

18 September 2024

Star Energy Group plc (AIM: STAR)
("Star Energy" or "the Company" or "the Group")
Unaudited Interim results for the six months ended 30 June 2024

Star Energy announces its unaudited interim results for the six months to 30 June 2024.

Commenting today Ross Glover, Chief Executive Officer, said:

"We have strengthened our balance sheet with the new facility arranged with Kommunalkredit Austria AG, and this gives us the opportunity to reinvest some of our operating cashflows into our oil and gas business to further drive its profitability and sustainability. We continue to successfully deploy capital into quick returning optimisation projects, generally investing small amounts to optimise specific wells. We continue to position the Company to take advantage of the exciting opportunities we see as the energy transition continues, both by reinforcing a very robust foundation of cashflow generating assets and also looking at how best to progress our geothermal portfolio.

Our UK oil and gas business, for now, remains the driver of revenue and we plan to maximise our economic recovery as we seek to capitalise on the shovel-ready projects we have developed at Corringham, Glentworth and Bletchingley. However the recent and proposed changes to the Energy Profits Levy ("EPL") have made this and our transition a more difficult exercise.

We were pleased to welcome the launch of GB Energy and the National Wealth Fund. Both schemes recognise the importance of establishing Britain as a clean energy superpower and the increasing need to build energy independence in today's febrile geopolitical climate. GB Energy plans to invest in leading technologies and projects deploying local energy production to communities across the country. Its focus will be the production of 'clean low carbon energy'.

Whilst we have a very large growth opportunity in UK geothermal, to date, geothermal has received sporadic support from various government schemes. We welcome the new government taking a longer term, more strategic view of the support required to start industries, just as Feed-in Tariffs, the Renewable Obligation and now the Contracts for Difference Scheme have for wind and solar.

Following the satisfaction of the Ernestinovo licence commitment, our technical teams are making good progress with their assessment of the technical data and updating development plans so that we can prioritise development within this business unit.

However, a fundamental aspect of this transition to renewable sources of energy is for the industry to leverage the cashflows and skills of the workforce in the oil and gas industry into this effort. The recent and proposed changes to the Energy Profits Levy regime will curtail our profits, limiting investment into the transition and drive us to look for business opportunities in other jurisdictions reducing the investment we make into the UK. These changes are counter-productive, leaving the UK less able to transition, more dependent on energy from other countries and, in the short to medium term, more exposed to international energy price volatility."

Results Summary

	Six months to 30 June 2024 £m	Six months to 30 June 2023 £m
Revenues	23.2	23.8
Adjusted EBITDA - oil and gas*	8.9	10.1
Adjusted EBITDA - geothermal*	(2.4)	(0.7)
Net debt* (excluding capitalised fees)	1.9	4.0
Cash and cash equivalents	4.2	1.5

*these are alternative performance measures which are further detailed in the financial review

Corporate & Financial Summary

- Cash balances as at 30 June 2024 were £4.2 million (31 December 2023: £3.9 million) with net debt of £1.9 million (31 December 2023: £1.6 million).
- Adjusted EBITDA from oil and gas operations was £1.2 million lower than H1 23 primarily due to higher administrative and one-off reorganisation charges, and costs related to the refinancing and other corporate activities.
- Operating cash flow before working capital movements and realised hedges in H1 2024 of £4.4 million (H1 2023: £8.5 million). Higher cashflows from oil and gas operations were offset by geothermal investments, costs of refinancing, expenses related to rationalising a non-core asset and preparing it for sale, and a lower allocation to capital projects .
- £3.0 million of cash capex incurred during the six months to 30 June 2024. Net cash capex for FY 2024 expected to be £7.7 million, primarily relating to our conventional assets.
- We hedged 400bbl/d for H2 2024 and H1 2025 with swaps at an average price of 83.4/bbl and 79.8/bbl, respectively.
- The estimated EPL charge based on taxable profits in H1 2024 is £1.7 million. The full year estimate is dependent on the outcome of the Government's review of the treatment of capital allowances under the EPL regime. Tax due on the 2024 taxable profit is payable in October 2025.
- Ring fence tax losses of £237 million at 30 June 2024.

Operational Summary

- Net production averaged 2,012 boepd in H1 2024 (H1 2023: 2,071 boepd). Full year production is expected to be c.2,000 boe/d, in line with our previous guidance.
- Satisfied the Ernestinovo licence commitment, following which we commenced a full technical review of our Croatian portfolio.

A results presentation will be available at <https://www.starenergygroupplc.com/investors/reports-publications-presentations>

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Introduction

The focus in recent months has been to identify the best way to optimise our oil and gas business in order to make it as capital efficient as possible and to generate strong and sustainable cashflows. We are also focused on leveraging our onshore operating skills to position Star Energy to build its geothermal business.

We have set out our strategic aim to be a profitable energy business positioned to transition into geothermal and we will deliver on this over time, providing a significant growth opportunity both in the UK and in Europe. However, we recognise that, for now, all our revenue is generated by our oil and gas operations. We will continue to safeguard and maximise this crucial revenue stream by investing in quick returning optimisation projects leading to incremental production and/or a reduction in operating expenditure. We have also made good headway in reducing our G&A costs with a target to achieve annual savings of c.£1.5 million with effect from 2025.

The recently elected Labour Government have announced a clear mandate to develop clean energy and tackle climate change. Star Energy welcomes the launch of Great British Energy and the National Wealth Fund, as well as the Government's aim of harnessing our abundant renewable natural resources. There is clearly appetite for a large scale, low carbon, reliable and indigenous heat supply, and geothermal energy could be a crucial component of Great British Energy and the Government's plans to decarbonise.

Board Changes

In June, Chris Hopkinson stepped down from the Board and his CEO position. Ross Glover succeeded Chris as CEO and joined the Board as a director at the conclusion of the 2024 AGM. Ross has been with the Company since 2017 and has been its Chief Operating Officer since January 2023.

