# Predator Oil & Gas Holdings Plc

Annual Report for the year ended 31 December 2019

SEQUESTRATING
ANTHROPOGENIC CO2

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# Chairman's statement

Dear Shareholder,

On behalf of the Board of Directors, I hereby present the consolidated financial statements of Predator Oil & Gas Holdings Plc (the "Group", "Predator" or the "Company") for the year ended 31 December 2019.

During July 2019, our chairman, Sarah Cope, stepped down in order to focus on other commitments to be replaced by Carl Kindinger as interim chairman.

On the 19 March 2019, we announced the signing of the Guercif Petroleum Agreement (the "Guercif PA") and Association Contract with the Office National des Hydrocarbures et des Mines ("ONHYM") acting on behalf of the State. Award of the Guercif PA was subsequently ratified by a Joint Ministerial Order on 4 July 2019. As is required under the terms of the Guercif PA, a US$1.5 million bank guarantee was put in place in favour of ONHYM. We have identified during the year several attractive undrilled gas targets, one of which is the Moulouya Prospect, with an estimated 320 BCF net recoverable resources.

An Environmental Impact Assessment ("EIA") was progressed during the year for the area of the Moulouya Prospect.

On 9 December 2019, we announced entering into a rig option agreement with Canadian drilling contractor Star Valley Drilling Ltd., who were undertaking an extensive drilling programme for SDX Energy Plc in the Rharb Basin west of the Guercif using its Rig No. 101.

We have continued to spend judiciously on our core asset to further develop the Enhanced Oil Recovery pilot project using injected carbon dioxide ("CO2 EOR") in the Inniss-Trinity field, onshore Trinidad. Through these activities, and workover of the wells selected for CO2 injection, we have ensured that we are "operationally-ready" to commence CO2 injection at any time.

During the year we have made a significant contribution to providing the technical and environmental data required for processing of approvals sought by the operator of the Inniss-Trinity Incremental Production Services Contract ("IPSC"), FRAM Exploration Trinidad Ltd. ("FRAM"), from Trinidad's Environmental Management Authority, Heritage Petroleum Trinidad Ltd. ("Heritage" and formerly Petrotrin, the State oil company) and the Ministry of Energy and Energy Industries ("MEEI") for the implementation of CO2 injection by 28 January 2020 in the AT-4 Block within the Inniss-Trinity field. During this period progress in the granting of approvals was challenging as Petrotrin underwent three different episodes of corporate re-structuring to create the new State-owned entity Heritage. I am pleased to report that we successfully overcame this substantial hurdle which resulted the Inniss-Trinity IPSC being extended by two years, initially to 31 December 2021, a condition required by the Company to ensure that CO2 EOR results could be sufficiently evaluated before considering expansion of CO2 EOR activities.

During the year we have also continued to maintain exclusivity over Trinidad's supply of surplus liquid CO2. Upon the commencement of CO2 injection, the Company will be in a position to start to demonstrate a practical commitment to helping to reduce anthropogenic carbon emissions in Trinidad in line with Environmental, Social and Governance ("ESG") goals and growing climate concern awareness.

We have established ourselves, by deploying only capital raised at the time of our IPO, in a niche-position in Trinidad as a fully integrated CO2 EOR services provider. We are on course to start generating revenues in the coming months; to expand our CO2 EOR production capabilities; and to further research the potential CO2 sequestration "green dividend" based on the substantive practical expertise we have accumulated during this year.

We continue to maintain a business dialogue offshore Ireland with the government and regulators in the context of a change of our business strategy that is dictated by Ireland moving inexorably towards lower CO2 emissions and a greener energy future. We are progressing discussions with LNG suppliers regarding the potential for offshore regasification and the development of gas storage facilities using existing infrastructure offshore Ireland. The change in business strategy is consistent with the European Commission sustainable energy security package announced on 16 February 2016, which included a non-legislative EU strategy for LNG and gas storage.

In order to fund the Guercif PA bank guarantee, the Company announced on 15 February 2019 that it had raised £1.5 million by the issue of a convertible loan note ("Loan Notes") to Arato Global Opportunities LLC ("Arato"). The pros and cons of the decision to issue the Loan Notes were rigorously evaluated by the Board, but taking into account market conditions and the market capitalisation of the Company at the time, it was determined that the compelling and sustainable investment case represented by the signing of the Guercif PA, in particular the potential gas marketing opportunity represented by the gas-stranded Casablanca industrial sites, was best advanced through the issue of the Convertible Loan Note.

Arato was issued with warrants to subscribe for 2,083,333 Ordinary Shares in the Company at an exercise price of 12p per share for a period of 2 years, and Novum Securities, the Company's broker who arranged the Loan Notes, was also issued with warrants to subscribe for 2,000,000 Ordinary Shares in the Company also at an exercise price of 12p per share.

During the year the principal outstanding on the Loan Notes was reduced by £485,000 through the issue to Arato of 8,035,019 ordinary shares, representing an average price of £0.0735 per share.

We have continued to place reducing CO2 emissions at the forefront of our business development strategy and in 2020 we can look forward to becoming a sequestrator of CO2 in Trinidad and a potential contributor eventually to reducing CO2 emissions in Morocco, by replacing imported fuel oil with gas.

Post balance sheet events include:

Ratification of the EIA for Moulouya drilling by the Ministry of Energy and Mines and Environment, valid for 5 years from the effective date of issue of 29 January 2020.

On the 19 February 2020 we announced that the exercise of our rig option with Star Valley Drilling Ltd. ("Star") without entering into any financial liabilities.

On the 27 January 2020 we announced that the first injection of CO2 into the Inniss-Trinity field had been successfully achieved.

## Chairman's statement (continued)

On 14 February 2020 we conditionally placed 89,000,000 new ordinary shares of no par value in the Company (the "Placing Shares") at a placing price of 4 pence each (the "Placing Price") to raise £3.56 million (before expenses) (the "Placing"). Optiva Securities Limited was appointed by the Company as a joint broker with Novum Securities Limited.

On the 28 February 2020 we announced that the Placing was completed on Admission of all the Placing Shares to listing on the UK Listing Authority's Official List (standard listing segment) and to trading on the London Stock Exchange's main market for listed securities. Following Admission, the total number of voting rights in the Company was 197,172,169.

On the 5 March 2020, we gave notice of a General Meeting of the Company to be held on 25 March 2020. A resolution seeking Shareholder approval for the issue of sufficient ordinary shares to cover the Arato Loan Note conversion in full during the term of the Arato Convertible Loan Note; the exercise of the Warrants granted at IPO and on entering into the Convertible Loan Note with Arato; the exercise of options granted to Directors at the time of the Company's IPO in May 2018; issuing 4,875,000 new ordinary shares in settlement of fees together with warrants over 4,450,000 new ordinary shares at 4p per share expiring on 28 February 2023.

On the 25 March 2020, we announced that at the GM held that day, that the resolution was duly passed.

On the 31 March 2020 we announced that we had injected more CO2 into AT-5X as part of initiating Phase 2 of the CO2 EOR pilot project and had observed encouraging downhole pressure build-up.

On the 7 April 2020, the admission of 4,875,000 new ordinary shares to listing on the UK Listing Authority's Official List (standard listing segment) and to trading on the London Stock Exchange's main market for listed securities became effective. Following admission, the total number of voting rights in the Company was 202,047,169.

In accordance with the terms of the Arato Global Opportunities Limited for the conversion of Convertible Loan Note issued on 15 February 2019, on the 9 April 2020, the admission of 5,267,118 new ordinary shares to listing on the UK Listing Authority's Official List (standard listing segment) and to trading on the London Stock Exchange's main market for listed securities became effective. Following admission, the total number of voting rights in the Company was 207,314,287.

Post balance sheet events are however dominated by the global public health emergency caused by the spread of the coronavirus. This has produced the most challenging times anyone of our generation has lived through. It has pervasively impacted negatively global economies, financial and equity markets, and oil and gas commodity prices. We have moved swiftly to put in place a comprehensive set of actions to deal with the impact of coronavirus on our business operations and investment strategy. Shareholders can be reassured that our excellent and experienced management team are therefore well prepared to enact our strategy to weather a sustained period of market volatility without any significant impact on our medium-term value creation goals.

The longer-term outcome to Brexit in 2020 may still pose new challenges in terms of creating continuing instability in the financial markets and currency exchange rate fluctuations, reducing access to UK-based oil field services, and in creating conditions liable to weaken investor sentiment and decision-making processes. The Company has some protection in that it does not operate in the United Kingdom and is intending to generate revenues in United States dollars from production in Trinidad.

On a positive note we look forward to being a small cap leader in the post-coronavirus equity market recovery, based on being well-capitalised; focussed on generating improved cash flow; adding CO2 EOR production opportunities capitalising on distressed producing assets; and having a drill-ready asset fit-for-purpose to attract peer company partners requiring the ability to raise fresh capital in the immediate, potentially highly competitive, post-coronavirus equity market where increasingly stronger "green dividend" investor and public opinion sentiments will prevail.

**Carl Kindinger**
**Interim Chairman**
1 May 2020

# Strategy

The Company's core strategy is to build a carbon neutral business focussed on assembling material equity positions in a portfolio of assets combining existing gas discoveries and new gas prospects with production opportunities where enhanced oil production can be achieved by sequestrating significant quantities of pollutant C02.

The Company seeks to develop and provide sources of energy that contribute to reducing C02 emissions.

The Board believes that the Company's medium-term future relies on focussing on gas as being the flexible energy source to replace coal and oil as a fuel for power generation, thereby reducing C02 emissions as gas by comparison is less $CO_2$ pollutant.

The Company's business plan is being executed to minimise where possible capital expenditures through:

- prudent low-cost investment in existing mature oil fields for C02 EOR production revenues; and
- by leveraging our management's gas experience, industry relationships and licence positions around gas-gathering infrastructure with third parties to validate our commercial understanding of the gas marketing potential and the potential of our exploration and appraisal assets in order to provide the framework for gas-focussed M & A transactions and farmouts to defray CAPEX for subsequent drilling/development.

Geological risk mitigation has been enacted through screening suitable projects for the Company's portfolio using management's extensive and relevant industry experience. Farm-out transaction risk is being addressed by improving development economics and lowering commercial risk by assembling projects close to infrastructure and in areas where there is a high demand for indigenous gas to improve security of energy supply and reduce $CO_2$ emissions from more carbon-intensive energy sources.

# Group strategic report
## for the year ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

### PRINCIPAL ACTIVITY

The Group was formed for the purpose of acquiring assets, businesses, material equity positions in oil and gas licences, or target companies that have operations in the oil and gas exploration and production sector that it will then look to develop and expand. The Group seeks to develop and provide sources of fossil fuel-derived energy that contribute to reducing C02 emissions.

### FAIR REVIEW OF THE BUSINESS

The Guercif PA is the first onshore licence where a Predator entity will be an approved operator.

The Guercif PA includes an existing 1972 well for which a previous operator re-interpreted the old wireline logs using modern techniques to identify a potential untested gas-bearing interval. This was subsequently never tested as the operator got into financial difficulties at that time. In addition to this encouraging historical interpretation for the potential presence of gas in GRF-1, we have also during the year carried out technical studies to upgrade several attractive undrilled gas targets to “drill-ready” status, falling within an area very close to GRF-1 defined as the “Moulouya Prospect”.

The results of an independent competent person’s report (“CPR”) for the Guercif Permit were announced on 25 April 2019. This CPR estimates that the primary target area of the Moulouya Prospect holds 320 BCF of net recoverable prospective gas resources. Additional gas prospectivity at the Moulouya target levels is referenced by the CPR, including an updip appraisal of GRF-1, with postulated gross gas resources of 10 to 200 BCF. The CPR estimates that a separate Triassic prospect contains 155 BCF of net recoverable prospective gas resources. The CPR also references 9 prospective Triassic and Jurassic leads previously identified by ONHYM, with mid case recoverable volumes reported by ONHYM to range from 18 to 366 million BOE.

An Environmental Impact Assessment was progressed during the year for the area of the Moulouya Prospect.

The ability to test larger gas targets than those present in the gas-producing, geologically analogous, Rharb Basin; the proximity to road, rail and gas pipeline infrastructure linking the potential gas targets to the lucrative industrial markets of Casablanca and Tangiers; the competitive advantage of domestic gas compared to imported fuels currently supplying these industrial markets, which supports far higher in-country gas prices compared to European gas prices; and the benign government fiscal terms and low capital commitments together create a sustainable investment case that is largely independent of global market conditions. The ability to capture this lucrative, gas-stranded market and to be able to dictate gas-pricing terms is a key driver for fast-tracking drilling and considering a simplified initial development concept that is not capital intensive.

Entering into a rig option agreement with Canadian drilling contractor Star Valley Drilling Ltd., Involved no financial commitments However, when the rig option is exercised it facilitates the release of the Bank Guarantee in favour of ONHYM in two stages – US$1 million on fulfilment of the drilling work commitment and US$0.5 million on fulfilment of desktop studies committed to in the Initial Exploration Period of 30 months duration commencing 19 March 2019.

The strategy for Morocco is to be “drill-ready” at minimal cost whilst maintaining our current equity exposure (75% Predator and 25% ONHYM) in the Guercif PA to give maximum flexibility for a farmout if required at a later date.

In the Inniss-Trinity field in Trinidad we have refined desktop engineering and environmental studies and imported additional specialised equipment and spares from the United States necessary for the completion of CO2 injection and oil production wells and the commissioning of the CO2 injection facilities. Through these activities, and workover of the wells selected for CO2 injection, we have ensured that we are “operationally-ready” to commence CO2 injection at any time.

The results of an independent competent person’s report (“CPR”) for the CO2 EOR potential of the Inniss-Trinity field were announced on 4 July 2019. This CPR estimates that CO2 EOR contingent, pending development, gross oil resources for the field are 6.8 million barrels. The Company retains an exclusive option to acquire Fram Exploration Trinidad Ltd. (“FRAM”) and to further develop the potential CO2 EOR contingent resources.

During the year our desktop work has provided the basis for the processing of approvals sought by the operator of the Inniss-Trinity Incremental Production Services Contract (“IPSC”), FRAM, from Trinidad’s Environmental Management Authority, Heritage Petroleum Trinidad Ltd. (“Heritage” and formerly Petrotrin, the State oil company) and the Ministry of Energy and Energy Industries (“MEEI”) for the implementation of CO2 injection by 28 January 2020 in the AT-4 Block within the Inniss-Trinity field. During this period, Petrotrin underwent three different episodes of corporate re-structuring to create the new State-owned entity Heritage. The processing of the approval by Petrotrin and its successor Heritage, owner of the Inniss-Trinity production licence, was delayed as a consequence. Whilst we remained operationally-ready, execution of our CO2 EOR pilot project was unavoidably delayed by an unforeseen circumstance beyond our control, however the Inniss-Trinity IPSC was extended by two years, initially to 31 December 2021, a condition required by the Company to ensure that CO2 EOR results could be sufficiently evaluated before considering expansion of CO2 EOR activities. The Company’s Well Participation Agreement (“WPA”) with FRAM was amended to extend the period to acquire FRAM under the terms of the WPA to 30 September 2020, or 30 June 2020 should CO2 injection in accordance with Phase 2 of the work programme for the extension to the IPSC not occur.

During the year the Company has progressed discussions with LNG suppliers regarding the potential for offshore regasification and the development of gas storage facilities using existing infrastructure offshore Ireland. The change in business strategy is consistent with the European Commission sustainable energy security package announced on 16 February 2016, which included a non-legislative EU strategy for LNG and gas storage.

The Company is not intending to create financial liabilities and capital requirements by progressing such discussions and potential negotiations, but rather to use its management’s long experience offshore Ireland, which includes gas sales, constructing bids for acquiring infrastructure assets, and designing a gas storage facility concept for the Celtic Sea, to allow Predator Oil and Gas Ventures Ltd., an operator offshore Ireland, to leverage its position to become the entity through which the LNG supplier participates in the offshore regasification proposal initiated by the Company.

The Company is not expecting any practical near-term benefits regarding the execution of this change of business strategy for Ireland.

### KEY PERFORMANCE INDICATORS

At this stage in the Group’s development, the Directors do not consider that standard industry key performance indicators are relevant. The Group currently has no oil and gas production and

therefore has no income. The Group is not expected to report profits until it develops its exploration and development projects. The main KPI is therefore considered to be the conservation of cash whilst they continue to obtain the appropriate licenses and to undertake appropriate exploration activity as described as follows:

- Expanding total prospective, probable and proven resources and reserves.

  These measure our ability to discover resources and develop reserves, including through the acquisition of new licences, as demonstrated by our signing of the Guercif Petroleum Agreement.

- Develop oil and gas projects which will result in positive cash flow within a short time horizon.

  This measures our ability to assist the internal funding of projects with medium term time horizons, as demonstrated by our continued funding of the development of a $CO_2$ EOR project in Trinidad.

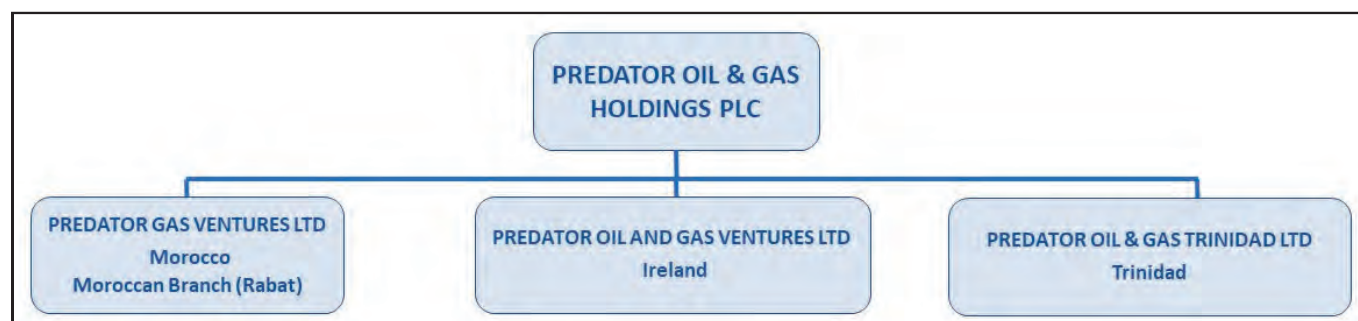
- Enter into value adding joint venture and farm-out transactions.

  This measures our ability to mitigate risk, share capital expenditure with partners and assist in meeting licence commitments. This objective is as yet unfulfilled but remains a near-term priority for the Group.

- Secure funding that minimises shareholder dilution, cognisant of a judicious level of debt funding. This measures our ability to enhance shareholder value whilst securing the means to grow the business without unduly increasing risk. Debt has been reduced whilst the priority of the Group remains focussed on securing an adequate quantum of equity funding to maintain sufficient working capital as we transition to a revenue-generating Group through a potential period of low commodity prices. Shareholders' interests are best-protected by establishing sufficient liquidity to support going concern criteria during periods of adverse global market conditions.

- The rate of utilisation of the Group's cash resources. This measures our ability to plan expenditure and conserve cash to ensure a going concern and is addressed by reducing corporate costs and operating costs whenever and wherever prudent to do so and by not entering into any discretionary new commitments and liabilities.

