BARON OIL Plc

Annual Report and Financial Statements

for the year ended 31 December 2021

Contents

1. Corporate Information

Advisers & General Information

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

2. Corporate Statement

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

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

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

The Board is aware of its burgeoning responsibilities for environmental reporting and has taken steps to inform itself of best practice such as following guidance from the UK's North Sea Transition Authority ("NSTA", formerly the Oil and Gas Authority). The Company currently does not produce oil or gas, nor does it have active exploration operations, therefore there are no quantitative climate or related data to report. Should the Company become involved in oil and gas developments it intends to adopt best practice carbon intensity reporting and prioritise those developments which are consistent with a lower carbon strategy and compliance with regulatory requirements and standards.

3. Chairman's Statement & Operations Report

Financial and Financial Results

The net result for the year was a loss before taxation of £1,127,000, which compares to a loss of £920,000 for the preceding financial year; the loss after taxation attributable to Baron Oil shareholders was £1,127,000, compared to a loss of £920,000 in the preceding year.

Turnover for the year was £nil (2020: £nil), there being no sales activity during the period.

Exploration and evaluation expenditure written off included in the Income Statement amounts to £218,000. Impairment provisions in respect of Peru Block XXI were increased by £17,000, this being attributable to exchange rate fluctuations on the translation of US Dollar based Peruvian assets, together with a further £7,000 impairment of a related tax receivable. The directors judged that no other exploration assets required impairment.

The rise in Administration expenses for the year to £1,321,000 (2020: £710,000) requires explanation. The largest impact of £285,000 is due to the consolidation of SundaGas (Timor-Leste Sahul) Pte. Ltd. ("TLS") for a nine month period having been previously accounted for as an associated undertaking. It also includes a rise of £205,000 for non-cash share-based payments arising on the grant of options and finally we incurred additional non-recurring UK costs of £75,000 relating to consultancy arrangements and thereafter completion of notice of a former director. Overall, there have been no material changes to our budgets. It is worth noting that we anticipate a further rise in TLS expenses in 2022, again budgeted, as we move to a full 12 month reporting period at the group level and the Dili office in Timor-Leste is now fully operational.

During 2021, the Pound Sterling/US Dollar exchange rate was relatively stable, with an overall exchange gain of £22,000 (loss of £157,000 in 2020) on the Group's holding of US Dollar assets.

In April 2021, the Company increased its stake in TLS to a controlling interest of 85% at a cash cost of US$1,243,000; and acquired the remaining 15% on 17 June 2021 in exchange for the issue of 1,157,202,885 ordinary shares in the Company. Baron was not required to make any further contribution to the bank guarantee deposit. The full value of the guarantee deposit of US$1,000,000 is now consolidated, with US$667,000 shown as a payable to SundaGas Pte. Ltd.

There is a gain of £302,000 arising on the deemed disposal of the interest in the associated undertaking under IFRS3 that arises on the acquisition of the remaining equity in TLS.

TLS is regarded as a single asset company under IFRS3 and its consolidation for the first time gives rise to the creation of an intangible oil and gas asset amounting to £1,362,000. In addition, evaluation and development expenditure on the asset by the Group during the period amounts to a further £1,307,000, with the total carrying value of this asset being £2,669,000 at 31 December 2021.

At the end of the financial year, free cash reserves of the Group had increased to £1,650,000 from a level at the preceding year end of £1,190,000. The proceeds of placings and subscription of new shares in the year amounting to £3,000,000 gross (£2,768,000 net of costs) bolstered the Company's cash reserves. The Group's investment in intangible assets in the UK and Timor-Leste amounted to £2,465,000 in the period, including the cost of acquiring TLS, plus a further non-capitalised exploration and evaluation activity of £218,000, and £1,072,000 of operating cash outflow. In April 2022, the Company undertook a further capital raise with a new ordinary share Placing and Subscription of £1,650,000 gross, (£1,505,000 net of costs).

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

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

Report On Operations

Introduction

Baron reset its strategy in 2021 to focus on owning significant equity interests in high impact oil and gas exploration and appraisal activities. In pursuit of these goals, we have delivered significant increases in our stakes in both the Timor-Leste Chuditch PSC (from 25% to 75%) and the UK P2478 licence (from 15% to 32%) during the year, whilst subsequent to the year-end taking steps to relinquish Block XXI in Peru.

We currently have two major projects progressing towards key evaluation points, both of which are material in terms of potential value, equity interest and prospective resources, with relatively short timelines to potential drill decisions. It is timely that we are bringing these projects forward when issues of energy security and structural imbalances in Liquified Natural Gas ("LNG"), amongst other factors, has led to a sustained period of high prices for oil and gas.

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

Background

The Chuditch PSC is located approximately 185 kilometres south of Timor-Leste, 100 kilometres east of the producing Bayu-Undan field, 50 kilometres south of the potential Greater Sunrise development and covers approximately 3,571 km^2 in water depths of 50-100 metres. The Chuditch-1 discovery well, drilled by Shell in 1998 in 64 metres water depth, encountered a 25 metre gas column in Jurassic Plover Formation sandstone reservoirs on the flank of what is interpreted to be a large faulted structure, at a depth of around 3,000 metres. The Chuditch trend is largely covered by part of a regional 3D seismic survey which was acquired by a previous operator in 2012.

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

The work programme obligations in the first two years of the initial three year term of the PSC (to be completed by 18 December 2022) include the reprocessing of legacy seismic data. Subject to satisfactory results from the reprocessing and other technical work, the subsequent commitment is for a well to be drilled in the third year of the initial term. Banda has in place a US$1 million Bank Guarantee against the initial work commitment, of which Baron posted its initial share of US$0.333 million in April 2021, with US$0.667 million remaining in place from SundaGas Pte. Ltd. ("SGPL"), the original parent company prior to the increase in Baron's interest.

The initial work programme is designed to address issues with sea-bed topography and shallow geological features that significantly impact the existing seismic image at the reservoir level local to the Chuditch area and create artifacts that seismic processing technologies have hitherto been unable to remove. A pre-stack depth migration ("PSDM") processing routine has been tailored to resolve these issues, utilising new algorithms that address areas of complex seabed and shallow geology. Although computationally intensive and time-consuming, this work is expected to result in a considerably enhanced subsurface image, critical for the definition of the size and shape of the accumulation, which impacts the gas volumes in place and the location of potential future wells.

2021 and subsequent activities

Significant progress was made on Chuditch during the year, which included the progressive increase in Baron's interest in SundaGas (Timor-Leste Sahul) Pte. Ltd. ("TLS") from 33.33% to 100%. TLS is the parent company of Banda, the Timor-Leste registered subsidiary, which is the operator of and 75% interest holder in the offshore Timor-Leste TL-SO-19-16 PSC.

In February, *Autoridade Nacional do Petróleo e Minerais* ("ANPM"), the Timor-Leste state oil and gas regulatory authority, granted Banda an extension to Contract Year One of the PSC to enable the timely completion of the committed work programme, in particular the seismic reprocessing project. This means that the PSC is currently in Contract Year Two, with Year Three commencing on 19 December 2022.

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

In April, Baron announced the completion of an earn in, supported by a £3 million (gross) fund raise, increasing the Company's interest in TLS from 33.33% to 85%. Baron agreed to fund the remainder of the Chuditch PSC work programme to November 2022, estimated to be US$3.5 million.

In June, Baron announced an alignment of interests in relation to the Chuditch PSC, by way of a share exchange, whereby the Company agreed to acquire the remaining 15% of TLS from SGPL in exchange for the issue of 9.99% of Baron's enlarged share capital. Through this share exchange, Baron secured full control of the operating company of the PSC and alignment with the Banda technical and commercial personnel who continue to drive the Chuditch project forward.

In July, the Company announced the results of a review of prospective resources by THREE60 Energy Asia Sdn. Bhd. ("THREE60 Energy"), an independent consultancy specialising in petroleum reservoir assessment and asset evaluation, for the Chuditch PSC:

- independent review of the Chuditch PSC, validated to SPE PRMS 2018 industry standards, indicates aggregate gross Mean Prospective Resources of 3,368 Bscf of gas and 30 MMbbl of condensate, equivalent to a total of 591 MMBOEs for the Chuditch-1 discovery and neighbouring prospects and leads;
- subsurface risks for prospects and lead are estimated to be low, since they share analogous geological characteristics to the Chuditch-1 and other gas discoveries in adjacent Timor-Leste and Australian waters;
- the High Estimate of aggregate gross Prospective Resources equivalent to 1,156 MMBOE may reflect the potential for a single, large accumulation.

In September, a farmout initiative was launched running in parallel with the seismic reprocessing and other technical and commercial studies. This initiative is ongoing and is expected to accelerate as technical studies near completion and uncertainties around the Chuditch project are reduced.

In December, interim 3D seismic PSDM products were received from the processing contractor TGS-NOPEC, showing encouraging improvements in subsurface imaging. Iterative processing and interpretation feedback has subsequently continued, including the delivery of further interim steps. In-house interpretation of the reprocessed 3D seismic data is expected to commence in June 2022 and we look forward to updating shareholders on the results of the final 3D PSDM data thereafter.

A decision on whether to enter the drilling phase, with the potential for a high impact drilling programme in 2023, is scheduled to be taken in Q4 2022 following receipt and Interpretation of the final seismic reprocessing data volumes.

In parallel with the 3D seismic reprocessing project, additional geological and engineering studies have been completed or are ongoing, including:

- extensive 2D regional seismic interpretation and mapping and petroleum systems modelling exercises to provide a regional context of the Chuditch trend;
- a revised petrophysical evaluation of the Chuditch-1 discovery, confirming the quality of Chuditch reservoirs as potentially gas productive;
- a well engineering study to provide preliminary designs and indicative costs for a Chuditch appraisal well and a step-out exploration well; and
- a facilities and gas export engineering study, evaluating the layout and costs of infield facilities required for a future Chuditch LNG development, the various pipeline and standalone options for gas export, and the treatment and storage of carbon dioxide.

