,598 warrants were issued during the year to note holders. On the drawdown date the note holders were granted warrants to subscribe for ordinary shares. Each note holder was granted such number of warrants as is equal to 33% (in aggregate) of the relevant advance divided by the applicable reference price for that advance. In respect of the first tranche the note holders were granted 1,125,895,598 warrants. The warrants are exercisable at a premium of 140% of the 5-day average VWAP prior to the relevant drawdown for a period of 36 months from the relevant date of grant.

### Loan discharge terms:

As part of the package the Company issued to the note holders ordinary shares (“Equity Shares”), which represent between approximately 37% and 51% of the value of the First Tranche, or 1.3 billion new ordinary shares, dependent on whether the shares are valued at the Variable



Price or Fixed Price, definitions of which are stated below. The Loan may, at the sole discretion of the note holders, be repaid by first applying the Equity Shares or, provided all Equity Shares have been applied, by converting the Loan into new ordinary shares in the Company. The price at which the Loan may be discharged either by applying the Equity Shares or converting the Loan is the lower of:

- the Variable Price, being equivalent to 100% (i.e., zero discount) of the Company's lowest daily volume weighted average price ("VWAP") in the 15 trading days preceding the conversion date or the date the Equity Shares are applied to discharge the Loan; or
- the Fixed Price, being the lower of either a 35% premium to a Reference Price being the average of the 5 daily VWAPs prior to the date of the relevant Loan drawdown (i.e., 135% of the Reference Price) or the lowest price at which the Company has issued equity in a fundraising whilst the loan is outstanding.

The Company retains a right to repay any outstanding amount of the Loan prior to the expiry of the term, subject to a repayment fee of 10% of the outstanding balance,

Any Equity Shares unsold at the end of the loan term or on early repayment shall be sold by the Investors and the net proceeds repaid to the Company.

All Investor share transactions are subject to:

- an orderly market provision that provides that the maximum number of shares which can be traded by the Investors or any of their affiliates in any calendar month shall be such number of shares which is equal to twenty (20) per cent of the number of shares of the Company that have traded during the previous calendar month (as confirmed by the reports available by Bloomberg or their equivalent);
- neither the Investors nor any of their affiliates shall hold any net short position with respect to the equity of UKOG during the Loan term; and
- Investors will exercise any share voting rights in support of any resolutions proposed by the Company.

The principal amount of each Advance is deemed to have been established with an accrued premium of 4.5% on the relevant drawdown date (i.e., a fee of 4.5% is incurred on each drawdown which will be added to the principal sum to be repaid). At 30 September 2023, the outstanding loan balance was £1.5m.

At 30 September 2023, the outstanding loan balances owed to HHDL's shareholders were; Alba Mineral Resources PLC (Alba) £2.1 million (2022: £2.54 million), Doremus PLC (Doremus) £0.6 million (2022: £0.57 million) and UK Oil & Gas Plc £17.43 million (2022: £16.59 million). The loans are payable on determination by the Board of HHDL. The loans currently attract an interest rate equivalent to the Bank of England base rate.

## 19. Provisions - decommissioning

Group	2023 £'000	2022 £'000
As at 1 October	1,442	1,376
Change of estimate	(119)	(65)
Release	-	-
Unwind discount	128	131
<b>As at 30 September</b>	<b>1,451</b>	<b>1,442</b>

The amount provided for at 30 September 2023 represents the Group's share of decommissioning liabilities in respect of the producing Hordean and Avington fields, the producing site at Horse Hill and the Broadford Bridge drilling site.

The Company makes full provision for the future cost of decommissioning oil production facilities and pipelines on a discounted basis upon the installation of those facilities. The decommissioning provision represents the present value of decommissioning costs relating to oil & gas properties.

These provisions have been created based on the Company's internal estimates. Assumptions used include an average group-wide discount rate of 10.0% and an annual inflation rate of 3.0% applied to future decommissioning costs. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions.

