RNS Number : 2614A
Baron Oil PLC
23 May 2023

23 May 2022

Baron Oil Plc

("Baron Oil", "Baron", the **"Company",** or the **"Group")**

Final Results for the Year Ended 31 December 2022

Baron Oil (AIM: BOIL), the AIM-quoted oil and gas exploration company, is pleased to announce its audited financial results for the year ended 31 December 2022.

Operational Highlights (including post period)

- During the year, both the Chuditch PSC and Dunrobin projects, were subject to intensive technical work aimed at maturing the assets to "drill ready" status.
- Delivery of the reprocessed Chuditch 3D seismic data and its interpretation significantly improved the subsurface image, enabling for the first time, the delineation of the Chuditch discovery and its adjacent prospects.
- The key Dunrobin technical work components of the Phase A commitments - those of seismic reprocessing plus geochemical studies - were delivered during second half of 2022 on time and budget. Detailed seismic attribute analysis, designed to investigate candidate direct hydrocarbon indicators, followed in early 2023.
- In early 2023 two Competent Person's Reports ("CPRs") were published which validate both projects to the industry standard SPE PRMS Contingent and/or Prospective Resource estimates.
- Throughout the period the Company kept updated Virtual Datarooms for the benefit of potentially interested funding partners for the next phase of both Chuditch and P2478 projects, a process which continues.

Financial Highlights

- Two oversubscribed funding events in 2022, as a result we have a well-funded balance sheet covering our current activities and commitments.
- Cash Reserves at 31 December 2021 were £5,807,000 (31 December 2021: £1,650,000).
- Exploration and evaluation expenditure of £213,000 (2021: £218,000).
- Administration expenses for the year were £1,191,000 (2021: £1,321,000), an overall reduction on the prior year of £130,000.
- Loss after taxation of £1,387,000 (2021: £1,127,000 loss).

Commenting on the results, John Wakefield, Non-executive Chairman, said: *"2022 was a year of considerable progress for Baron. Our overriding task was to progress our two material projects, Chuditch and Dunrobin, to their key evaluation points which was achieved with the publication of CPRs on both projects in early 2023. The considerable and potentially transformative value for shareholders in the Company's assets offshore Timor-Leste and in the UK is now clearly defined and our efforts are now focused on the drilling decisions to be made in 2023 for a Chuditch-1 appraisal well and a Dunrobin West exploration well.*

"Both assets continue to attract attention via our active farmout campaigns and presentations at relevant industry events. In particular, there are a number of ongoing discussions with third parties regarding

participation in the Chuditch appraisal well and future activities. We are grateful for the support of our investors through the two funding events which took place during the year and as a result, we have a well-funded balance sheet covering our current activities and commitments.

"Baron is highly encouraged by the developments being made and I look forward to reporting on our further progress in due course."

Posting of Annual Report and Notice of AGM

The Company's Annual Report and Financial Statements, for the year ended 31 December 2022, will be available for download from the Company's website (https://www.baronoilplc.com/) later today and will be despatched by post shortly to those shareholders that have requested a hard copy.

The Company will hold its Annual General Meeting at 11 a.m. BST on 29 June 2022 at 38-43 Lincoln's Inn Fields, London WC2A 3PE and the Notice of Annual General Meeting to that effect will be sent to shareholders shortly and will be available on the Company's website.

Online Investor Q&A

Baron intends to hold an investor Q&A session for existing and potential new shareholders around mid-June 2023. Further details of the date and time will be released in due course.

For further information, please contact:

Baron Oil Plc +44 (0) 20 7117 2849
Andy Yeo, Chief Executive

Allenby Capital Limited +44 (0) 20 3328 5656
Nominated Adviser and Broker
Alex Brearley, Nick Harriss, George Payne (Corporate Finance)
Kelly Gardiner (Sales and Corporate Broking)

IFC Advisory Limited +44 (0) 20 3934 6630
Financial PR and IR baronoil@investor-focus.co.uk
Tim Metcalfe, Florence Chandler

Qualified Person's Statement

Pursuant to the requirements of the AIM Rules - Note for Mining and Oil and Gas Companies, the technical information and resource reporting contained in this announcement has been reviewed by Jon Ford BSc, Fellow of the Geological Society, Technical Director of the Company. Mr Ford has more than 40 years' experience as a petroleum geoscientist. He has compiled, read and approved the technical disclosure in this regulatory announcement and indicated where it does not comply with the Society of Petroleum Engineers' standard.