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

This work culminated in an update announcement and live investor presentation in late January 2022 which was attended by more than 100 participants. The presentation, which is available on the Baron website, covered a wide range of topics including:

- an updated technical overview;
- a description of the overall commercial context;
- options for potential future gas export strategies via pipeline to LNG facilities, or standalone solutions such as a Floating Liquefied Natural Gas (FLNG) facility;
- preliminary concepts for the handling of carbon dioxide and CCS (carbon capture and storage); and
- a preliminary design for a Chuditch appraisal well, with an indicative dry hole cost estimate in the range of US$15-$20 million.

At the regulatory level, Banda continues to enjoy a strong and constructive relationship with ANPM. An operational office was opened in Dili in early 2022 and the recruitment of a fit-for-purpose local management and technical team was completed during Q2 2022.

Post the reporting period ANPM announced the results of the Second Timor-Leste Licensing Round. Baron, having studied the available acreage in the round, did not submit a bid, believing that Chuditch represents the current highest value opportunity in offshore Timor-Leste. The Company is encouraged by the award to ENI Australia B.V, a subsidiary of the Italian major oil company, of Block P which neighbours the Chuditch PSC area. Santos NA Timor-Leste Pty Ltd was awarded Block R.

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

Background

Innovate Licence P2478, awarded in September 2019, is currently held by Corallian Energy Limited ("Corallian", Licence Administrator, interest 36%), Baron (32%), and Upland Resources (UK Onshore) Limited (32%).

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

Covering blocks 12/27c, 17/5, 18/1 and 18/2 in the Inner Moray Firth area of the North Sea, the licence contains the Dunrobin prospect which consists of large shallow rotated fault blocks which are mapped mostly on 3D seismic data including candidate direct hydrocarbon indicators. Regional and local petroleum systems are considered by the Joint Venture Partners to be proven. Well costs are expected to be modest at c.£7 million (gross) as the prospect lies in shallow water of less than 100 metres and the total drilling depth of the well is prognosed to be approximately 660 metres. Dunrobin is evaluated by Baron to contain estimated gross mean prospective resources of the order of 100 MMbbl (a non-SPE PRMS Standard estimate).

2021 and subsequent activities

In Q1 2021, the Joint Venture Partners received the results of technical studies from a large European E&P company under a work sharing agreement signed in 2020, which enhanced the partners' understanding of the petroleum geology and corroborated their view of Dunrobin as a potentially attractive and substantial target.

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

In August, in order to build on the work already undertaken and to accelerate progress, a Farm-Up Agreement was signed with existing partners Corallian and Upland whereby Baron increased its interest in the Licence from 15% to 32% in exchange for agreeing to pay 100% of the costs of the remaining Phase A work commitments up to a cap of £160,000 (the "Agreement"). Other costs are borne by all partners proportionate to their revised interests. Corallian remains the Licence Administrator with Baron assuming the role of technical overseer of the remaining Phase A work commitments. No consideration was payable to Corallian or Upland under the Agreement. Formal consent for the transfer of interests was received from the UK's Oil and Gas Authority, now renamed the North Sea Transition Authority ("NSTA"), in October 2021.

Work on the outstanding Phase A technical work commitments with Baron's direct technical involvement commenced during Q4 2021. The key components, that of 3D and 2D seismic reprocessing plus geochemical studies, are expected to be delivered early in Q3 2022 with the interpretation anticipated to be available in Q4 2022. The Board believes this will provide the partners sufficient time to mature the Dunrobin prospect ahead of the July 2023 "drill or drop" decision and, potentially, to engage with prospective drilling and funding partners.

Baron is encouraged by the UK government's recent updated policy paper (British Energy Security Strategy, 7 April 2022) which has the potential to revive the business and regulatory hydrocarbon exploration environment in the UK North Sea and so have a positive impact on the chances of the Dunrobin prospect being drilled.

Block XXI, Peru – Request for Relinquishment of Licence; (Baron 100%)

In April 2022, Baron announced that, through its fully owned subsidiary, Gold Oil Peru SAC, it had requested the relinquishment of its legacy Licence Block XXI ("Licence") in Peru. The Licence has been largely under Force Majeure ("FM") for a variety of reasons since 2017 and Baron has been frustrated in its attempts to access the area in order to carry out operations. With no certainty around pathways or timelines to drilling the Company took the decision to relinquish the Licence and will ultimately withdraw from Peru.

Under the terms of the Licence Agreement, if the Licence is currently under FM and has remained so for a continuous period of more than 12 months, as is the case, the Licence holder may ask Perupetro SA (the Peruvian national Oil & Gas Agency and Licensing Authority) to release the licensee's Bank Guarantee, which in our case is US$160,000. Thereafter, there will be a requirement to establish and file an Abandonment Plan for approval by the relevant authorities.

New Ventures

The Company continues to screen early stage opportunities for acquiring significant equity interests in high impact exploration and appraisal activity at low entry costs. In this context, the opportunity to participate in new licence rounds or to make out of round applications fits well with our overall strategy.

Conclusions

Baron is in its best shape for many years. We have worked hard to pivot the Company towards assets where we have significant interests in meaningful and active opportunities. Our task over the next year or so is to progress our two major projects through the key evaluation points with a view to unlocking value for shareholders. On the back of our recent oversubscribed £1.65 million (gross) fund raise in April 2022, we have funding to get these activities to their next decision points.

Currently, the oil and gas industry tailwinds are highly favourable and seem likely to be sustained across the medium term, whether that be driven by energy security, the unique position of gas as the transition fuel or structural issues over the supply of LNG, especially in Asia. It is worth noting that Shell in its annual LNG Outlook 2022 now predicts that the growing supply-demand gap for LNG will appear by 2025, some five years earlier than originally expected, despite production increases set for an 80% rise by 2040. Chuditch, with the potential for first gas in 2026 and located at the gateway to Asian energy markets, looks to be in an enviable position.

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

We are fortunate to be bringing Chuditch forward at a time when, after two years of COVID induced inactivity, we are beginning to detect recovery in the farmout market. Our plans for Chuditch have advanced throughout 2021 and we are about to take the major step of receiving the final reprocessed 3D seismic data from TGS-NOPEC to allow a comprehensive interpretation of the subsurface. We believe we have a high quality value proposition to offer at Chuditch, where we have a 75% interest in a gas discovery and associated prospectivity considered to be relatively low cost and low risk, with aggregate gross prospective resources currently in the range of up to 1,156 MMBOE (High Estimate).

In addition, we have accelerated the maturation and increased our equity in the Dunrobin prospect in UK Licence P2478 as the follow up to Chuditch. Here, the outlook has been transformed since the beginning of 2022, led by rising oil prices and the recent publication of the UK government's updated security strategy which has the potential to revive activity in the UK North Sea. The technical work underway is aimed at providing a potential drilling location candidate ahead of making a "drill or drop" decision by July 2023. Dunrobin is currently evaluated by Baron to contain estimated gross mean prospective resources of the order of 100 MMbbl (a non-SPE PRMS Standard estimate).

Baron is highly encouraged by the progress being made with our Chuditch and Dunrobin projects against the backdrop of robust price and demand scenarios for LNG-scale gas in the Asia-Pacific region and oil in the North Sea. Combined, we see considerable potential for shareholder value in these key assets and the Company is focussed on delivering that value through 2022 and beyond.

John Wakefield
Non-executive Chairman

30 May 2022

4. Strategic Report

The directors now present their strategic report with the financial statements of Baron Oil Plc ("the Company") and its subsidiaries (collectively "the Group") for the year ended 31 December 2021.

Principal activities

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

Business review

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

Key Performance Indicators (KPIs)

The KPIs for 2021 were all operational:

- progress existing ventures to deliver on Baron's strategic objectives;
- in particular, work closely with the TLS team and TGS to ensure that the Chuditch reprocessing project extracts the maximum information from the existing seismic data, delivers on time and satisfies the PSC work commitment;
- continue to screen and bring forward new opportunities which are consistent with Baron's new asset criteria.

We successfully advanced our Chuditch and Dunrobin projects and are now approaching an exciting stage on each of them which are expected to result in decision points in the near to medium term. On Chuditch, the TGS reprocessing work on the legacy seismic data is nearing completion and final delivery of the data will allow the interpretation to begin with a view to reaching a drilling decision in line with our commitments under the PSC.

On Dunrobin, we are similarly engaged on completing 3D and 2D seismic reprocessing which is expected to be completed early in Q3 2022 with the Interpretation anticipated to be available in Q4 2022.

In Peru, following five years of stagnation and after careful interpretation of all the available data, we concluded that the best option was to apply for Licence Block XXI to be relinquished, thereby saving costs in order to focus our resources on our high impact ventures.

The KPIs for 2022 are similarly operational:

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

Key risks and uncertainties

Exploration for hydrocarbons is speculative and involves significant degrees of risk. The key risks and their impact to the Group are summarised below along with the impact on the Group and the action that the board takes to minimise those risks.

4. Strategic Report (continued)

Oil and Gas prices

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

Impact

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

Action

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

Performance guarantees

The Group has given performance guarantees in respect of its licence in Timor-Leste and Peru. In the event that work commitments under the licences are not met, then these guarantees are likely to be called in.

Impact

In the event that the Group forfeits a deposit under any guarantee, this will lead to a permanent reduction in asset value. The guarantee sum in Timor-Leste and Peru are shown as a cash not available for use in the Statement of Financial Position.

Action

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

Liquidity

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

Impact

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

Action

The Group manages liquidity risk by maintaining adequate levels of cash balances.

4. Strategic Report (continued)

Taxation

As the tax legislation in Timor-Leste is developing, tax risks are substantially greater than typically found in countries with more developed tax systems. Tax law is evolving and is subject to different and changing interpretations, as well as inconsistent enforcement. Tax regulation and compliance is subject to review and investigation by the authorities who may impose severe fines, penalties and interest charges.

Impact

The uncertainty of interpretation and application, and the evolution, of tax laws create a risk of additional and substantial payments of tax by the Group, which could have a material adverse effect on the Group's cash flows, earnings and financial position.

Action

The Group makes every effort to comply with tax legislation. The Group takes appropriate professional tax advice and works closely with the tax authorities to ensure compliance.