Production Operations

Net production for the period averaged 2,012 boepd (H1 2023: 2,071 boepd) and we are expecting to meet our full year guidance of c.2,000 boepd.

The rolling programme of well optimisation and stimulation continues. We are growing our existing oil and gas reserves while investing in quick returning projects generally deploying small amounts of capital to optimise specific wells.

Development Projects

Work has begun on our Singleton Gas to Wire project which will deliver c.100 boe/d utilising gas which is currently being flared. The project now has planning consent and a secured grid connection. Procurement for long lead items is underway with a first export of electricity from the site expected in mid-2025.

Reserves and resources

CPR

In February 2024, Star Energy announced the publication of the full and final results of the Competent Person's Report (CPR) by DeGolyer & MacNaughton (D&M), a leading international reserves and resources auditor.

The report comprised an independent evaluation of Star Energy's conventional oil and gas interests as of 31 December 2023. The full report can be found here: <https://www.starenergygroupplc.com/investors/reports-publications-presentations>

Net Reserves & Contingent Resources as at 31 Dec 2023 (MMboe).

	1P	2P	2C
Reserves & Resources as at 31 Dec 2022	11.17	17.04	18.72
Production during the period	(0.70)	(0.70)	-

Additions & revisions during the period	1.24	1.13	(0.13)
Reserves & Resources as at 31 Dec 2023	11.71	17.47	18.59

**Oil price assumption of c. 72/bbl for 5 years, then inflated at 2-3% p.a. from 2028 to 2050*

***The production in the reserves movement table incorporates production at the following sites; Albury, Beckingham, Bletchingley, Bothamsall, Cold Hanworth, Corringham, East Glentworth, Egmanon, Glentworth, Goodworth, Horndean, Long Clawson, Palmers Wood, Scampton North, Singleton, Stockbridge, Welton.*

The report values our conventional assets at 235 million (2022: 215 million) on a 2P NPV10 basis.

The full report can be found at <https://www.starenergygroupplc.com/investors/reports-publications-presentations/>

Licence Rationalisation

Following the full impairment of our shale assets in 2023, we have started to rationalise our portfolio of exploration licences, relinquishing early-stage exploration and shale licences whilst retaining a core exploration acreage adjacent to our existing operations in the East Midlands. Alongside this, we have re-organised and simplified our operating licence structure. This re-organisation will lead to reduced costs and lower administrative burden.

Geothermal Development

UK Projects

Seismic data acquisition was completed in early September 2024 for the Salisbury NHS Foundation Trust project. Processing and interpretation of the data acquired will be complete by year end. We anticipate that a planning application will also be submitted by then.

In Manchester, at the Wythenshawe Hospital project, reprocessing of legacy data is underway. Further seismic data will be acquired in Q1 2025, with the survey design largely completed and applications for the necessary permits being made.

In August 2024, we were awarded a feasibility project by the Therme Group to assess the viability of geothermal energy for their planned waterpark, thermal bathing and well-being spa in Manchester. We completed the drilling of a 200m deep test borehole in late August and testing will be completed during September, allowing the design of a geothermal array that will supply heating and cooling to the facility.

In partnership with Scottish and Southern Energy (SSE), an application for grant funding for our Stoke-on-Trent project was made to the Green Heat Network Fund in November 2022. The grant was to support the deployment of a city-wide district heating network, fed by a deep geothermal heat source. Since the application submission, SSE have been refining their technical and commercial models and engaging in further discussions with both the council and other end users in Stoke-on-Trent. Unfortunately, SSE have proposed a new 'Energy from Waste' plant to supply the network and, therefore, the Stoke-on-Trent geothermal project in its original form is no longer progressing. Based on the extensive data and heat demands, we continue to believe that there is a viable geothermal project in Stoke-on-Trent and continue to work with the Stoke-on-Trent City Council and major energy users in the area on an alternative scheme. The opportunity forms part of our pipeline of projects but we do not foresee progression in the near-term. We have therefore fully impaired the development costs of £4.3 million, the majority of which arose as part of the GT Energy UK Limited acquisition. A significant portion of the contingent consideration for the acquisition was based on achieving various milestones on the Stoke-on-Trent project. As a result of its cancellation, £2.3 million of the contingent consideration provision was released in the period.

Croatia Projects

Following the acquisition of the Ernestinovo licence in August 2023, the exploration licence commitment was satisfied in March 2024. The licence is currently in the process of being converted from its exploration phase to its exploitation phase and we expect to formally delineate the field in Q4 2024, leading onto the grant of the exploitation licence in H1 2025.

The Sjece and Pcelic licences were awarded in October 2023. Approvals have now been received to commence the acquisition of magnetotelluric data across the licences. This data will, at a low cost, delineate the reservoir and allow us to update our estimates of reservoir size. All our Croatian licences are in areas where substantial offset data sets are available from previous conventional oil and gas drilling activities.

Alongside this, our technical teams are at an advanced stage of consolidating all existing and new data for each of our three licences in Croatia. This analysis will allow us to bring the development plans for each licence up to date and will inform our next steps and the optimal sequencing for the licences' commercial development. Preliminary conclusions point to good prospects within our Croatian portfolio, with high temperatures recorded in existing wells comparable with other Croatian geothermal reservoirs. We look forward to completing this work within Q4.

Financial review

Income Statement

The Group generated revenue of £23.2 million in the first six months of 2024 from sales of 355,800 barrels of oil (including 2,239 barrels of third party oil), 3,644 Mwh of electricity and 171,542 therms of gas (H1 2023: revenue of £23.8 million from sales of 361,549 barrels of oil (including 14,667 barrels of third party oil), 4,870 Mwh of electricity and 988,421

therms of gas).

Brent prices increased compared to the first half of 2023 averaging 84.1/bbl in H1 2024 compared to 79.8/bbl during H1 2023.

Adjusted EBITDA for H1 2024 was £6.5 million (H1 2023: £9.4 million), of which £8.9 million (H1 2023: £10.1 million) related to our oil and gas operations and £(2.4) million (H1 2023: £(0.7) million) related to geothermal activities.