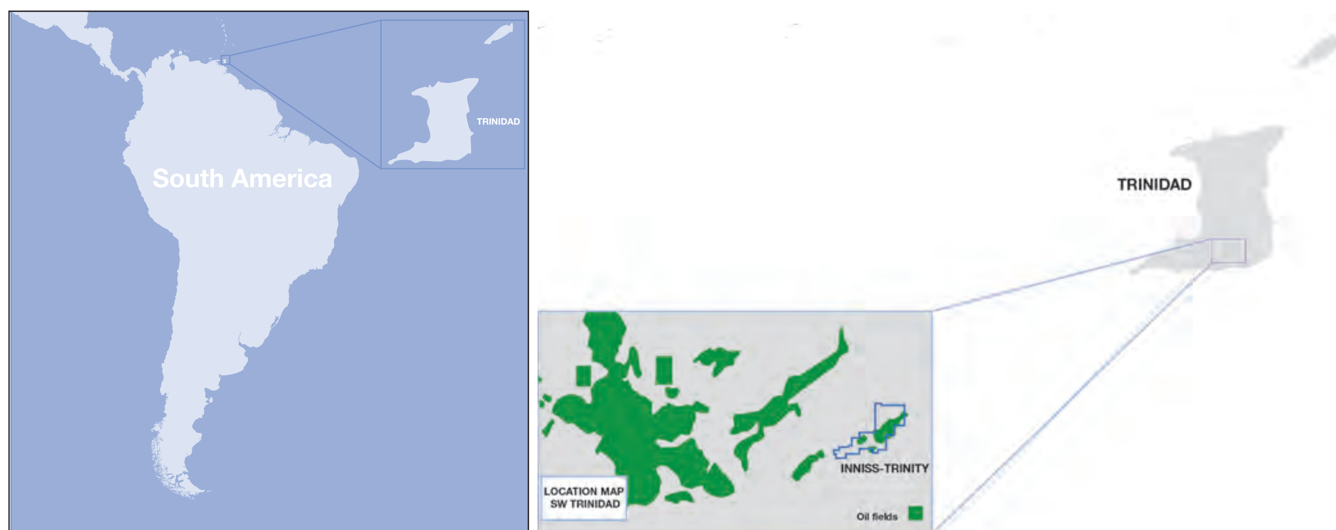
## GROUP STRUCTURE AND LIST OF ASSETS




| Ref | Licence/Agreement | Issued | Asset | Operator | Partners | PRD% | Type |
|---|---|---|---|---|---|---|---|
| **ONSHORE TRINIDAD** | | | | | | | |
| 1 | Well Participation Agreement<br>Profit split on production revenue<br>100% of profits<br>until repayment of investment<br>50% of profits<br>after repayment of investment | 2017 | Inniss-Trinity Pilot C02 EOR | Fram Exploration (Trinidad) Ltd<br>Predator Oil & Gas Trinidad Ltd<br>(CO2 EOR Technical Operator) | Fram Exploration (Trinidad) Ltd | 100 (50) | Producing Oil Field<br>Pilot C02 EOR |
| **OFFSHORE IRELAND** | | | | | | | |
| **Atlantic Margin Slyne Basin** | | | | | | | |
| 2 | LO 16/26[1] | 2016 | Corrib South | Predator Oil and Gas Ventures Ltd | Theseus Ltd. | 50 | Gas exploration |
| **North Celtic Sea Basin** | | | | | | | |
| 3 | LO 16/30[2] | 2016 | Ram Head | Predator Oil and Gas Ventures Ltd | Theseus Ltd. | 50 | Gas discoveries |
| **ONSHORE MOROCCO** | | | | | | | |
| 4 | Guercif Petroleum Agreement | 2019 | Moulouya | Predator Gas Ventures Ltd | ONHYM | 75 | Gas exploration and appraisal |

[1] Frontier exploration licence applied for: First Phase 3 years 200 kms 3D seismic acquisition and processing
[2] Standard exploration applied for. Work programme under discussion

## TRINIDAD - NEAR TERM REVENUES FROM PRODUCTION



*CO2 being hooked-up for injection*

### Well Participation Agreement – Pilot CO2 Enhanced Oil Recovery Project Inniss-Trinity Field

The producing Inniss-Trinity oil field is located onshore Trinidad in the Southern Basin approximately 10 km southeast of the Barrackpore-Penal oil field and approximately 75 km south of the capital Port of Spain. The Inniss-Trinity Licence covers an area of 23.35 km² and currently contains 86 producing wells that are available for the application of enhanced oil recovery techniques.

Through its wholly-owned subsidiary, POGT, the Company currently holds an interest in a WPA signed with FRAM, a wholly-owned subsidiary of Steeldrum, on 17 November 2017 and relating to the Company's entitlement to profits derived from its investment in the producing Inniss-Trinity oil field ("Inniss-Trinity").

Inniss-Trinity is licenced to Petrotrin, the State Oil Company. Following the closure of Petrotrin's oil refinery in Trinidad, Petrotrin was re-structured during the end of 2018 to create the new State Oil Company Heritage Petroleum Company Ltd. ("Heritage").

FRAM is operator of the Inniss-Trinity field under the terms of an Incremental Production Services Contract with Heritage ("IPSC"). The IPSC allows for FRAM to invest in Inniss-Trinity by satisfying certain annual infill drilling commitments during the life of the IPSC. In return, FRAM receives 100% of the benefits of all incremental production achieved through the investment relative to the base line production established for the field prior to the investment being made. FRAM's net incremental production revenues are after deduction of operating costs and certain royalties and taxes. Historical tax losses accumulated within FRAM are available for offset against Petroleum Profits Tax on operating profits. CO2 EOR Project Costs can also be offset against 18% Supplemental Petroleum Tax where applied when the price of West Texas crude is between US$50.01/brl and US$90.00/brl.

The term of the IPSC has been extended until 31 December 2021, conditional upon CO2 injection commencing on or before 28 January 2020. The outstanding FRAM drilling commitment of 7 wells has been replaced by the CO2 EOR Pilot Project.

FRAM currently produces between 120 and 150 bopd from the field, which is sold directly to the state-owned oil company Heritage. FRAM is engaged in operating and drilling infill development/production wells in the field and carrying out workovers for selected wells based on up to 86 wells that have been assigned by Heritage to FRAM under the IPSC.

Under the WPA, POGTL is entitled to a profit split from all profits generated from incremental production attributable to enhanced oil production from the CO2 EOR Pilot Project under the same terms of the IPSC through the Company's investment in Inniss-Trinity. However, in the specific case of the WPA, POGT has capped the operating costs at US$10/bbl. and will also benefit from utilising FRAM's historical tax losses. POGT is not a partner in the IPSC and therefore has no exposure to any of the FRAM commitments relating to the IPSC. POGT will receive 100% of all operating profits until payback of its investment and thereafter operating profits will be split 50:50 between POGT and FRAM. Under the WPA, POGT also has an option up to 30 September 2020 to acquire certain assets of Steeldrum, including FRAM for an agreed sum of US$4.2 million.

The completion of the sale of Steeldrum, owners of FRAM, to Columbus was announced on 8 October 2018. The WPA remains in full force and effect following the sale of FRAM. FRAM is now therefore a wholly owned subsidiary of Columbus and retains its 100% of the rights of the IPSC for Heritage's Inniss-Trinity licence onshore Trinidad.

During 2018 the WPA with FRAM was amended to re-focus on Enhanced Oil Recovery operations using locally sourced carbon dioxide for injection ("CO2 EOR"). This technique is widely used in oil fields in the United States, where an affordable source of C02 is available. The option to acquire FRAM has been extended to 30 September 2020. An option to acquire Cory Moruga Holdings Ltd., another wholly owned subsidiary of Steeldrum, was dropped in order to focus resources on the Inniss-Trinity asset.

### CO2 supply

To further the initiation of a CO2 EOR Pilot Project in Inniss-Trinity, a Heads of Agreement for C02 Gas Sales ("**CO2 HOA**") was entered into with the only in-country C02 supplier, Massy Gas Products Trinidad Ltd. ("**Massy**"), based on a minimum scoping daily delivery of 60 Mt C02. An exclusivity period to negotiate the C02 Gas Sales Agreement, initially to 31 August 2018, was extended to 30 November 2018 and has been subsequently extended further to 30 September 2020.

### CO2 EOR planning and operations

During the year, an independent CO2 EOR reservoir engineering study was completed for the AT-4 Block within the Inniss-Trinity Field. Based on this, pilot C02 injection volumes have been modelled and incorporated in the CO2 Gas Sales Agreement discussions with Massy.

Oil production forecasts derived from the above study have been modelled and input into the design criteria for the CO2 EOR-dedicated surface production facilities. Pilot C02 EOR is forecast from desk top studies to increase production compared to the current production from the existing wells in the AT-4 Block chosen for the CO2 EOR Pilot Project by lowering oil viscosity and increasing current reservoir pressures.

*CO2 delivery system at Inniss-Trinity*

*Site meeting CO2 EOR team, Inniss-Trinity field*

# Group strategic report
## for the year ended 31 December 2019 (continued)

A competent person's report by SLR Consulting commissioned by the Company in 2019 had indicated Gross Contingent Recoverable Oil Resources pending development for a full-field CO2 EOR development of the Inniss-Trinity field of: 5.3 million barrels (Low Estimate); 6.8 million barrels (Best Estimate) and 8.9 million barrels (High Estimate). These resources estimates are attributable to FRAM's interest in the IPSC. Exercising the Company's option to acquire FRAM, as FRAM is the party at present to the IPSC and not the Company, and following all regulatory consents and approvals for the change of control of FRAM after an acquisition, would allow the aforementioned resources to be included by the Company in its list of assets. For the avoidance of doubt, currently the Company only receives a split of net operating profits only under the terms of the WPA from any potential production from the CO2 EOR Pilot Project in the AT-4 Block within the Inniss-Trinity field, which is the only part of the Inniss-Trinity field to which the WPA currently applies.

A three-well workover programme for AT-4, AT-5X and AT-13 has been executed to survey the wells for suitability and integrity for CO2 EOR operations based on the Company's CO2 EOR design specifications. Following the results of the well workover survey, the Herrera #2 Sand will be isolated in the wellbore in AT-5X for initial CO2 injection followed by oil production whilst simultaneously injecting CO2 continuously into AT-13. Currently producing wells AT-6, AT-12 and IN-6 in the AT-4 block may also potentially exhibit enhanced oil production if the pilot CO2 injection is completely successful.

*Downhole plug used to isolate the reservoir zone for CO2 injection*

*Part of CO2 delivery system constructed at Inniss-Trinity*

The layout of the injection and production wells and the operational plan for CO2 EOR injection and oil production has been finalised.

### HSE

An environmental monitoring programme has been established with the Environmental Monitoring Authority ("**EMA**") and collection of "base line" samples has begun.

The Health and Safety Plan for CO2 EOR operations has been drafted and will be updated after further consultations with the EMA and Massy.

A Certificate of Environmental Clearance has been issued by the EMA for CO2 EOR operations in Inniss-Trinity.

The Company is dependent on FRAM and Heritage receiving regulatory approval from the Ministry of Energy and Energy Industries ("**MEEI**") for the CO2 EOR Pilot Project to be implemented in Inniss-Trinity. Heritage approval for the pilot CO2 EOR injection was given in 2019 subject to final approval by the MEEI, which was received by FRAM on 3 January 2020.

### Forward work programme

The CO2 EOR Pilot Project start-up to "first oil" includes: third party HSE monitoring; management of CO2 injection volumes and pressures; ongoing civil works and road maintenance for CO2 truck deliveries and to expand the permanent location for CO2 EOR storage and injection equipment; additional well workovers and well completions to potentially expand the CO2 EOR project should pilot CO2 EOR results be encouraging; upgrading CO2 site security; installing generator for reliable power supply; adding VSAT telecommunications; contingency to increase CO2 supply; provision of standby CO2 supply; real-time reservoir engineering monitoring; and providing safety equipment.

Injection of CO2 over a period of up to 60 days, as forecast by pre-injection reservoir engineering studies, is a requirement to re-pressurise the Herrera #2 Sand reservoir. Early analysis of initial CO2 injectivity results may result in the CO2 injection volumes and pressures being modified and aligned with the CO2 supply deliveries and CO2 storage capacity on site. This will be followed by continuous injection of CO2 into the Herrera #2 Sand in the AT-13 well and monitoring of oil production from the AT-5X well, and potentially IN-6, AT-6 and AT-12 too. Real-time pressure data will be continuously collected to assess and adjust if necessary the CO2 injection pressures and volumes s continuous injection progresses.

The gross budget for the work programme for the next 12 months is estimated to be £318,665, inclusive of a contingency.

### Morocco near term exploration and appraisal

*Star Valley rig option for Guercif*

### Guercif Petroleum Agreement – Moulouya Prospect

Through its wholly owned subsidiary PGV, the Company holds a 75% working interest in and is the operator of the Guercif Petroleum Agreement. ONHYM, the State oil company, holds 25% and is carried through exploration, but funds its pro-rata share of all costs upon a Declaration of Commerciality. ONHYM is owned by the Moroccan government and is involved in oil exploration, appraisal, and development within Morocco. In addition to mining activities, ONHYM is the regulatory authority for all oil and gas licences in Morocco.

The Guercif Petroleum Agreement, comprising the Guercif Permits I, II, III and IV, is located in the Guercif Basin and covers 7,269 km², c. 250 km due east of and on trend with the Rharb Basin, where shallow commercial gas production has been established by SDX Energy Plc for several years. Guercif also lies approximately 180 km due north-west of Tendrara, where deep discovered gas is currently being appraised and potentially developed by Sound Energy Plc.

The Licence is for 8 years and is split into an Initial Period of 30 months, commencing on 19th March 2019; a First Extension Period of 36 months duration; and a Second Extension Period also of 30 months. After each Licence Period there is an opportunity to withdraw from the Licence, without entering the next Licence Period.

*Signing of Guercif Petroleum Agreement at ONHYM offices Rabat*

In the Initial Period the work programme comprises 250 kilometres of 2D seismic reprocessing and AVO analysis and the drilling of one well to a minimum depth of 2,000 metres. Desk-top geological and gas marketing studies will also be carried out. The Minimum Exploration Commitment is US$3,458,000.

The fiscal terms in Morocco are restricted to a 5% State royalty for gas, applicable after the first 10.6 BCF of net production to the operator, and corporation tax charged at 31%. However, there is a 10-year “holiday” before corporation tax will be charged and any unused tax losses can be offset against the tax due. There are no signature bonuses but production bonuses in the form of cash payments exist with a maximum one-off payment of US$5,000,000 on production greater than 30,000 BOE/day. A discovery bonus of US$1,000,000 is also payable.

Gas prices for producers in Morocco are currently higher than UK National Balancing Point (“**NPB**”) prices for domestic delivery.

### History

Guercif has been very lightly explored with only 4 deep exploration wells drilled by Elf in 1972 (GRF-1), Phillips in 1979 (TAF-1X), ONAREP (the forerunner of ONHYM) in 1985 and 1986 (MSD-1 and KDH-1) and 2 shallow stratigraphic wells drilled by BRPM for coal exploration in the 1950s.

TransAtlantic re-entered, logged and tested the MSD-1 well, originally drilled in 1985, in 2008 but the logging and testing failed to establish the presence of hydrocarbons in the Jurassic.

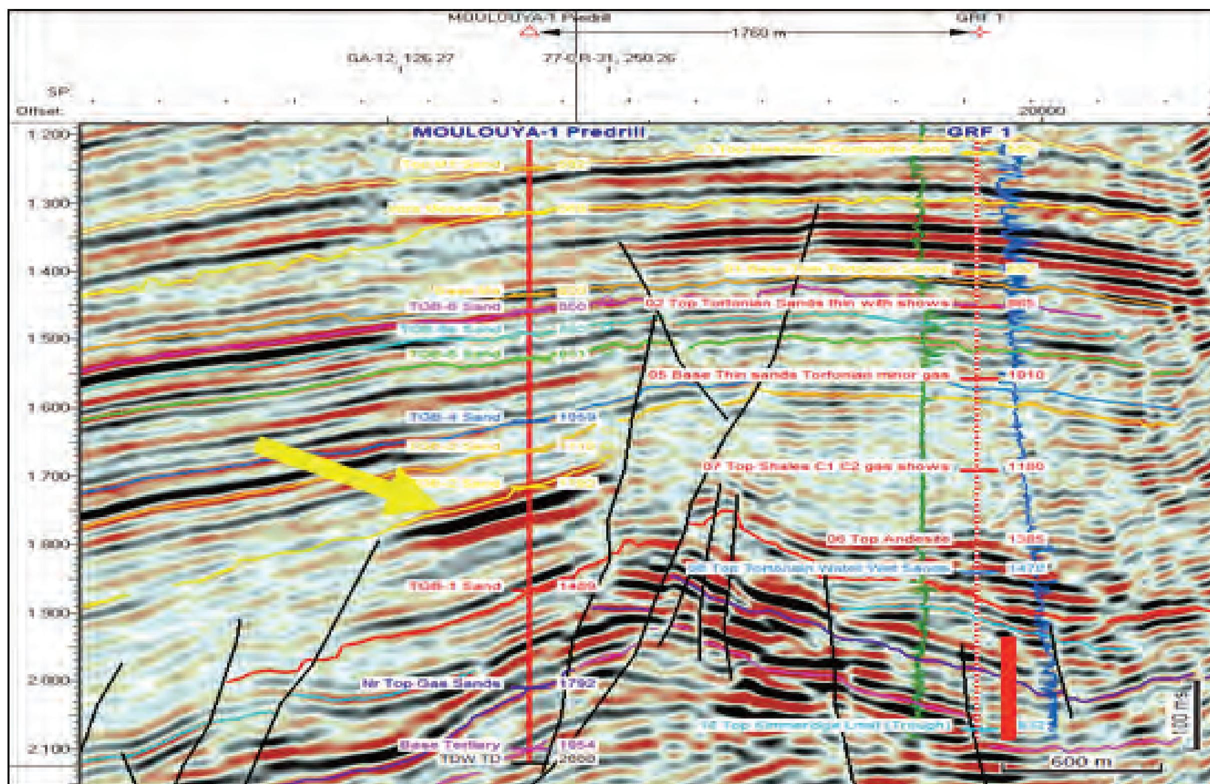
The seismic inventory includes 3,291 kilometres of 2D seismic data acquired between 1968 and 2003, including a new 300-kilometre ONAREP 2D seismic survey acquired in 2003, which were reprocessed in 2006 by TransAtlantic when Pre-Stack Time Migration was applied for the first time to the seismic inventory. TransAtlantic also acquired an aero magnetic and aero gravity survey in 2006, comprising 10,000 line kilometres.

Historical exploration focus was entirely on the Jurassic and was completed before the shift in focus took place that resulted in shallow (Tertiary) gas production in the Rharb Basin and successful deep (Triassic) gas appraisal drilling at Tendrara.

In this context therefore Guercif has never been the focus of exploration for the more recent Tertiary targets encountered in the gas producing Rharb Basin and this is the new focus for PGV.

### Current Prospectivity

The Company has re-evaluated the existing reprocessed 2D seismic database and well data and has identified the Moulouya_1 Prospect as being drill-ready. The core prospective area of the Moulouya_1 Prospect covers up to 34 sq. km. and is supported by multiple seismic amplitude anomalies. The current drilling programme will test several stacked seismic amplitude anomalies to evaluate their potential to reflect the presence of reservoirs and the potential for gas generation and migration.




*Moulouya_1 location – multiple targets including TGB-2 Sand (yellow) and GRF-1 interval interpreted as gas (red)*

An off-set well, GRF-1 drilled in 1972 before the acquisition of the 2003 ONAREP seismic, less than 1.5 kilometres to the south-east of the edge of the seismic amplitude anomaly, had minor dry gas shows in the Tertiary. The previous operator, TransAtlantic Petroleum, re-evaluated in 2006 the wire line logs from GRF-1 and interpreted gas pays between 1,860 and 1,960 meters below ground level in the basal Tertiary section. No corresponding gas shows were seen on mud logs when the well was originally drilled and the well has never been tested to determine whether this interval is indeed gas-bearing.

*High quality Tertiary sandstone reservoir – one of the gas targets at Guercif*

Two micro-seepage surveys carried out for TransAtlantic by Geo-Microbial Technologies in 2006 and 2007 also identified dry gas around the GRF-1 well in soil samples.

Small volumes of gas could potentially be utilised for the domestic gas market if additional transport infrastructure were added, but larger volumes require gas-to-power and export options.

A competent person's report by SLR Consulting commissioned by the Company in 2019 has indicated Net Prospective recoverable Gas Resources in the Tertiary (Moulouya_1 Prospect primary objectives) in the range of 320 to 659 BCF with a 34% geological chance of success. For the avoidance of doubt this is not an economic chance of success.