Currency

Currency risk arises because the Group has operations whose functional currency is not the same as the functional currency that the Group operates under. It is the Group's policy to ensure that individual Group entities enter into local transactions in their functional currency wherever possible.

Impact

Given the Company's increased interest in the Chuditch PSC, some 60% of Baron's expenditure is now transacted in US Dollars. The Company, its directors and main banking arrangements continue to be based in the UK and the PLC reports in Sterling.

Action

Corporate and capital expenditure budgets are set annually, partly by the Group but also at the asset level, and reviewed regularly. Due to the nature of the project arrangements, typically monthly cash calls with a two month forecast, monies are held in US Dollars in the UK and transferred overseas as required. It is the Group's policy to look to cover up to 12 months expenditure in any given currency at or around the level of the agreed budget. Due to the relatively modest amount of overall expenditure, the Company has not previously entered into any hedging arrangements or structured products.

By order of the Board

John Wakefield
Non-executive Chairman

30 May 2022

5. Report of the Directors

The directors submit their report together with the audited financial statements of Baron Oil Plc ("the Company") and its subsidiaries (collectively "the Group"), for the year ended 31 December 2021.

Directors

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

John Wakefield, Non-executive Chairman

John Wakefield, aged 67, is an experienced quoted company director and corporate financier having previously worked at several nominated adviser firms. He qualified as a solicitor with McKenna & Co and lectured in law at the University of Newcastle before moving into corporate finance. He is currently a NED at Drumz plc (LSE:DRUM.L) and has been a member of the AIM Advisory Group, chairman of the London Stock Exchange Regional Advisory Group for the South West, and chairman of South West Angel and Investor Network Limited (SWAIN). He holds a Bachelor of Civil Law degree from Oxford.

Andrew Yeo, Chief Executive Officer

Andy Yeo, aged 59, has significant expertise in the oil and gas sector, having had a variety of roles including private equity and operational and financial experience in exploration activities as CFO of Wessex Exploration PLC. In addition, he brings more than 20 years' experience in multi-discipline corporate advisory services, having worked for UBS and ABN AMRO Hoare Govett before becoming a founder member of Evolution Securities, where he was a board member and executive director. He was appointed as a Non-executive Director of Baron in 2018 and assumed the role of Chief Executive Officer in 2020.

Jonathan Ford, Technical Director

Jon Ford, aged 62, has more than 40 years' experience in the upstream oil and gas industry in a variety of roles in petroleum geoscience and senior management. Following an initial 10 years with BP in the UK, the Netherlands, Italy and Indonesia, Jon has worked worldwide in the junior sector as a senior technical manager for listed oil companies including Clyde Petroleum, Paladin Resources and Stratic Energy, and advised multiple clients as a consultant. Jon has a BSc in Geology & Geophysics from Durham University and is a Fellow of the Geological Society.

Proposed dividend

The directors do not recommend the payment of a dividend in respect of the financial year ended 31 December 2021.

Political and charitable contributions

In the year ended 31 December 2021 the Group made no charitable or political donations.

Policy and practice on payment of creditors

The Group and Company policy, in relation to all of its suppliers, is to settle the terms of payment when agreeing the terms of the transactions and to abide by those terms. The Group and the Company do not follow any code or statement on payment policy. The creditors days as at 31 December 2021 were 3 days (2020: 12 days).

Activities and results

A loss of £1,127,000 (2020: £920,000), of which £1,127,000 (2020: £920,000) was attributable to equity shareholders, was recorded for the year. Net assets of the Group at 31 December 2021 amounted to £4,682,000 (2020: £1,796,000), of which £4,682,000 (2020: £1,796,000) was attributable to equity shareholders. No dividends or transfers to reserves are proposed.

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

5. Report of the Directors (continued)

Issue of shares

During the year, the Company issued 6,000,000,000 new Ordinary Shares of 0.025p each for cash, raising £3,000,000 gross (£2,768,000 net of costs). In addition, the Company issued a further 1,157,202,885 new ordinary shares of 0.025p each in exchange for the remaining 15% of the issued share capital of SundaGas (Timor-Leste Sahul) Pte. Ltd (see note 13) at a value of £926,000. See also Events after the Reporting Period below.

The Environment

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

Community

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

Future outlook

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

Directors' interests

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

	31 December 2021		31 December 2020	
	No. of Ordinary shares	% Holding	No. of Ordinary shares	% Holding
A Yeo	168,850,000	1.5%	106,250,000	2.4%
J Ford	22,500,000	0.2%	7,500,000	0.2%
J Wakefield	20,000,000	0.2%	–	–
	211,350,000	1.9%	113,750,000	2.6%

5. Report of the Directors (continued)

Options held by the directors are as follows:

	31 December 2021 Number of Options £0.00435[1]	31 December 2020 Number of Options £0.00435[1]
A Yeo	–	10,000,000
	Options £0.001[2]	**Options £0.001[2]**
A Yeo	125,000,000	125,000,000
	Number of Options £0.001[3]	**Number of Options £0.001[3]**
J Ford	75,000,000	75,000,000
	Number of Options £0.0007[4]	**Number of Options £0.0007[4]**
A Yeo	250,000,000	–
J Ford	140,000,000	–
	Options £0.0006[5]	**Options £0.0006 [5]**
A Yeo	290,000,000	–
J Ford	180,000,000	–
Total	1,060,000,000	210,000,000

(1) Each £0.00435 option grants the holder the right to subscribe for one Ordinary Share at £0.00435 per share, and are granted under one option contract exercisable at any time prior to 27 November 2021.

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

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

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

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

Except as shown in note 27 to the Financial Statements (Related Party Transactions) on page 66, there have been no contracts or arrangements of significance during the period in which the directors of the Company were interested.

Currently there are service contracts in place with all directors of the Company and the contracts are available for inspection at the registered office of the Company on request.

5. Report of the Directors (continued)

Remuneration policy

The Remuneration Committee takes into account both Company and individual performance, market value and sector conditions in determining director and senior employee remuneration. The Company maintains a policy of paying fair salaries compared with peer companies in the independent oil and gas sector. All current salaries are without pension benefits.

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

Salaries and benefits

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

	Base salary/fee £	Company car £	Benefits-in-kind £	Other £	Total £	Year ended 31 December 2020 Total £
Chairman						
M Butler (resigned 30 October 2020)	–	–	–	–	–	73,493
J Wakefield (appointed 30 October 2020)	50,000	–	–	–	50,000	8,333
A Yeo	160,000	12,524	9,527	34,326[1]	216,377	164,497
J Ford (Non-executive until 30 October 2020)	82,500	–	–	–	82,500	36,667
	292,500	12,524	9,527	34,326	348,877	282,990

[1] Includes adjustment of £34,326 relating to a previous period

Refer to note 27 on page 66 for details of related party transactions with companies controlled by directors.

The share options held by the directors are disclosed above and no pension contributions were made during the period for the directors. The directors did not receive any other emoluments, compensation or cash or non-cash benefits other than that disclosed above.

Employees

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

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

Events after the Reporting Period

On 19 April 2022, the Company announced that through its wholly-owned subsidiary, Gold Oil Peru SAC, it has requested the relinquishment of its legacy Licence Block XXI in Peru. Under the terms of the Licence Agreement, if the Licence is under Force Majeure status and has remained so for a continuous period of more than 12 months, as is the case, the Licence holder may ask Perupetro SA (the Peruvian national Oil & Gas Agency and Licensing Authority) to release the licensee's Bank Guarantee, which in this case is US$160,000. Thereafter, there will be a requirement to establish and file an Abandonment Plan for approval by the relevant authorities. The withdrawal from Block XXI will ultimately lead to the Group's withdrawal from Peru.

5. Report of the Directors (continued)

On 9 May 2022, the Company issued 2,750,000,000 new ordinary shares of 0.025p each raising new capital of £1,650,000 gross, £1,505,000 net of costs. It is intended that the proceeds of the Placing and Subscription will be used primarily to fund the Company's ongoing TL-SO-19-16 PSC ("Chuditch PSC") work programme in Timor-Leste and the Company's UK P2478 licence project in the Inner Moray Firth. The balance will be directed to cover the Company's general and administrative expenses and related working capital, the evaluation of new ventures and the costs of withdrawal from Peru.

Financial Review

Liquidity & Share Trading

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

Shares in Issue and Shareholders Profile

The number of shares in issue at 23 May 2022 was 14,333,612,461 Ordinary Shares, each share having equal voting rights. Baron Oil Plc has 1,011 shareholders.

The shareholding distribution at 23 May 2022 is as follows:

Range	No of shares	No of shareholders
>10%	4,848,483,659	2
5-10%	4,915,014,704	5
1-5%	3,017,822,969	10
0.5-1%	583,886,573	6
<0.5%	968,404,556	988
	14,333,612,461	1,011

Significant shareholdings

The Company has been informed that, as of 23 May 2022, the following shareholders owned 3% or more of the issued share capital of the Company:

Name	Shares	% of company
Hargreaves Lansdown (Nominees) Limited	2,957,508,067	20.63%
Interactive Investor Services Nominees Limited	1,890,975,592	13.19%
HSDL Nominees Limited	1,314,099,504	9.17%
JIM Nominees Limited	1,168,958,313	8.16%
Vidacos Nominees Limited	837,121,680	5.84%
HSBC Client Holdings Nominee (UK) Limted	808,471,910	5.64%
Barclays Direct Investing Nominees Limited	786,363,297	5.49%
Rene Nominees (IOM) Limited	583,221,443	4.07%

Listing

The Company's ordinary shares have been traded on the AIM market of the London Stock Exchange since 14 July 2004. Allenby Capital Limited is the Company's Nominated Adviser and Broker. The closing mid-market price on 23 May 2022 was 0.08p.

Financial instruments

Details of the financial risk management objectives and policies, and details on the use of financial instruments by the Company and its subsidiary undertakings, are provided in note 22 to the financial statements on page 61.