The loss after tax from continuing activities was £2.5 million (H1 2023: profit after tax of £0.5 million) and the main factors explaining the movements between H1 2024 and H1 2023 were as follows:

- Revenues reduced to £23.2 million (H1 2023: £23.8 million) as the impact of higher oil prices and equity volumes was offset by lower revenue from third party sales, lower gas and electricity prices and volumes, and a weaker US dollar (1.27/£1 in H1 2024 vs. 1.24/£1 in H1 2023). Third party sales were £0.7 million lower than H1 2023 but this was offset by lower operating costs from the purchase of third party oil;
- Depletion, depreciation and amortisation (DD&A) reduced to £2.9 million (H1 2023: £3.3 million) as a result of increase in the Group's estimated proven and probable reserves at the beginning of the period and due to lower gas production volumes in the period;
- Operating costs reduced to £10.4 million (H1 2023: £12.3 million) mainly due to lower workover and maintenance activity following the investment in our fields in 2023, a reduction in third party volumes processed in the period and cost saving initiatives;
- Administrative expenses increased to £4.1 million (H1 2023: £2.4 million) mainly due to legal costs relating to the refinancing of the Group's borrowings and other corporate projects, restructuring costs which will result in savings going forward, a lower allocation to capital projects and general inflationary increases;
- Research and non-capitalised development costs were £1.8 million (H1 2023: £0.1 million) mainly comprising of the well re-entry activity to test the geothermal potential of the Ernestinovo licence in Croatia;
- Exploration and evaluation assets written off of £1.8 million (H1 2023: £nil million) mainly representing costs incurred on PEDL 235 (Godley Bridge) which expired in the period and the decision was taken not to renew;
- Impairment of development costs of £4.3 million (H1 2023: £nil million) relating to the Stoke-on-Trent geothermal project following the decision by SSE to change the focus of the project towards an 'Energy from Waste' project. The majority of the Stoke-on-Trent development costs arose as part of the GT Energy UK Limited acquisition. A significant portion of the contingent consideration was based on achieving various milestones on that project. As a result of its cancellation, £2.3 million (H1 2023: £nil million) of the contingent consideration provision was released in the period;
- Other expenses of £2.0 million (H1 2023: £nil million) relating to the preparation for sale of a non-core asset. It is expected that the sale proceeds will exceed the costs incurred in preparing the asset for sale. £1.5 million of the expense will be paid in H2 2024;
- A loss of £0.1 million on oil hedges (H1 2023: gain of £0.5 million), with 146,000 bbls of open fixed oil price contracts at an average price of 81.6/bbl (H1 2023: 60,000 bbls at an average price of 80.7/bbl);
- Net finance costs of £2.4 million (H1 2023: £1.9 million) - see note 5; and
- A net tax credit of £1.7 million (H1 2023: charge of £3.7 million) was recognised in the period, mainly due to a credit of £3.4 million in deferred tax from a reduction in temporary taxable differences, offset by a current tax charge of £1.7 million under the Energy Profit Levy regime.

Cash Flow

Net cash generated from operations before working capital movements reduced to £4.4 million for the period (H1 2023: £9.2 million) mainly due to higher administrative expenses, research and non-capitalised geothermal development costs and other expenses. This was partially offset by lower operating costs.

The Group invested £3.0 million across its asset base during the period (H1 2023: £4.4 million) primarily on projects to increase production from existing wells and to offset field declines and on the rationalisation works at a non-core site.

The Group announced the closing of a new €25 million secured facility (provided by Kommunalkredit Austria AG) to support its transition strategy into geothermal energy and enable continued investment in the oil and gas business utilising its existing cash flows. We made a drawdown of £6.1 million (£7.1 million) under the new facility and fully repaid the outstanding balance of £5.5 million (£7.0 million) under the RBL facility with the Bank of Montreal (H1 2023: repayment of £3.3 million (£4.0 million)). Interest paid during the period was £0.2 million (H1 2023: £0.4 million). Repayments made in respect of lease obligations were £0.6 million (H1 2023: £0.8 million).

Cash and cash equivalents were £4.2 million at the end of the period (31 December 2023: £3.9 million).

Balance Sheet

Net assets were £52.6 million at 30 June 2024 (31 December 2023: £54.9 million).

Intangible assets reduced by £6.0 million mainly due to recognition of impairment charges during the period. Property, plant and equipment reduced by £1.9 million due to a DD&A charge of £2.3 million and a reduction in value of decommissioning assets of £1.2 million, partially offset by capital expenditure of £1.7 million.

Trade and other receivables reduced by £1.2 million mainly due to a decrease in receivables from joint venture partners of £1.3 million. Lease liabilities increased by £0.5 million during the period. The decommissioning provision reduced by £0.4 million as a result of a utilisation of £0.7 million and the impact of a reassessment of the provision of £0.9 million, offset by an unwinding of the discount of £1.2 million. The contingent consideration provision reduced by £2.3 million following the cancellation of the Stoke-on-Trent project as explained above. Trade and other payables reduced by £3.0 million mainly due to the timing of expenditure.

Non-IFRS Measures

The Group uses non-IFRS measures of performance that are not specifically defined under IFRS or other generally accepted accounting principles. The non-IFRS measures include net debt, adjusted EBITDA, underlying cash operating costs and operating cash flow before working capital movements and realised hedges. These non-IFRS measures are used by the Group, alongside IFRS measures, for both internal performance analysis and to help shareholders, lenders and other users of the Interim Report to better understand the Group's performance in the period in comparison to previous periods and to industry peers.

Net Debt

Net debt, being borrowings excluding capitalised fees less cash and cash equivalents, increased slightly from the end of the previous year to £1.9 million at 30 June 2024 (31 December 2023: £1.6 million; 30 June 2023: £4.0 million). The Group's definition of net debt does not include the Group's lease liabilities.