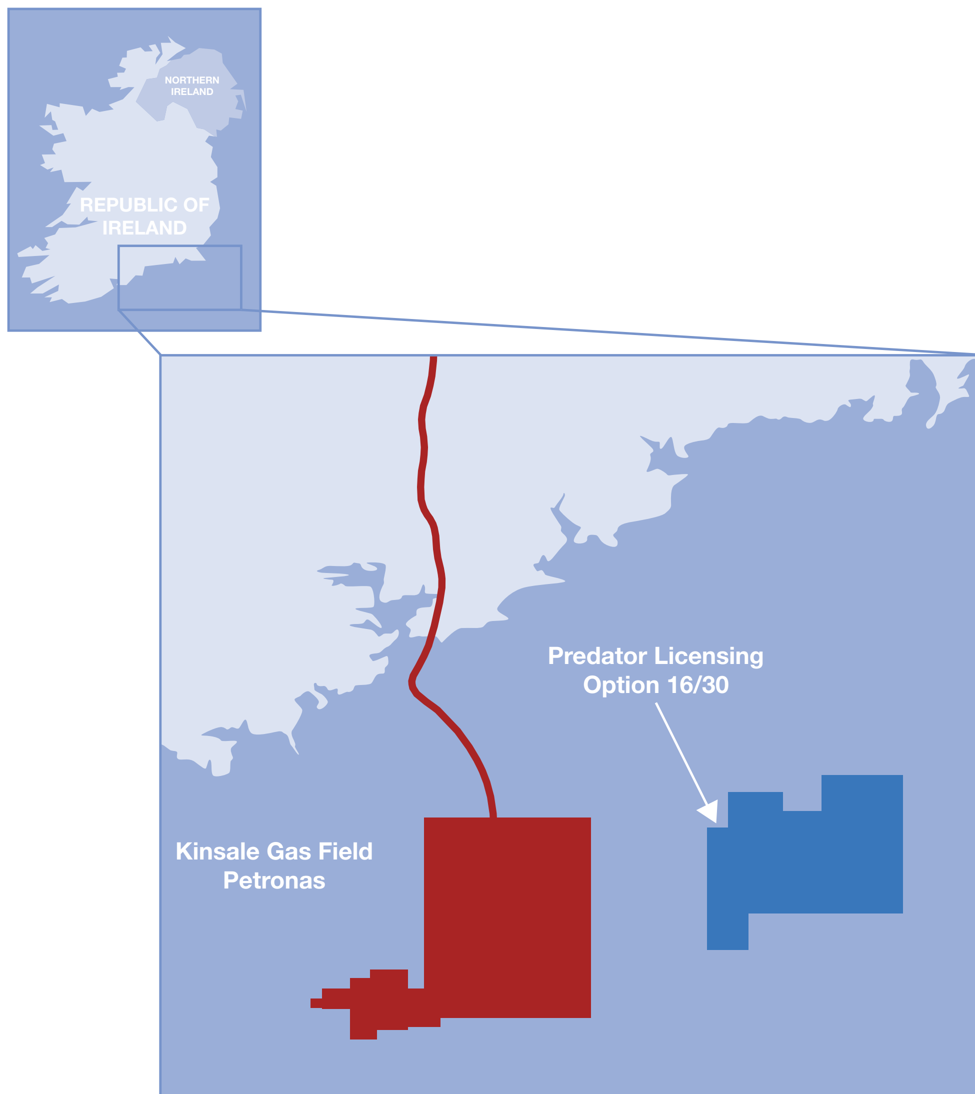
### Forward Work Programme

The Company believes that the Moulouya_1 Prospect warrants a fast-tracked approach to drilling in order to capitalise upon its attractive valuation metrics and the ability to accelerate a gas development in the case of a gas discovery to exploit the current demand for gas in Morocco.

The Company intends to continue with well planning, well design, and HSE implementation; to engage with contractors for drill site preparation and civil works and the preparation of a base camp; to start the process of procurement of well casing, mud and wireline logging services; to exercise an option for the use of an in-country rig to be mobilised to drill the Moulouya_1 Prospect; and, subject to all necessary regulatory approvals, drill one exploration well to 2,000 metres to test the potential for gas in several potential reservoirs within the Tertiary. The well is currently forecast to take 20 days to drill to 2,000 metres.

The gross budget estimate for drilling is estimated to be £2,022,102.

## Ireland - medium term appraisal and exploration
## Appraisal: North Celtic Sea Offshore Ireland




### LO 16/30 – Ram Head Gas Project

Through its wholly-owned subsidiary POGV, the Company currently holds a 50% working interest in and is operator of LO 16/30, which contains the 49/19-1 and Ardmore 49/14-1 gas discoveries made by Marathon Oil Ireland Ltd in 1984 and 1975 but never subsequently appraised.

LO 16/30 is located in the North Celtic Sea Basin and covers 799 km², c. 75 km offshore from the current landfall of gas from the Kinsale field at Inch, County Cork. It is situated in approximately 100 m of water depth. The Licensing Option is located approximately 40 km east of the Petronas-operated Kinsale Head Gas Field, for which an application to decommission has been submitted to the regulatory authorities for approval.

### History

In the past, under the operatorship of Marathon, three wells were drilled within the Licensing Option area. Of these 2 wells successfully logged hydrocarbon-bearing reservoirs and one of which, 49/14-1, was tested for gas and flowed 8 mm cfgpd from several different horizons in the Lower Cretaceous.

The Company's joint venture partner is Theseus Limited ("**Theseus**"), which is a private company holding 50% of Licensing Options 16/26 and 16/30 offshore Ireland. It has no other licence interests or business activities. It is a party to the Joint Operating Agreements for Licensing Options 16/26 and 16/30 operated by POGV.

During 2018, following the award of a two-year Licensing Option to the Company and its partner Theseus, the Company carried out a number of studies to re-determine the quality of the gas reservoirs

in the original discovery well 49/19-1; to complete an initial reservoir engineering study and scoping development plan; and to assess the technical feasibility of re-entering the 49/19-1 well to test the previously logged gas-bearing Jurassic reservoirs to validate production forecasts determined from the desk top studies.

A competent person's report by SLR Consulting, commissioned by the Company in 2019 has indicated net prospective recoverable gas resources in the Jurassic in the range of 118 to 1,370 BCF with a 12% chance of success. The Company's Conceptual Development Plan below is addressed in the Competent Person's Report by SLR Consulting.

The programme of 2018/9 studies was designed to assess reservoir risk in terms of gas deliverability and also to determine a cost-effective way to flow-test the discovered gas, without drilling an expensive appraisal well.

Reservoir studies based on new NuTech log analysis technology have identified 64 feet of previously unrecognised good quality gas pay in 49/19-1. A reservoir engineering study and Conceptual Development Plan was commissioned by the Company through a third party consultant Dr. John Tingas. This has indicated a potential field development profile of 400 mm cfgpd from a minimum of 10 vertical wells. An ultimate gas recovery of 96% over 59.3 years was estimated, with no economic cut-offs applied. The scoping development concept requires gas to be landed at the existing Inch brown field site and therefore the Company has made a submission to the regulatory authorities during 2018 stressing the importance of the continuance of the Inch site, after decommissioning of the Kinsale Gas Field facilities, for future potential gas developments.

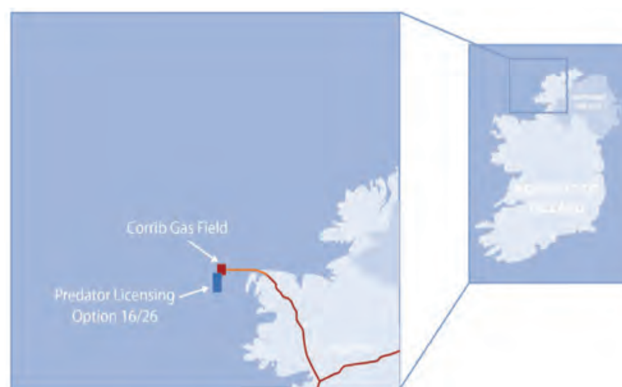
#### Forward Programme

An application for a successor authorisation to Licensing Option 16/30 was submitted on 31 October 2019, following a successful application for a 12-month extension to its initial term to 30 November 2019 made on 18 October 2018, to convert it to a SEL upon expiry of Licensing Option 16/30 on 30 November 2019.

For the award of a standard exploration licence successor authorisation a substantial work programme commitment is required, which is likely to include 3D seismic acquisition and drilling. At this early stage in the application process for a successor authorisation no negotiations have been entered into with the regulatory authorities regarding a specific work programme.

No work programme has been committed to for the next 12 months, nor beyond this period, and therefore the award of any successor authorisation will be dependent primarily on attracting a farm-in partner to address the financial and technical operating capability and to finalise a work programme with the regulatory authorities which is capable of being financed. In the event this does not occur in a timely manner then the Company may lose its rights to progress to a successor authorisation.

### Exploration: Atlantic Margin Offshore Ireland




#### Licensing Option 16/26 – Corrib South Gas Exploration

Through its wholly-owned subsidiary POGV, the Company currently holds a 50% working interest in and is operator of Licensing Option 16/26, which contains the 18/25-2 well drilled by Enterprise Oil in 1999.

Licensing Option 16/26 is located in the Slyne Basin and covers 302 km², c. 70 km offshore from the current landfall of gas from the Corrib field in County Mayo. It is situated in approximately 335 m of water depth. The Licensing Option is adjoining and to the south of the Vermillion-operated Corrib Gas Field, which is currently Ireland's largest producing gas field.

#### History

In the past, under the operatorship of Enterprise Oil, 640 km² of 3D seismic were acquired in 1997 which resulted in the identification of the Corrib Gas Field structure and two structures to the south within the Licensing Option area. One well, 18/25-2, was drilled in 1999 within the Licensing Option area on the structure closest to the Corrib Gas Field, after the first Corrib discovery well was drilled. No logged hydrocarbon-bearing reservoirs were penetrated but the Corrib Field gas reservoir was proven to be present in the well. The second structure, the "Deel Prospect" and re-named "Corrib South" by the Company, was never drilled, and was eventually relinquished by Enterprise's successor, Shell, prior to the approval of the Corrib Gas Field Plan of Development by the regulatory authorities.

During 2017 and 2018, following the award of a two-year Licensing Option to the Company and its partner Theseus Ltd. in the 2015 Atlantic Margin Licensing Round, the Company carried out a re-assessment of the Corrib South Prospect based on integrating regional geological and geophysical data and new information from the producing Corrib gas field. The Company concluded that the Corrib South Prospect was potentially larger than previously considered and extended beyond the limit of the current 1997 3D seismic coverage.

Based on this re-interpretation of the Corrib South Prospect, SLR Consulting were commissioned by the Company in 2018 to produce a Competent Person's Report. This indicated net prospective recoverable gas resources in the Triassic reservoir (the Corrib Gas Field reservoir) to be in the range of 92.3 to 452.4 BCF with a 30% chance of success.

#### Forward Programme

An application to convert Licensing Option 16/26 into a FEL was made on 25 May 2018 before the expiry of the Licensing Option on 30 June 2018 and is still actively under consideration by the regulatory authorities.

The work programme for a successor authorisation, a FEL, initially proposed by the Company in consultation with the regulatory authorities in Ireland was for 200km² of 3D seismic acquisition and processing in the first 3-year phase of the FEL, with an option to drop the Licence after 3 years unless committing to an exploration well in the next succeeding 3-year phase of the Licence. Gross (100%) costs of this work programme were estimated to be Euros 3,204,773 in the event a successor authorisation was awarded to and, at its sole discretion, accepted by the Company.

For the avoidance of doubt, no work programme has been committed to for the next 12 months, nor beyond this period, and therefore the award of any successor authorisation will be dependent primarily on attracting a farm-in partner to address the financial and technical operating capability and to finalise a work programme with the regulatory authorities which is capable of being financed. In the event this does not occur in a timely manner then the Company may lose its rights to progress to a successor authorisation if it cannot commit to a future work programme.

### Regulatory Environment

Ireland remains an extremely challenging regulatory environment and concerns over Brexit remain.

The Company therefore maintains a flexible strategy towards its assets offshore Ireland in the context of minimising financial exposure through seeking farm-in partners and attempting to generate M&A activity through synergies created by the consolidation of different assets.

The Company has produced an indicative strategic gas development proposal. It highlights the potential synergies of its assets in terms of consolidation with existing infrastructure for the purposes of developing the potential for offshore regasification of LNG and gas storage, in line with European Union strategy and adopted policy for liquefied natural gas and gas storage. The strategic gas development proposal is being included as part of a farm-out process to potentially attract LNG suppliers and other industry parties to take an equity interest directly in the project. Other parties specialising in gas and LNG in the oil and gas sector are required by the Company in order to access the considerable financial resources necessary to progress the applications for successor authorisations for Licensing Options 16/26 and 16/30 and to further develop the Company's indicative strategic gas proposal. Further discussions are anticipated to take place during 2020, however a successful outcome to any such discussions should not be relied upon given the early stage of development of the business concept and the challenging regulatory and investment environment currently prevailing offshore Ireland in relation to the fossil fuel industry in general.

Whilst maintaining the ability to progress to a successor authorisation, subject to proving financial and technical capability, the Company retains some short-term leverage in farm-out and M&A discussions with interested parties. Ireland's recently stated political positioning towards fossil fuel exploration, appraisal and development, reflecting climate change concerns, lays emphasis on promoting gas exploration and development as a transition fuel to a greener energy mix; respects the continuance of existing licences and their potential successor authorisations; but makes it more difficult for new licences to be awarded under the proposed new regulatory framework. Potential farminees interested in the exploration and development of gas in Ireland may be attracted to existing licences rather than get involved in an extended regulatory process to acquire new licences in any future licensing round yet to be announced. Given the changing government policy towards fossil fuel exploration, investment decisions may be deferred and the ability to finance the further development of the Company's Irish assets within a reasonable time framework acceptable to the regulatory authorities may prove impossible.

## PRINCIPAL RISKS AND UNCERTAINTIES

### Exploration industry risks

Oil and gas drilling is a speculative activity and involves numerous risks and substantial and uncertain costs that could adversely affect the Group.

*Mitigation:* Where possible the Board aims to build a diversified portfolio of assets so that an adverse outcome is mitigated by the prospects of favourable outcomes

Oil and gas exploration and development activities are dependent on the availability of skilled personnel, drilling and related equipment in the particular areas where such activities will be conducted. Demand for such personnel or equipment, or access restrictions may affect the availability to the Group.

*Mitigation:* Management through many years of experience has a network of independent contractors with skilled personnel and equipment which it can access

Oil and gas prices are highly volatile, and lower oil and gas prices will negatively affect the Group's financial position, capital expenditures and results of operations.

*Mitigation:* By balancing projects with near cash inflow prospects with projects that require long term funding the risk is mitigated. Planning includes simulation of downside risk scenarios.

Reserve and resource data and estimated discounted future net cash flows are estimates based on assumptions that may be inaccurate and are based on existing economic and operating conditions that may change in the future.

*Mitigation:* The Group has considerable experience in project evaluation. It may resort from time to time to independent expert consultants to verify assumptions

The Group is dependent on the successful development of its oil and gas assets.

*Mitigation:* The Group has diversified its profile away from regular oil and gas exploration by undertaking a CO2 EOR project.

The principal sub-surface geological risks that have been identified specific to the Group's portfolio are as follows:

*Risk 1*: In the immediate area of focus for drilling, which is the Moulouya Prospect in Morocco, the 2D seismic database is sparse and the quality and completeness of the well logs in old offset wells pertinent to understanding the geology of the GRF-1 and MSD-1 wells is poor.

*Risk 2:* GRF-1 provides evidence of over-pressuring of some potential reservoirs which will have to be taken into consideration for the purposes of safe well planning.

*Risk 3:* The existing sparse 2D seismic data demonstrate the presence of seismic amplitude anomalies. There is a risk that these may not be related to the presence of gas reservoirs or the presence of gas in commercial quantities.

*Mitigation:* Extensive use of offset well data for the geologically analogous, gas-producing Rharb Basin and information from the

Anchois-1 Tertiary gas discovery in the offshore is used to improve the overall knowledge base.

Independent consultants are used to help validate geological and seismic interpretations.

*Risk 4:* Forecast production rates for CO2 EOR rely on desktop calculations and have not been tested yet by actual CO2 EOR operations. There are no offset production wells producing from CO2 injection to calibrate the desk-top models that have been calculated using theoretical material balance reservoir engineering equations. The success of the CO2 EOR project is dependent therefore on a comparison of the actual operational results versus the pre-injection desk-top forecasts.

*Risk 5:* The volumes of CO2 required to be injected to increase reservoir pressure from its currently low level in order to enhance oil production have been estimated using desktop models. These models assume limited vertical and lateral communication of the five Herrera reservoir sand intervals controlled by faulting and intervening vertical seals. If this is not the case then significantly more CO2 will be required to increase reservoir pressure and potentially enhance oil production should CO2 escape into other geological formations or adjacent fault compartments.

*Risk 6:* The volume of CO2 to be injected has also been estimated on the basis of the remaining volume of oil in place in the reservoirs based upon historical estimates made by other operators. If this volume has been under-estimated, then the volume of CO2 required for injection will be larger.

*Risk 7:* In the event additional volumes of CO2 are required then the time to restore pressure in the reservoirs to facilitate natural flow will be longer than currently calculated using reservoir engineering desk-top calculations and as a consequence the date of first enhanced oil production could be significantly delayed.

*Mitigation:* All desktop analytical data are reviewed and evaluated by the relevant technical teams in Heritage and the MEEI as part of the regulatory approval process. Satellite communications and data logging were installed at the Inniss-Trinity CO2 EOR site to allow the Group's management real-time remote-control monitoring of operational procedures to intervene if required to vary the volume of CO2 being injected and the injection pressure.

### Political risks

All of the Group's operations are located in a foreign jurisdiction. As a result, the Group is subject to political, economic and other uncertainties, including but not limited to, changes in policies or the personnel administering them, terrorism, nationalisation, appropriation of property without fair compensation, cancellation or modification of contract rights, foreign exchange restrictions, currency fluctuations, export quotas, royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which these operations are conducted, as well as risks of loss due to civil strife, acts of war, guerrilla activities and insurrection.

*Mitigation:* The Group only conducts operations in those countries with a stable political environment and which have established acceptable oil and gas codes. The Company adheres to all local laws and pays heed to local customs.

### Corporate risk

*Risk:* The Group's success depends upon skilled management as well as technical and administrative back-up. The loss of service of critical members of the Group's team could have an adverse effect on the business.

The Group is dependent on the executive Directors to identify potential business and acquisition opportunities in Trinidad, Morocco and Ireland and to oversee and execute its oil and gas operations. The loss of services of the executive Directors could materially adversely affect it.

*Mitigation:* The Group periodically reviews the compensation and contract terms of its consultants and service providers to ensure that they are competitive subject to the working capital available to the Group from time to time.

The executive Directors are material shareholders in the Group and committed to developing shareholder value.

### Financial and liquidity risks

The Group's business involves significant capital expenditure and given the current liquidity position of the Group as at the date of this report the Group will require additional funding to meet its planned work programme. There is no guarantee that such additional funding will be available on acceptable terms at the relevant time.

*Mitigation:* Management has demonstrated and continues to demonstrate an ability to raise funds. Through timely and regular cash flow projections pro-active action is capable of being taken to pre-empt cash deficits. Such actions may include farm-outs and loan and equity fund raises

Instability in the global financial system may have impacts on the Group's liquidity and financial condition that currently cannot be predicted.

*Mitigation:* Judicious assumption of new licence commitments; careful financial planning, currency hedging and economic evaluation of opportunities with simulation of risks mitigate against these risks. The Directors also maintain tight budgetry and financial controls to ensure cash is spent is spent in the most efficient manner.

### Foreign exchange risks

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Moroccan Dirham, Euro and US Dollar.

Risks to exchange movements are mitigated by minimising the amount of funds held overseas. All treasury matters are handled centrally in Jersey. All requests for funds from overseas operations are reviewed and authorised by Board members. The Group endeavours to reduce its exposure to foreign currencies by holding cash balances in the currency of intended expenditure and recognises the profits and losses resulting from currency fluctuations as and when they arise.

As the Group may undertake some exploration activity offshore Ireland under the terms of agreements with the Irish regulatory authorities, the Directors currently anticipate that the impact on the business of the UK's exit from the European Union will be limited to the effects of potential increased foreign exchange fluctuations. As a result of these fluctuations, it is expected that the reported results of the Group may decline in the short- to medium-term. However, the Directors do not expect there to be any significant lasting impact.

### Liquidity risks

The Group's liquidity risk is considered to be insignificant.

The Group does not enter into binding commitments for exploration expenditure. Cash forecasts are updated continuously. The financial exposure of the Group will reduce as it is the intention of the directors to partner with third parties in exploration joint ventures.

### Environmental risks

The Group is subject to various environmental risks and governmental regulations and future regulations will become more stringent.

*Mitigation:* The Group is aware of these risks before it undertakes licence commitments and periodically re-evaluates these risks

Climate change and climate change legislation and regulatory initiatives could result in increased operating costs and decreased demand for oil.

*Mitigation:* The Group's strategy is to diversify into greener types of energy. The current profile of the Group is weighted towards gas exploration, a more climate friendly energy source

### Insurance risks

Oil and gas operations are subject to various operating and other casualty risks that could result in liability exposure.

*Mitigation:* The Group comprehensively surveys its exposure to these kinds of risks and considers taking either an appropriate level of insurance cover or self-insuring where judicious

The Group may not have enough insurance to cover all of its risks.

*Mitigation:* A judicious quantum of self-insurance may need to be resorted to in these circumstances

### Coronavirus Risk

A significant event since the balance sheet date is the global public health emergency caused by the spread of the coronavirus. This has pervasively impacted negatively global economies; financial and equity markets, including pension funds; forex exchange rates; oil and gas commodity prices, caused by collapsing demand, particularly from the aviation industry, and storage capacity being over-saturated; and general investor and debt-financing sentiment.

The principal risks identified are:

*Risk 1:* Suspension of international travel between many different jurisdictions which impact the Group's field operations insofar as specialised drilling engineers and technicians are unable to be despatched from overseas to operate, install or repair key pieces of equipment necessary, in particular, for the conduct of safe drilling operations.

A further consequence is the inability to mobilise drilling services and equipment from overseas that may not be available in the country of the Group's operations.