5. Report of the Directors (continued)

Going concern

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

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

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

Publication on company's website

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

Indemnity of officers

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

By order of the Board

Geoffrey Barnes
Secretary

30 May 2022

6. Corporate Governance Statement

The directors recognise the importance of sound corporate governance. The Company has adopted the 2018 QCA Corporate Governance Code ("QCA Code"), which the directors consider appropriate for a company of its size and nature. The QCA Code takes key elements of good governance and allows companies to apply them in a manner which is appropriate for the differing needs of small companies. The "Comply or Explain" maxim allows companies to inform shareholders where policies differ from the norm and why. The details of the Company's policies in this respect are set out in its AIM Notice 50 Statement, which can be downloaded from the Company's website.

The Board

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

The Board meets at least four times a year.

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

The Audit Committee

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

The Remuneration Committee

As an AIM quoted company, the preparation of a Remuneration Committee report is not an obligation, although the Company includes a commentary on its remuneration policy within its annual report and accounts and within its corporate governance statement. The Company seeks to provide information that is appropriate to its size and organisation. The Remuneration Committee is comprised of its three Directors with John Wakefield as Chairman; Andy Yeo and Jon Ford are the other members. The Remuneration Committee is responsible for the development of policy on Executive, Non-executive and senior management remuneration.

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

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

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

John Wakefield, the Remuneration Committee's chairman is the Company's Non-executive Chairman and is considered to be independent. The Remuneration Committee's other members are not independent directors as envisaged by the QCA Code and the Company therefore does not currently fully comply with the QCA Code in this respect. However, no Director can take part in discussions or vote on matters pertaining to their individual performance or remuneration.

6. Corporate Governance Statement (continued)

As Remuneration Committee's chairman, Mr Wakefield consults with the other directors and conducts peer group reviews. Given that any director whose remuneration is under discussion is not able to vote, under the current composition of the Remuneration Committee it is likely that there will be two directors involved in the decision to adopt the Remuneration Committee's recommendations with regard to the remuneration of the other director and, in the event of a tied vote, Remuneration Committee's independent chairman, John Wakefield has the casting vote. In this way, the Board considers that the Remuneration Committee is able to resist inappropriate demands from executive directors and senior management.

Director remuneration, contracts, grants of options and incentive arrangements for senior management are matters that are formally reserved for the Board. The Remuneration Committee makes recommendations which are considered and adopted by the Board as a whole. The Board considers that its Remuneration Committee and Remuneration Policy are appropriate to the Company's current size, organisation and level of operations.

The Nominations Committee

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

Communications

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

Internal control

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

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

The Directors acknowledge their duty under s.172 of the Companies Act 2006 and consider that they have, both individually and together, acted in the way that, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, they have had regard (amongst other matters) to:

- the likely consequences of any decision in the long term. The Group's long-term strategic objectives, including progress made during the year and principal risks to these objectives, are shown in the strategic report and the key performance indicators.
- the interests of the Company's employees. Our employees are fundamental to us achieving our long-term strategic objectives.
- the impact of the Company's operations on the community and the environment. The Group operates honestly and transparently. We consider the impact on the environment on our day-to-day operations and how we can minimise this.
- the desirability of the Company maintaining a reputation for high standards of business conduct. Our intention is to behave in a responsible manner, operating within the high standard of business conduct and good corporate governance.
- the need to act fairly as between members of the Company. Our intention is to behave responsibly towards our shareholders and treat them fairly and equally so that they may benefit from the successful delivery of our strategic objectives.

7. Statement of Directors' Responsibilities

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

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial period in accordance with applicable law and UK adopted International Accounting Standards. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that year. The directors are also required to prepare the financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the AIM market.

In preparing those financial statements, the directors are required:

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

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

Statement of disclosure to auditors

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

Auditors

Due to change in nature and structure of the Group, advantage has been taken of Section 3.15 of the 2016 Ethical Standards, allowing the audit engagement partner to continue in his role for the audit for the year ended 31 December 2021.

A resolution for the reappointment of Jeffreys Henry LLP as auditors will be proposed at the forthcoming Annual General Meeting.

By order of the board

John Wakefield
Non-executive Chairman

30 May 2022

8. Report of the Independent Auditors

to the Members of Baron Oil Plc

Opinion

We have audited the financial statements of Baron Oil PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of financial position, company statement of financial position, consolidated statement of cash flows, company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group and Company financial statements is applicable law and UK adopted International Accounting Standards.

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 31 December 2021 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
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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 entity's ability to continue to adopt the going concern basis of accounting included a detailed review of the Group's forecasts in comparison to available management accounts at the date of these financials to assess the reasonability of the estimates made. We have further performed a sensitivity analysis to conclude on the degree to which current cash reserves will be able to sustain the Group for at least a further twelve months from the date of these financials.

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

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

8. Report of the Independent Auditors (continued)

to the Members of Baron Oil Plc

Our audit approach

Overview

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. This is not a complete list of all risks identified by our audit.

- Impairment of intangible exploration and evaluation assets.

These are explained in more detail below

Audit scope

- We conducted audits of the Group and Parent Company financial information of Baron Oil Plc.
- We performed specified procedures over certain account balances and transaction classes at other Group companies.
- Taken together, the Group companies over which we performed our audit procedures accounted for 100% of the absolute loss before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units) and 100% of revenue.

Key audit matters

Key audit matter	How our audit addressed the key audit matter
Carrying value of intangible assets – Group financial statements The Group had intangibles of £2.7 million at the year ended 31 December 2021 (31 December 2020: £18k). The total value of exploration and evaluation costs expensed during the period is £218K. An increase in impairment of £17k was considered at year end due to currency exchange translation. IFRS 6 Exploration for and Evaluation of Mineral Resources sets out the requirement under which an E&E asset is assessed for impairment.	The impairment review performed by directors shows that an impairment was not required for the Inner Moray Firth project at the end of the reporting period. We have assessed and understood the methodology used by the directors in this analysis and determined it to be reasonable. Intangibles are only assessed for impairment when indicators of impairment exist. We have assessed the ongoing projects' viability and ensure that they met the criteria defined in the accounting standards.

8. Report of the Independent Auditors (continued)

to the Members of Baron Oil Plc

Key audit matter	How our audit addressed the key audit matter
Impairment of the parent company investment in and loan to subsidiaries The Company had investment in subsidiary of £2.1m at the end of the reporting period. During the current period, the Company made a loan to subsidiary of £603k resulting in a year end balance of £925k. The Directors have confirmed that the investment in and loan to subsidiary were adequately recognised and disclosed, with no impairment being recognised at the end of the reporting period.	We have assessed the methodology used by management and their perspective to estimate the recoverable amount of the investment and the loan. We have assessed the reasonableness of the key assumptions used in management's estimates of the recoverable value. We have assessed the recoverability of loan provided to subsidiary in line with contractual agreement any related conditions and obligations, to ensure appropriate value is disclosed at the end of the reporting period. Based on the audit work performed, we are satisfied that management have performed the impairment review appropriately and in accordance with the relevant accounting standards.

Our application of materiality

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

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

	Group financial statements	Company financial statements
Overall materiality	£55,000 (31 December 2020: £52,000).	£55,000 (31 December 2020: £50,000).
How we determined it	Based on 5% of loss before tax.	Based on 5% of loss before tax.
Rationale for benchmark applied	We believe the most adequate basis is for materiality is based on loss before tax is a primary measure used by shareholders in assessing the performance of the Group. This is a generally accepted auditing benchmark.	We believe the most adequate basis is for materiality is based on loss before tax is a primary measure used by shareholders in assessing the performance of the Company. This is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components is ranged from £43,000 and £55,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £2,750 (Group audit) (31 December 2020: £2,600) and £2,750 (Company audit) (31 December 2020: £2,500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

8. Report of the Independent Auditors (continued)

to the Members of Baron Oil Plc

An overview of the scope of our audit

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

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation of 3 reporting units, comprising the Group's operating businesses and holding companies.

We performed audits of the complete financial information of the Group and Parent Company of Baron Oil Plc reporting units, which were individually financially significant and accounted for 100% of the Group's revenue and 100% of the Group's absolute profit before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units). We also performed specified audit procedures over goodwill and other intangible assets, as well as certain account balances and transaction classes that we regarded as material to the Group at the 3 reporting units.

The Group engagement team performed all audit procedures, with the exception of the audit of Gold Oil Peru S.A.C and SundaGas (Timor-Leste Sahul) Pte. Ltd, which were performed by component auditors in Peru and Singapore, respectively.

Other information

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

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

We have nothing to report in this regard.

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.

8. Report of the Independent Auditors (continued)

to the Members of Baron Oil Plc

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the 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 set out on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and 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:

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

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

- the senior statutory auditor ensured the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including taxation legislation, data protection, anti-bribery, employment, environmental, health and safety legislation and anti-money laundering regulations;

8. Report of the Independent Auditors (continued)

to the Members of Baron Oil Plc

- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence;
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit; and
- we assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:
    - making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
    - considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

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

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in note 1 of the Group financial statements were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions.
- In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:
    - agreeing financial statement disclosures to underlying supporting documentation;
    - reading the minutes of meetings of those charged with governance;
    - enquiring of management as to actual and potential litigation and claims;
    - reviewing correspondence with HMRC and the group's legal advisors.

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

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

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

Other matters that we are required to address

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit. Our audit opinion is consistent with the additional report to the audit committee.