CHAIRMAN'S STATEMENT & OPERATIONS REPORT

Financial Review

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

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

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

Administration expenses for the year were £1,191,000 (2021: £1,321,000), an overall reduction on the preceding year of £130,000. This is made up of a number of pluses and minuses. As anticipated last year, administration costs arising in SundaGas (Timor-Leste Sahul) Pte. Ltd. ("TLS") have increased from £285,000 previously to £441,000 this year as we moved to a full 12 month reporting period at the Group level and the Dili office in Timor-Leste is now fully operational. There were also non-recurring support costs of £65,000 in Peru. Directors and UK staff salaries and related costs are lower than 2021 by £37,000 with the earlier year including a severance payment to a former director. Finally, there have been no share-based payment charges this year (2021: £286,000).

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

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

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

Report On Operations

Introduction

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

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

Background

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

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

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

2022 and subsequent activities

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

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

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

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

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

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

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

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

As part of our in-country activities, including the efforts of our local Dili offices, we are also undertaking

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

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

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

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

Background

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

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

2022 and subsequent activities

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

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

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

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

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

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

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

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

Block XXI, Peru

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

New Ventures

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

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

Corporate

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

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

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

Conclusions

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

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

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

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

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

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

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

John Wakefield
Non-executive Chairman
22 May 2023

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	**2022**	2021
		£'000	*£'000*
Revenue		**-**	**-**
Cost of sales		**-**	**-**
Gross profit		**-**	-
Exploration and evaluation expenditure		**(213)**	(218)
Intangible asset impairment	9	**-**	(17)
Property, plant and equipment impairment and depreciation	8	**(33)**	(11)
Receivables and inventory impairment	3	**-**	(7)
Administration expenses		**(1,191)**	(1,321)
Gain on exchange	3	**43**	22
Other operating income	3	**-**	89
Operating loss	3	**(1,394)**	(1,463)
Income from associated undertaking	11	**-**	29
Gain on disposal of associated undertaking		**-**	302
Loss before interest and taxation		**(1,394)**	(1,132)
Finance cost	5	**(5)**	(2)
Finance income	5	**12**	7
Loss on ordinary activities before taxation		**(1,387)**	**(1,127)**

Income tax expense	6	**-**	-
Loss on ordinary activities after taxation		**(1,387)**	(1,127)
Dividends		**-**	-
Loss for the year		**(1,387)**	(1,127)
Loss on ordinary activities after taxation is attributable to:			
Equity shareholders		**(1,387)**	(1,127)
Non-controlling interests		**-**	-
		(1,387)	(1,127)
Earnings per ordinary share - continuing operations	7		
Basic		(0.010p)	(0.012p)
Diluted		(0.010p)	(0.012p)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2022

	Notes	2022	*Restated* 2021
		£'000	*£'000*
Assets			
Non current assets			
Property plant and equipment			
--- oil and gas assets	8	**-**	-
--- others	8	**78**	34
Intangible fixed assets	9	**3,696**	2,736
Goodwill	10	**-**	-
Associated undertaking	11	**-**	-

		3,774	2,770
Current assets			
Trade and other receivables	13	**101**	54
Performance bond guarantee deposit	14	**827**	859
Cash and cash equivalents	15	**5,807**	1,650
		6,735	2,563
Total assets		**10,509**	5,333
Equity and liabilities			
Capital and reserves attributable to owners of the parent			
Share capital	18	**4,730**	2,896
Share premium account	19	**38,846**	34,061
Share option reserve	19	**332**	388
Foreign exchange translation reserve	19	**1,735**	1,561
Retained earnings	19	**(35,555)**	(34,224)
Total equity		**10,088**	4,682
Current liabilities			
Trade and other payables	16	**377**	620
Taxes payable	16	**14**	12
		391	632
Non-current liabilities			
Lease finance	17	**30**	19
Total equity and liabilities		**10,509**	5,333