*Mitigation:* The Star Valley drilling rig is currently stacked securely in Morocco west of Guercif at no cost to the Group. No commitments to rig mobilisation and an enactment of a drilling contract will be made until public health and travel restrictions are relaxed and market conditions improve. The Group maintains a close dialogue with drilling services providers to determine which services remain in-country, and also the rig contractor to ensure the Group is "drill-ready" as soon as the coronavirus emergency passes.

*Risk 2:* Restricted ability to operate in-country activities such as drilling and site construction due to local restrictions on travel and enforceable social distancing measures.

*Mitigation:* Trained in-country personnel are moving into place to ensure continuity of CO2 EOR operations within the framework of HSE public health restrictions enabled by the Trinidadian government from time to time. CO2 EOR is seen as an essential industry. Secure satellite communications linked to a datalogger were installed at the Inniss-Trinity CO2 EOR site immediately prior to the coronavirus emergency to allow the Group's management real-time remote control monitoring of operational CO2 injection parameters and procedures.

*Risk 3:* Supply chain issues caused by equipment not being available for purchase or delayed by customs if imported from overseas.

*Mitigation:* CO2 EOR spares and equipment are in a secure warehouse and yard in Trinidad to cover immediate requirements during the coronavirus emergency. Drilling inventory for Guercif also remains accessible for purchase by the Company, at the appropriate time, from a secure warehouse and yard in Morocco by the Group at the right time

*Risk 4:* Collapsing oil and gas commodity prices caused by global economic slowdown, over-supply, falling demand and storage filled to capacity.

*Mitigation:* Project economics for CO2 EOR operations in Trinidad have been re-run at WTI US$20/barrel and are robust and commercially viable based on Trinidad's requirement for domestic oil production to replace imports. Robust and commercially viable project economics for Guercif have also been re-run at much lower gas prices, but still at a premium to imported fuel prices, with a development scenario that fast-tracks an initial development of a gas discovery to the captive Casablanca industrial market that currently relies on less efficient fuel oil imports.

Our business development strategy has also been based upon focussing on niche local energy markets where pricing of and demand for oil and gas is not as severely impacted by the global supply and demand dynamics.

*Risk 5:* Insufficient liquidity and working capital, under-capitalisation, lack of revenue, contractual liabilities and unfulfilled work commitment obligations.

*Mitigation:* On the 14 February 2020, immediately prior to the full impact of the coronavirus pandemic being felt, the Group announced a successful over-subscribed placing of 89 million shares at £0.04 per share to raise £3.56 million net of expenses. The Group has sufficient liquidity and working capital over the next 12 months to weather the coronavirus storm and volatility in the financial, equity and commodity markets. The Group is in the short-term making corporate overhead reductions to ensure working capital is focussed on prioritising existing CO2 EOR cash-generating potential in Trinidad.

A contingency to shut down non-commercial CO2 EOR wells would be maintained to avoid any loss-making business activities.

No new financial commitments or work programme liabilities are being entered into. The existing drilling commitment for the Guercif PA is being delayed until such time as cash flow from Trinidad provides a safety net of 12 months working capital required to maintain the Group as a Going Concern, whilst ring-fencing the working capital required to drill the Moulouya Prospect in Morocco and release US$ 1 million of the Guercif PA bank guarantee in favour of ONHYM. Under the Guercif PA the Group has until the 18 September 2021 to complete the drilling commitment. The Group will in any event seek from ONHYM a one year extension of the Initial Exploration Period of the Guercif PA on the basis that the coronavirus emergency is a *Force Majeure* event. The Group will use in the short term any delay in implementing the drilling programme to seek drilling partners as an additional safety net option to reduce its net share of drilling costs.

The Group will maintain a "drill-ready" status in Morocco, without entering into any financial liabilities. The Group will use its discretion to choose when to enact the Guercif drilling programme in the

context of an improvement in market sentiment and prudent management of available discretionary working capital.

The outstanding principal amount of the Convertible Loan Notes has, with the agreement of Arato, been secured on the release of US$ 1 million of the Guercif PA bank guarantee in favour of ONHYM following the completion of the Moulouya well. The Group anticipates that, before the Loan Repayment Date of 14 February 2021, increased cash flow from CO2 EOR operations in Trinidad and an improvement in market sentiment will enable conversion of some, if not all, of the outstanding principal amount to shares. Any outstanding amount on the Repayment Date remains secured on the above terms and an extension of the Repayment Date to allow for any delay in drilling the Moulouya well would be sought from Arato one month prior to the expiry of the current Repayment Date should this prove necessary.

*Risk 6:* Inability to access the capital markets for equity finance or the lending market for debt finance.

*Mitigation:* All required desk-top planning for the Group's CO2 EOR operations to continue during the coronavirus emergency has been completed and desk-top well planning will be completed over the next month to ensure that the Group continues to be drill-ready in Morocco. The Group is well-capitalised and is positioned for near term cash flow from operations. The Group has no requirement to access the capital or lending markets over the next 12 months.

Guercif remains an integral part of the Company's business development strategy and the value proposition, given the size of the targets versus the Group's current market capitalisation and the ability to monetise versus by exploiting Moroccan industry's heavy reliance on imported fuel, remains an important and sustainable driver for share price performance after the coronavirus emergency subsides. Coronavirus has no lasting impact on the fundamentals of the value proposition that Guercif and the Moulouya Prospect presents

The Boards' view is that the global economy will rebound, and commodity prices will improve once the commodity over-supply is exhausted as the coronavirus emergency passes. Shut-in production will take longer to be re-established in this transition period. The equity markets will recover, and the pace of the recovery will accelerate as investor sentiment returns. There will be a strong appetite for cash-generating companies who have weathered the coronavirus storm and with potential for immediate growth to support appreciation in share price. Many peer companies will be seeking to re-capitalise quickly as the equity markets improve but will not have projects as sufficiently advanced as Guercif or as commercially attractive in the near-term to promote to attract new investors. The Company has started the process of identifying potential candidates to join us in the Guercif drilling programme and a potential ensuing initial development programme. There are several possible entities who working in unison may see Guercif as an attractive gas marketing opportunity and commercial proposition.

*Risk 7:* Curtailment of expansion of business development activities necessary to support value creation and shareholder equity values, and reduction in the potential to generate future revenues from such activities.

*Mitigation:* The Group's business development strategy continues to be focussed on niche local energy markets where pricing of and demand for oil and gas is not severely impacted by the global supply and demand dynamics.

Upscaling CO2 EOR operations in Trinidad, now that the CO2 delivery system has been constructed and commissioned, can be implemented for very small amounts of capital deployment in additional well workovers for CO2 EOR production that can be recovered within a few months from incremental production revenues.

The Group has also started the process of identifying suitable producing assets in Trinidad with attractive synergies for applying our existing Inniss-Trinity CO2 EOR expertise. The Group has opened a dialogue with several operators with a view to supplying our CO2 EOR services. Commercial terms that the Group can potentially negotiate will be driven by the fact that the Group is well-capitalised; has exclusivity over CO2 supply; and most importantly has developed the template for a viable CO2 EOR project that meets all regulatory and environmental conditions required for approvals to be granted to execute field operations.

This prudent and low cost expansion of the Group's business development activities focussed on de-risked CO2 EOR operating success, can potentially support value creation and shareholder equity values, and any perceived reduction in the potential to generate future revenues from such activities as a result of the coronavirus emergency.

## FUTURE DEVELOPMENTS

The Group's near term priority is to focus on developing cash flow from its pilot CO2 EOR project in the Inniss-Trinity field onshore Trinidad. The CO2 delivery and injection system is operational, and the supply of CO2 has been secured. Reservoir re-pressurisation can now be measured in real-time through a remote secure internet site. Consequently, operations can continue, operating costs are minimised and the capital investment required for the CO2 EOR project has already been made. Next step is to determine the optimum level of reservoir re-pressurisation required to be attained before considering an oil rate flow test, considering commercial factors such as the prevailing oil price and oil rate required to generate positive cash flow.

The de-risking of the design, engineering and construction of the CO2 delivery and injection system and the recognition of the Group's developing expertise in the CO2 EOR niche an its potential contribution to Sustainability through CO2 sequestration, has created an environment for the Group to expand its business development growth onshore Trinidad by leveraging this expertise.

The Group's medium term priority is to execute the Guercif drilling programme in Morocco. The Group remains "drill-ready" with an in-country rig available to it under a rig option agreement with Star Valley and an approved Environmental Impact Assessment. It is anticipated at present that drilling operations can commence 3 months from the lifting of some coronavirus restrictions on travel. The Group is developing an economic model for a nearer term gas monetisation strategy for Guercif that involves Compressed Natural Gas rail shipments to the industrial centre of Casablanca. The size of the gas market will be assessed, and capital and operating costs will be estimated. The Group's experience and expertise with engineering, costing and developing the CO2 EOR project in Trinidad will be applied to the CNG project in Morocco. The "drill-ready" status and ability to monetise gas for relatively low amounts of capital investment and low operating costs will be the Group's marketing tools to attract joint venture partners to help fast-track the financing, execution and development of the project.

The Group's immediate priority is to consolidate re-positioning of its business strategy for Ireland to focus on offshore regasification of LNG

and gas storage in accordance with EU guidelines for member States. It is anticipated that confidentiality agreements will be signed with the Group's preferred LNG supplier and owner of re-gasification vessels based on the project design and economic model generated by the Group and its initial approaches to the relevant stakeholders in Ireland. The Group continues to develop the commercial structure whereby shareholders potentially profit from this change of business strategy. The Irish regulatory hurdles remain very high and challenging, but the Group sees this as a narrow window of opportunity to try to exploit based on leveraging its management relevant experience and expertise.

Liquidity remains a fundamental priority for the Group and the potential to leverage the Company's assets, growing operational expertise, and specific in-country business and regulatory network to joint venture with partners to reduce business development costs is a clear future strategic objective for the Group.

## SUSTAINABILITY REPORT

The Group is committed to sustainable development of its oil and gas operations.

To sustain our business, we must meet the expectations of our stakeholders and focus on mitigating climate change, advancing the circular economy so that nothing goes to waste and implementing responsible business practices.

Our long-term ambition is to be a carbon neutral producer of oil and gas and to expand our responsible business practices to benefit our people, partners and the communities that are affected by our supply chain.

At the corporate level our management operate our business from home-based locations, thereby reducing the high level of energy consumed by a fixed office location and eliminating the CO2 emissions footprint left by commuting to work by many forms of transport that emit pollutant CO2.

A post balance sheet event saw the installation of satellite communications facilities linked to a datalogger at the Inniss-Trinity CO2 EOR site to allow the Group's management real-time remote-control monitoring of operational CO2 injection parameters and procedures. During 2020 this will significantly reduce the requirement for physical site visits by the overseas management team thereby reducing our CO2 emissions footprint related to aviation travel, which globally in 2019 accounted for approximately 12% of refined oil demand.

For a single round trip for two members of the management team using a Boeing 747-400 or equivalent (used for long distance international flights) the calculated CO2 emissions are as follows:

| | |
|---|---|
| Distance: | 7061 km |
| Fuel used: | 75.7 tonnes |
| Seats: | 416 |
| Seat occupancy: | 80% |
| Average number of passengers: | 333 |
| Fuel use per passenger km: | 75.7 tonnes / (7061km x 333) = 32.2 g per passenger km |
| CO2 emissions: | 101 g per passenger km (multiplying by 3.15 g CO2 per g fuel) |
| Cruising speed: | 910 km per hour |
| CO2 emissions: | 92 kg CO2 per hour |

These CO2 emissions are generally into the high atmosphere, and this is thought to have a greater greenhouse effect than CO2 released at sea level. The emissions are therefore adjusted by multiplication by a factor of 2.00 ('Radiative forcing') to give 180 kg CO2 equivalent per hour.

Further allowance is needed for fossil fuel energy used in:

- extraction and transport of crude oil
- inefficiencies in refineries (around 7%)
- aircraft manufacture and maintenance, and staff training
- airport construction, maintenance, heating, lighting etc.

The CO2 emissions are therefore rounded up and the Carbon Independent calculator takes a value of 250 kg i.e. 1/4 tonne CO2 equivalent per hour flying.

Based on just one less site visit by two members of the management team this is equivalent to a reduction in the Company's carbon footprint of 9 metric tonnes of CO2.

A post balance sheet event announced on the 31 March 2020, noted that the Group had begun initiating Phase 2 of the CO2 EOR pilot project in Trinidad and had observed encouraging downhole pressure build-up, indicating that CO2 was being sequestrated within the injected reservoir interval. During 2020 the Group is intending to reach an initial continuous CO2 injection rate of 13 metric tonnes per day for the first phase of the CO2 EOR pilot project. In a full year of operations, the total volume of CO2 injected is forecast to be 4,745 metric tonnes of which 75% (3,559 metric tonnes) are estimated to be efficiently sequestrated with the remainder available for recycling once recycling facilities are developed at the Inniss-Trinity field. This is anthropogenic CO2 that would otherwise be vented into the atmosphere. Current forecasts for a full year of CO2 injection estimate 556 kg of CO2 will be injected for one barrel of oil produced. One barrel of oil produces 400 kg of CO2 on combustion. It is estimated that one barrel of oil produces 100 kg of CO2 on production and export for processing, transport and distribution (lower in the case of an in-country solution to processing and marketing). As the CO2 EOR pilot project gathers empirical data during 2020, it will be possible to better quantify the sustainability objectives of the Group. However, the Group is currently on track in the medium term to being carbon neutral or even carbon negative in relation to its CO2 EOR operations in Trinidad, well ahead of the timescale set by many of its peer companies.

Maintaining Trinidad's oil producing capability, but within a carbon neutral framework being exclusively piloted by the Group through its Inniss-Trinity CO2 EOR project, is strategically important to the Trinidad, which relies on the oil and gas sector to generate jobs, underpin the economy, and through the taxes and royalties collected give support to local communities and community initiatives that would otherwise not be possible without such a source of funding. Revenues from the Group's business activities in Trinidad also attract an unemployment levy and a green levy used by the government to support the jobless and the environment, respectively.

**Paul Griffiths**
**Chief Executive Officer**
1 May 2020

# Report of the directors
## for the year ended 31 December 2019

The Directors present their report together with the audited financial statements for the year ended 31 December 2019.

The Company's Ordinary Shares were admitted on 24 May 2018 to a listing on the London Stock Exchange on the Official List pursuant to Chapters 14 of the Listing Rules, which sets out the requirements for Standard Listings.

### RESULTS AND DIVIDENDS

The Directors do not recommend the payment of a dividend (2018: nil).

### DIRECTORS

The Directors who served during the year and up to the date hereof were as follows:

| | Date of Appointment |
|---|---|
| Paul Griffiths | 31 December 2017 |
| Ron Pilbeam | 31 December 2017 |
| Sarah Cope | 24 May 2018 (resigned 19 July 2019) |
| Steve Staley | 24 May 2018 |
| Carl Kindinger | 19 July 2019 |

### DIRECTORS THIRD PARTY INDEMNITY PROVISIONS

The Group maintained during the period and to the date of approval of the financial statements, indemnity insurance for its Directors and Officers against liability in respect of proceedings brought by third parties.

### GOING CONCERN

Notwithstanding the loss incurred during the year under review and following a successful placing to raise £3.56 million gross (£3.26 million net) the Directors have a reasonable expectation that the Group will not need to raise funds to continue operations for the foreseeable future. The Directors do not believe that either Covid-19 or Brexit will adversely influence the Group.

In the case of Covid-19 the potential impact and mitigation thereof is discussed in detail in the Strategic Report. The two planned major initiatives for 2020 are drilling in Morocco and commencement of oil production in Trinidad. If these activities are to be delayed for more than nine months there will be adverse consequences for working resources. In the event that the Group will require funds to be raised in the foreseeable future and if directors' endeavours to raise fresh funds fail, they will institute a programme of cuts to directors' and consultant's remuneration. The directors having made due and careful enquiry, are of the opinion that the Group has adequate working capital to execute its operations over the next 12 months given that current spending commitments will prevail. The Group will therefore continue to adopt the going concern basis in preparing the Annual Report and Financial Statements. Further details on their assumptions and their conclusion thereon are included in the statement on going concern included in page 37 under accounting policies.

### SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, the total number of issued ordinary shares with voting rights in the Company was 108,172,169. Pursuant to a placing of 89,000,000 ordinary shares on 28 February 2020 the total number of issued ordinary shares was 197,172,169. The Company has been notified of the following interests of 3 per cent or more in its issued share capital as at 30 April 2020.

| | Ordinary shares held | % Holding of the Company |
|---|---|---|
| Mr Paul Griffiths | 45,085,794 | 21.75% |
| Jim Nominees Limited | 28,162,327 | 13.58% |
| The Bank of New York (Nominees) Limited (672938) | 12,481,150 | 6.02% |
| Hargreaves Lansdown (Nominees) Limited (15942) | 10,518,198 | 5.07% |
| Pershing Nominees Limited | 7,736,915 | 3.73% |
| Mr Ronald Pilbeam | 7,585,794 | 3.66% |
| Hargreaves Lansdown (Nominees) Limited (HLNOM) | 7,253,730 | 3.50% |
| Vidacos Nominees Limited (IGUKCLT) | 6,993,832 | 3.37% |
| Hargreaves Lansdown (Nominees) Limited (VRA) | 6,683,544 | 3.22% |
| Spreadex Limited | 6,377,000 | 3.08% |
| Total | 138,878,284 | 66.99% |

### FINANCIAL INSTRUMENTS

Details of the use of financial instruments by the Group are contained in note 13 of the financial statements.

### GREENHOUSE GAS EMISSIONS

The Group does not have responsibility to disclose any other emission producing sources under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2014. However, Management is committed to reducing its greenhouse gas emissions. As disclosed above, the recent installation of satellite communications facilities will ensure a more flexible working environment and will reduce the amount of travel required by management as part of their duties in overseeing the Group's projects.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs') as adopted by the EU and applicable law.

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 the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, 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 will continue in business.

In accordance with Article 103 of Companies (Jersey) Law 1991, the Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the requirements of Companies (Jersey) Law 1991 as a whole.

They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

They are further responsible for ensuring that the Strategic Report and the Report of the Directors and other information included in the Annual Report and Financial Statements is prepared in accordance with applicable law in the United Kingdom.

The maintenance and integrity of the Group's website is the responsibility of the Directors; the work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

Legislation in Jersey governing the preparation and dissemination of the accounts and the other information included in annual reports may differ from legislation in other jurisdictions.

## DIRECTORS' RESPONSIBILITIES PURSUANT TO DTR4 (DISCLOSURE AND TRANSPARENCY RULES)

The directors confirm to the best of their knowledge:

- The group and company financial statements have been prepared in accordance with IFRSs as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group and Company; and
- The annual report includes a fair review of the development and performance of the business and financial position of the group and company together with a description of the principal risks and uncertainties.

## FUTURE DEVELOPMENTS

The Group's plans for future developments are more fully set down in the Strategic Report, on pages 4 to 17.

## STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as the Directors are aware, there is no relevant audit information of which the Company's auditor are unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

We confirm to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as whole;
- The strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

# Report of the directors
# for the year ended 31 December 2019 (continued)

## AUDITORS

The Company's auditor, PKF Littlejohn LLP, was initially appointed on 4 December 2017 and it is proposed by the Board that they be reappointed as auditors at the forthcoming AGM. The auditors have expressed their willingness to continue in office.

## EVENTS AFTER THE REPORTING DATE

These are more fully disclosed in Note 21.

By order of the Board

**Paul Griffiths**
**Chief Executive Officer**
1 May 2020

# Board of directors
for the year ended 31 December 2019

**Paul Griffiths, Chief Executive Officer (age 65)**
Mr. Griffiths has 40 years' oil and gas industry experience, including with the Libyan National Oil Corporation and Gulf Oil, and as CEO of both Island Oil & Gas plc and Fastnet Oil and Gas plc. During this time Mr. Griffiths has managed 2D and 3D seismic data acquisition and processing projects onshore and offshore; drilling and testing programmes, both onshore and offshore; and geological and reservoir simulation desk top studies. Mr. Griffiths is also experienced in business development in respect of licence acquisitions, farm-ins, farm outs, gas marketing and gas sales contracts and negotiations with government agencies. In 2006, Mr. Griffiths put together and led the team that drilled the first successful exploration well in offshore southeast Ireland in 16 years. In 2008 he put together and led the team that generated and submitted the plan of development for the Amstel Field in the Netherlands and in 2014 he put together and led the team that carried out the Tendrara gas field re-evaluation prior to a successful appraisal drilling programme by Sound Energy. He is a geology graduate of the Royal School of Mines (London) and an Associate of the Royal School of Mines.