8. Report of the Independent Auditors (continued)

to the Members of Baron Oil Plc

Use of this report

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

Sanjay Parmar
Senior Statutory Auditor
For and on behalf of
Jeffreys Henry LLP (Statutory Auditors)
Finsgate 5-7 Cranwood Street
London EC1V 9EE

30 May 2022

9. Consolidated Income Statement

for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Revenue		–	–
Cost of sales		–	–
Gross profit		–	–
Exploration and evaluation expenditure		(218)	(145)
Intangible asset impairment	10	(17)	59
Property, plant and equipment depreciation	9	(11)	(2)
Receivables impairment	3	(7)	74
Administration expenses		(1,321)	(710)
Gain/(loss) on exchange	3	22	(157)
Other operating income	3	89	–
Operating loss	3	(1,463)	(881)
Income from associated undertaking	12	29	(44)
Gain on disposal of associated undertaking	12	302	–
Loss before interest and taxation		(1,132)	(925)
Finance cost	5	(2)	–
Finance income	5	7	5
Loss on ordinary activities before taxation		(1,127)	(920)
Income tax expense	6	–	–
Loss on ordinary activities after taxation		(1,127)	(920)
Dividends		–	–
Loss for the year		(1,127)	(920)
Loss on ordinary activities after taxation is attributable to:			
Equity shareholders		(1,127)	(920)
Non-controlling interests		–	–
		(1,127)	(920)
Earnings per ordinary share – continuing	8		
Basic		(0.012p)	(0.023p)
Diluted		(0.012p)	(0.023p)

10. Consolidated Statement of Comprehensive Income

for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Loss on ordinary activities after taxation attributable to the parent		(1,127)	(920)
Other comprehensive income:			
Release option reserve		33	41
Exchange difference on translating foreign operations		33	(115)
Total comprehensive loss for the year		(1,061)	(994)
Total comprehensive loss attributable to owners of the parent		(1,061)	(994)

11. Consolidated Statement of Financial Position

at 31 December 2021

	Notes	2021 £'000	2020 £'000
Assets			
Non current assets			
Property plant and equipment			
– oil and gas assets	9	–	–
– others	9	34	43
Intangible fixed assets	10	2,736	18
Goodwill	11	–	–
Associated undertaking	12	–	151
		2,770	212
Current assets			
Trade and other receivables	14	54	376
Cash and cash equivalents	15	2,509	1,311
		2,563	1,687
Total assets		5,333	1,899
Equity and liabilities			
Capital and reserves attributable to owners of the parent			
Share capital	18	2,896	1,107
Share premium account	19	34,061	32,156
Share option reserve	19	388	135
Foreign exchange translation reserve	19	1,561	1,528
Retained earnings	19	(34,224)	(33,130)
Total equity		4,682	1,796
Current liabilities			
Trade and other payables	16	620	58
Taxes payable	16	12	16
		632	74
Non-current liabilities			
Lease finance	17	19	29
Total equity and liabilities		5,333	1,899

The financial statements were approved and authorised for issue by the Board of Directors on 30 May 2022 and were signed on its behalf by:

John Wakefield
Director

Andrew Yeo
Director

Company number: 05098776

12. Company Statement of Financial Position

at 31 December 2021

	Notes	2021 £'000	2020 £'000
Assets			
Non current assets			
Property plant and equipment			
– oil and gas assets		–	–
– others	9	33	43
Intangible fixed assets	10	68	18
Investments	13	3,029	195
		3,130	256
Current assets			
Trade and other receivables	14	46	375
Cash and cash equivalents	15	1,527	1,183
		1,573	1,558
Total assets		4,703	1,814
Equity and liabilities			
Capital and reserves attributable to owners of the parent			
Share capital	18	2,896	1,107
Share premium account	19	34,061	32,156
Share option reserve	19	388	135
Foreign exchange translation reserve	19	(163)	(163)
Retained earnings	19	(32,586)	(31,523)
Total equity		4,596	1,712
Current liabilities			
Trade and other payables	16	76	58
Taxes payable	16	12	15
		88	73
Non-current liabilities			
Lease finance	17	19	29
Total equity and liabilities		4,703	1,814

The financial statements were approved and authorised for issue by the Board of Directors on 30 May 2022 and were signed on its behalf by:

John Wakefield
Director

Andrew Yeo
Director

Company number: 05098776

13. Consolidated and Company Statement of Changes in Equity

for the year ended 31 December 2021

	Share capital £'000	Share premium £'000	Retained earnings £'000	Share option reserve £'000	Foreign exchange translation £'000	Total equity £'000
GROUP						
As at 1 January 2020	482	30,507	(32,251)	74	1,643	455
Shares issued	625	1,670	–	–	–	2,295
Transactions with owners	625	1,670	–	–	–	2,295
Loss for the year attributable to equity shareholders	–	–	(920)	–	–	(920)
Share based payments	–	(21)	–	102	–	81
Share option reserve released	–	–	41	(41)	–	–
Foreign exchange translation adjustments	–	–	–	–	(115)	(115)
Total comprehensive income for the period	–	(21)	(879)	61	(115)	(954)
As at 1 January 2021	1,107	32,156	(33,130)	135	1,528	1,796
Shares issued	1,789	1,905	–	–	–	3,694
Transactions with owners	1,789	1,905	–	–	–	3,694
Loss for the year attributable to equity shareholders	–	–	(1,127)	–	–	(1,127)
Share based payments	–	–	–	286	–	286
Share option reserve released	–	–	33	(33)	–	–
Foreign exchange translation adjustments	–	–	–	–	33	33
Total comprehensive income for the period	–	–	(1,094)	253	33	(808)
As at 31 December 2021	2,896	34,061	(34,224)	388	1,561	4,682

13. Consolidated and Company Statement of Changes in Equity

for the year ended 31 December 2021

	Share capital £'000	Share premium £'000	Retained earnings £'000	Share option reserve £'000	Foreign exchange translation £'000	Total equity £'000
COMPANY						
As at 1 January 2020	482	30,507	(32,261)	74	(163)	(1,361)
Shares issued	625	1,670	–	–	–	2,295
Transactions with owners	625	1,670	–	–	–	2,295
Profit for the year	–	–	697	–	–	697
Share based payments	–	(21)	–	102	–	81
Share option reserve released	–	–	41	(41)	–	–
Total comprehensive income for the period	–	(21)	738	61	–	778
As at 1 January 2021	1,107	32,156	(31,523)	135	(163)	1,712
Shares issued	1,789	1,905	–	–	–	3,694
Transactions with owners	1,789	1,905	–	–	–	3,694
Loss for the year	–		(1,096)	–	–	(1,096)
Share based payments	–	–	–	286	–	286
Share option reserve released	–	–	33	(33)	–	–
Total comprehensive income for the period	–	–	(1,063)	253	–	(810)
As at 31 December 2021	2,896	34,061	(32,586)	388	(163)	4,596

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

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

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

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

14. Consolidated and Company Statement of Cash Flows

for the year ended 31 December 2021

	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
Operating activities	(576)	(681)	(919)	(797)
Investing activities				
Return from investment and servicing of finance	7	7	5	5
Advances to subsidiary and associated undertakings	323	(707)	(323)	(441)
Performance bond guarantee deposit	(742)	–	–	–
Acquisition of intangible assets	(2,415)	(50)	(14)	(14)
Acquisition of tangible assets	(1)	(1)		
Investment in associated undertaking	(93)	(1,909)	(195)	(195)
Disposal of associated undertaking	272	–	–	–
	(2,649)	(2,660)	(527)	(645)
Financing activities				
Proceeds from issue of share capital	3,694	3,694	2,295	2,295
Lease financing	(9)	(9)	(6)	(6)
Net cash inflow	460	344	843	847
Cash and cash equivalents at the beginning of the year	1,190	1,183	347	336
Cash and cash equivalents at the end of the year	1,650	1,527	1,190	1,183
Reconciliation to Consolidated Statement of Financial Position				
Cash not available for use	859	–	121	–
Cash and cash equivalents as shown in the Statement of Financial Position	2,509	1,527	1,311	1,183

14. Consolidated and Company Statement of Cash Flows

for the year ended 31 December 2021

	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
Operating activities				
(Loss)/profit for the year attributable to controlling interests	(1,127)	(1,096)	(920)	697
Depreciation, amortisation and impairment charges	28	135	(57)	90
Share based payments	286	286	81	81
Finance income shown as an investing activity	(7)	(7)	(5)	(5)
Gain on disposal of subsidiary undertaking	–	–	–	(1,679)
Gain on disposal of associated undertaking	(302)	–	–	–
Income from associated undertaking	(29)	–	44	–
Foreign exchange translation	19	(19)	(52)	30
Operating cash outflows before movements in working capital	(1,132)	(701)	(909)	(786)
(Increase)/decrease in receivables	(1)	6	(4)	(5)
Increase/(decrease) in payables	557	14	(6)	(6)
Net cash outflows from operating activities	(576)	(681)	(919)	(797)

15. Notes to the Financial Statements

General Information

Baron Oil Plc is a company incorporated in England and Wales and quoted on the AIM market of the London Stock Exchange. The address of the registered office is disclosed on page 2 of the financial statements. The principal activity of the Group is described in the Strategic Report in section 4 on page 10.

1. Significant accounting policies

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

Going concern basis

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

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

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

Basis of preparation

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

Changes in accounting policies and disclosures

Adoption of new and revised standards

There are no UK adopted International Accounting Standards or IFRIC interpretations that are effective for the first time for the financial period beginning January 2021 that would be expected to have a material impact on the Company.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial period beginning 1 January 2021 and have not been early adopted.

15. Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

The new standards include:

IFRS 16	Leases (amendments)[1 & 2]
IAS 39	Financial instruments recognition and measurement[1]
IFRS 9	Financial instruments (amendments)[1]
IFRS 7	Financial instruments disclosures (amendments)[1]
IFRS 4	Insurance contracts[1]
IFRS 3	Business combinations[2]
IAS 37	Provisions, contingent liabilities and contingent assets[2]
IFRS 17	Insurance contracts[2]
IAS 1	Presentation of financial statements[3]
IAS 8	Accounting policies, changes in accounting estimates and errors[3]

(1) Effective for annual periods beginning on or after 1 January 2021

(2) Effective for annual periods beginning on or after 1 January 2022

(3) Effective for annual periods beginning on or after 1 January 2023

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material effect on the financial statements of the group.

Basis of consolidation

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

Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill, except where the acquired business is identified as a single asset company, in which case the excess is recorded as an intangible fixed asset. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

15. Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Investments in associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method.

The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in each country in which it operates.

Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment.

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

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

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

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

15. Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Intangible Assets

Oil and gas assets: exploration and evaluation

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

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

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

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

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

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

Property, plant and equipment

Oil and gas assets: development and production

Development and production ("D&P") assets are accumulated on a well by well basis and represent the cost of developing the commercial reserves discovered and bringing them into production, together with the E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets as outlined above. The carrying values of producing assets are depreciated on a well by well basis using the unit of production method based on entitlement to provide by reference to the ratio of production in the period to the related commercial reserves of the well, taking into account any estimated future development expenditures necessary to bring additional non producing reserves into production.