However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend upon future oil & gas prices, which are inherently uncertain.



## 20. Share capital

Ordinary Shares	Number of ordinary shares	Nominal Value £	Total Value £'000
<b>Issued at 30 September 2021</b>	<b>16,239,233,251</b>	<b>0.0001</b>	<b>1,624</b>
On 1 August 2022, for acquisition at 0.0875p per share	1,428,571,428	0.0001	142
On 16 September 2022, for acquisition at 0.0875p per share	3,428,571,425	0.0001	343
<b>Issued at 30 September 2022</b>	<b>21,096,376,104</b>	<b>0.0001</b>	<b>2,109</b>
On 28 June 2023, for conversion	1,145,535,523	0.0001	115
<b>Issued at 30 September 2023</b>	<b>22,241,911,627</b>	<b>0.0001</b>	<b>2,224</b>

### Deferred shares

The Company has in existence at 30 September 2023 and 2022, 1,158,385,352,229 deferred shares of 0.001p. These deferred shares do not carry voting rights.

### Total Ordinary and Deferred shares

The issued share capital as at 30 September 2023 is as follows:

	Number of shares	Nominal Value £	Total Value £'000
Ordinary shares	22,241,911,627	0.0001	2,224
Deferred shares	1,158,385,352,229	0.00001	11,584
<b>Total</b>			<b>13,808</b>

## 21. Share based payments

### Share options

No options were granted during the year (2022: nil).

As at 30 September 2023 the options in issue were:

Exercise price	Expiry date	Options in issue 30 September 2022
1.13p	25 September 2024	121,500,000
<b>Total</b>		<b>121,500,000</b>

Weighted average remaining contractual life of options outstanding at end of period is 12 months.

No options were exercised, and no options were cancelled during the year (2022: none exercised, none cancelled). 17,500,000 options lapsed during 2023 (2022:117,000,000). £472,000 in 2022 was transferred via equity to retained earnings on the lapse of options during the year.

### Warrants

As of 30 September 2023, 1,505 million warrants were in issue (2022: 421,982,958).

1,125,895,598 warrants were issued during the year to note holders as disclosed in the Note 18. On the drawdown date the note holders were granted warrants to subscribe for ordinary shares. Each note holder was granted such number of warrants as is equal to 33% (in aggregate) of the relevant advance divided by the applicable reference price for that advance. In respect of the first tranche the note holders were granted 1,125,895,598 warrants. The warrants are exercisable at a premium of 140% of the 5-day average VWAP prior to the relevant drawdown for a period of 36 months from the relevant date of grant. The fair value of the warrants was determined as £294,597 and the associated charge has been booked as finance cost.

No warrants lapsed during the year (2022: nil). No warrants were exercised during the year (2022: nil).

### Employee Benefit Trust

The Company established an employee benefit trust called the UK Oil & Gas Employee Benefit Trust (EBT) on 29 September 2014, to implement the use of the Company's existing share incentive plan over 10% of the Company's issued share capital from time to time in as efficient a manner as possible for the beneficiaries of that plan. The EBT is a discretionary trust for the benefit of directors, employees and



consultants of the Company. The shares held in the EBT are intended to be used to satisfy future awards made by the Company's Remuneration Committee under the share incentive scheme.

The EBT did not subscribe to shares during the year to 30 September 2023 (2022: nil). The balance of ordinary shares held by the EBT on 30 September 2023 was 250,000,000 (2022: 250,000,000). Awards of Ordinary Shares to beneficiaries by the EBT will be subject to appropriate vesting and other performance conditions, in line with normal market practice, which will be set by the Remuneration Committee.