**Ronald Pilbeam, Project Development Director (age 73)**
Mr. Pilbeam has over 40 years' technical and commercial experience in energy-related E&P activities. During this time Mr. Pilbeam has worked with Parsons Brinckerhoff in the United States, the Caribbean and Brazil, then with United Technologies in Brazil, before becoming associated with Unigas International both in Brazil and South Africa. Mr. Pilbeam has undertaken the management of a number of projects in oil & gas shipping, gas-to-liquids, offshore LNG, onshore petro-chemical plant, gas storage, and gas handling, pipelines, and terminals. In so doing, Mr. Pilbeam has also amassed considerable international experience in working with government, industry, and commerce, to achieve often challenging objectives. A British national, Mr. Pilbeam is an engineering graduate of King's College (London), a licensed Professional Engineer (Canada) and an Associate Member of the Institution of Civil Engineers (UK).

**Dr Stephen Staley, Non-Executive Director (age 59)**
Dr Staley has over 35 years wide-ranging management, technical and commercial experience in the international oil, gas and power sectors. He was until October 2019 the CEO and a director of Upland Resources Limited, a London-listed (Standard Listing) oil & gas company which he co-founded, currently with assets in Tunisia and onshore and offshore UK. He is a non-executive director of 88 Energy Limited, an Australian oil & gas company with assets onshore Alaska. 88 Energy has a dual listing on the ASX and AIM. He is also a non-executive director of Nostra Terra Oil & Gas PLC, and AIM-listed oil & gas company with producing assets in Texas. Dr Staley co-founded and brought to the AIM market both Fastnet Oil & Gas plc (where he was the founding CEO) and Independent Resources plc (where he was the founding managing director). He was also both a technical consultant to, and non-executive director of, Cove Energy plc – the highly successful East Africa focused explorer that went from having a market capitalisation of £2 million in mid-2009 to being sold to PTTP for £1.2 billion in less than three years. Dr Staley is owner and founder of Derwent Resources Limited, an upstream consultancy advising on oil and gas opportunities. Prior to this he has worked for Cinergy Corp., Conoco and BP.

He holds a BSc (Hons.) in geophysics from Edinburgh University, a PhD in petroleum geology from Sheffield University and an MBA from Warwick University. He is a fellow of the Geological Society and a member of the European Association of Geoscientists & Engineers, the Petroleum Exploration Society of Great Britain and The Arctic Club.

**Carl Kindinger, Non-Executive Interim Chairman (age 68)**
Mr. Kindinger has held senior corporate finance roles for 30 years, including board level appointments, in a multitude of industries in several countries, including for much of the past fifteen years in oil and gas exploration. He joined the Board of Island Oil & Gas in 2006 and was a founder member of Pathfinder Hydrocarbon Ventures, later profitably on-sold to Fastnet Oil and Gas Ltd, a UK-based oil and gas explorer.

He is an associate member of the Institute of Chartered Management Accountants and also holds a degree in economics and an MBA.

His experience has been gained in small and medium sized companies in Africa, the Middle East, Ireland and Romania. He has participated both at executive committee and board level in strategic decision making. His major achievements include identifying, evaluating and promoting major investment projects, raising finance in difficult circumstances, a tax saving-led equity and debt restructuring, and mergers and acquisitions. He is seasoned at high level negotiations with JV partners, suppliers and principals. He has considerable experience in Stock Exchange and IFRS reporting, IPO requirements, business plans and performance evaluation.

# Corporate Governance Report

The Chairman of the Board of Directors of Predator Resources PLC ('Predator' or 'the Company' or' the Group' or 'we/our') has a responsibility to ensure that Predator has a sound corporate governance policy and an effective Board.

The Board has not adopted, but voluntarily follows the Quoted Companies Alliance (QCA) Corporate Governance Code. The QCA code identifies ten principles to be followed in order for companies to deliver growth in long-term shareholder value, encompassing effective management with regular and timely communication to shareholders. This report follows the structure of those principles and explains how we have applied the guidance as well as disclosing any areas of non-compliance.

We will provide annual updates on our compliance with the code. The Board considers that the Group complies with the QCA code so far as is practicable having regard to the size, nature and current stage of development of the Company.

The sections below set out how the Group applies the ten principles of the QCA code and sets out areas of non-compliance.

Key governance changes during the year include the adherence to the QCA code.

### PRINCIPLE 1: ESTABLISH A STRATEGY AND BUSINESS MODEL WHICH PROMOTES LONG-TERM VALUE FOR SHAREHOLDERS

The Company is a oil and gas exploration specialist, with operations in Morocco, Trinidad and Ireland. Our goal is to deliver long term value for our shareholders. We aim to do this by identifying prospective and early-stage exploration projects. Consequently we:

- use our expertise to identify areas with economically feasible resources,
- assess the business environment of the target country and its attractiveness for prospecting and eventual development and production,
- understand existing interests in a licence area in order to ensure we can earn-in to existing interests on terms favourable to our shareholders.

Oil and gas exploration is by its nature speculative and we aim to reduce the risks inherent in the industry by careful application of funds throughout individual projects. We do that by:

- Reviewing existing exploration data;
- Establishing close in-country partnerships for our projects;
- Applying the most appropriate cost-effective exploration techniques in order to determine whether further work, using increasingly expensive exploration techniques, is justified; and
- Appreciating the likely realisation routes that will be available to us as the project moves towards development.

### PRINCIPLE 2: SEEK TO UNDERSTAND AND MEET SHAREHOLDER NEEDS AND EXPECTATIONS

The Company is committed to engaging with its shareholders to ensure that its strategy, operational results and financial performance are clearly understood. We engage with our shareholders via roadshows, attending investor conferences and through our regular reporting on the London Stock Exchange. Roadshows are typically timed to follow the release of interim and final results. The Company regularly takes part in investor conferences, both in the UK and internationally. LSE announcements include details of the website, and include phone numbers to contact the Company and its professional advisors.

#### Private shareholders

The AGM is the main forum for dialogue with retail shareholders and the Board. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. All Directors attend the AGM and are available to answer questions raised by shareholders. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. The results of the AGM are announced via the London Stock Exchange. In addition, the Executive Directors regularly attend investor forums specific to the mining industry and engage with shareholders at those events. Investors can contact us via our website or by email.

Retail shareholders also regularly attend investor evenings held by our brokers or other industry bodies and we publicise our attendance via LSE announcements. In addition, our up to date Corporate presentation is made available on our website.

#### Institutional shareholders

The Directors actively seek to build a relationship with institutional shareholders. Shareholder relations are managed primarily by the Chief Executive Officer. The Chief Executive Officer makes presentations to institutional shareholders and analysts throughout the year, mainly in London. We also have ad-hoc meetings with our shareholders via conference call and email. The Board as a whole is kept informed of the views and concerns of major shareholders by the Chief Executive Officer. Any significant investment reports from analysts are also circulated to the Board. The Non-Executive Chairman and Non-Executive Director are available to meet with major shareholders if required to discuss issues of importance to them and are considered to be Independent from the executive management of the Company.

### PRINCIPLE 3: TAKE INTO ACCOUNT WIDER STAKEHOLDER AND SOCIAL RESPONSIBILITIES AND THEIR IMPLICATIONS FOR LONG TERM SUCCESS.

Aside from our shareholders, our most important stakeholder groups are local partners and those local communities that may be impacted by our exploration activities. The Board is regularly updated on stakeholder issues and their potential impact on our business to enable the Board to understand and consider these issues in decision-making. The Board understands that maintaining the support of all its stakeholders is paramount for the long-term success of the Company.

### Personnel

The Group does not have permanent staff in Jersey, Channel Islands. All staff are recruited under consultancy agreements as service providers. We aim to provide an environment which will attract, retain and motivate our team and monitor the effectiveness by regular one-on-one discussion. Our key value is to treat all staff fairly and equally and to promote ethical behaviour, diversity and non-discrimination.

### Local partners and communities

Our operations provide employment in remote areas of developing countries. Essential to our success is the establishment of close working relationships with local partners. We seek local partners who have a good understanding of the local exploration and oil and gas exploration industry and regulations within their country, and with the capacity and capability to assist with the management and maintenance of the project.

We are mindful of our obligations to the local environment and operate to high levels of health and safety in respect of both our local workers and the local community. Staff training focuses on operating safety. Engagement with local communities is dependent on jurisdiction and the stage of exploration but is typically by public forum or with local or regional leaders, including site visits and workshops. Social projects in the local communities are dependent on local need and also the stage of exploration/level of project investment.

As projects move forward, towards potential production activities, we seek to bring in partners who can credibly make the investments to move towards development and production. In doing so we have regard for their ability and desire to move projects forward, their industry reputation and their commitment to treating the local communities fairly and protecting the environment. We enter agreements that allow us to monitor their activities and have monthly updates on project progress.

## PRINCIPLE 4: EMBED EFFECTIVE RISK MANAGEMENT, CONSIDERING BOTH OPPORTUNITIES AND THREATS, THROUGHOUT THE ORGANISATION

### Audit, risk and internal control

### Financial controls

The Company has an established framework of internal financial controls, the effectiveness of which is regularly reviewed by the Executive Management, the Audit Committee and the Board. The key financial controls are:

- The Board is responsible for reviewing and approving overall company strategy, approving new exploration projects and budgets, and for determining the financial structure of the Company including treasury, tax and dividend policy. Monthly results and variances from plans and forecasts are reported to the Board;
- The Audit Committee, comprising the two Non-executive Directors, assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business, and operational and financial controls;
- Regular budgeting and forecasting is performed to monitor the Company's ongoing cash requirements and cash flow forecasts are circulated to the Board on a monthly basis;
- Actual results are reported against budget and prior year and are circulated to the Board;
- The Company has an investment appraisal system that considers expected costs against a range of potential outcomes arising from the exploration opportunities that we are invited to participate in;
- Regular reviews of exploration results are performed as the basis for decisions regarding future expenditure commitment;
- Due to the international nature of the business there are, at times, significant foreign exchange rate movement exposures. Cash flow forecasting is done at the 'required currency' level and foreign currency balances are maintained to meet expected requirements; and
- For exploration projects, we manage the risk of failure to find economic deposits by low cost early stage exploration techniques, with detailed analysis of results. Moving projects to more expensive exploration techniques requires a rigorous review of results data prior to deciding whether to proceed with further work.

### Non-financial controls

The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. However, any such system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group. The principal elements of the Group's internal control system include:

- Close management of the day-to-day activities of the Group by the Executive Directors;
- An organisational structure with defined levels of responsibility, which promotes entrepreneurial decision-making and rapid implementation while minimising risks; and
- Central control over key areas such as capital expenditure authorisation and banking facilities.

The Group reviews at least annually the effectiveness of its system of internal control, whilst also having regard to its size and the resources available. As part of the Group's plans we continue to review a number of non-financial controls covering areas such as regulatory compliance, business integrity, health and safety, and corporate social responsibility. All personnel are aware of their obligations under anti-bribery and corruption legislation.

## Corporate Governance Report (continued)

### PRINCIPLE 5: MAINTAINING THE BOARD AS A WELL-FUNCTIONING, BALANCED TEAM LED BY THE CHAIR

The Board comprises the Non-Executive Chairman, two Executive Directors and one Non-Executive Director. One non-executive Director has extensive experience in the oil and gas industry, is a qualified geologist and has considerable experience of serving on the Board of public companies.

The Board is satisfied that it has a suitable balance between independence on the one hand, and knowledge of the Company and industry on the other, to enable it to discharge its duties and responsibilities effectively. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational.

The Board aim to meet at least monthly. The agenda is set by the Company Secretary in consultation with the Chairman and CEO. The standard agenda points include:

- Review of previous meeting minutes and actions arising there from;
- A report by the CEO covering all operational matters;
- A report from the Financial consultant covering all financial matters;
- Any other business including update of Register of Conflicts.

#### Directors' conflict of interest

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board. A Register of Conflicts is maintained and is a standard agenda item at each Board Meeting. The Board has access to the Company's nominated adviser, its brokers and its lawyers. The advisers do not typically provide materials for Board meetings except if requested to do so for the purposes of discussing upcoming regulations and other issues.

Board meetings are deemed quorate if two Board members are present and providing 7 days' notice of such meeting has been given and waived by the non-attending Directors.

Directors and Officers Liability insurance is maintained for all Directors and key staff members.

### PRINCIPLE 6: ENSURE THAT BETWEEN THEM THE DIRECTORS HAVE THE NECESSARY UP-TO-DATE EXPERIENCE, SKILLS AND CAPABILITIES

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, particularly so in the area of oil and gas exploration and evaluation. All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings by the Company Secretary. Contracts are available for inspection at the Company's registered office and at the Annual General Meeting ("AGM").

Directors are selected having regards to the Company's needs for a balance of operational, industry, legal and financial skills. Experience of the Oil and Gas exploration industry is important but not critical, as is experience of running a public company.

All Directors retire by rotation at regular intervals in accordance with the Company's Articles of Association.

Appointment, removal and re-election of Directors The Board makes decisions regarding the appointment and removal of Directors, and there is a formal, rigorous and transparent procedure for appointments. The Company's Articles of Association require that at every AGM any director (i) who has been appointed by the board since the last AGM or (ii) who held office since the first of the three previous AGMs and who did not retire at either of them or (iii) who has been selected by the board for re-election shall retire from office and may offer himself for re-appointment by the members.

#### Independent advice

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense from lawyers, the nominated adviser, brokers and other professional advisors that they deem relevant. In addition, the Directors have direct access to the advice and services of the Company Secretary.

### PRINCIPLE 7: EVALUATE BOARD PERFORMANCE BASED ON CLEAR AND RELEVANT OBJECTIVES, SEEKING CONTINUOUS IMPROVEMENT

Over the next 12 months we intend to review the performance of the team as a unit to ensure that the members of the Board collectively function in an efficient and productive manner. Over the same period the Non-Executive Directors will be seeking to set clear and relevant objectives for the Executive Directors, and for the Board as a whole.

### PRINCIPLE 8: PROMOTE A CULTURE THAT IS BASED ON ETHICAL VALUES AND BEHAVIOURS

The Board aims to lead by example and do what is in the best interests of the Company. We operate in remote and under-developed areas and ensure our staffs understand their obligations towards the environment and in respect of anti-bribery and corruption.

## PRINCIPLE 9: MAINTAIN GOVERNANCE STRUCTURES AND PROCESSES THAT ARE FIT FOR PURPOSE AND SUPPORT GOOD DECISION-MAKING BY THE BOARD

### Board programme

The Board aims to meet monthly and as and when required. The Board sets direction for the Company through a formal schedule of matters reserved for its decision. During the year to December 2018 the Board met for fourteen scheduled meetings. The Board and its Committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting and Board and Committee papers are distributed by the Company Secretary several days before meetings take place. Any Director may challenge Company proposals and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors. Any specific actions arising from such meetings are agreed by the Board or relevant Committee and are then followed up by the Company's management.

### Roles of the Board, Chairman and Chief Executive Officer.

The Board is responsible for the long-term success of the Company. There is a formal schedule of matters reserved to the Board. It is responsible for overall Group strategy; approval of exploration projects; approval of the annual and interim results; annual budgets; dividend policy; and Board structure. It monitors the exposure to key business risks. There is a clear division of responsibility at the head of the Company. The Chairman is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction.

The Chief Executive Officer ('CEO') is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Company. The CEO, together with the Financial consultant, is responsible for establishing and enforcing systems and controls, and liaison with external advisors. The CEO has responsibility for communicating with shareholders.

All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The business reports monthly on its headline performance against its agreed budget, and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting. A senior executive, the Financial consultant, attends Board meetings when deemed appropriate by the CEO or Chairman, to present business updates.

### Board committees

The Board is supported by the Audit and Remuneration committees. Each committee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable the committee to discharge its duties. The two committees comprise both of the Non-Executive Directors.

The Audit Committee provides a formal review of the effectiveness of the internal control systems, the Group's financial reports and results announcements and the external audit process. The Committee meets twice per year to review the published financial information and to meet with the Auditors.

The Remuneration Committee provides a formal and transparent review of the remuneration of the Executive Directors and senior personnel and makes recommendations to the Board on individual remuneration packages. The Committee did not meet during the year.

The Audit committee has not provided a separate report for the current financial period, but intends to do so for next years report.

## PRINCIPLE 10: COMMUNICATE HOW THE COMPANY IS GOVERNED AND IS PERFORMING BY MAINTAINING A DIALOGUE WITH SHAREHOLDERS AND OTHER RELEVANT STAKEHOLDERS

The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year results announcements, the Annual General Meeting (AGM) and one-to-one meetings with large existing or potential new shareholders. The Company regularly posts LSE announcements covering operational and corporate matters, such as drilling results and significant changes in ownership positions across historic projects in which it still retains an investment. A range of corporate information (including all Company announcements and a corporate presentation) is also available to shareholders, investors and the public on the Company's corporate website.

The Board receives regular updates on the views of shareholders through briefings and reports from Investor Relations, the CEO,and the Company's brokers. The Company communicates with institutional investors frequently through briefings with management. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views.

By order of the Board

**Carl Kindinger**
**Interim Chairman**
1 May 2020

# Directors' Remuneration Report

The Company's Remuneration Committee comprises two Non-Executive Directors: Carl Kindinger and Stephen Staley.

The Company's Remuneration Committee operates within the terms of reference approved by the Board.

In the year to 31 December 2019 the two members of the Remuneration Committee have not met.

The items included in this report are unaudited unless otherwise stated.

### COMMITTEE'S MAIN RESPONSIBILITIES

- The Remuneration Committee considers the remuneration policy, personnel engagement terms and remuneration of the Executive Directors and senior management;
- The Remuneration Committee's role is advisory in nature and it makes recommendations to the Board on the overall remuneration packages for Executive Directors and senior management in order to attract, retain and motivate high quality executives capable of achieving the Company's objectives;
- The Remuneration Committee also reviews proposals for any share option plans and other incentive plans, makes recommendations for the grant of awards under such plans as well as approving the terms of any performance-related pay schemes;
- The Board's policy is to remunerate the Company's executives fairly and in such a manner as to facilitate the recruitment, retention and motivation of suitably qualified personnel as service providers; and
- The Remuneration Committee, when considering the remuneration packages of the Company's executives, will review the policies of comparable companies in the industry.

### CONSIDERATION OF SHAREHOLDER VIEWS

The Remuneration Committee considers shareholder feedback received and guidance from shareholder bodies. This feedback, plus any additional feedback received from time to time, is considered as part of the Company's periodic reviews of its policy on remuneration.

### STATEMENT OF POLICY ON DIRECTORS' REMUNERATION

The Company's policy is to maintain levels of remuneration so as to attract, motivate, and retain Directors and Senior Executives of the highest calibre who can contribute their experience to deliver industry leading performance with the Company's operations. Currently Director's remuneration is not subject to specific performance targets.

In future periods the Company intends to implement a remuneration policy so that a meaningful proportion of Executive and Senior Management's remuneration is structured so as to link rewards to corporate and individual performance, align their interests with those of shareholders and to incentivise them to perform at the highest levels. The Remuneration Committee considers remuneration policy and the employment terms and remuneration of the Executive Directors and makes recommendations to the Board of Directors on the overall remuneration packages for the Executive Directors. No Director takes part in any decision directly affecting their own remuneration.

There was no vote taken during the last general meeting with regard to the Director's remuneration policy. This is considered reasonable given the current size and stage of development of the Company and the fact that remuneration is not currently linked to performance. This will be revisited in future periods once a meaningful remuneration policy has been implemented as noted above.

### DIRECTORS' REMUNERATION

The Directors who held office at 31 December 2019 and who had beneficial interests in the ordinary shares of the Company are summarised as follows:

| Name of Director | Position |
|---|---|
| Carl Kindinger | Interim Chairman, Non-Executive Director |
| Dr Stephen Staley | Non-Executive Director |
| Paul Griffiths | Chief Executive Officer |
| Ron Pilbeam | Executive Officer |

The interests in the shares of the Company of the Directors who served during the year were as follows:

| | **31 December 2019** | | At the date of this report | |
|---|---|---|---|---|
| | **Ordinary Shares** | **Share Options** | Ordinary Shares | Share Options |
| Paul Griffiths*1 | **46,871,508** | **4,005,486** | 46,871,508 | 4,005,486 |
| Ron Pilbeam | **7,549,794** | **4,005,486** | 7,549,794 | 4,005,486 |
| Carl Kindinger | **1,661,962** | **–** | 1,661,962 | – |
| Sarah Cope*2 | **–** | **1,001,370** | – | 1.001,370 |
| Steve Staley | **669,600** | **1,001,370** | 669,600 | 1,001,370 |
| Total | **56,752,864** | **10,013,712** | 56,752,864 | 10,013,712 |

*1 Paul Griffiths is the Group's controlling shareholder
*2 Sarah Cope resigned 19 July 2019

## Share Option Scheme

The following Directors have been granted rights under the Group's Share Option Scheme:

| | In issue at 31 December 2018 | Grant date | 2019 Options Awarded | Exercised/ lapsed during year | **In issue at 31 December 2019** | Vesting period Start | Vesting period Various |
|---|---|---|---|---|---|---|---|
| Paul Griffiths | 4,005,486 | 24 May 2018 | – | – | **4,005,486** | 24 May 2018 | See note14 |
| Ron Pilbeam | 4,005,486 | 24 May 2018 | – | – | **4,005,486** | 24 May 2018 | |
| Sarah Cope | 1,001,370 | 24 May 2018 | – | – | **1,001,370** | 24 May 2018 | |
| Steve Staley | 1,001,370 | 24 May 2018 | – | – | **1,001,370** | 24 May 2018 | |

Each of the directors entered into service agreements at the time of the Company's admission to the market in May 2018. Details of those service agreements are set out below. There were no other major remuneration decisions in the period.