	Six months ended 30 June 2024	Six months ended 30 June 2023	Year ended 31 December 2023
	£m	£m	£m
Debt (nominal value excluding capitalised expenses)	(6.1)	(5.5)	(5.5)
Cash and cash equivalents	4.2	1.5	3.9
Net debt	(1.9)	(4.0)	(1.6)

Adjusted EBITDA

Adjusted EBITDA includes adjustments in relation to non-cash items such as share-based payment charges and unrealised gain/loss on hedges together with other one-off exceptional items, and after deducting lease rentals capitalised under IFRS 16.

	Six months ended 30 June 2024	Six months ended 30 June 2023	Year ended 31 December 2023
	£m	£m	£m
(Loss)/profit before tax	(4.2)	4.2	2.8
Net finance costs	2.4	1.9	4.4
Depletion, depreciation & amortisation	2.9	3.3	8.3
Impairment of development costs	4.3	-	-
Impairment of goodwill	-	-	0.1
Impairment of exploration and evaluation assets	1.8	-	0.5
EBITDA	7.2	9.4	23.0
Lease rentals capitalised under IFRS 16	(0.8)	(0.9)	(1.8)
Changes in fair value of contingent consideration	(2.3)	-	-
Other expenses	2.0	-	-
Share-based payment charges	0.1	0.4	0.7
Unrealised loss on hedges	0.1	0.3	0.5
Redundancy costs (net of capitalisation)	0.2	0.2	0.1
Acquisition costs	-	-	0.5
Adjusted EBITDA	6.5	9.4	16.1
<i>Related to oil and gas business segment</i>	<i>8.9</i>	<i>10.1</i>	<i>19.1</i>
<i>Related to Geothermal business segment</i>	<i>(2.4)</i>	<i>(0.7)</i>	<i>(3.0)</i>

Underlying cash operating costs

	Six months ended 30 June 2024	Six months ended 30 June 2023	Year ended 31 December 2023
	£m	£m	£m
Other cost of sales*	10.4	12.3	24.1
Lease rentals capitalised under IFRS 16	0.8	0.9	1.8
Underlying operating costs	11.2	13.2	25.9

* this represents total cost of sales less depletion, depreciation and amortisation.

Operating cash flow before working capital movements and realised hedges

	Six months ended 30 June 2024	Six months ended 30 June 2023	Year ended 31 December 2023
	£m	£m	£m
Operating cash flow before working capital movements	4.4	9.2	15.0
Realised (gain)/loss on oil price derivatives	-	(0.7)	(0.5)
Operating cash flow before working capital movements and realised hedges	4.4	8.5	14.5

Principal risks and uncertainties

The Group constantly monitors the Group's risk exposures and management reports to the Audit Committee and the Board on a regular basis. The Audit Committee receives and reviews these reports and focuses on ensuring that the effective systems of internal financial and non-financial controls including the management of risk are maintained. The results of this work are reported to the Board which in turn performs its own review and assessment.

The principal risks for the Group remain as previously detailed on pages 14-15 of the 2023 Annual Report and Accounts and can be summarised as:

- Political risk such as change in Government or the effect of local or national referendums which can result in changes to the regulatory or fiscal regime;
- Strategy, and its execution, fails to meet shareholder expectations;
- Climate change risks that causes changes to laws, regulations, policies, obligations and social attitudes relating to the transition to a lower carbon economy which could have a cost impact or reduced demand for hydrocarbons for the Group and could impact our Strategy;
- Cyber security risk that gives exposure to a serious cyber-attack which could affect the confidentiality of data, the availability of critical business information and cause disruption to our operations;
- Planning, environmental, licensing and other permitting risks associated with its operations and, in particular, with drilling and production operations;
- Oil or gas production, as no guarantee can be given that they can be produced in the anticipated quantities from

- any or all of the Group's assets or that oil or gas can be delivered economically;
- Loss of key staff;
- Pandemic that impacts the ability to operate the business effectively;
- Oil market price risk through variations in the wholesale price in the context of the production from oil fields it owns and operates;
- Gas and electricity market price risk through variations in the wholesale price in the context of its future unconventional production volumes;
- Exchange rate risk through both its major source of revenue and its major borrowings being priced in US and Euros, respectively, while most of the Group's operating and G&A costs are denominated in UK pounds sterling;
- Liquidity risk through its operations; and
- Capital risk resulting from its capital structure, including operating within the covenants of its finance facility.

Going concern

The Group continues to closely monitor and manage its liquidity risks. Cash flow forecasts for the Group are prepared on a monthly basis based on, inter alia, the Group's production and expenditure forecasts, management's best estimate of future oil prices and foreign exchange rates and the Group's available loan facility. Sensitivities are run to reflect different scenarios including, but not limited to, possible further reductions in commodity prices, fluctuations of sterling and reductions in forecast oil and gas production rates.

We have prepared our going concern assessment for the period to 31 March 2026.

Crude oil prices saw a slight increase in the first half of the year of 2024 compared to 2023 and have been considerably less volatile than in recent years. However, with concerns over the health of the global economy and persistent geopolitical tensions in the Middle East, there is ongoing uncertainty about future oil prices.

The Group has generated strong operating cashflows in the first half of 2024, as a result of stable commodity prices and continued effort to minimise operating costs, more than offsetting the investment into our Geothermal business. The proceeds from the sale of a non-core asset are expected to exceed the costs incurred in rationalising and preparing the asset for sale and negotiations are at an advanced stage with completion anticipated by Q1 2025. However, the ability of the Group to operate as a going concern is dependent upon the continued availability of future cash flows and the availability of the monies drawn under its loan facility, which is dependent on the Group not breaching the facility's covenants. To aid mitigation of these risks, the Group benefits from its hedging policy with 121,200 bbls currently hedged for September 2024 to June 2025 using swaps at an average price of 81/bbl.

The Group's base case cash flow forecast was run with average oil prices of 71/bbl for the remainder of 2024, 70/bbl for Q1 2025, 72/bbl for Q2 2025 and 75/bbl for H2 2025, and foreign exchange rates of an average 1.30/£1 for the remainder of 2024 and 2025. In this base case scenario, our forecasts show that the Group will have sufficient financial headroom to meet the applicable financial covenants over the going concern assessment period.