Details of share options granted during the year to Directors, consultants & employees over the ordinary shares are as follows:

Share options	At 1 October 2022 No. Million	Issued during the year No. Million	Lapsed / exercised during the year No. Million	At 30 September 2023 No. Million	Exercise price £	Date from which exercisable	Expiry date
Allen Howard	5	-	-	5	0.0113	27/09/2019	25/09/2024
Kiran Morzaria	6.5	-	-	6.5	0.0113	27/09/2019	25/09/2024
Stephen Sanderson	25	-	-	25	0.0113	27/09/2019	25/09/2024
Nicholas Mardon Taylor	4	-	-	4	0.0113	27/09/2019	25/09/2024
	<b>40.5</b>	<b>-</b>	<b>-</b>	<b>40.5</b>			
Consultants & employees	17.5	-	(17.5)	-	0.0160	13/04/2018	12/04/2023
Consultants & employees	81	-	-	81	0.0113	27/09/2019	25/09/2024
<b>Total</b>	<b>139</b>	<b>-</b>	<b>(17.5)</b>	<b>121.5</b>			

Share options	At 1 October 2021 No. Million	Issued during the year No. Million	Lapsed / exercised during the year No. Million	At 30 September 2022 No. Million	Exercise price £	Date from which exercisable	Expiry date
Allen Howard	10	-	(10)	-	0.0115	25/05/2017	24/05/2022
Allen Howard	5	-	-	5	0.0113	27/09/2019	25/09/2024
Kiran Morzaria	20	-	(20)	-	0.0115	25/05/2017	24/05/2022
Kiran Morzaria	6.5	-	-	6.5	0.0113	27/09/2019	25/09/2024
Stephen Sanderson	25	-	(25)	-	0.0115	25/05/2017	24/05/2022
Stephen Sanderson	25	-	-	25	0.0113	27/09/2019	25/09/2024
Nicholas Mardon Taylor	4	-	-	4	0.0113	27/09/2019	25/09/2024
	<b>95.5</b>	<b>-</b>	<b>(55)</b>	<b>40.5</b>			
Consultants	62	-	(62)	-	0.0115	25/05/2017	24/05/2022
Consultants & employees	17.5	-	-	17.5	0.0160	13/04/2018	12/04/2023
Consultants & employees	81	-	-	81	0.0113	27/09/2019	25/09/2024
<b>Total</b>	<b>256</b>	<b>-</b>	<b>(117)</b>	<b>139</b>			

The share price range during the year was £0.00033 to £0.0012 (2022: £0.00077 to £0.0017).

The disclosure of Weighted Average Exercise Prices and a Weighted Average Contractual Life analysis is not viewed as informative because of the minimal variation of options currently in issue, and therefore has accordingly not been disclosed.

For those options granted where IFRS 2 "Share-Based Payment" is applicable, the fair values were calculated using the Black-Scholes model. The inputs into the model were as follows:

	Risk free rate	Share price volatility	Expected life	Share price at date of grant
13 April 2018 (0.4p)	0.8%	128.9%	1.72 years	£0.015
13 April 2018 (1.6p)	0.9%	128.9%	5 years	£0.015
27 September 2019 (1.13p)	0.4%	63.13%	5 years	£0.011

Expected volatility was determined by calculating the historical volatility of the Company's share price for 12 months prior to the date of grant. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability,



exercise restrictions and behavioural considerations. The Company recognised total expenses of £nil (2022: £nil) relating to equity-settled share-based payment transactions during the year, and £nil (2022: £nil) was transferred via equity to retained earnings on the exercising or lapse of options during the year.

Details of warrants granted during the year to consultants over the ordinary shares are as follows:

Warrants	At 1 October 2022 No. Million	Issued during the year No. Million	Lapsed / exercised during the year No. Million	At 30 September 2023 No. Million	Exercise price £	Date from which exercisable	Expiry date
Consultants	-	1,125	-	1,125	0.0105	28/06/2023	28/06/2026
Consultants	5	-	(5)	-	0.0115	04/11/2019	04/11/2022
Consultants	12	-	(12)	-	0.0085	29/11/2019	29/11/2022
Consultants	8	-	(8)	-	0.0020	24/05/2020	24/05/2023
Consultants	138	-	-	138	0.0016	02/07/2021	01/07/2024
Consultants	-	-	-	71	0.0009	01/08/2022	01/08/2025
Consultants	-	-	-	171	0.0009	09/09/2022	09/09/2025
<b>Total</b>	<b>180</b>	<b>1,125</b>	<b>(25)</b>	<b>1,505</b>			