An impairment test is performed for D&P assets whenever events and circumstances arise that indicate that the carrying value of development or production phase assets may exceed its recoverable amount. The aggregate carrying value is compared against the expected recoverable amount of each well, generally by reference to the present value of the future net cash flows expected to be derived from production of commercial reserves.

15. Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

The cost of the workovers and extended production testing is capitalised within property, plant and equipment as a D&P asset.

Decommissioning

Site restoration provisions are made in respect of the estimated future costs of closure and restoration, and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted where material and the unwinding of the discount is included in finance costs. Over time, the discounted provision is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. At the time of establishing the provision, a corresponding asset is capitalised where it gives rise to a future benefit and depreciated over future production from the field to which it relates. The provision is reviewed on an annual basis for changes in cost estimates, discount rates or life of operations. Any change in restoration costs or assumptions will be recognised as additions or charges to the corresponding asset and provision when they occur. For permanently closed sites, changes to estimated costs are recognised immediately in the income statement.

Non oil and gas assets

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

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

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

Equipment and machinery 4-10 years

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

Investments

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

Trade and other receivables

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position. Bank deposits that are held as guarantees until the Group fulfils certain commitments are not available for use and are not considered to be liquid cash (see note 15).

15. Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Inventories

Inventories, including materials, equipment and inventories of gas and oil held for sale in the ordinary course of business, are stated at weighted average historical cost, less provision for deterioration and obsolescence or, if lower, net realisable value.

Revenue

Oil and gas sales revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for the Group's share of oil and gas supplied in the period. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognised when the oil and gas produced is despatched and received by the customers.

Taxation

Income tax

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

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

Deferred tax

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

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

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

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

Trade and other payables

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

15. Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Fair values

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

Share-based compensation

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

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

Share based payments (Note 20)

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

Equity instruments

Ordinary shares are classified as equity.

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

Financial assets

On initial recognition, financial assets are classified as either financial assets at fair value through the statement of profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

Loans and receivables

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

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

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

15. Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Financial liabilities

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

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

Fair value through the income statement category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. There were no financial liabilities classified under this category.

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

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

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

Provisions

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

Financial instruments

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

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

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

15. Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Foreign currencies

i) Functional and presentation currency

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

ii) Transactions and balances

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

iii) Group companies

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

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognised as a separate component of equity.

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Management of capital

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

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

Dividends cannot be issued until there are sufficient reserves available.

15. Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

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

Carrying value of intangible exploration and evaluation assets

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

Commercial reserves estimates

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

Decommissioning costs

Asset retirement obligations: the amounts recorded for asset retirement obligations are based on each field's operator's best estimate of future costs and the remaining time to abandonment of oil and gas properties, which may also depend on commodity prices.

2. Segmental information

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

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

15. Notes to the Financial Statements (continued)

2. Segmental information (continued)

Exploration and production year ended 31 December 2021

	United Kingdom £'000	South America £'000	South East Asia £'000	Total £'000
Revenue	–	–	–	–
Cost of sales	–	–	–	–
Gross profit	–	–	–	–
Exploration and evaluation expenditure	(50)	(101)	(67)	(218)
Intangible asset impairment	–	(17)	–	(17)
Property, plant and equipment impairment and depreciation	(11)	–	–	(11)
Receivables and inventory impairment	–	(7)	–	(7)
Administration expenses	(1,031)	(5)	(285)	(1,321)
Loss on exchange	22	–	–	22
Other operating income	–	–	89	89
Operating (loss)/profit	(1,070)	(130)	(263)	(1,463)
Income from associated undertaking	–	–	29	29
Gain on disposal of associated undertaking	–	–	302	302
Loss before interest and taxation	(1,070)	(130)	68	(1,132)
Finance cost	(2)	–	–	(2)
Finance income	7	–	–	7
(Loss)/Profit before taxation	(1,065)	(130)	68	(1,127)
Income tax expense	–	–	–	–
Loss/(Profit) after taxation	(1,065)	(130)	68	(1,127)
Assets and liabilities				
Segment assets	2,816	4	4	2,824
Cash and cash equivalents	1,527	124	858	2,509
Total assets	4,343	128	862	5,333
Segment liabilities	94	3	542	639
Current tax liabilities	12	–	–	12
Total liabilities	106	3	542	651
Other segment items				
Capital expenditure	50	–	1,307	1,357
Depreciation, amortisation and impairment charges	11	24	–	35

15. Notes to the Financial Statements (continued)

2. Segmental information (continued)

Exploration and production year ended 31 December 2020

	United Kingdom £'000	South America £'000	South East Asia £'000	Total £'000
Revenue	–	–	–	–
Cost of sales	–	–	–	–
Gross profit	–	–	–	–
Exploration and evaluation expenditure	(31)	(114)	–	(145)
Intangible asset impairment	–	59	–	59
Property, plant and equipment impairment and depreciation	(2)	–	–	(2)
Receivables and inventory impairment	–	74	–	74
Administration expenses	(706)	(4)	–	(710)
Loss on exchange	(157)	–	–	(157)
Operating (loss)/profit	(896)	15	–	(881)
Income from associated undertaking	–	–	(44)	(44)
Loss before interest and taxation	(896)	15	(44)	(925)
Finance costs	–	–	–	–
Finance income	5	–	–	5
(Loss)/Profit before taxation	(891)	15	(44)	(920)
Income tax expense	–	–	–	–
Loss/(Profit) before taxation	(891)	15	(44)	(920)
Assets and liabilities				
Segment assets	113	1	474	588
Cash and cash equivalents	1,183	128	–	1,311
Total assets	1,296	129	474	1,899
Segment liabilities	81	6	–	87
Current tax liabilities	15	1	–	16
Total liabilities	96	7	–	103
Other segment items				
Capital expenditure	59	–	–	59
Depreciation, amortisation and impairment charges	–	2	(133)	(131)

15. Notes to the Financial Statements (continued)

3. Operating loss

	2021 £'000	2020 £'000
The operating loss is stated after charging:		
Auditors' remuneration		
Company – audit	25	28
Other group entities – audit	14	4
Group and Company – other non-audit services	3	2
Exploration and evaluation expenditure	218	145
Impairment of intangible assets	17	(59)
Depreciation of property, plant and equipment	11	2
Impairment of foreign tax receivables	7	(74)
(Gain)/loss on exchange	(22)	157
Other operating income	(89)	–

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

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

	2021 £'000	2020 £'000
Employee benefit expense	521	374
Share based payments	261	81
Exploration and evaluation expenditure	218	145
Depreciation, amortisation and impairment charges	35	(131)
Legal and professional fees	454	198
(Gain)/loss on exchange	(22)	157
Other expenses	85	57
	1,552	881

15. Notes to the Financial Statements (continued)

4. Staff numbers and cost

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

	2021 Number	2020 Number
Directors	3	3
Administration	2	1
Total	5	4

The aggregate payroll costs of these persons were as follows:

	£'000	£'000
Wages and salaries	96	52
Directors' fees, salaries and benefits	349	283
Share based payments	286	81
Social security costs	51	39
	782	455

5. Finance income

	2021 £'000	2020 £'000
Bank and other interest received	7	5
Finance cost	(2)	–
Total	5	5

6. Income tax expense

	2021 £'000	2020 £'000
The tax charge on the loss on ordinary activities was:-		
UK Corporation Tax – current	–	–
Foreign taxation	–	–
	–	–

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

	2021 £'000	2020 £'000
Loss before tax		
Continuing operations	(1,127)	(920)
Tax at composite group rate of 22.4% (2020: 19%)	(253)	(174)
Effects of:		
Losses not subject to tax	123	340
Movement on capital allowances	(97)	(126)
Increase in tax losses	227	(40)
Foreign taxation	–	–
Tax expense	–	–

At 31 December 2021, the Group has tax losses of £32,933,000 (2020 – £28,990,000) to carry forward against future profits. The deferred tax asset on these tax losses at a composite group rate of 18.1% of £5,964,000 (2020: at 19%, £5,508,000) has not been recognised due to the uncertainty of the recovery.

15. Notes to the Financial Statements (continued)

7. Profit/(loss) for the period

As permitted by section 408 of the Companies Act 2006, the Parent Company's income statement has not been included in these financial statements. The loss for the financial year is made up as follows:

	2021 £'000	2020 £'000
Parent company's (loss)/profit	(1,096)	697

8. Earnings per share

	2021	2020
Loss per ordinary share		
– Basic	(0.012p)	(0.023p)
– Diluted	(0.012p)	(0.023p)

Earnings per ordinary share is based on the Group's loss attributable to controlling interests for the year of £1,127,000 (2020: £920,000).

The weighted average number of shares used in the calculation is the weighted average ordinary shares in issue during the year.

	2021 Number	2020 Number
Weighted average ordinary shares in issue during the year	9,460,727,853	3,988,470,466
Weighted average potentially dilutive options and warrants issued	1,986,979,453	373,396,517
Weighted average ordinary shares for diluted earnings per share	11,447,707,306	4,361,866,983

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

15. Notes to the Financial Statements (continued)

9. Property, plant and equipment

	Equipment and machinery £'000	Right for use asset £'000	Total £'000
Group			
Cost			
At 1 January 2020	30	–	30
Foreign exchange translation adjustment	(1)	–	(1)
Expenditure	–	45	45
At 1 January 2021	29	45	74
Foreign exchange translation adjustment	1	–	1
Expenditure	1	–	1
At 31 December 2021	31	45	76
Depreciation			
At 1 January 2020	30	–	30
Foreign exchange translation adjustment	(1)	–	(1)
Charge for the period	–	2	2
At 1 January 2021	29	2	31
Charge for the period	–	11	11
At 31 December 2021	29	13	42
Net book value			
At 31 December 2021	2	32	34
At 31 December 2020	–	43	43
Company			
Cost			
At 1 January 2020	–	–	–
Expenditure	–	45	45
At 1 January 2021	–	45	45
Expenditure	1	–	1
At 31 December 2021	1	45	46
Depreciation			
At 1 January 2020	–	–	–
Charge for the period	–	2	2
At 1 January 2021	–	2	2
Charge for the period	–	11	11
At 31 December 2021	–	13	13
Net book value			
At 31 December 2021	1	32	33
At 31 December 2020	–	43	43

Included in the above line items are right-of-use assets of £32,000 (2020: £43,000) in respect of a motor vehicle.