Management has also prepared a downside case with average oil prices at an average 70/bbl for the remainder of 2024, 66/bbl for Q1 2025, 68/bbl for Q2 2025 and 71/bbl for H2 2025, and foreign exchange rates of an average 1.31/£1 for the remainder of 2024 and onwards. Our downside case also included a reduction in production of 5%, from January 2025 and a delay in completion of the sale of the non-core asset to Q2 2025. In the event of a downside scenario, management would take mitigating actions including delaying capital expenditure and reducing costs, in order to remain within the Group's financial covenants over the remaining facility period, should such actions be necessary. All such mitigating actions are within management's control. In this downside scenario including mitigating actions, our forecast shows that the Group will have sufficient financial headroom to meet its financial covenants over the going concern assessment period. Management remain focused on maintaining a strong balance sheet and funding to support our strategy.

Based on the analysis above, the Directors have a reasonable expectation that the Group has adequate resources to continue as a going concern for at least the next twelve months from the date of the approval of the condensed interim consolidated financial statements and have concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements.

Statement of Directors' responsibilities

The Directors confirm that these Condensed Interim Consolidated Financial Statements have been prepared in accordance with UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' ("IAS 34") and the AIM Rules for Companies; and these Unaudited Interim results include:

- a fair review of the information required (i.e., an indication of important events and their impact during the first six months and a description of the principal risks and uncertainties for the remaining six months of the financial year); and
- a fair review of the information required on related party transactions.

By order of the Board,

Ross Glover

Chief Executive Officer

18 September 2024

Condensed Interim Consolidated Income Statement

	Notes	Unaudited 6 months ended 30 June 2024 £000	Unaudited 6 months ended 30 June 2023 £000	Audited year ended 31 December 2023 £000
Revenue	4	23,230	23,781	49,466
Cost of sales				
Depletion, depreciation and amortisation		(2,886)	(3,324)	(8,241)
Other costs of sales		(10,371)	(12,252)	(24,135)
		(13,257)	(15,576)	(32,376)
Gross profit		9,973	8,205	17,090
Administrative expenses		(4,075)	(2,440)	(7,290)
Research and non-capitalised development costs		(1,799)	(126)	(2,002)
Impairment of development costs	9	(4,259)	-	-
Impairment of goodwill	9	-	-	(130)

Exploration and evaluation assets written off	9	(1,849)	-	(456)
Change in fair value of contingent consideration	12	2,251	-	-
(Loss)/gain on derivative financial instruments		(74)	474	(25)
Other expense	7	(2,000)	-	-
Other income		3	-	8
Operating (loss)/profit		(1,829)	6,113	7,195
Finance income	5	34	254	177
Finance costs	5	(2,430)	(2,168)	(4,603)
(Loss)/profit before tax		(4,225)	4,199	2,769
Income tax credit/(charge)	6	1,727	(3,665)	(8,260)
(Loss)/profit after tax		(2,498)	534	(5,491)
Attributable to:				
Owners of the Parent Company		(1,534)	534	(4,493)
Non-controlling interest		(964)	-	(998)
		(2,498)	534	(5,491)
(Loss)/earnings per share attributable to equity shareholders:				
Basic (loss)/earnings per share	8	(1.17p)	0.42p	(3.52p)
Diluted (loss)/earnings per share	8	(1.17p)	0.39p	(3.52p)

Condensed Interim Consolidated Statement of Comprehensive Income

	Unaudited 6 months ended 30 June 2024 £000	Unaudited 6 months ended 30 June 2023 £000	Audited year ended 31 December 2023 £000
(Loss)/profit for the period/year	(2,498)	534	(5,491)
Other comprehensive income for the period/year:			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange differences on translation of foreign operations	24	-	19
Total comprehensive (loss)/income for the period/year	(2,474)	534	(5,472)
Total comprehensive (loss)/income attributable to:			
Owners of the Parent Company	(1,527)	534	(4,477)
Non-controlling interest	(947)	-	(995)
	(2,474)	534	(5,472)

Condensed Interim Consolidated Balance Sheet

	Notes	Unaudited at 30 June 2024 £000	Unaudited at 30 June 2023 £000	Audited at 31 December 2023 £000
ASSETS				
Non-current assets				
Intangible assets	9	7,811	9,814	13,823
Property, plant and equipment	10	72,129	73,599	73,994
Right-of-use assets		7,621	7,204	7,426
Restricted cash		-	410	-
Deferred tax asset	6	40,592	42,081	37,192
		128,153	133,108	132,435
Current assets				
Inventories		1,552	1,499	1,522
Trade and other receivables		5,876	7,260	7,067
Cash and cash equivalents	13	4,199	1,493	3,855
Restricted cash		-	-	410
Derivative financial instruments	11	-	270	-
		11,627	10,522	12,854
Total assets		139,780	143,630	145,289
LIABILITIES				
Current liabilities				
Trade and other payables		(8,017)	(6,111)	(10,971)
Corporation tax payable	6	(1,099)	-	(1,099)
Borrowings	13	(5,483)	(5,239)	(5,358)
Derivative financial instruments	11	(74)	-	-
Lease liabilities		(1,054)	(977)	(865)
Provisions	12	(1,858)	(3,378)	(2,236)
		(17,585)	(15,705)	(20,529)
Non-current liabilities				
Other payables		-	(371)	-
Corporation tax payable	6	(1,664)	(933)	-
Lease liabilities		(7,334)	(6,674)	(6,981)
Provisions	12	(60,628)	(60,613)	(62,906)
		(69,626)	(68,591)	(69,887)
Total liabilities		(87,211)	(84,296)	(90,416)
Net assets		52,569	59,334	54,873

Condensed Interim Consolidated Balance Sheet (continued)