### DIRECTORS' SERVICE CONTRACTS

Dr Stephen Staley was appointed as a Non-Executive Director of the Company on 18 May 2018 when he entered into a letter of appointment with the Company. Pursuant to his letter of appointment Dr Staley is entitled to an annual fee of £30,000 which includes consideration for being a member the Remuneration Committee and for being a member of the Audit Committee. Dr Staley is not entitled to receive any compensation on termination of his appointment (other than payment in respect of a notice period where notice is served) and is entitled to be reimbursed all reasonable out-of-pocket expenses incurred in the proper performance of his duties. Dr Staley's appointment may be terminated by either party giving to the other three month's prior written notice. The services of Dr Staley are provided on a consultancy basis. The Company established a share option scheme that became effective on 24 May 2018 for a long-term incentive plan for the award of share options subject to performance conditions. The share option scheme includes Dr Staley as a beneficiary.

Paul Griffiths provides his services as Chief Executive Officer under a consultancy agreement with the Company. The Company entered into a consultancy agreement dated 18 May 2018 with Petro-Celtex Consultancy Limited ("**Petro-Celtex**") under which Petro-Celtex is to provide the services of Paul Griffiths as Chief Executive of the Company, on a part-time basis (120 hours in each calendar month). Under the consultancy agreement, Petro-Celtex is entitled to a fee of £80,000 per annum (plus VAT, if applicable) for the basic 120 hours per calendar month, £1,200 per 8 hour day (plus VAT, if applicable) for each additional day or part day in excess of the first 120 hours in any calendar month, up to an annual cumulative cap of 320 hours in a calendar year, and reimbursement of all reasonable expenses. The consultancy agreement may be terminated at any time by 3 months' prior written notice served by either party. Paul Griffiths entered into a side letter dated 18 May 2018 with the Company confirming that the terms of this consultancy agreement will be binding on him as an individual. Paul Griffiths also entered into a letter of appointment dated 21 December 2017 with the Company in respect of his continued appointment as a director of the Company with effect from 24 May 2018, but with no additional fee payable to him over and above the fee referred to in the consultancy agreement above. The continued appointment of Paul Griffiths as a director of the Company on the terms of such appointment letter is (subject to limited exceptions) for an initial period of 12 months with effect from 24 May 2018 and thereafter subject to termination by either party on three months' written notice. In addition the Company may forthwith terminate Paul Griffiths's appointment as a director of the Company for, *inter alia*, a material breach by Petro-Celtex of its obligations under the consultancy agreement referred to above and Paul Griffiths may terminate such appointment for a material breach by the Company of its obligations under the consultancy agreement referred to above.

The Company established a share option scheme that became effective on 24 May 2018 for a long-term incentive plan for the award of share options subject to performance conditions. The share option scheme includes Paul Griffiths as a beneficiary.

Ronald Pilbeam provides his services as an Executive Director under a consultancy agreement with the Company. The Company entered into a consultancy agreement dated 18 May 2018 with Ronald Pilbeam to provide the services of Ronald Pilbeam as project development director of the Company, on a part-time basis (75 hours in each calendar month). Under the consultancy agreement, Ronald Pilbeam is entitled to a fee of £50,000 per annum (plus VAT, if applicable) for the basic 75 hours per calendar month, £1,000 per 8 hour day (plus VAT, if applicable) for each additional day or part day in excess of the first 75 hours in any calendar month, up to an annual cumulative cap of 400 hours in a calendar year, and reimbursement of all reasonable expenses. The consultancy agreement may be terminated at any time by 3 months' prior written notice served by either party.

Ronald Pilbeam also entered into a letter of appointment dated 19 March 2018 with the Company in respect of his continued appointment as a director of the Company with effect from 24 May 2018, but with no additional fee payable to him over and above the fee referred to in the consultancy agreement above. The continued appointment of Ronald Pilbeam as a director of the Company on the terms of such appointment letter is (subject to limited exceptions) for an initial period of 12 months following Admission and thereafter subject to termination by either party on three months' written notice. In addition the Company may forthwith terminate Ronald Pilbeam's appointment as a director of the Company for, *inter alia*, a material breach by Ronald Pilbeam of his obligations under the consultancy agreement referred to above, and Ronald Pilbeam may terminate such appointment for a material breach by the Company of its obligations under the consultancy agreement referred to above.

The Company established a share option scheme that became effective on 24 May 2018 for a long-term incentive plan for the award of share options subject to performance conditions. The share option scheme includes Ronald Pilbeam as a beneficiary.

Carl Kindinger provides his services as an Executive Director under a consultancy agreement with the Company The Company entered into a consultancy agreement dated 21 September 2018, and revised on 1 September 2019 with Carl Kindinger to provide financial consultancy

advice and services in relation to the Company's exploration for and exploitation of oil and gas resources, on a part time-basis (100 hours in each calendar month). Under the consultancy agreement, Carl Kindinger is entitled to a fee of £70,000 per annum (plus VAT, if applicable). The consultancy agreement may be terminated at any time by 30 days' prior written notice served by either party. Carl Kindinger has also entered into a letter of appointment dated 19 July 2019 with the Company in respect of his continued appointment as a director of the Company with effect from Admission, with an additional fee of £25,000 per annum payable to him under this letter of appointment. The continued appointment of Carl Kindinger as a director of the Company on the terms of such appointment letter is (subject to limited exceptions) for 3 years from the day of appointment and subject to termination by either party on thirty Days' written notice. In addition the Company may forthwith terminate Carl Kindinger's appointment as a director of the Company for, amongst other things, a material breach by Carl Kindinger of his obligations under the consultancy agreement referred to above, and Carl Kindinger may terminate such appointment for a material breach by the Company of its obligations under the consultancy agreement referred to above. Under the letter of appointment, Carl Kindinger shall be entitled to participate in the Company's option scheme.

### REMUNERATION COMPONENTS

For the year ended 31 December 2019 consultancy fees and a share incentive scheme were the only two components of remuneration. The Company established a share option scheme that became effective on 24 May 2018 for a long term incentive plan for the award of share options subject to certain oil production targets being reached and sustained by the Company for a period of not less than thirty calendar days. The Board is not planning to consider any other components of director remuneration during the year.

### DIRECTORS' EMOLUMENTS AND COMPENSATION

#### Short Term Employment benefits

| Director | **2019**<br>**£** | 2018<br>£ |
|---|---|---|
| Carl Kindinger | **27,277*** | – |
| Sarah Cope | **32,083** | 20,900 |
| Stephen Staley | **30,000** | 18,100 |
| Non-Executive total | **89,360** | 39,000 |
| Paul Griffiths | **150,380** | 98,200 |
| Ronald Pilbeam | **128,125** | 83,100 |
| Executive total | **278,505** | 181,300 |
| Total | **367,865** | 220,300 |

*includes £16,047 for services as a financial consultant

There were no awards of annual bonuses or incentive arrangements other than share options granted in the period. Remuneration was therefore fixed in nature and no illustrative table of the application of remuneration policy has been included in this report.

#### Pension entitlements

The Company does currently not have any pension plans for any of the directors and does not pay pension amounts in relation to their remuneration.

#### Directors' interests in share warrants

Directors do not hold any share warrants over ordinary shares.

#### Consideration of employment conditions elsewhere in the Group

The Committee has not consulted with the other personnel in the Group about executive pay but considers that the current remuneration of Executive Directors to be consistent with pay and employment benefits across the Group.

#### UK 10-year performance graph

The directors have considered the requirement for a UK 10-year performance graph comparing the Group's Total Shareholder Return with that of a comparable indicator. The directors do not currently consider that including the graph will be meaningful because the Company has only been listed since May 2018, is not paying dividends and is currently incurring losses as it gains scale. The directors therefore do not consider the inclusion of this graph to be useful to shareholders at the current time. The directors will review the inclusion of this table for future reports.

#### UK 10-year CEO table and UK percentage change table

The directors have considered the requirement for a UK 10-year CEO table and UK percentage change table. The directors do not currently consider that including these tables would be meaningful because, as described under the Directors' Service Contracts section above directors have been engaged in the Company only since May 2018. The directors will review the inclusion of this table for future reports.

#### Relative importance of spend on pay

The Directors have considered the requirement to present information on the relative importance of spend on pay compared to shareholder dividends paid. Given that the Company does not currently pay dividends the directors have not considered it necessary to include such information.

### Policy for new appointments

Base salary levels will take into account market data for the relevant role, internal relativities, the individual's experience and their current base salary. Where an individual is recruited at below market norms, they may be re-aligned over time (e.g. two to three years), subject to performance in the role. Benefits will generally be in accordance with the approved policy.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

### Policy on payment for loss of office

Payment for loss of office would be determined by the Remuneration Committee, taking into account contractual obligations.

Approved by the Board on 1 May 2020.

**Dr Stephen Staley**
**Chairman of the Remuneration Committee**

# Independent Auditor's Report To The Members Of Predator Oil & Gas Holdings Plc

## OPINION

We have audited the financial statements of Predator Oil & Gas Holdings Plc and its subsidiaries (the 'group') for the period ended 31 December 2019 which comprise of the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2019 and of the group's loss for the period then ended;
- are in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements the Companies (Jersey) Law 1991.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group 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.

## EMPHASIS OF MATTER

We draw attention to Note 1 of the financial statements, which describes the group assessment of the COVID-19 impact on its ability to continue as a going concern. The Group has explained that the events arising from COVID-19 outbreak do not impact its use of the going concern basis of preparation nor do they cast significant doubt about the group ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our opinion is not modified in this respect.

## CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you were:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## OUR APPLICATION OF MATERIALITY

The scope of our audit was influenced by our application of materiality. The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures. The materiality applied to the group financial statements was set at £24,500. Performance materiality was set at £19,600, being 80% of materiality for the financial statements as a whole.

Materiality has been calculated as 2% of the benchmark of expenses, which we have determined, in our professional judgement, to be the principal benchmark relevant to members of the group in assessing financial performance. As the group has yet to begin trading, the key focus of the group is to restrict expenditure in order to use the resources to carry out a future acquisition.

We agreed that we would report to the directors' all misstatements we identified through our audit with a value in excess of £1,225, in addition to other audit misstatements below that threshold that we believe warrant reporting on qualitative grounds.

## AN OVERVIEW OF THE SCOPE OF OUR AUDIT

In designing our audit, we determined materiality and assessed the risk of material misstatement in the group financial statements. In particular, we looked at areas involving significant accounting estimates and judgement by the directors and considered future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud. The audit was scoped to support our audit opinion on the group financial statements of Predator Oil & Gas Holdings Plc and was based on group materiality and an assessment of risk at group level.

## KEY AUDIT MATTERS

We have determined that there are no key matters to communicate in our report.

## OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the group 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.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where The Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

## RESPONSIBILITIES OF DIRECTORS

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

In preparing the group financial statements, the directors are responsible for assessing the group'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 to cease operations, or have no realistic alternative but to do so

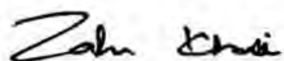
## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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.

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

## USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Article 113A of The Companies (Jersey) Law 1991 and our engagement letter date 5 March 2020. 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.



**Zahir Khaki (Engagement Partner)**
For and on behalf of PKF Littlejohn LLP
Statutory Auditor
1 May 2020

15 Westferry Circus
Canary Wharf
London E14 4HD

# Consolidated statement of comprehensive income for the year ended 31 December 2019

| | Notes | 01.01.2019 to 31.12.2019 £ | 01.01.2018 to 31.12.2018 £ |
|---|---|---|---|
| Administrative expenses | 4 | (1,204,464) | (761,302) |
| Loan impairment/write off | | – | (32,171) |
| **Operating loss** | | (1,204,464) | (793,473) |
| Finance income | | 12 | 1,012 |
| Finance expense | 15 | (74,791) | – |
| **Loss for the year before taxation** | | (1,279,243) | (792,461) |
| Taxation | | – | – |
| **Loss for the year after taxation** | | (1,279,243) | (792,461) |
| Comprehensive income | | – | – |
| **Total comprehensive loss for the year attributable to the owner of the parent** | | (1,279,243) | (792,461) |
| **Earnings per share basic and diluted (pence)** | 7 | (1.2) | (1.0) |

The accompanying accounting policies and notes on pages 36 to 50 form an integral part of these financial statements.

All items in the above statement derive from continuing operations.

# Consolidated statement of financial position as at 31 December 2019

| | Notes | 31.12.2019 £ | 31.12.2018 (Restated) £ |
|---|---|---|---|
| **Non-current assets** | | | |
| Tangible fixed assets | 9 | 7,158 | 3,622 |
| | | 7,158 | 3,622 |
| **Current assets** | | | |
| Trade and other receivables | 11 | 1,381,175 | 12,250 |
| Cash and cash equivalents | | 109,716 | 973,600 |
| | | 1,490,891 | 985,850 |
| **Total assets** | | 1,498,049 | 989,472 |
| **Equity attributable to the owner of the parent** | | | |
| Share capital | 14 | 2,346,336 | 1,837,086 |
| Reconstruction reserve | | 3,270,648 | 3,294,898 |
| Other reserves | | 250,964 | 81,570 |
| Retained deficit | | (5,568,143) | (4,294,352) |
| **Total equity** | | 299,805 | 919,202 |
| **Non-current liabilities** | | | |
| Trade and other payables | 15 | 918,406 | – |
| **Current liabilities** | | | |
| Trade and other payables | 12 | 279,838 | 70,270 |
| **Total liabilities** | | 1,198,244 | 70,270 |
| **Total liabilities and equity** | | 1,498,049 | 989,472 |

The accompanying accounting policies and notes on pages 36 to 50 form an integral part of these financial statements.

The Company has adopted the exemption under Companies (Jersey) Law 1991 Article 105 (11) not to prepare separate accounts. The Group reported a loss after taxation for the year of £1.2 million (2018: £0.8 million loss). The financial statements on pages 32 to 50 were approved and authorised for issue by the Board of Directors on 1 May 2020 and were signed on its behalf by:

**Paul Griffiths**
Director
1 May 2020
Company Registered number: 125419

## Condensed consolidated statement of changes in equity
## For the year ended 31 December 2019

| | Attributable to owner of the parent | | | | |
|---|---|---|---|---|---|
| | Share Capital | Share premium | Share based payments | Retained deficit | Total |
| | £ | £ | £ | £ | £ |
| **Balance at 31 December 2017** | 537,085 | 3,547,190 | – | (3,501,891) | 582,384 |
| Issue of ordinary share capital | 1,300,001 | – | – | – | 1,300,001 |
| Issue of warrants | – | – | 27,051 | – | 27,051 |
| Fair value movement of share options | – | – | 54,519 | – | 54,519 |
| Listing costs capitalised | – | (252,292) | – | – | (252,292) |
| Total contributions by and distributions to owners of the parent recognised directly in equity | 1,837,086 | 3,294,898 | 81,570 | (3,501,891) | 1,711,663 |
| Loss for the period | – | – | – | (792,461) | (792,461) |
| Other comprehensive income | – | – | – | – | – |
| Total comprehensive income for the period | – | – | – | (792,461) | (792,461) |
| **Balance at 31 December 2018** | 1,837,086 | 3,294,898 | 81,570 | (4,294,352) | 919,202 |
| Issue of ordinary share capital | 509,250 | – | – | – | 509,250 |
| Issue of warrants | – | – | 81,385 | – | 81,385 |
| Fair value movement of share options | – | – | 93,461 | – | 93,461 |
| Loan note conversion premium | – | (24,250) | – | – | (24,250) |
| Total contributions by and distributions to owners of the parent recognised directly in equity | 2,346,336 | 3,270,648 | 256,416 | (4,294,352) | 1,579,048 |
| Loss for the year | – | – | – | (1,279,243) | (1,279,243) |
| Other comprehensive income | – | – | – | – | – |
| Total comprehensive income for the year | – | – | – | (1,279,243) | (1,279,243) |
| **Balance at 31 December 2019** | 2,346,336 | 3,270,648 | 256,416 | (5,573,595) | 299,805 |

The accompanying accounting policies and notes on pages 36 to 50 form an integral part of these financial statements.

# Condensed consolidated statement of cash flows for the year ended 31 December 2019

| | **01.01.2019 to 31.12.2019 £** | 01.01.2018 to 31.12.2018 £ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss for the period before taxation | (1,279,243) | (792,461) |
| Adjustments for: | | |
| Loans waived | – | 32,171 |
| Issue of share options | 93,461 | 54,519 |
| Finance income | (12) | (1,012) |
| Amortisation of transaction costs | 74,791 | – |
| Depreciation | 1,158 | 392 |
| (Increase)/decrease in trade and other receivables | (1,167,848) | 24,383 |
| Increase in trade and other payables | 209,568 | 62,911 |
| **Net cash used in operating activities** | (2,068,125) | (619,097) |
| **Cash flow from investing activities** | | |
| Loan advances | (201,077) | – |
| Purchase of computer equipment | (4,694) | (4,014) |
| **Net cash generated from investing activities** | (205,771) | (4,014) |
| **Cash flows from financing activities** | | |
| Proceeds from issuance of shares, net of issue costs | – | 1,074,760 |
| Proceeds from issue of convertible loan notes, net of issue costs | 1,410,000 | – |
| Finance income received | 12 | 1,012 |
| **Net cash generated from financing activities** | 1,410,012 | 1,075,772 |
| Net (decrease)/increase in cash and cash equivalents | (863,884) | 452,661 |
| Cash and cash equivalents at the beginning of the year | 973,600 | 520,939 |
| **Cash and cash equivalents at the end of the year** | 109,716 | 973,600 |

Non-cash transactions

During the year 8,035,019 ordinary shares with a nominal value of £509,250 were issued as part of the loan note conversion Further details are disclosed in Note 15.

The accompanying accounting policies and notes on pages 36 to 50 form an integral part of these financial statements.

# Statement of accounting policies
# for the year ended 31 December 2019

## GENERAL INFORMATION

Predator Oil & Gas Holdings Plc ("the Company") and its subsidiaries (together "the Group") are engaged principally in the operation of an oil and gas development business in the Republic of Trinidad and Tobago and an exploration and appraisal portfolio in Ireland and Morocco. The Company's ordinary shares are on the Official List of the UK Listing Authority in the standard listing section of the London Stock Exchange.

Predator Oil & Gas Holdings plc was incorporated in 2017 as a public limited company under Companies (Jersey) Law 1991 with registered number 125419. It is domiciled and registered at 3rd Floor, Standard Bank House, 47–49 La Motte Street, Jersey, JE2 4SZ, Channel Islands.

## BASIS OF PREPARATION AND GOING CONCERN ASSESSMENT

The principal accounting policies adopted in the preparation of the financial information are set out below. The policies have been consistently applied throughout the current year and prior year, unless otherwise stated. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) issued by the International Accounting Standards Board (IASB) as adopted by the European Union and with those parts of the Companies (Jersey) Law, 1991 applicable to companies preparing their accounts under IFRS. The Company has adopted the exemption under Companies (Jersey) Law 1991 Article 105 (11) not to prepare separate accounts.

The consolidated financial statements incorporate the results of Predator Oil & Gas Holdings Plc and its subsidiary undertakings as at 31 December 2019.

The financial statements are prepared under the historical cost convention on a going concern basis. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The preparation of financial statements requires an assessment on the validity of the going concern assumption. At the date of these financial statements the Directors expect that the Group will not require further funding in 2020 for the Group's corporate overheads; Irish licence interests, Moroccan licence and for the development of a CO2 EOR pilot project. Post the year end the Group placed 89 million new ordinary shares of no-par value each in the Company at a placing price of 4 pence each to raise £ 3,560,000 (before expenses). Directors are confident that the Group will be able to raise further funds as it considers appropriate to meet requirements for the period beyond 2020 in cash, as debt finance, joint venture or farminee partner equity, share issues or otherwise. Failing the success of these fund-raising activities the Directors will be prepared to accept appropriate reductions in their remuneration to conserve cash resources.