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

John Wakefield
Director

Andrew Yeo
Director

Company number: 05098776

COMPANY STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2022

	Notes	**2022**	2021
		£'000	*£'000*
Assets			
Non current assets			
Property plant and equipment			
--- oil and gas assets		-	-
--- others	8	**21**	33
Intangible fixed assets	9	**159**	68
Investments	12	**5,002**	3,029
		5,182	3,130
Current assets			
Trade and other receivables	13	**61**	46
Cash and cash equivalents	15	**5,625**	1,527
		5,686	1,573
Total assets		**10,868**	4,703
Equity and liabilities			
Capital and reserves attributable to owners of the parent			
Share capital	18	**4,730**	2,896

Share capital	18	**4,730**	2,896
Share premium account	19	**38,846**	34,061
Share option reserve	19	**332**	388
Foreign exchange translation reserve	19	**(163)**	(163)
Retained earnings	19	**(33,085)**	(32,586)
Total equity		**10,660**	4,596
Current liabilities			
Trade and other payables	16	**185**	76
Taxes payable	16	**14**	12
		199	88
Non-current liabilities			
Lease finance	17	**9**	19
Total equity and liabilities		**10,868**	4,703

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

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

John Wakefield
Director

Andrew Yeo
Director

Company number:
05098776

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

Group	Share capital £'000	Share premium £'000	Retained earnings £'000	Share option reserve £'000	Foreign exchange translation £'000	Total equity £'000
As at 1 January 2021	1,107	32,156	(33,130)	135	1,528	1,796
Shares issued (net of transaction costs)	1,789	1,905	-	-	-	3,694
Transactions with owners	1,789	1,905	-	-	-	3,694
Loss for the year attributable to equity shareholders	-	-	(1,127)	-	-	(1,127)
Share based payments	-	-	-	286	-	286
Share option reserve released	-	-	33	(33)	-	-
Foreign exchange translation adjustments	-	-	-	-	33	33
Total comprehensive income for the period	-	-	(1,094)	253	33	(808)
As at 1 January [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

2022	2,896	34,061	(34,224)	388	1,561	4,682
Shares issued (net of transaction costs)	1,834	4,785	-	-	-	6,619
Transactions with owners	1,834	4,785	-	-	-	6,619
(Loss) for the year attributable to equity shareholders	-	-	(1,387)	-	-	(1,387)
Share option reserve released	-	-	56	(56)	-	-
Foreign exchange translation adjustments	-	-	-	-	174	174
Total comprehensive income for the period	-	-	(1,331)	(56)	174	(1,213)
As at 31 December 2022	4,730	38,846	(35,555)	332	1,735	10,088

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022 - continued

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

with owners	1,834	4,785				6,619
Loss for the year	-	-	(555)	-	-	(555)
Share option reserve released	-	-	56	(56)	-	-
Total comprehensive income for the period	-	-	(499)	(56)	-	(555)
As at 31 December 2022	4,730	38,846	(33,085)	332	(163)	10,660

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

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

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

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

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

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

Note to the Consolidated and Company Statement of Cash Flow

	Group	Company	*Restated* Group	Company

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

NOTES TO THE FINANCIAL STATEMENTS

General Information

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

(1) Significant accounting policies

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

Going concern basis

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

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

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

Basis of preparation

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

Changes in accounting policies and disclosures

Adoption of new and revised standards

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

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

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

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

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

• The incremental costs of fulfilling that contract- e.g. direct labour and material; and

• an allocation of other costs that relate directly to fulfilling contracts: e.g. allocation of depreciation charge on property, plant and equipment used in fulfilling the contract.

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

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

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

Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 & IAS 41) .
• IFRS 1: Subsidiary as a First-time Adopter (FTA)
• IFRS 9: Fees in the '10 per cent' Test for Derecognition of Financial liabilities
• IAS 41: Taxation in Fair Value Measurements
The Board considers that there is no material impact of this amendment.
References to Conceptual Framework (Amendments to IFRS 3)

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

a) New standards, interpretations and amendments not yet effective

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

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

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

Basis of consolidation

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

Subsidiaries

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

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

Impairment of non-financial assets

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

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

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

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

Intangible Assets

Oil and gas assets: exploration and evaluation

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

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

All lease and licence acquisition costs, geological and geophysical costs and other direct costs of exploration, evaluation and development are capitalised as intangible or property, plant and equipment according to their nature. Intangible assets comprise costs relating to the exploration and evaluation of properties which the Directors consider to be unevaluated until reserves are appraised as commercial, at which time they are transferred to tangible assets as

'Developed oil and gas assets' following an impairment review and depreciated accordingly. Where properties are appraised to have no commercial value, the associated costs are treated as an impairment loss in the period in which the determination is made.