	Notes	Unaudited at 30 June 2024 £000	Unaudited at 30 June 2023 £000	Audited at 31 December 2023 £000
EQUITY				
Capital and reserves				
Called up share capital	15	30,334	30,334	30,334
Share premium account	15	103,218	103,131	103,189
Foreign currency translation reserve		3,822	3,799	3,815
Other reserves		38,465	38,079	38,324
Accumulated deficit		(122,570)	(116,009)	(121,036)
Equity attributable to owners of the Company		53,269	59,334	54,626
Non-controlling interest		(700)	-	247
Total equity		52,569	59,334	54,873

Condensed Interim Consolidated Statement of Changes in Equity

	Called up share capital £000	Share premium account £000	Foreign currency translation reserve* £000	Other reserves** £000	Accumulated deficit £000	Equity attributable to owners of the Company £000	Non- controlling interest £000	Total equity £000
At 1 January 2023 (audited)	30,334	103,068	3,799	37,617	(116,543)	58,275	-	58,275
Profit for the period	-	-	-	-	534	534	-	534
Share options issued under the employee share plan	-	-	-	462	-	462	-	462
Issue of shares (note 15)	-	63	-	-	-	63	-	63
At 30 June 2023 (unaudited)	30,334	103,131	3,799	38,079	(116,009)	59,334	-	59,334
Loss for the period	-	-	-	-	(5,027)	(5,027)	(998)	(6,025)
Acquisition of subsidiary with non-controlling interest	-	-	-	-	-	-	1,242	1,242
Share options issued under the employee share plan	-	-	-	245	-	245	-	245
Issue of shares (note 15)	-	58	-	-	-	58	-	58
Currency translation adjustments	-	-	16	-	-	16	3	19
At 31 December 2023 (audited)	30,334	103,189	3,815	38,324	(121,036)	54,626	247	54,873
Loss for the period	-	-	-	-	(1,534)	(1,534)	(964)	(2,498)
Share options issued under the employee share plan	-	-	-	141	-	141	-	141
Issue of shares (note 15)	-	29	-	-	-	29	-	29
Currency translation adjustments	-	-	7	-	-	7	17	24
At 30 June 2024 (unaudited)	30,334	103,218	3,822	38,465	(122,570)	53,269	(700)	52,569

* The foreign currency translation reserve includes an amount of £3,799 thousand (31 December 2023: £3,799 thousand, 30 June 2023: £3,799 thousand) in respect of exchange gains and losses on translation of net assets and results, and intercompany balances, which formed part of the net investment of the Group, in respect of subsidiaries which previously operated with a functional currency other than UK pound sterling.

** Other reserves include: 1) Share plan reserves comprising a EIP/MRP/EDRP reserve representing the cost of share options issued under the long-term incentive plans and share incentive plan reserve representing the cost of the partnership and matching shares; 2) a treasury shares reserve which represents the cost of shares in Star Energy Group plc purchased in the market to satisfy awards held under the Group incentive plans; 3) a capital contribution reserve which arose following the acquisition of IGas Exploration UK Limited; and 4) a merger reserve which arose on the reverse acquisition of Island Gas Limited.

Condensed Interim Consolidated Cash Flow Statement

	Notes	Unaudited 6 months ended 30 June 2024 £000	Unaudited 6 months ended 30 June 2023 £000	Audited year ended 31 December 2023 £000
Cash flows from operating activities:				
(Loss)/profit before tax		(4,225)	4,199	2,769
Depletion, depreciation and amortisation		2,909	3,343	8,291
Abandonment costs/other provisions utilised or released		(734)	(951)	(2,186)
Share-based payment charge		141	401	633
Exploration and evaluation assets written-off	9	1,849	-	456
Impairment of goodwill	9	-	-	130
Impairment of development costs	9	4,259	-	-
Change in fair value of contingent consideration	12	(2,251)	-	-
Unrealised loss on oil price derivatives		74	255	525
Gain on sale of fixed assets		(3)	-	(8)
Finance income	5	(34)	(254)	(177)
Finance costs	5	2,430	2,168	4,603
Operating cash flows before working capital movements		4,415	9,161	15,036
Decrease in trade and other receivables and other financial assets		473	58	1,482
(Decrease)/increase in trade and other payables		(751)	(1,996)	553
(Increase)/decrease in inventories		(30)	168	145
Net cash generated from operating activities		4,107	7,391	17,216

Cash flows from investing activities:				
Purchase of intangible exploration and evaluation assets		(118)	(317)	(343)
Purchase of property, plant and equipment		(2,881)	(3,665)	(7,547)
Purchase of intangible development assets		(29)	(399)	(619)
Acquisition of subsidiary, net of cash acquired		-	-	(1,282)
Proceeds from disposal of property, plant and equipment		3	-	152
Interest received		34	14	24
Net cash used in investing activities		(2,991)	(4,367)	(9,615)
Cash flows from financing activities:				
Cash proceeds from issue of ordinary share capital	15	13	22	42
Drawdown on finance facility	13	6,110	-	-
Repayment of Reserves Based Lending facility	13	(5,541)	(3,284)	(3,284)
Transaction costs related to loan refinancing	13	(626)	-	-
Repayment of principal portion of lease liabilities		(222)	(521)	(1,255)
Repayment of interest on lease liabilities		(344)	(328)	(727)
Interest paid	13	(188)	(384)	(1,384)
Net cash used in financing activities		(798)	(4,495)	(6,608)
Net increase/(decrease) in cash and cash equivalents during the period/year		318	(1,471)	993
Net foreign exchange differences		26	(128)	(230)
Cash and cash equivalents at the beginning of the period/year		3,855	3,092	3,092
Cash and cash equivalents at the end of the period/year	13	4,199	1,493	3,855

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

1 Corporate information

The condensed interim consolidated financial statements of Star Energy Group plc and its subsidiaries (the Group) for the six months ended 30 June 2024, which are unaudited, were authorised for issue in accordance with a resolution of the Directors on 18 September 2024. Star Energy Group plc is a public limited company incorporated and domiciled in England whose shares are publicly traded on the AIM market. The Group's principal activities are exploring for, appraising, developing and producing oil and gas and developing geothermal projects.