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date.

15. Notes to the Financial Statements (continued)

9. Property, plant and equipment (continued)

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment.

10. Intangible fixed assets

	Exploration and evaluation costs £'000	Total £'000
Group		
Cost		
At 1 January 2020	3,472	3,472
Foreign exchange translation adjustment	(59)	(59)
Expenditure	14	14
Disposals	(1,108)	(1,108)
At 1 January 2021	2,319	2,319
Foreign exchange translation adjustment	17	17
Expenditure	1,356	1,356
Consolidation of single asset company	1,362	1,362
At 31 December 2021	5,054	5,054
Impairment		
At 1 January 2020	3,467	3,467
Foreign exchange translation adjustment	–	–
Charge for the period	(59)	(59)
Disposals	(1,107)	(1,107)
At 1 January 2021	2,301	2,301
Charge for the period	17	17
At 31 December 2021	2,318	2,318
Net book value		
At 31 December 2021	2,736	2,736
At 31 December 2020	18	18

15. Notes to the Financial Statements (continued)

10. Intangible fixed assets (continued)

	Exploration and evaluation costs £'000	Total £'000
Company		
Cost		
At 1 January 2020	1,748	1,748
Expenditure	14	14
Disposals	(1,109)	(1,109)
At 1 January 2021	653	653
Expenditure	50	50
At 31 December 2021	703	703
Impairment		
At 1 January 2020	1,743	1,743
Disposals	(1,108)	(1,108)
At 1 January 2021	635	635
At 31 December 2021	635	635
Net book value		
At 31 December 2021	68	68
At 31 December 2020	18	18

The exploration and evaluation costs above represent the cost in acquiring, exploring and evaluating the Company's and Group's assets.

The impairment of all intangible assets has been reviewed, giving rise to the above impairment charges, or reduction in impairment charges.

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

Block XXI Peru: this licence was fully impaired in 2018 and the process for relinquishment commenced in May 2022.

UK offshore block P1918 ("Colter"): this licence continued into the second term with effect from 1 February 2020 but the Company has written off this asset against the impairment provision, as the licence, along with related licences PEDL330 and PEDL 345, were relinquished on 31 January 2021.

15. Notes to the Financial Statements (continued)

11. Goodwill

	Goodwill on Consolidation of subsidiaries £'000
Group	
Cost	
At 1 January 2020, 1 January and 31 December 2021	81
Impairment	
At 1 January 2020, 1 January and 31 December 2021	81
Net book value	
At 31 December 2021	–
At 31 December 2020	–

The carrying value of goodwill represents the purchase of shares in Gold Oil Peru SAC.

12. Associated undertaking

	Shares in associated undertaking £'000	Total £'000
Group		
Gross investment value		
At 1 January 2020	–	–
Additions	195	195
Share of post acquisition net result	(44)	(44)
At 1 January 2021	151	151
Additions	93	93
Share of post acquisition net result	29	29
Disposal	(273)	(273)
At 31 December 2021	–	–
Impairment		
At 1 January 2020 and 1 January 2021	–	–
Charge for the year	–	–
At 31 December 2021	–	–
Carrying value		
At 31 December 2021	–	–
At 31 December 2020	151	151

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

During the period, the Company increased its stake in TLS from 33.33% to 100%. In accordance with IFRS3, this is treated as an effective disposal of the interest in the associated undertaking requiring a remeasurement of its cost to fair value. This results in a gain on disposal of £302,000.

15. Notes to the Financial Statements (continued)

13. Investments

	Loans to group undertaking £'000	Shares in group undertaking £'000	Shares in associated undertaking £'000	Total £'000
Company				
Cost				
At 1 January 2020	687	5,469	–	6,156
Exchange rate adjustment	(30)	–	–	(30)
Additions	–	–	195	195
Net loan movements	118	–	–	118
Disposals	–	(25)	–	(25)
At 1 January 2021	775	5,444	195	6,414
Exchange rate adjustment	19	–	–	19
Additions	–	2,104	93	2,197
Net loan movements	1,030	–	–	1,030
Disposals	–	–	(288)	(288)
At 31 December 2021	1,824	7,548	–	9,372
Impairment				
At 1 January 2020	687	5,444	–	6,131
Charge/(release) for the year	88	–	–	88
Disposals	–	–	–	–
At 1 January 2021	775	5,444	–	6,219
Charge/(release) for the year	124	–	–	124
At 31 December 2021	899	5,444	–	6,343
Carrying value				
At 31 December 2021	925	2,104	–	3,029
At 31 December 2020	–	–	195	195

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

On 27 April 2020, the Group acquired a 33.33% interest in SundaGas (Timor-Leste Sahul) Pte. Ltd, incorporated in Singapore at a gross cost of £195,000. On the 20 April 2021, the Group increased its interest to 85% at a cost of £890,000 and, on 17 June 2021, acquired the remaining 15% at a cost of £926,000 in the form of an equity exchange.

The cost of investment related to Gold Oil Caribbean Limited was shown as a disposal in 2020 as the company is considered to have been dissolved.

The Company has made provision on the investment in Gold Oil Peru S.A.C. of £6,343,000 (2020: £6,219,000).

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

Subsidiary/controlled entity	Place of incorporation and operation	Proportion of ownership interest %	Proportion of voting power held %	Method used to account for investment	Nature of business
Gold Oil Peru S.A.C	Peru	100	100	equity method	Exploration of oil and gas
SundaGas (Timor-Leste Sahul) Pte. Ltd.	Singapore	100	100	equity method	Exploration of oil and gas

All shareholdings are in ordinary, voting shares.

15. Notes to the Financial Statements (continued)

13. Investments (continued)

The results of subsidiaries is as follows:

	2021 £'000	2020 £'000
Gold Oil Peru S.A.C		
Aggregate capital and reserves	1,615	1,714
Profit/(Loss) for the year	(106)	117
SundaGas (Timor-Leste Sahul) Pte. Ltd.		
Aggregate capital and reserves	702	–
Profit/(Loss) for the year	(353)	–

14. Trade and other receivables

	2021		2020	
	Group £'000	Company £'000	Group £'000	Company £'000
Other receivables	12	12	10	9
Amounts owed by associated undertaking	–	–	323	323
Prepayments and accrued income	42	34	43	43
	54	46	376	375

15. Cash and cash equivalents

	2021		2020	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank current accounts	238	120	265	265
Bank deposit accounts	2,271	1,407	1,046	918
	2,509	1,527	1,311	1,183

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

As at 31 December 2021, bank deposits included £859,000 (2020: £121,000) that are being held as a guarantee until the Group fulfills certain licence commitments in Peru (US$160,000) and Timor-Leste (US$1,000,000) and is not available for use. This is not considered to be liquid cash and has therefore been excluded from the cash flow statement.

16. Trade and other payables

	2021		2020	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade payables	19	18	13	12
Other payables	495	–	–	–
Accruals and deferred income	96	48	36	37
Capitalised lease liability due within 12 months	10	10	9	9
Taxation	12	12	16	15
	632	88	74	73
Non-current liabilities				
Capitalised lease liability due after 12 months	19	19	29	29

15. Notes to the Financial Statements (continued)

17. Lease finance

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

	2021 £'000	2020 £'000
Current	10	9
Non-current	19	29
	29	38

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

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

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

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

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

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

18. Share capital

	2021 £'000	2020 £'000
Allotted, called up and fully paid		
Equity: 11,583,612,461 (2020: 4,426,409,576) ordinary shares of £0.00025 each	2,896	1,107
	2,896	1,107

The Company issued 6,000,000,000 new ordinary shares of £0.00025 each for cash at £0.0005 per share during the year. A further 1,157,202,885 new ordinary shares were issued at £0.0008 per share in exchange for the remaining 15% of the issued share of SundaGas (Timor-Leste Sahul) Pte. Ltd (see note 13).

15. Notes to the Financial Statements (continued)

19. Share premium and reserves

	Share premium account £'000	Share Option reserve £'000	Foreign exchange translation reserve £'000	Profit and loss account £'000
Group				
At beginning of the year	32,156	135	1,528	(33,130)
Loss for the year attributable to controlling interests	–	–	–	(1,127)
Issue of new shares	1,500	–	–	–
Share issue costs	(231)	–	–	–
Share-based payments	636	286	–	–
Share option reserve released	–	(33)	–	33
Foreign exchange translation adjustments	–	–	33	–
	34,061	388	1,561	(34,224)
Company				
At beginning of the year	32,156	135	(163)	(31,523)
Loss for the year	–	–	–	(1,096)
Issue of new shares	1,500	–	–	–
Share issue costs	(231)	–	–	–
Share-based payments	636	286	–	–
Share option reserve released	–	(33)	–	33
	34,061	388	(163)	(32,586)

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

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

* Options for 365,000,000 ordinary shares granted on 26 May and 10 November 2020 of which 240,000,000 were cancelled on 12 January 2022. The balance of 125,000,000 options were retained by Dr Malcolm Butler, the former Chairman of the Company, who retired on 30 October 2020.