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

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

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

Property, plant and equipment

Non oil and gas assets

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

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

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

Equipment and machinery 4-10 years

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

Investments

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

Trade and other receivables

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

Cash and cash equivalents

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

Taxation

Income tax

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

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

Deferred tax

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

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

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

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

Trade and other payables

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

Fair values

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

Share-based compensation

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

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

Share based payments (Note 20)
The fair value of share-based payments recognised in the income statement is measured by use of the Black Scholes model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The share price volatility percentage factor used in the calculation is based on management's best estimate of future share price behaviour and is selected based on past experience, future expectations and benchmarked against peer companies in the industry.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Provisions

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

Financial instruments

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

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

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

Foreign currencies

i) Functional and presentation currency

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

ii) Transactions and balances

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

iii) Group companies

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

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

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

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

Management of capital

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

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

Dividends cannot be issued until there are sufficient reserves available.

Critical accounting judgements and key sources of estimation uncertainty

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

Carrying value of intangible exploration and evaluation assets

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

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

Commercial reserves estimates

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

2. Segmental information

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

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

Exploration and production year ended 31 December 2022

United	South	South East

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

Exploration and production year ended 31 December 2021 *(restated)*

	United Kingdom £'000	South America £'000	South East Asia £'000	Total £'000
Revenue	-	-	-	-
Cost of sales	-	-	-	-
Gross profit	-	-	-	-
Exploration and evaluation expenditure	(50)	(101)	(67)	(218)
Intangible asset impairment	-	(17)	-	(17)
Property, plant and equipment impairment and depreciation	(11)	-	-	(11)
Receivables and inventory impairment	-	(7)	-	(7)
Administration expenses	(1,031)	(5)	(285)	(1,321)
Gain on exchange	22	-	-	22
Other operating income	-	-	89	89
Operating (loss)/profit	(1,070)	(130)	(263)	(1,463)
Income from associated undertaking	-	-	29	29
Gain on disposal of associated undertaking	-	-	302	302
Loss before interest and taxation	(1,070)	(130)	68	(1,132)

Finance costs	(2)	-	-	(2)
Finance income	7	-	-	7
(Loss)/Profit before taxation	(1,065)	(130)	68	(1,127)
Income tax expense	-	-	-	-
Loss/(Profit) before taxation	(1,065)	(130)	68	(1,127)
Assets and liabilities				
Segment assets	2,816	4	863	3,683
Cash and cash equivalents	1,527	5	118	1,650
Total assets	4,343	9	981	5,333
Segment liabilities	94	3	542	639
Current tax liabilities	12	-	-	12
Total liabilities	106	3	542	651
Other segment items				
Capital expenditure	50	-	1,307	1,357
Depreciation, amortisation and impairment charges	11	24	-	35

3. Operating loss

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

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

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

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

4. Staff numbers and cost

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

	2022		2021	
	Group	**Company**	**Group**	**Company**
	Number	*Number*	*Number*	*Number*
Directors	3	3	3	3

Directors	[illegible]	[illegible]	[illegible]	[illegible]
Technical and production	4	-	-	
Administration	2	1	2	1
Total	9	4	5	4

The aggregate payroll costs of these persons were as follows:	*£'000*	*£'000*	*£'000*	*£'000*
Wages and salaries	206	49	96	80
Directors' fees, salaries and benefits	390	390	349	349
Share based payments	-	-	286	286
Social security costs	47	47	51	51
	643	486	782	766

5. Finance income and expenses

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

6. Income tax expense	**2022**	**2021**
	£'000	*£'000*
The tax charge on the loss on ordinary activities was:-		
UK Corporation Tax - current	-	-
Foreign taxation	-	-
	-	-

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

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

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

7. Earnings per share

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

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

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

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

per share for that year.