2 Accounting policies

Basis of preparation

These unaudited condensed interim consolidated financial statements for the six months ended 30 June 2024 have been prepared in accordance with UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' ("IAS 34") and the AIM Rules for Companies. The unaudited condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2023. The annual financial statements of Star Energy Group plc are prepared in accordance with UK-adopted International Accounting Standards.

The financial information contained in this document does not constitute statutory accounts as defined by Section 434 of the Companies Act 2006 (England & Wales). The financial information as at 31 December 2023 is based on the statutory accounts for the year ended 31 December 2023. A copy of the statutory accounts for that year, has been delivered to the Registrar of Companies and is available on the Company's website at www.starenergygroupplc.com. The auditors' report in accordance with Chapter 3 Part 16 of the Companies Act 2006 in relation to those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of the new and amended standards and interpretations discussed below. Prior period numbers have been reclassified, where necessary, to conform to the current period presentation.

Going concern

The Group continues to closely monitor and manage its liquidity risks. Cash flow forecasts for the Group are prepared on a monthly basis based on, inter alia, the Group's production and expenditure forecasts, management's best estimate of future oil prices and foreign exchange rates and the Group's available loan facility. Sensitivities are run to reflect different scenarios including, but not limited to, possible further reductions in commodity prices, fluctuations of sterling and reductions in forecast oil and gas production rates.

We have prepared our going concern assessment for the period to 31 March 2026.

Crude oil prices saw a slight increase in the first half of the year of 2024 compared to 2023 and have been considerably less volatile than in recent years. However, with concerns over the health of the global economy and persistent geopolitical tensions in the Middle East, there is ongoing uncertainty about future oil prices.

The Group has generated strong operating cashflows in the first half of 2024, as a result of stable commodity prices and continued effort to minimise operating costs, more than offsetting the investment into our Geothermal business and the costs incurred to prepare the non-core asset for sale. The proceeds from the sale of a non-core asset are expected to exceed the costs incurred in rationalising and preparing the asset for sale and negotiations are at an advanced stage with completion anticipated by Q1 2025. However, the ability of the Group to operate as a going concern is dependent upon the continued availability of future cash flows and the availability of the monies drawn under its loan facility, which is dependent on the Group not breaching the facility's covenants. To aid mitigation of these risks, the Group benefits from its hedging policy with 121,200 bbls currently hedged for September 2024 to June 2025 using swaps at an average price of 81/bbl.

The Group's base case cash flow forecast was run with average oil prices of 71/bbl for the remainder of 2024, 70/bbl for Q1 2025, 72/bbl for Q2 2025 and 75/bbl for H2 2025, and foreign exchange rates of an average 1.30/£1 for the remainder of 2024 and 2025. In this base case scenario, our forecasts show that the Group will have sufficient financial headroom to meet the applicable financial covenants over the going concern assessment period.

Management has also prepared a downside case with average oil prices at an average 70/bbl for the remainder of 2024, 66/bbl for Q1 2025, 68/bbl for Q2 2025 and 71/bbl for H2 2025, and foreign exchange rates of an average 1.31/£1 for the remainder of 2024 and onwards. Our downside case also included a reduction in production of 5%, from January 2025 and a delay in completion of the sale of the non-core asset to Q2 2025. In the event of a downside scenario, management would take mitigating actions including delaying capital expenditure and reducing costs, in order to remain within the Group's financial covenants over the remaining facility period, should such actions be necessary. All such mitigating actions are within management's control. In this downside scenario including mitigating actions, our forecast shows that the Group will have sufficient financial headroom to meet its financial covenants over the going concern assessment period. Management remain focused on maintaining a strong balance sheet and funding to support our strategy.

Based on the analysis above, the Directors have a reasonable expectation that the Group has adequate resources to continue as a going concern for at least the next twelve months from the date of the approval of the condensed interim consolidated financial statements and have concluded it is appropriate to adopt the going concern basis of accounting in the preparation of the financial statements.

New and amended standards and interpretations

new and amended standards and interpretations

During the period, the Group adopted the following new and amended IFRSs for the first time for their reporting period commencing 1 January 2024:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback

These standards do not have a material impact on the Group in the current or future reporting periods. There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods, with the exception of IFRS 18 *Presentation and Disclosure in Financial Statements* which was issued on 9 April 2024, effective for periods beginning on or after 1 January 2027. We are in the process of assessing the impact of this newly issued standard on our future financial statements.

Estimates and judgements

The preparation of the unaudited condensed interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing these unaudited condensed interim consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2023.

Financial risk management

The Group's activities expose it to a variety of financial risks; market risk (including interest rate, commodity price and foreign currency risks), credit risk and liquidity risk.

The unaudited condensed interim consolidated financial statements do not include financial risk management information and disclosures required in the annual financial statements; accordingly, the unaudited condensed interim consolidated financial statements should be read in conjunction with the Group's annual financial statements as at 31 December 2023.

3 Basis of consolidation

The unaudited condensed interim consolidated financial statements present the results of Star Energy Group plc and its subsidiaries as if they formed a single entity. The financial information of subsidiaries used in the preparation of these unaudited condensed interim consolidated financial statements is based on consistent accounting policies to those of the Company. All intercompany transactions and balances between Group companies, including unrealised profits/losses arising from them, are eliminated in full. Where shares are issued to an Employee Benefit Trust, and the Company is the sponsoring entity, it is treated as an extension of the entity.