In the case of Covid-19 the potential impact and mitigation thereof is discussed in detail in the Strategic Report. The two planned major initiatives for 2020 are drilling in Morocco and commencement of oil production in Trinidad. If these activities are to be delayed for more than nine months there will be adverse consequences for working resources. In the event that the Group will require funds to be raised in the foreseeable future and if directors' endeavours to raise fresh funds fail, they will institute a programme of cuts to directors' and consultant's remuneration. The directors having made due and careful enquiry, are of the opinion that the Group has adequate working capital to execute its operations over the next 12 months given that current spending commitments will prevail. The Group will therefore continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

## CHANGES IN ACCOUNTING POLICIES

At the date of approval of these financial statements, certain new standards, amendments and interpretations have been published by the International Accounting Standards Board but are not as yet effective and have not been adopted early by the Group. All relevant standards, amendments and interpretations will be adopted in the Group's accounting policies in the first period beginning on or after the effective date of the relevant pronouncement.

At the date of authorisation of these financial statements, a number of Standards and Interpretations were in issue but were not yet effective. The Directors do not anticipate that the adoption of these standards and interpretations, or any of the amendments made to existing standards as a result of the annual improvements cycle, will have a material effect on the financial statements in the year of initial application.

### New Accounting Standards and Interpretations issued and applied in the Financial Statements

### IFRS 16, LEASES

IFRS 16 replaces the current guidance in IAS 17 – 'Leases'. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts.

IFRS 16 includes an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting remains substantially unchanged. IFRS 16 provides updated guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts); under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The standard is effective for periods commencing on or after 1 January 2019 and has been endorsed by the EU. Under the provisions of the standard most leases including the majority of those previously classified as operating leases, will be brought onto the statement of financial position, as both a right-of-use asset and a largely offsetting lease liability. The right-of-use asset and lease liability are both based on the present value of lease payments due over the term of the lease, with the asset being depreciated in accordance with IAS 16 'Property, Plant and Equipment' and the liability increased for the accretion of interest and reduced by lease payments.

The Group does not have leases hence there is no material impact on the financial statements.

### New Accounting Standards and Interpretations in issue but not applied in the Financial Statements

New standards, amendments and Interpretations in issue but not yet effective or not (and in some cases have not yet been adopted by the EU):

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are listed below. The Company intend to adopt these standards, if applicable, when they become effective. These are summarised below:

Amendments to References to the Conceptual Framework in IFRS Standards: Included are revised definitions of an asset and a liability as well as new guidance on measurement and derecognition, presentation and disclosure. (Issued 29 March 2018, applies to accounting periods beginning on or after 1 January 2020, subject to EU endorsement).

Amendment to IFRS 3: Business Combinations: The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The definition removes the reference to an ability to reduce costs, and the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. An optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business has been included as part of the amendments. (Issued 22 October 2018, applies to accounting periods beginning on or after 1 January 2020, subject to EU endorsement).

Amendments to IAS 1 and IAS 8: Definition of Material: The amendments clarify the definition of material and how it should be applied. The amendments ensure that the definition of material is consistent across all IFRS Standards. (Issued 31 October 2018, applies to accounting periods beginning on or after 1 January 2020, subject to EU endorsement).

The Group has not early adopted any of the above standards and the directors are assessing the impact on future financial statements.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

### AREAS OF ESTIMATES AND JUDGEMENT

The preparation of the group financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The Group commenced operations in 2018 and did not enter into material operational transactions requiring significant estimates and assumptions to be effected in preparation of financial statements for the reporting period. The critical accounting estimates and judgements made are in line with those made in the audited financial statements for the year ended 31 December 2018. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are discussed below:

#### a) Going concern and Inter-company loan recoverability.

The Group's cash flow projections indicate that the Group should have sufficient resources to continue as a going concern. Further details are disclosed in the management's assessment of going concern

The recoverability of inter-company loans advanced by the Company to subsidiaries depends also on the subsidiaries realising their cash flow projections. This is the case for Predator Oil & Gas Trinidad Ltd. where production revenues are forecast from the near-term from pilot CO2 EOR operations where project economics have been stress-tested at lower oil prices. In the event of sustained lower oil prices positive cash flow will be less and the time taken to recover inter-company loans longer.

In the case of Predator Gas Ventures Ltd., recovery of inter-company loans is dependent upon the Guercif drilling programme successfully recovering commercial quantities of gas that can be developed and brought to market. The Moroccan gas market is commercially attractive and even relatively low volumes of discovered gas are likely to be economic. A partial sale of equity in a future potential gas discovery is the preferred strategy for recovery of inter-company loans rather than a longer term dependency on a gas development.

In the case of Predator Oil and Gas Ventures Ltd., the quantum of inter-company loan is relatively small and no substantive expenditures are anticipated going forward. The change in business strategy to a focus on LNG and gas storage offshore Ireland, creates a marketing opportunity for the Group's relevant experience and expertise within this sector of the industry. It creates the potential as promoters of the project to receive introduction and service providers' fees and a free minority equity position in a joint venture vehicle to move to the project development stage. Under these circumstances the inter-company loan would constitute past costs contributing to the level of free equity. Recovery of the relatively modest inter-company loan therefore has a variety of ways of being repaid.

Management have also assessed that the carrying value and recoverability of the investment, including intercompany receivables is ultimately dependent on the value of the underlying assets of the Group. Further evidence of its realisable value can also be noted by reference the market capitalisation of the Group on the London Stock exchange at the date of this report which can be used as a guide and to provide further assurance of its carrying value subsequent to the year end.

### b) Recoverability of loan

The Group entered into an agreement FRAM Exploration Trinidad Limited ("FRAM"), a wholly owned subsidiary of Columbus Energy Resources PLC, who are listed on AIM.

The FRAM Loan is recovered based on the production profile of a minimum of 54,631 barrels of oil produced in the first four months of production from the Pilot CO2 EOR project, assuming an average WTI Spot price of US$20/barrel. Lower oil price and/or extended time to recover that volume of oil would delay the recovery of the FRAM Loan. Under the legally binding WPA, revenues from any such production are 100% to the account of Predator until cost recovery of all Predator's costs, inclusive of the FRAM Loan, expended on the Project.

Management have concluded that there is no impairment required at the reporting date as the project is still in the early stages and it is too early to conclude whether or not it will lead to the commercial success or otherwise of the Pilot CO2 EOR Project as field operations are still in the CO2 injection phase and not yet moving to the production phase. Whilst Management have concluded that the loan remains recoverable at the reporting date, they note, that, In the event there is insufficient oil production to reach 54,631 barrel and/or no profits from CO2 EOR sales revenues due to sustained low oil prices, then management consider the FRAM Loan cannot be recovered and an impairment of £201,077 would be required.

### c) Useful lives of property, plant & equipment

Property, plant and equipment are depreciated over their useful economic lives. Useful economic lives are based on management's estimates of the period that the assets will be in operational use, which are periodically reviewed for continued appropriateness. More details, including carrying values, are included in note 8 to the financial statements.

### d) Share based payments

The Group has applied the requirements of IFRS 2 *Share-based Payment* for all grants of equity instruments.

The Group operates an equity settled share option scheme for directors. The increase in equity is measured by reference to the fair value of equity instruments at the date of grant. The liabilities assumed under these arrangements into shares in the parent company, under an option arrangement. The fair value of the service received in exchange for the grant of options and warrants is recognised as an expense. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of equity-settled share-based payment is expensed on a graded vesting basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

During the year the Company issued warrants in lieu of fees to stockbrokers. The warrant agreements do not contain vesting conditions and therefore the full share-based payment charge, being the fair value of the warrants using the Black-Scholes model, has been recorded immediately. A charge was recorded against share premium as a transaction cost. The valuation of these warrants involves making a number of estimates relating to price volatility, future dividend yields and continuous growth rates (see Note 16).

The fair value of these share options is estimated by using the Black Scholes model on the date of grant based on certain assumptions. Those assumptions are described in note 16 and include, among others, the expected volatility and expected life of the options. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability exercise restrictions and behavioural considerations. The market price used in the model is the issue price of the Company's shares at the last placement of shares immediately preceding the calculation date. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons or entities other than staff, the fair value of goods and services received is charged to profit or loss, except where it is in respect to costs associated with the issue of shares, in which case, it is charged to the share premium account.

The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitation of the calculations used.

Further details of the specific amounts concerned are given in note 16.

### BASIS OF CONSOLIDATION

Where the Group has control over an investee, it is classified as a subsidiary. The Group controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Inter-company transactions and balances between Group companies are therefore eliminated in full. Uniform accounting policies are applied across the Group

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquirer's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

## FINANCIAL ASSETS

The Financial assets currently held by the Group are classified as loans and receivables and cash and cash equivalents. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

### Cash and cash equivalents

These amounts comprise cash on hand and balances with banks. Cash equivalents are short term, highly liquid accounts that are readily converted to known amounts of cash. They include short-term bank deposits and short-term investments.

Any cash or bank balances that are subject to any restrictive conditions, such as cash held in escrow pending the conclusion of conditions precedent to completion of a contract, are disclosed separately as “Restricted cash”.The security deposit is shown within debtors in note 11.

There is no significant difference between the carrying value and fair value of receivables.

### Derecognition:

The Group derecognises a financial asset when the contractual rights to the cash flow from the asset expire, or it transfers the asset and substantially all the risk and rewards of ownership of the asset to another entity.

## FINANCIAL LIABILITIES

The Group’s financial liabilities consist of trade and other payables (including short terms loans). These are initially recognised at fair value and subsequently carried at amortised cost, using the effective interest method. All interest and other borrowing costs incurred in connection with the above are expensed as incurred and reported as part of financing costs in profit or loss. Where any liability carries a right to convertibility into shares in the Group, the fair value of the equity and liability portions of the liability is determined at the date that the convertible instrument is issued, by use of appropriate discount factors.

### Derecognition:

The Group derecognises a financial liability when the obligations are discharged, cancelled or they expire.

## FOREIGN CURRENCY

The functional currency of the Group and all of its subsidiaries is the British Pound Sterling.

Transactions entered into by the Group entities in a currency other than the currency of the primary economic environment in which it operates (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the date of the statement of financial position. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in profit or loss, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation.

The exchange rates applied at each reporting date were as follows:

31 December 2018 £1: USUS$1.274 and £1: Euro1.14

31 December 2019 £1: USUS$1.311 and £1: Euro 1.17

## INVESTMENT IN SUBSIDIARIES

The Group’s investment in its subsidiaries is recorded at cost.

## PENSION COSTS

Contributions to defined contribution pension schemes are charged to profit or loss in the year to which they relate. The Group currently does not have a pension scheme.

## PRODUCTION EXPENSES

Production expenses include all direct costs of production, including depreciation of property plant and equipment involved in the oil & gas production, but excluding corporate overhead. The Group currently does not produce any oil and gas.

### Plant and equipment

The only assets the Group currently has are personal computers.

Depreciation is provided on equipment so as to write off the carrying value of items over their expected useful economic lives. It is applied at the following rates:

Computer assets – 20% per annum, straight line

### Share Options and Equity Instruments

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than consultants, the fair value of goods and services received is charged to profit or loss, except where it is in respect to costs associated with the issue of shares, in which case, it is charged to the share premium account.

### TAXATION

The Company and all subsidiaries ('the Group') are registered in Jersey, Channel Islands and are taxed at the Jersey company standard rate of 0%. However, the Group's projects are situated in jurisdictions where taxation may become applicable to local operations.

The major components of income tax on the profit or loss include current and deferred tax.

### Current tax

Current tax is based on the profit or loss adjusted for items that are non-assessable or disallowed and is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Tax is charged or credited to the statement of comprehensive income, except when the tax relates to items credited or charged directly to equity, in which case the tax is also dealt with in equity.

### Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs to its tax base, except for differences arising on:

- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- Investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the differences will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when deferred tax liabilities/ (assets) are settled/ (recovered). Deferred tax balances are not discounted.

The Group currently does not hold any deferred tax asset or liability.

# Notes to the financial statements for the year ended 31 December 2019

## 1. Segmental analysis

The Group operates in one business segment, the exploration, appraisal and development of oil and gas assets. The Group has interests in three geographical segments being Africa (Morocco), Europe (Ireland) and the Caribbean (Trinidad and Tobago)

The Group's operations are reviewed by the Board (which is considered to be the Chief Operating Decision Maker ('CODM')) and split between oil and gas exploration and development and administration and corporate costs.

Exploration and development is reported to the CODM only on the basis of those costs incurred directly on projects.

Administration and corporate costs are further reviewed on the basis of spend across the Group.

Decisions are made about where to allocate cash resources based on the status of each project and according to the Group's strategy to develop the projects. Each project, if taken into commercial development, has the potential to be a separate operating segment. Operating segments are disclosed below on the basis of the split between exploration and development and administration and corporate.

| | Europe £'000 | Caribbean £'000 | Africa £'000 | Corporate £'000 |
|---|---|---|---|---|
| **Year to 31 December 2019** | | | | |
| Gross loss | (46) | (159) | (163) | (742) |
| Depreciation | – | – | – | – |
| ***Other administrative and overhead expenses*** | | | | |
| Share option and warrant expense | | | | (93) |
| Finance income | – | – | – | – |
| ***Finance expense*** | | | | (75) |
| Taxation (charge) | – | – | – | – |
| **Loss for the year from continuing operations** | (46) | (159) | (163) | (911) |
| **Total assets** | 33 | 239 | 1150 | 76 |
| Total non-current assets | – | – | – | 7 |
| Additions to non-current assets | – | – | – | – |
| **in Total current assets** | 33 | 239 | 1150 | 76 |
| **Total liabilities** | (1) | (4) | (7) | (1,187) |

There are no non-current assets held in the Group's country of domicile, being the Jersey Isles (2018: £nil).

## 2. Group loss from operations

| | **2019 Group £'000** | 2018 Group £'000 |
|---|---|---|
| Operating loss is stated after charging/(crediting): | | |
| Auditors' remuneration (note 3) | **53** | 68 |
| Depreciation | **1** | – |
| Share option expense | **93** | 54 |
| Foreign exchange (gain) | **27** | (18) |

## 3. Auditor's remuneration

| | **2019 Group £'000** | 2018 Group £'000 |
|---|---|---|
| Fees payable to the Group's auditor for other services: | | |
| – Audit of the accounts of the Group | **23** | **20** |
| – Other services | **30** | **48** |
| | **53** | **68** |

## 4. Administration expenses

| | 2019 Group £'000 | 2018 Group £'000 |
|---|---|---|
| Administration fees | **84** | 64 |
| Design, publishing, presentation and printing fees | **10** | – |
| Audit fee | **24** | 20 |
| Annual return fee | **1** | 1 |
| Non-executive director fees | **70** | 39 |
| Fair value adjustment share options | **93** | 55 |
| Insurance | **8** | 6 |
| Legal and professional fees | **81** | 26 |
| Listing costs | **251** | 180 |
| Website costs | **13** | – |
| Licencing options | **8** | 89 |
| Directors fees | **144** | 40 |
| Technical Consultancy fees | **262** | 162 |
| Travel expenses | **94** | 77 |
| Computer/system costs/IT support | **3** | 6 |
| Conferences and exhibitions | **2** | 4 |
| Bank charges | **26** | 1 |
| Depreciation | **1** | – |
| ISE fee | **1** | 1 |
| Sundry expenses | **1** | 1 |
| Foreign exchange | **27** | (18) |
| Formation costs | **–** | 2 |
| Accountancy fees | **–** | 5 |
| | **1,204** | 761 |

## 5. Taxation

| Factors affecting the tax charge for the year | 2019 Group £'000 | 2018 Group £'000 |
|---|---|---|
| Loss on ordinary activities before tax: | **(1,279)** | (792) |
| Loss on ordinary activities at Jersey standard 0% tax (2017: 0%) | **–** | – |
| Tax charge (credit) for the year: | **–** | – |

No deferred tax asset or liability has been recognised as the Standard Jersey corporate tax rate is 0%.

## 6. Personnel

| | 2019 Group £'000 | 2018 Group £'000 |
|---|---|---|
| Personnel costs (including directors) consist of: | | |
| Consultancy fees | **477** | 242 |
| Share based payments | **93** | 55 |
| | **570** | 297 |

| The average number of personnel (including directors) during the year was as follows: | | |
|---|---|---|
| Management | **5** | 5 |
| | **5** | 5 |

Three Directors at the end of the period have share options receivable under long term incentive schemes. The highest paid Director received an amount of £150,310 (2018: £98,200). The Group does not have employees. All personnel are engaged as service providers.

## 7. Earnings per share

| | **31 Dec 2019 Group £'000** | 31 Dec 2018 Group £'000 |
|---|---|---|
| Loss per ordinary share has been calculated using the weighted average number of ordinary shares in issue during the relevant financial year. | | |
| The weighted average number of ordinary shares in issue for the period is: | **104,261,956** | 82,201,718 |
| Losses for the period: (£'000) | **(£1,279)** | (£792) |
| Earnings per share basic and diluted (pence) | **(1.2p)** | (1.0p) |

Dilutive loss per Ordinary Share equals basic loss per Ordinary Share as, due to the losses incurred in 2019 and 2018, there is no dilutive effect from the subsisting share options.

## 8. Loss for the financial year

The Group has adopted the exemption in terms of Companies (Jersey) Law 1991 and has not presented its own income statement in these financial statements.

## 9. Property, plant and equipment

**Fixed Assets**

| | **£** |
|---|---|
| **Cost** | |
| At 31 December 2018 | 4,014 |
| Additions | 4,694 |
| At 31 December 2019 | 8,708 |
| **Amortisation** | |
| At 31 December 2018 | 392 |
| Charge for the year | 1,158 |
| At 31 December 2019 | 1,550 |
| **Carrying amount** | |
| At 31 December 2018 | 3,622 |
| **At 31 December 2019** | 7,158 |

## 10. Investments in subsidiaries

| | **2019 Group £'000** | 2018 Group £'000 |
|---|---|---|
| Cost at the beginning of the year | **537** | – |
| Additions during the year | **–** | 537 |
| Cost at the end of the year | **537** | 537 |

The principal subsidiaries of Predator Oil and Gas Holdings Plc, all of which are included in these consolidated Annual Financial Statements, are as follows:

| Group | Country of registration | Class | Proportion held by Group 2019 | 2018 | Nature of business |
|---|---|---|---|---|---|
| Predator Oil and Gas Ventures Limited | Jersey, Channel Islands | Ordinary | 100% | 100% | Licence options offshore Ireland |
| Predator Gas Ventures Limited | Jersey, Channel Islands | Ordinary | 100% | 100% | Exploitation licence onshore Morocco |
| Predator Oil and Gas Trinidad Limited | Jersey, Channel Islands | Ordinary | 100% | 100% | Drilling rights for a CO2 pilot oil recovery project |

The registered address of all of the Group's companies is at 3rd Floor, Standard Bank House, 47–49 La Motte Street, Jersey, JE2 4SZ, Channel Islands.

## 11. Trade and other receivables

| | **Dec 2019 Group £'000** | Dec 2018 Group £'000 |
|---|---|---|
| Loan receivable | **201** | 32 |
| Provision for impairment | **–** | (32) |
| Security deposit (US$1,500,000) | **1,144** | – |
| Prepayments | **36** | 12 |
| | **1,381** | 12 |

Loan receivable includes a loan of £201,077 effected to FRAM Exploration Trinidad Limited ('FRAM') in respect of the CO2 EOR project comprising USUS$ 167,089 advanced as cash and USUS$ 96,540 advanced as equipment. The loan is denominated in US Dollars, unsecured, interest free and repayable at the discretion of Predator Oil & Gas Trinidad Limited provided not less than one week's notice is given. The CO2 EOR project is expected to progress to the next stage of development in 2020 and ultimately to full production status at which time the aforesaid loan is likely to be recovered in terms of a Well Participation Agreement with FRAM dated 17 November 2017.

Other receivables comprise a security deposit of $1,500,000 held by Barclays Bank in respect of a guarantee provided to Office National des Hydrocarbures et des Mines (ONHYM) as a condition of being granted the Guercif exploration licence. These funds are refundable on the completion of the Minimum Work Programme set out in the terms of the Guercif Petroleum Agreement and Association Contract.

Prepayments in are in respect of amounts paid in advance to the Financial Conduct Authority , media service providers and an insurance premium. These amounts are expensed between 60 and 120 days and are denominated in Pound Sterling

There are no material differences between the fair value of trade and other receivables and their carrying value at the year end.

## 12. Trade and other payables

| | **Dec 2019 Group £'000** | Dec 2018 Group £'000 |
|---|---|---|
| Loans payable within one year | 37 | – |
| Trade payables | 54 | 3 |
| Accrued expenses | 188 | 67 |
| | 279 | 70 |

Loans payable comprise £25,000 and £12,500 advanced by Ron Pilbeam and Paul Griffiths (the Lenders) respectively. The Company required supplementary funds to further a program of injecting CO2 into specified wells to recover oil in Trinidad. The loans are unsecured and bear interest at a rate of 12.5% (twelve and a half per cent) accruing interest on a daily basis until repayment in full to the Lenders by the Company on 20th January 2020.