8. Property, plant and equipment

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

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

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

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

9. Intangible fixed assets

	Exploration and evaluation assets	Total
	£'000	£'000

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

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

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

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

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

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

10. Goodwill

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

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

11. Associated undertaking

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

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

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

12. Investments

	Loans to group undertaking £'000	Shares in group undertaking £'000	Shares in associated undertaking £'000	Total £'000
Company				
Cost				
At 1 January 2021	775	5,444	195	6,414
Exchange rate adjustment	19	-	-	19
Additions	-	2,104	93	2,197
Net loan movements	1,030	-	-	1,030
Disposals	-	-	(288)	(288)
At 1 January 2022	1,824	7,548	-	9,372
Exchange rate adjustment	205	-	-	205
Net loan movements	1,811	-	-	1,811

At 31 December 2022	3,840	7,548	-	11,388
Impairment				
At 1 January 2021	775	5,444	-	6,219
Chargefor the year	124	-	-	124
At 1 January 2022	899	5,444	-	6,343
Charge for the year	43	-	-	43
At 31 December 2022	942	5,444	-	6,386
Carrying value				
At 31 December 2022	2,898	2,104	-	5,002
At 31 December 2021	925	2,104	-	3,029

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

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

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

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

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

All shareholdings are in ordinary, voting shares.

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

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

14. Bank guarantee bond	**2022**		**2021**	
	Group £'000	**Company £'000**	**Group £'000**	**Company £'000**
Bank guarantee bond at 31 December 2022	827	-	859	-

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

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

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

15. Cash and cash equivalents	**2022**		*Restated* **2021**	
	Group £'000	**Company £'000**	**Group £'000**	**Company £'000**
Bank current accounts	837	655	238	120
Bank deposit accounts	4,970	4,970	1,412	1,407
	5,807	5,625	1,650	1,527

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

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

17. Lease finance

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

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

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

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

(i) 2,750,000,000 new ordinary shares of £0.00025 each at £0.0006 per share on 9 May 2022.

(ii) 117,125,001 new ordinary shares of £0.00025 each at £0.0010 per share on 4 November 2022.

(iii) 4,469,522,966 new ordinary shares of £0.00025 each at £0.0012 per share on 29 November 2022.

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

19. Share premium and reserves

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

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

ue date	Final exercise date	Exercise price	1 January 2022 Number	New Issue Number	Exercised Number	Lapsed or cancelled Number	31 December 2022 Number
ugust 2019	6 August 2022	£0.00080	27,500,000	-	-	(27,500,000)	-
March 2020	26 March 2023	£0.00100	117,125,001	-	(117,125,001)	-	-
May 2020	26 May 2030	£0.00100	290,000,000	-	-	(165,000,000)	125,000,000
November 20	10 November 2030	£0.00100	75,000,000	-	-	(75,000,000)	-
July 2021	22 July 2031	£0.00070	440,000,000	-	-	-	440,000,000
July 2021	31 December 2025 *	£0.00070	150,000,000	-	-	-	150,000,000
December 21	17 December 2031	£0.00060	530,000,000	-	-	-	530,000,000
July 2022	14 July 2025	£0.00070	-	175,000,000	-	-	175,000,000
			1,629,625,001	175,000,000	(117,125,001)	(267,500,000)	1,420,000,000

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

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

ue date	Final exercise date	Exercise price	1 January 2021 Number	New Issue Number	Exercised Number	Lapsed Number	31 December 2021 Number
November 18	27 November 2021	£0.00435	20,000,000	-	-	(20,000,000)	-
ecember 18	3 December 2021	£0.00440	10,000,000	-	-	(10,000,000)	-
ugust 2019	6 August 2022	£0.00080	27,500,000	-	-	-	27,500,000
March 2020	26 March 2023	£0.00100	117,125,001	-	-	-	117,125,001
May 2020	26 May 2030	£0.00100	290,000,000	-	-	-	290,000,000
November 20	10 November 2030	£0.00100	75,000,000	-	-	-	75,000,000
July 2021	22 July 2031	£0.00070	-	440,000,000	-	-	440,000,000
July 2021	22 July 2024	£0.00070	-	150,000,000	-	-	150,000,000
December 21	17 December 2031	£0.00060	-	530,000,000	-	-	530,000,000
			539,625,001	1,120,000,000	-	(30,000,000)	1,629,625,001