## 22. Financial instruments and risk analysis

### Financial assets by category

The categories of financial asset, all included initially measured at fair value and subsequently carried at amortised cost in the balance sheet and the headings in which they are included are as follows:

	2023 £'000	2022 £'000
<b>Current assets – Group</b>		
Inventory	18	3
Trade and other receivables	754	748
Cash and cash equivalents	1,868	4,595
<b>Total</b>	<b>2,640</b>	<b>5,346</b>

	2023 £'000	2022 £'000
<b>Current assets – Company</b>		
Trade and other receivables	172	229
Intercompany balances	13,157	24,753
Cash and cash equivalents	497	3,634
<b>Total</b>	<b>13,826</b>	<b>28,616</b>

### Financial liabilities by category

The categories of financial liability all included at fair value and subsequently carried at amortised cost in the balance sheet and the headings in which they are included are as follows:

	2023 £'000	2022 £'000
<b>Current liabilities – Group</b>		
Trade and other payables	635	799
Borrowings	4,784	3,114
<b>Total</b>	<b>5,419</b>	<b>3,913</b>

	2023 £'000	2022 £'000
<b>Current liabilities – Company</b>		
Trade and other payables	258	341
Borrowings	1,540	-
<b>Total</b>	<b>1,798</b>	<b>341</b>

The group is exposed to market risk through its use of financial instruments and specifically to credit risk, and liquidity risk which result from both its operating and investing activities. The group's risk management is coordinated at its head office, in close co-operation with the board of Directors, and focuses on actively securing the group's short to medium term cash flows by minimising the exposure to financial markets.

Long term financial investments are managed to generate lasting returns. The group does not actively engage in the trading of financial assets for speculative purposes, nor does it write options. The most significant financial risks to which the group is exposed to are described below.

#### Interest rate sensitivity

The group is not substantially exposed to interest rate sensitivity, other than in relation to interest bearing bank accounts.

#### Credit risk analysis

The group's exposure to credit risk is limited to the carrying amount of trade receivables and cash at bank. The group continuously monitors defaults of customers and other counterparties, identified either individually or by Company, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used.

The group's policy is to deal only with creditworthy counterparties. Group management considers that trade receivables that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. None of the group's



financial assets are secured by collateral or other credit enhancements. The credit risk for liquid funds and other short-term financial assets is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

### Liquidity risk analysis

The majority of the Group's liabilities are contractually due within one year. The loan due from Horse Hill Developments Limited to Alba and Doriemus is payable on determination by the Board of Horse Hill Developments Limited.

The convertible loan at 30 September 2023 was £1.5m and is repaid through a conversion mechanism.

The group's continued future operations depend on the ability to raise sufficient working capital through the issue of equity share capital or debt financing. The Directors are confident that adequate funding will be forthcoming with which to finance operations. Controls over expenditure are carefully managed.

### Capital management policies

The group's capital management objectives are to:

- Ensure the group's ability to continue as a going concern;
- Provide a return to shareholders; and
- To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure, to ensure an optimal capital structure, and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Management regards total equity as capital and reserves, for capital management purposes.

### Commodity price risk

The Group is exposed to the risk of fluctuations in prevailing market commodity prices on the mix of oil & gas products it produces. The Group's policy is to manage these risks through the use of contract-based prices with customers.

#### Commodity Price Sensitivity

The table below summarises the impact on profit before tax for changes in commodity prices. The analysis is based on the assumption that the crude oil price moves 10% resulting in a change of US\$ 7.80/bbl (2022: US\$ 8.90/bbl), with all other variables held constant. Reasonably possible movements in commodity prices were determined based on a review of the last two years' historical prices and economic forecasters' expectations.