Accrued expenses include:

1. £154,000 due to service providers in respect of preparation and submission of a Prospectus.
2. £59,976 due to directors for outstanding consultancy and directors' fees.

These amounts were scheduled to be settled after receipt of placing funds on 28 February 2020.

Trade payables are required to be settled within 30 days.

## 13. Financial instruments – risk management

### SIGNIFICANT ACCOUNTING POLICIES

Details of the significant accounting policies in respect of financial instruments are disclosed on page 39. The Group's financial instruments comprise cash and items arising directly from its operations such as other receivables, trade payables and loans.

### FINANCIAL RISK MANAGEMENT

The Board seeks to minimise its exposure to financial risk by reviewing and agreeing policies for managing each financial risk and monitoring them on a regular basis. No formal policies have been put in place in order to hedge the Group's activities to the exposure to currency risk or interest risk; however, the Board will consider this periodically. A foreign exchange hedge was entered into during the year whereby Sterling £ was converted to United States US$.

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

- Credit risk
- Market risk (includes cash flow interest rate risk and foreign currency risk)
- Liquidity risk

The policy for each of the above risks is described in more detail below.

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

- Receivables
- Cash and cash equivalents
- Trade and other payables (excluding other taxes and social security) and
- Loans: payable within one year and payable in more than one year

The table below sets out the carrying value of all financial instruments by category and where applicable shows the valuation level used to determine the fair value at each reporting date. The fair value of all financial assets and financial liabilities is not materially different to the book value.

| | **2019 Group £'000** | 2018 Group £'000 |
|---|---|---|
| **Loans and receivables** | | |
| Cash and cash equivalents | 110 | 974 |
| Receivables | 1,381 | 12 |
| **Other liabilities** | | |
| Trade and other payables (excl short term loans) | 266 | 70 |
| Loans payable within one year | 38 | – |
| Loans payable after one year | 918 | – |

### CREDIT RISK

Financial assets, which potentially subject the Group to concentrations of credit risk, consist principally of cash, short-term deposits and other receivables. Cash balances are all held at recognised financial institutions. Other receivables are presented net of allowances for doubtful receivables. Other receivables currently form an insignificant part of the Group's business and therefore the credit risks associated with them are also insignificant to the Group as a whole.

The Group has a credit risk in respect of inter-company loans to subsidiaries. The Company is owed £1,957,978 by its subsidiaries. The recoverability of these balances is dependent on the commercial viability of the exploration activities undertaken by the respective subsidiary companies. The credit risk of these loans is managed as the directors constantly monitor and assess the viability and quality of the respective subsidiary's investments in intangible oil & gas assets.

### Maximum exposure to credit risk

The Group's maximum exposure to credit risk by category of financial instrument is shown in the table below:

| | 2019 Carrying value £'000 | 2019 Maximum exposure £'000 | 2018 Carrying value £'000 | 2018 Maximum exposure £'000 |
|---|---|---|---|---|
| Cash and cash equivalents | **110** | **1,160** | 973 | 1034 |
| Receivables | **1,381** | **1,381** | 12 | 12 |
| Loans and borrowings | **956** | **956** | – | – |

The holding company's maximum exposure to credit risk by class of financial instrument is shown in the table below:

| | 2019 Carrying value £'000 | 2019 Maximum exposure £'000 | 2018 Carrying value £'000 | 2018 Maximum exposure £'000 |
|---|---|---|---|---|
| Cash and cash equivalents | **110** | **1,160** | 973 | 1,034 |
| Receivables | **1,381** | **1,381** | 12 | 12 |
| Loans to Group Companies | **1,958** | **1,958** | 197 | 197 |

### MARKET RISK

### Cash flow interest rate risk

The Group has adopted a non-speculative policy on managing interest rate risk. Only approved financial institutions with sound capital bases are used to borrow funds and for the investments of surplus funds.

The Group seeks to obtain a favourable interest rate on its cash balances through the use of bank deposits. The Group's bank ceased paying interest on cash balances during the year, therefore the Group is not currently affected by interest rate changes. At 31 December, 2019, the Group had a cash balance of £0.110 million (2018: £0.973 million) which was made up as follows:

| | 2019 Group £'000 | 2018 Group £'000 |
|---|---|---|
| Sterling | **85** | 455 |
| United States Dollar | **25** | 518 |
| | **110** | 973 |

At the reporting date, the Group had a cash balance of £0.110 million.

At the current year end the Group's interest-bearing debt comprised £37,500. The balance outstanding on a Convertible Loan Note entered into on 15 February was £1,015,000 including a transaction cost of £96,594 (net of £918,406).

### Foreign currency risk

Foreign exchange risk is inherent in the Group's activities and is accepted as such. The majority of the Group's expenses are denominated in Sterling and therefore foreign currency exchange risk arises where any balance is held, or costs incurred, in currencies other than Sterling. At 31 December 2019 and 31 December 2018, the currency exposure of the Group was as follows:

| | Sterling £'000 | US Dollar £'000 | Euro £'000 | Other £'000 | Total £'000 |
|---|---|---|---|---|---|
| **At 31 December 2019** | | | | | |
| Cash and cash equivalents | **85** | **25** | **–** | **–** | **110** |
| Trade and other receivables | **36** | **1,345** | **–** | **–** | **1,381** |
| Trade and other payables | **304** | **–** | **–** | **–** | **304** |
| Loans re-payable after one year | **918** | **–** | **–** | **–** | **918** |
| **At 31 December 2018** | | | | | |
| Cash and cash equivalents | 455 | – | – | – | 455 |
| Trade and other receivables | 12 | – | – | – | 12 |
| Trade and other payables | 70 | – | – | – | 70 |

The effect of a 10% strengthening of Sterling against the US dollar at the reporting date, all other variables held constant, would have resulted in increasing post tax losses by £102,677 (2018: £51,800 ). Conversely the effect of a 10% weakening of Sterling against the US dollar at the reporting date, all other variables held constant, would have resulted in decreasing post tax losses by £102,677 (2018: £51,800).

### LIQUIDITY RISK

Any borrowing facilities are negotiated with approved financial institutions at acceptable interest rates. All assets and liabilities are at fixed and floating interest rate. The Group seeks to manage its financial risk to ensure that sufficient liquidity is available to meet the foreseeable needs both in the short and long term. See also references to Going Concern disclosures in the Strategic Report.

### CAPITAL

The objective of the directors is to maximise shareholder returns and minimise risks by keeping a reasonable balance between debt and equity. At 31 December 2019 the Group's interest and non-interest-bearing debt amounted to £955,906.

## 14. Share Capital

| | Number of shares | Nominal value |
|---|---|---|
| **Issued and fully paid** | | |
| Opening Balance | 100,137,150 | 1,837,086 |
| **11 May 2019** | | |
| Loan note conversion | 1,966,888 | 157,500 |
| **13 May 2019** | | |
| Loan note conversion | 1,441,664 | 105,000 |
| **28 May 2019** | | |
| Loan note conversion | 1,702,251 | 105,000 |
| **4 September 2019** | | |
| Loan note conversion | 1,482,356 | 89,250 |
| **23 October 2019** | | |
| Loan note conversion | 1,441,860 | 52,500 |
| | **108,172,169** | **2,346,336** |

## 15. Non-Current liability

| | 2019 Group £'000 | 2018 Group £'000 |
|---|---|---|
| Convertible loan notes | **1,500** | – |
| Less redemptions | **(485)** | – |
| Less transaction costs | **(97)** | – |
| | **918** | – |

To progress, inter alia, the development of the Guercif licence the Company entered into a Convertible Loan Note Instrument with Arato Global Opportunities LLC on 15 February 2019 for £1,500,000, the nominal amount of each note was £1.00 and can be increased to £1,750,000. The notes are converted at 105% in multiples of £50,000 as a conversion price per ordinary share being 90% of the VWAP for the 2 trading days preceding the conversion, and to the extent not already redeemed or converted shall be redeemed in full the earlier of 15 February 2021 or in the event of default. The loan notes carry no coupon, are repayable at a premium of 5%. A fee of 10% of the principal amount applies if the loan notes are not converted into equity prior to 15 February 2021. The lender was issued with 2,083,333 warrants at an exercise price of 12p with a vesting period of two years. Novum Securities Limited, the arranger of the convertible loan notes, was issued with 2,000,000 in warrants on the same terms.

The Directors have assessed the accounting treatment for the instrument under the requirements of IAS 32 and have concluded that it should be treated as a liability.

The fair value of the 4,083,333 warrants was determined at £81,385 See note 16.

Novum Securities Limited was paid a £90,000 placement fee in for the Convertible Loan Note Instrument. The total transaction cost of £171,384, accounted for in terms of IFRS 9, was offset against the carrying value of the Convertible Loan Note and amortised according to the effective interest rate method giving rise to a £74,790 charge to the income statement during the Period.

At the date of these financial statements £485,000 of the loan notes had been redeemed. The gross amount outstanding at year end before deduction of the £74,791 transaction cost is £1,015,000.

## 16. Share based payments

**Equity – settled share-based payments**

**Warrant and Share option expense**

| | 2019 Group £'000 | 2018 Group £'000 |
|---|---|---|
| Warrant and share option expense: | | |
| – In respect of remuneration contracts | **93** | 55 |
| – In respect of financing arrangements | **81** | 27 |
| Total expense | **175** | 82 |

**Share Options**

The Group operates a share option plan for directors. Details of share options granted in the year to 31 December 2018 are noted below.

On 24 May 2018 both Paul Griffiths and Ron Pilbeam were granted share options each of 4,005,486 exercisable at £0.028 each and Steve Staley and Sarah Cope were granted share options each of 1,001,370 exercisable at £0.028 each

The options are subject to the following vesting conditions:

1/3 of the option shares 3,337,904 on gross production from the wells drilled under the Well Participation Agreement Predator Oil and Gas Ventures Limited and FRAM Exploration Trinidad Limited of 50 BOPD (measured over a consecutive 30 day period)

1/3 of the option shares 3,337,904 on incremental gross production from a Pilot C02 test of 300 BOPD (measured over a consecutive 30 day period)

1/3 of the option shares 3,337,904 on incremental total gross production from wells for which the Company receives revenues of 1,000 BOPD (measured over a consecutive 30-day period)

Each option shall lapse 5 years after the date on which it vests, assuming it is not exercised before then and no event occurs to cause it to lapse early.

Each option shall lapse 5 years after the date on which it vests, assuming it is not exercised before then and no event occurs to cause it to lapse early. The Black Scholes model has been used to fair value the options, the inputs into the model were as follows

| Grant date | 24 May, 2018 |
|---|---|
| Share price | £0.028 |
| Exercise price | £0.028 |
| Term | 5 years |
| Expected volatility | 400% |
| Expected dividend yield | 0% |
| Risk free rate | 0.80% |
| Fair value per option | £0.0197 |
| The total fair value of the options: | £280,382 |

The total share option reserve in respect of 2019 is £93,461 (2018: £54,519).

**Warrants**

On 24 May 2018 the Company's granted 2,231,248 warrants to Novum Securities Limited and 160,714 warrants to Optiva Securities Limited in consideration of services provided to the Company pursuant to the terms of the Placing Agreement and conditional upon admission becoming effective. The warrants may be exercised at £0.028 each in whole or in part at any time and from time to time from the date of their grant until the third anniversary of admission. The total fair value of these warrants was determined as £0.0113 per warrant and a £27,051 reserve was created for the year ended 31 December 2018.

On 15 February 2019 the Company granted 2,083,333 and 2,000,000 warrants respectively to Arato Global Opportunities LLC and Novum Securities Limited pursuant to the Convertible Loan Note ('CLN') agreement. The warrants are exercisable at any time between the date of issue and 15 February 2021 at a subscription price of 12p per share. Expected volatility was determined by reference to the Company's share price since admission to the Standard List of the London Stock Exchange and the year end. The risk-free rate is based on the UK three-year bond yield. The warrant agreements for the aforesaid 4,083,333 do not contain vesting conditions and therefore the full share-based payment charge, being the fair value of the warrants using the Black-Scholes model, has been recorded immediately. A fair value of £81,384 was deemed as a transaction cost in terms of IFRS9 and was offset against the Convertible Loan Note Principal of £1,500,000. As at 31 December 2019 £485,000 in loan notes were redeemed during the period. In addition, Novum Securities Limited was paid a £90,000 placement fee for the Convertible loan note instrument taking the total CLN transaction cost to £171,384. Accordingly, a £74,790 charge was taken to the income statement during the period in respect of the aforesaid loan notes as a funding cost applying the effective interest method.

The valuation of these warrants involves making a number of estimates relating to price volatility, future dividend yields and continuous growth rates.

The Black Scholes model has been used to fair value the warrants, the inputs into the model were as follows

| Grant date | 15 February 2019 |
|---|---|
| Share price | £0.07 |
| Exercise price | £0.12 |
| Term | 3 years |
| Expected volatility | 80% |
| Expected dividend yield | 0% |
| Risk free rate | 0.73% |
| Fair value per warrant | £0.0199 |
| Total fair value of warrants | £81,385 |

## 17. Reserves

Details of the nature and purpose of each reserve within owners' equity are provided below:

- Share capital represents the nominal value each of the shares in issue.
- The Other Reserves are included in the Consolidated Statement of Changes in Equity and in the Consolidated Statement of Financial Position and represent the accumulated balance of share benefit charges recognised in respect of share options and warrants granted by the Company, less transfers to retained losses in respect of options exercised or lapsed.
- The Retained Deficit Reserve represents the cumulative net gains and losses recognised in the Group's statement of comprehensive income.
- The Reconstruction Reserve arose through the acquisition of Predator Oil & Gas Ventures Limited. This entity was under common control and therefore merger accounting was adopted.

## 18. Related party transactions

Directors and key management emoluments are disclosed note 9 and in the Remuneration report.

Paul Griffiths holds 45,085,794 ordinary shares, 22.87% (44,773,294 ordinary shares, 41.29% as at the reporting date) of the issued share capital in the Company and is the Group's controlling shareholder.

## 19. Contingent liabilities and capital commitments

The Group had at the reporting date no capital commitments or contingent liabilities.

## 20. Litigation

The Group is not involved in any litigation.

## 21 Events after the reporting date

1. On 27 January 2020 announced the first tranche of CO2 had been injected into well AT5X in the Inniss-Trinity field and will over time contribute to the determination of any impact on enhancement of production in offset wells to AT5X. Predator and Columbus, its joint venture partner, will inject further tranches of CO2 as is required to fully evaluate the potential of CO2 injection to increase oil production from the offsetting wells in the AT-4 Block, which is the site of the initial Pilot CO2 EOR.
2. In terms of the Convertible Loan Note ('CLN') , Arato Global Opportunities LLC ("Arato"), providers of the CLN, have the right to have 20% of all funds raised by the Group applied to the redemption of the CLN. On 12 February 2020 Arato agreed with the Company to waive their aforesaid right to 20% of funds raised to allow the Company not to repay any of the Convertible Loan Note from the Placing Proceeds and also agreed to an Orderly Market Agreement. In terms of this agreement Arato was to be given security over the US$ 1 million cash in the form of the returnable Bank Guarantee from ONHYM following completion of the Moulouya well, such security to protect against an inability to convert into POGH Plc shares in the event of insufficient headroom shares. The security will be reduced from time to time as and when the amount of the outstanding loan and fees is less than US$ 1 million based on the US$:£ exchange rate on the date of conversion. In return for this substantive concession, Arato will receive a fee equivalent to £100,000 in shares at the Placing Price of 4 pence, representing 2,500,000 Ordinary shares of no par value.
3. On 19 February 2020 Predator Gas Ventures Ltd. announced it had exercised its previously announced Rig Option with Star Valley Drilling Ltd., a Canadian drilling company currently undertaking an extensive drilling programme for SDX Energy Plc in the Rharb Basin west of the Guercif using its Rig No. 101. Rig mobilisation can occur within a window commencing 15 March 2020 and ending 30 April 2020.
4. On 25 February 2020 Predator Gas Ventures Ltd announced it had appointed, Moyra Scott as consultant Project Drilling Manager, to execute its Guercif drilling operations. Ms. Scott has relevant and practical experience, through SDX Energy's 2014 drilling programme in the Rharb Basin, of the drilling conditions likely to be encountered in the geologically analogous, much larger gas targets, which are the subject of the Company's Guercif drilling programme.
5. On 28 February 2020 the Company announced that it had placed 89 million new ordinary shares of no par value each in the Company at a Placing Price of 4 pence each to raise £3.56 million (before expenses).The Placing was oversubscribed. These funds, when combined

with the Company's existing cash reserves, will be used to fund the Moulouya well onshore Morocco (which is due to spud in the second quarter of this year), on upscaling during the second quarter of this year the potential for profits from Enhanced Oil Recovery by using and sequestrating injected CO2 onshore Trinidad ("CO2 EOR") and on the ongoing costs of running the business. This additional capitalisation of the Company creates the ability to secure an in-country rig to drill the Moulouya well, resulting in a significant saving in rig mobilisation costs if a rig had to be contracted from overseas. It also facilitates the earlier return of US$ 1 million of the US$ 1.5 million Bank Guarantee in place with ONHYM after the completion and reporting of drilling operations. The additional funds give the Company greater opportunity to move more rapidly to potentially upscale profits from CO2 EOR operations in Trinidad following on from successful CO2 injection announced previously.

6. On 4 March 2020 the approval by the Moroccan National Committee of Environment for the Environmental Impact Assessment Study covering the drilling of three wells for petroleum exploration in the Onshore Guercif permits located in Guercif province, as presented by Predator Gas Ventures Ltd., was been ratified by the Ministry of Energy and Mines and Environment. The EIA approval is valid for 5 years from the effective date of issue of 29 January 2020.
7. On 7 April 2020 the Company announced that pursuant to its announcement on 14 February 2020 of the placing of 89,000,000 new shares of no par value in the Company at 4p per share to raise £3.56 million (before expenses) that fees agreed at the time of the said placing to maximise cash resources of the Company, were settled by the allotment and issuance of 4,875,000 new ordinary shares. Accordingly, the Company's issued share capital was increased to 202,047,169 shares of no-par value, each with one vote per share.
8. On 8 April 2020 following the receipt of notice from Arato Global Opportunities Limited for the conversion of £70,000 of the Loan Note, issued on 15 February 2019, 1,702,251 new ordinary shares were allotted and issued. Following the issue of such 1,702,251 new ordinary shares, the Company's issued share capital was 203,749,420 shares of no par value, each with one vote per share.

# Corporate Information

| | |
|---|---|
| **Directors** | Paul Stanard Griffiths (Executive Director – CEO)<br>Ronald Pilbeam (*Executive Director*)<br>Carl Kindinger (*Non-Executive Chairman*) (*appointed 19 July 2019*)<br>Sarah Cope (*resigned 19 july 2019*)<br>Dr Stephen Staley (*Non-Executive Director*) |
| **Company Secretary** | Oak Secretaries (Jersey) Limited<br>3rd Floor, Standard Bank House<br>47 – 49 La Motte Street<br>Jersey JE2 4SZ |
| **Registered Office** | 3rd Floor, Standard Bank House<br>47 – 49 La Motte Street<br>Jersey JE2 4SZ<br>Telephone +44 (0) 1534 834 600 |
| **Joint Broker and Placing Agent** | Novum Securities Limited<br>8-10 Grosvenor Gardens<br>London SW1W 0DH |
| **Joint Broker and Placing Agent** | Optiva Securities Limited<br>49 Berkeley Square<br>London W1J 5AZ |
| **Auditors** | PKF Littlejohn LLP<br>15 Westferry Circus<br>Canary Wharf<br>London E14 4HD |
| **Legal advisers to the Group as to English law** | Charles Russell Speechlys LLP<br>5 Fleet Place<br>London EC4M 7RD |
| **Legal advisers to the Group as to Jersey law** | Pinel Advocates<br>7 Castle Street<br>St Helier<br>Jersey JE2 3B |

## Corporate Information (continued)

| | |
|---|---|
| **Competent Person** | SLR Consulting (Ireland) Ltd<br>7 Dundrum Business Park<br>Windy Arbour<br>Dublin 14, D14 N2Y7<br>Republic of Ireland |
| **Registrar** | Computershare Investor Services (Jersey) Limited<br>Queensway House<br>Hilgrove Street<br>St Helier,<br>Jersey JE11ES |
| **Financial PR** | IFC Advisory Limited<br>15 Bishopsgate London EC2N 3AR |
| **Principal Bankers** | The Royal Bank of Scotland International Limited<br>P.O. Box 64<br>Royal Bank House<br>71 Bath Street<br>St Helier<br>Jersey JE4 8PJ<br><br>Barclays Bank Plc<br>13 Library Place<br>St Helier<br>Jersey JE4 8NE |



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