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

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

20. Share based payments

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

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

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

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

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

21. Directors' emoluments

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

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

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

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

22. Financial instruments

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

Financial instruments - Risk Management
The Group is exposed through its operations to the following risks:

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

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

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

Principal financial instruments

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

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

General objectives, policies and processes

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

Credit risk

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

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

Cash flow interest rate risk

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

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

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

Interest rates on financial assets

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

31 December 2022	**Financial assets on which interest earned**	**Financial assets on which interest not earned**	**Total**
	£'000	**£'000**	**£'000**
UK sterling	4,802	397	5,199
US dollar (USD)	168	1,287	1,455
Singapore Dollar (SGD)	-	4	4
Peruvian Nuevo Sol (PEN)	-	-	-
	4,970	1,688	6,658

31 December 2021	**Financial assets on which interest earned**	**Financial assets on which interest not earned**	**Total**
	£'000	**£'000**	**£'000**
UK sterling	780	123	903
US dollar (USD)	1,486	174	1,660
Peruvian Nuevo Sol (PEN)	-	-	-
	2,266	297	2,563

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

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

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

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

Foreign exchange risk

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

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

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

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

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

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

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

Liquidity risk

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

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

Price risk

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

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

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

Volatility of oil and gas prices

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

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

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

Capital risk

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

23. Capital commitments

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

24. Contingent Liabilities

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

25. Events after the reporting period

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

26. Ultimate controlling party

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

27. Related party transactions

Company

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

	Year ended 31 December 2022		Year ended 31 December 2021	
	Balance	**Loan advance**	**Balance**	**Loan advance**
	£'000	**£'000**	**£'000**	**£'000**
SundaGas (Timor-Leste Sahul) Pty. Ltd	2898	1,972	926	926
Gold Oil Peru S.A.C *	941	42	899	124

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

Group and company

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

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

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

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

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

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

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

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

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

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

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

28. Restatement of comparative figures

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

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

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

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

Glossary

BSCF	Billion standard cubic feet of natural gas.
Geological chance of success or Geological Probability of Success	The estimated probability that exploration activities will confirm the existence of a significant accumulation of potentially recoverable petroleum.
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable owing to one or more contingencies.
GIIP	Volume of natural gas initially in-place in a reservoir.
High or 3U Estimate	Denotes the high estimate qualifying as Prospective Resources. Reflects a volume estimate that there is a 10% probability that the quantities actually recovered will equal or exceed the estimate.
Licence Operator or Administrator	The Company nominated to carry out operational activities. In the context of the UK jurisdiction, during the initial Phase A of a licence the nominated Company is termed a licence administrator.
MMBBL	Million barrels of oil or condensate.
MMBOE, Oil equivalent	Million barrels of oil equivalent. Volume derived by dividing the estimate of the volume of natural gas in billion cubic feet by six in order to convert it to an equivalent in million barrels of oil or condensate, and, where relevant, adding this to an estimate of the volume of oil in millions of barrels.
Prospective Resources	Quantities of petroleum that are estimated to exist originally in naturally occurring reservoirs, as of a given date. Crude oil in-place, natural gas in-place, and natural bitumen in-place are defined in the same manner.
SPE PRMS 2018	The Society of Petroleum Engineers' ("SPE") Petroleum Resources Management System ("PRMS") is a system developed for consistent and reliable definition, classification, and estimation of hydrocarbon resources prepared by the Oil and Gas Reserves Committee of SPE and approved by the SPE Board in June 2018 following input from six sponsoring societies: the World Petroleum Council, the American Association of Petroleum Geologists, the Society of Petroleum Evaluation Engineers, the Society of Exploration Geophysicists, the European Association of Geoscientists and Engineers, and the Society of Petrophysicists and Well Log Analysts.
SPE PRMS Unrisked Prospective Resources	Denotes the unrisked estimate qualifying as SPE PRMS 2018 Prospective Resources.
Mean	Reflects an unrisked median or best-case volume estimate of resource derived using probabilistic methodology. This is the mean of the probability distribution for the resource estimates and is often not the same as 2U as the distribution can be skewed by high resource numbers with relatively low probabilities.
PSC	Production Sharing Contract.
PSDM	Pre-Stack Depth Migration version of processed seismic data.
TCF	Trillion standard cubic feet of natural gas
TGS-NOPEC	TGS-NOPEC Geophysical Company.

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