15. Notes to the Financial Statements (continued)

19. Share premium and reserves (continued)

Details of options and warrants issued, exercised and lapsed during the year together with options and warrants outstanding at 31 December 2020 are as follows:

Issue date	Final exercise date	Exercise price	1 January 2020 Number	New Issue Number	Exercised Number	Lapsed Number	31 December 2020 Number
7 July 2017	7 July 2020	£0.00350	41,000,000	–	–	41,000,000	–
27 November 2018	27 November 2021	£0.00435	20,000,000	–	–	–	20,000,000
3 December 2018	3 December 2021	£0.00440	10,000,000	–	–	–	10,000,000
6 August 2019	6 August 2020	£0.00080	27,500,000	–	–	–	27,500,000
26 March 2020	26 March 2023	£0.00100	–	117,125,001	–	–	117,125,001
26 May 2020	26 May 2030	£0.00100	–	290,000,000	–	–	290,000,000
10 November 2020	10 November 2020	£0.00100	–	75,000,000	–	–	75,000,000
			98,500,000	482,125,001	–	41,000,000	539,625,001

20. Share based payments

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

Grant date	17 December 2021	22 July 2021	22 July 2021	10 November 2020
Number of options or warrants granted	530,000,000	150,000,000	440,000,000	75,000,000
Share price at grant date	0.06p	0.07p	0.07p	0.08p
Exercise price at grant date	0.06p	0.07p	0.07p	0.1p
Option life	10 years	3 years	10 years	10 years
Risk free rate	0.86%	0.86%	0.86%	0.86%
Expected volatility	80%	80%	80%	80%
Expected dividend yield	0%	0%	0%	0%
Fair value of option	0.025p	0.02p	0.03p	0.03p

	26 May 2020	26 March 2020	6 August 2019
Number of options or warrants granted	290,000,000	117,125,001	27,500,000
Share price at grant date	0.08p	0.08p	0.06p
Exercise price at grant date	0.1p	0.1p	0.08p
Option life	10 years	3 years	3 years
Risk free rate	0.86%	0.86%	0.86%
Expected volatility	80%	80%	80%
Expected dividend yield	0%	0%	0%
Fair value of option	0.02p	0.02p	0.01p

The warrants and options will not normally be exercisable during a closed period, and furthermore can only be exercisable if the performance conditions are satisfied. Warrants and options, which have vested immediately before either the death of a participant or his ceasing to be an eligible employee by reason of injury, disability, redundancy or dismissal (otherwise than for good cause) shall remain, exercisable (to the extent vested) for 12 months after such cessation (or such longer period as the Remuneration Committee of the Company may determine in its absolute discretion). All non-vested options shall lapse.

15. Notes to the Financial Statements (continued)

21. Directors' emoluments

	2021 £'000	2020 £'000
Directors' remuneration	349	283
Compensation for loss of office	53	–
Share based payments	256	73
	658	356

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

	2021 £'000	2020 £'000
Remuneration	216	164
Share based payments	145	31
	361	195

22. Financial instruments

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

Financial instruments – Risk Management

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

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

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

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

15. Notes to the Financial Statements (continued)

22. Financial instruments (continued)

Principal financial instruments

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

- Loans and receivables
- Trade and other receivables
- Cash and cash equivalents
- Short term investments
- Trade and other payables

General objectives, policies and processes

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

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group's credit risk is primarily attributable to its trade. The amounts presented in the statement of financial position are net of allowance for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experiences, is evidence of a reduction in the recoverability of the cash flows. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

As at 31 December 2021 and 2020 there were no trade receivables.

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk from its deposits of cash and cash equivalents with banks. The cash balances maintained by the Group are proactively managed in order to ensure that the maximum level of interest is received for the available funds but without affecting the working capital flexibility the Group requires.

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

15. Notes to the Financial Statements (continued)

22. Financial instruments (continued)

Interest rates on financial assets

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

31 December 2021

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

31 December 2020

	Financial assets on which interest earned £'000	Financial assets on which interest not earned £'000	Total £'000
UK sterling	401	139	540
US dollar (USD)	638	185	823
Peruvian Nuevo Sol (PEN)	–	1	1
	1,039	325	1,364

The Group earned interest on its interest bearing financial assets at rates between 0.3% and 1% (2020 0.1% and 1%) during the period.

A change in interest rates on the statement of financial position date would increase/(decrease) the equity and the anticipated annual income or loss by the theoretical amounts presented below. The analysis is made on the assumption that the rest of the variables remain constant. The analysis with respect to 31 December 2020 was prepared under the same assumptions.

	Change of 1.0% in the interest rate as of			
	31 December 2021		31 December 2020	
	Increase of 1.0%	Decrease of 1.0%	Increase of 1.0%	Decrease of 1.0%
Instruments bearing variable interest (£'000)	10	(10)	10	(10)

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

15. Notes to the Financial Statements (continued)

22. Financial instruments (continued)

Foreign exchange risk

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

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

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

	USD	PEN
Average for year ended 31 December 2021	1.37	5.27
At 31 December 2021	1.35	5.35
Average for year ended 31 December 2020	1.29	4.47
At 31 December 2020	1.36	4.88

Liquidity risk

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

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

Price risk

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

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

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

15. Notes to the Financial Statements (continued)

22. Financial instruments (continued)

Volatility of oil and gas prices

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

	31 December 2021	**Average price 2021**	**31 December 2020**
Per barrel – US$	75	67	48
Per barrel – £	56	49	36

Oil and gas prices are dependent on a number of factors impacting world supply and demand. Due to these factors, prices may be subject to significant fluctuations from year to year. The Group's normal policy is to sell its products under contract at prices determined by reference to prevailing market prices on international exchanges. However, these prices had no effect on on the Group's results for 2021, since it had no production.

Capital risk

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

Market risk

The market may not grow as rapidly as anticipated. The Group may lose customers to its competitors. The Group's major competitors may have significantly greater financial resources than those available to the group.

23. Capital commitments

As of 31 December 2021, there were no capital commitments (2020: none).

24. Contingent Liabilities

The Group have given guarantees totalling US$1,160,000 (31 December 2020 – US$160,000) to licensing authorities in Timor-Leste and Peru. See also note 25 regarding the relinquishment of the licence in Peru. The Company considers that there are no potential decommissioning costs in respect of abandoned fields.

25. Events after the reporting period

On 19 April 2022, the Company announced that through its wholly-owned subsidiary, Gold Oil Peru SAC, it has requested the relinquishment of its legacy Licence Block XXI in Peru. Under the terms of the Licence Agreement, if the Licence is under Force Majeure status and has remained so for a continuous period of more than 12 months, as is the case, the Licence holder may ask Perupetro SA (the Peruvian national Oil & Gas Agency and Licensing Authority) to release the licensee's Bank Guarantee, which in this case is US$160,000. Thereafter, there will be a requirement to establish and file an Abandonment Plan for approval by the relevant authorities. The withdrawal from Block XXI will ultimately lead to the Group's withdrawal from Peru.

On 9 May 2022, the Company issued 2,750,000,000 new ordinary shares of 0.025p each raising new capital of £1,650,000 gross, £1,505,000 net of costs. It is intended that the proceeds of the Placing and Subscription will be used primarily to fund the Company's ongoing TL-SO-19-16 PSC ("Chuditch PSC") work programme in Timor-Leste and the Company's UK P2478 licence project in the Inner Moray Firth. The balance will be directed to cover the Company's general and administrative expenses and related working capital, the evaluation of new ventures and the costs of withdrawal from Peru.

15. Notes to the Financial Statements (continued)

26. Ultimate controlling party

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

27. Related party transactions

Company

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

	Year ended 31 December 2021		Year ended 31 December 2020	
	Balance £'000	**Loan advance £'000**	**Balance £'000**	**Loan advance £'000**
SundaGas (Timor-Leste Sahul) Pte. Ltd	926	926	–	–
Gold Oil Peru S.A.C *	899	124	775	87

* The company has provided for an impairment of £899,000 (2020: £775,000) on the outstanding loans.

Group and company

The company paid £nil (2020: £17,096) for services rendered by Tedstone Oil and Gas Limited, a company controlled by Mr J Ford, a director.

At 31 December 2020. the Company was owed £322,718 by its then associate undertaking, SundaGas (Timor-Leste Sahul) Pte. Ltd. ("TLS"), which is interest-free and repayable on demand within the terms of the contractual agreement between the parties. The Company acquired a controlling interest in TLS during the year, and the receivable is now disclosed under loans to subsidiaries above.

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

During the year, the directors subscribed for new ordinary shares in the Company at a price of 0.05p per new ordinary share as part of a placing of new ordinary shares that was announced by the Company on 24 March 2021 as follows.

Andrew Yeo	62,600,000 shares
Jon Ford	15,000,000 shares
John Wakefield	20,000,000 shares

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

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

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

16. Glossary of Technical Terms

BSCF	Billion standard cubic feet of natural gas.
Geological chance of success	The estimated probability that exploration activities will confirm the existence of a significant accumulation of potentially recoverable petroleum.
GIIP	Volume of natural gas initially in-place in a reservoir.
High or 3U Estimate	Denotes the high estimate qualifying as Prospective Resources. Reflects a volume estimate that there is a 10% probability that the quantities actually recovered will equal or exceed the estimate.
Licence Operator or Administrator	The Company nominated to carry out operational activities. In the context of the UK jurisdiction, during the initial Phase A of a licence the nominated Company is termed a licence administrator.
MMBBL	Million barrels of oil or condensate.
MMBOE, Oil equivalent	Million barrels of oil equivalent. Volume derived by dividing the estimate of the volume of natural gas in billion cubic feet by six in order to convert it to an equivalent in million barrels of oil or condensate, and, where relevant, adding this to an estimate of the volume of oil in millions of barrels.
Prospective Resources	Quantities of petroleum that are estimated to exist originally in naturally occurring reservoirs, as of a given date. Crude oil in-place, natural gas in-place, and natural bitumen in-place are defined in the same manner.
SPE PRMS 2018	The Society of Petroleum Engineers' ("SPE") Petroleum Resources Management System ("PRMS") is a system developed for consistent and reliable definition, classification, and estimation of hydrocarbon resources prepared by the Oil and Gas Reserves Committee of SPE and approved by the SPE Board in June 2018 following input from six sponsoring societies: the World Petroleum Council, the American Association of Petroleum Geologists, the Society of Petroleum Evaluation Engineers, the Society of Exploration Geophysicists, the European Association of Geoscientists and Engineers, and the Society of Petrophysicists and Well Log Analysts. Quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. The total quantity of petroleum that is estimated to exist originally in naturally occurring reservoirs, as of a given date. Crude oil in-place, natural gas in-place, and natural bitumen in-place are defined in the same manner.
SPE PRMS Unrisked Prospective Resources	Denotes the unrisked estimate qualifying as SPE PRMS 2018 Prospective Resources.

16. Glossary of Technical Terms (continued)

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

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