	Effect on profit before tax for the year ended 30 September 2023 Increase/(Decrease) £'000	Effect on profit before tax for the year ended 30 September 2022 Increase/(Decrease) £'000
Increase/decrease in crude oil prices		
Increase US\$ 7.80 /bbl (2022: US\$ 8.90/bbl)	128	146
Decrease US\$ 7.80 /bbl (2022: US\$ 8.90/bbl)	(128)	(146)

### Currency risk

The Group has no significant monetary assets or liabilities that are denominated in a foreign currency. The Group is exposed to currency risk, with the price of Brent Crude Oil being denominated in US\$. The current exposure is not seen as material, with the current level of revenue being generated therefrom. The Board will continue to monitor this risk as the operations and/or revenues increase.

### 23. Commitments & contingent liabilities

Ongoing exploration expenditure is required to maintain title to the Group's exploration permits. No provision has been made in the financial statements for these amounts as the expenditure is expected to be fulfilled in the normal course of the operations of the Group. As at 30 September 2023, the Group had no further material commitments (2022: none).

### 24. Events after the reporting date

On 3 November 2023, the Company delivered to Investors the first and second tranches of ordinary shares in relation to the first cash sum received of £2m gross. These shares can be converted at the Investors' discretion to repay the loan. The Loan's first tranche of 1,300,000,000 has been converted by the Investors at an average price of 0.0504 pence per share. Investors can elect to convert the second tranche of 1,424,487,652 Equity Shares at the lower of the Variable Price or the Fixed Price. Following Admission, the total voting rights in the Company were 23,820,863,756 ordinary shares.

In December 2023, further to its announcement of 28 March 2023, the Company's relevant subsidiaries and Pennpetro Energy Plc ("PPP") have agreed to extend the conditional binding Horse Hill farm-in term sheet until 30 June 2024, whereby PPP will farm-in to the Horse Hill Oil Field on an incremental production only basis by paying 100% of both a 12 km<sup>2</sup> 3D seismic survey and a new crestal production well, Horse



Hill-3 ("HH-3"). The farmin remains subject to the completion of the formal farmin agreement and necessary regulatory consents. The Company currently holds an effective 85.635% interest in Horse Hill and the surrounding PEDL137 and PEDL246 licences.

On 10 January 2024, the Company delivered to Investors a third tranche of ordinary shares. The Loan's fourth tranche of 1,424,487,652 shares were converted at the Variable Price, being an average of 0.025 pence per share, equivalent to 100% of the Company's lowest daily volume weighted average price ("VWAP") in the 15 trading days preceding the conversion date or the date the equity shares are applied to discharge the loan. Following Admission, the total voting rights in the Company were 24,908,513,710 ordinary shares.

On 12 January 2024, the Company successfully raised gross proceeds of £0.75 million by means of a placing at a price of 0.02 pence per share. The Placing is primarily in response to the government's newly announced acceleration of the first hydrogen storage allocation round, now scheduled to commence in Q3 2024 vs the prior Q3/Q4 2025 timeline. As the Company intends to submit a bid for an allocation award for its material hydrogen storage project in Portland, Dorset, the round's timetable now necessitates an acceleration of specific unbudgeted studies/works during 2024. The Company is also in discussion with a significant international trading house with regard to its participation in the Company's hydrogen storage project. The Placing's proceeds will also provide the Company with a further source of general working capital to progress its existing UK/Turkey projects.

On 23 January 2024, the Company delivered to Investors a fourth tranche of ordinary shares. The Loan's fourth tranche of 876,412,394 shares were converted at the Variable Price, being an average of 0.0175 pence per share, equivalent to 100% of the Company's lowest daily volume weighted average price ("VWAP") in the 15 trading days preceding the conversion date or the date the equity shares are applied to discharge the loan. Following Admission, the total voting rights in the Company were 29,534,926,104 ordinary shares.

On 5 March 2024, further to the General Meeting, where all the resolutions successfully passed, the Company completed the share reorganisation to consolidate the 32,539,926,104 ordinary shares of £0.0000001 each in the capital of the Company on a 10:1 ratio into 3,253,992,610 ordinary shares of £0.000001 each. The Directors were also granted with authority to allot and issue shares and grant rights to subscribe for shares for approximately 50% of the Company's ordinary share capital.

On 13 March 2024, the Company delivered to RiverFort Global Opportunities PCC Limited and YA II PN Ltd ("Investors") a tranche of 206,965,282 ordinary shares (the number of shares quoted after the capital reorganisation). Future conversion of these shares will further reduce the principal balance of the £2 million gross first cash sum received below the prior £0.66 million figure announced on 23 January 2024.

## 25. Related party transactions

### Transactions with related parties

UK Oil & Gas Plc paid a subscription fee for membership with United Kingdom Onshore Oil & Gas (UKOOG) during the year. UKOOG represent the onshore oil and gas industry and wider supply chain and provides the Company with general industry advice and representation. Stephen Sanderson, UKOG's Chief Executive, is a Director of UKOOG and, as a result, the subscription fee for membership is considered a related party transaction. During the year the Company paid £30,000 for its membership with UKOOG (2022: £30,000).

### Remuneration of key management personnel

The remuneration of the directors, and other key management personnel of the Company, is set out below in aggregate for each of the categories specified in IAS24 Related Party Disclosures. Further details in respect of the remuneration of the directors can be found within the Directors Remuneration Report on page 28.

	2023 £'000	2022 £'000
Short-term employee benefits	508	496
<b>Total</b>	<b>508</b>	<b>496</b>

## 26. Ultimate controlling party

In the opinion of the Directors there is no controlling party.



## Company Information

Company registration number	05299925
Registered office	The Broadgate Tower 8th Floor 20 Primrose Street London EC2A 2EW
Directors	Nicholas Mardon Taylor Stephen Sanderson Allen Howard Kiran Morzaria
Secretary	Kiran Morzaria
Auditors	PKF Littlejohn LLP Chartered Accountants Registered Auditor 15 Westferry Circus Canary Wharf London E14 4HD
Nominated Adviser	WH Ireland Limited 24 Martin Lane London EC4R 0DR
Solicitors	Hill Dickinson The Broadgate Tower 8th Floor 20 Primrose Street London EC2A 2EW
Registrars	Share Registrars Limited The Courtyard 17 West Street Farnham Surrey GU9 7DR

### Forward-looking Statement

This annual report contains 'forward-looking information', which may include, but is not limited to, statements with respect to the future financial and operating performance of UK Oil & Gas Plc, its subsidiaries, investment assets and affiliated companies, the estimation of oil reserves or resources, the realisation of resource estimates, costs of production, capital and exploration expenditures, costs and timing of the development of new assets, requirements for additional capital, governmental regulation of operations and exploration operations, timing and receipt of approvals, licenses, environmental risks, title disputes or claims.

Often, but not always, forward-looking statements can be identified by the use of words such as 'plans', 'expects', 'is expected', 'budget', 'scheduled', 'estimates', 'forecasts', 'intends', 'anticipates' or 'believes', or variations (including negative variations) of such words and phrases, or state that certain actions, events or results 'may', 'could', 'would', 'might' or 'will' be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of UK Oil & Gas Plc and/or its subsidiaries, investment assets and/or its affiliated companies to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements.

Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; conclusions of economic evaluations and studies; fluctuations in the value of UK Pounds Sterling relative to the United States Dollar, and other foreign currencies; changes in project parameters as plans continue to be refined; future prices of products; possible variations in recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the oil & gas industry; political instability, adverse weather conditions, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities.

Although UK Oil & Gas Plc has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may well be other factors that cause actions, events or results to differ from those currently anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this annual report, and UK Oil & Gas Plc disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements due to the inherent uncertainty therein. Nothing in this annual report should be construed as a profit forecast.