4 Revenue

The Group derives revenue solely within the United Kingdom from the transfer of control over goods and services to external customers which is recognised at a point in time when the performance obligation has been satisfied by the transfer of goods. The Group's major product lines are:

	Unaudited 6 months ended 30 June 2024	Unaudited 6 months ended 30 June 2023	Audited year ended 31 December 2023
	£000	£000	£000
Oil sales	22,861	21,945	46,448
Electricity sales	246	696	1,162
Gas sales	123	1,140	1,856
Revenue for the period/year	23,230	23,781	49,466

5 Finance income and costs

	Unaudited 6 months ended 30 June 2024	Unaudited 6 months ended 30 June 2023	Audited year ended 31 December 2023
	£000	£000	£000
Finance income:			
Interest on short-term deposits	12	14	24
Net foreign exchange gain	-	240	153
Other interest received	22	-	-
Finance income for the period/ year	34	254	177
Finance costs:			
Interest on borrowings	(394)	(433)	(909)
Amortisation of finance fees on borrowings	(183)	(134)	(268)
Net foreign exchange loss	(62)	-	-
Unwinding of discount on decommissioning provision (note 12)	(1,221)	(1,273)	(2,596)
Interest charge on lease liability	(344)	(328)	(727)
Other interest payable	(226)	-	(103)
Finance costs for the period/ year	(2,430)	(2,168)	(4,603)

6 Tax on (loss)/ profit on ordinary activities

The Group calculates the period income tax expense using the UK corporation tax rate that would be applicable to expected total annual earnings for the 12 months ending 31 December 2024. The majority of the Group's profits are generated by "ring-fence" business which attract UK corporation tax and supplementary charges at a combined average rate of 40% (six months ended 30 June 2023: 40%), in addition to the Energy Profit Levy (EPL) introduced in May 2022 with an expected average rate of 35% for the period (six months ended 30 June 2023: 35%). The effective tax rate for the period is 40.9% (six months ended 30 June 2023: 87%), reflecting the deferred tax credit of £3.4 million in the period, primarily as a result of reduction in temporary taxable differences expected to realise during the period of operation of the EPL regime, offset by a current EPL charge of £1.7 million. The major components of income tax expense in the unaudited condensed interim consolidated income statement are:

Unaudited 6 months ended 30 June 2024	Unaudited 6 months ended 30 June 2023	Audited year ended 31 December 2023
£000	£000	£000

UK corporation tax			
Charge on (loss)/profit for the period/year	1,664	933	1,099
Total current tax charge	1,664	933	1,099
Deferred tax			
(Credit)/charge relating to the origination or reversal of temporary differences	(3,558)	3,011	8,611
Charge/(credit) in relation to prior periods	167	(279)	(1,450)
Total deferred tax (credit)/charge	(3,391)	2,732	7,161
Tax (credit)/charge on (loss)/profit on ordinary activities for the period/year	(1,727)	3,665	8,260

A deferred tax asset of £40.6 million (30 June 2023: £42.1 million, 31 December 2023: £37.2 million) has been recognised in respect of tax losses and other temporary differences where the Directors believe that it is probable that these assets will be recovered based on estimated taxable profit forecast.

The Group has gross total tax losses and similar attributes carried forward of £361.6 million (30 June 2023: £350.8 million, 31 December 2023: £362.1 million). Deferred tax assets have been recognised in respect of tax losses and other temporary differences where the Directors believe it is probable that these assets will be recovered based on a five-year profit forecast or to the extent that there are offsetting deferred tax liabilities. Such recognised tax losses include £104.8 million (30 June 2023: £117.7 million, 31 December 2023: £109.5 million) of ringfence corporation tax losses which will be recovered at 30% of future taxable profits, £90.4 million (30 June 2023: £115.9 million, 31 December 2023: £92.6 million) of supplementary charge tax losses which will be recovered at 10% of future taxable profits, £4.6 million (30 June 2023: £nil, 31 December 2023: £nil) of non-ringfence corporation tax losses which will be recovered at 25% of future taxable profits and £4.8 million (30 June 2023: £nil, 31 December 2023: £4.3 million) of losses arising under the EPL regime which will be recovered at 35% of future taxable profits.

In July 2024, the UK Government announced planned changes (to be effective from 1 November 2024) to the EPL regime, with the intention to increase the headline EPL rate to 38%, extend the sunset clause to 31 March 2030, abolish the main EPL investment allowance and reduce the amount of relief available for capital expenditure in calculating the EPL charge. These changes have not yet been enacted at the date of approval of these financial statements. Once enacted, these changes will have an impact on the tax charge and deferred tax asset to be recognised in future periods. As the full details of the announced measures are not yet known it is not currently possible to calculate the potential impact on the balance sheet.

7 Other expense

Other expense of £2.0 million relates to the preparation for sale of a non-core asset. It is expected that the sale proceeds will exceed the costs incurred in preparing the asset for sale.

8 Earnings per share (EPS)

Basic EPS amounts are based on the loss for the period after taxation attributable to the ordinary equity holders of the Parent Company of £1.5 million (six months ended 30 June 2023: profit after taxation of £0.5 million attributable to the ordinary equity holders of the Parent Company; year ended 31 December 2023: loss after taxation of £4.5 million attributable to the ordinary equity holders of the Parent Company) and the weighted average number of ordinary shares outstanding during the period of 130.6 million (six months ended 30 June 2023: 127.2 million; year ended 31 December 2023: 127.7 million).

Diluted EPS amounts are based on the loss for the period/year after taxation attributable to the ordinary equity holders of the Parent Company and the weighted average number of shares outstanding during the period/year plus the weighted average number of ordinary shares that would be issued on the conversion of all the potentially dilutive ordinary shares into ordinary shares, except where these are anti-dilutive.

As at 30 June 2024, there are 3.1 million potentially dilutive employee share options (six months ended 30 June 2023: 9.1 million, year ended 31 December 2023: 7.5 million). These were not included in the calculation at 30 June 2024 and 31 December 2023 as their conversion to ordinary shares would have decreased the loss per share. These are however included in the calculation for the six months ended 30 June 2023.

9 Intangible assets

	Exploration and evaluation assets £'000	Development costs £'000	Goodwill £'000	Total £'000
Cost				
At 1 January 2023	5,558	3,710	-	9,268
Additions	117	429	-	546
At 30 June 2023 (unaudited)	5,675	4,139	-	9,814
Amounts recognised on acquisition of a subsidiary	-	2,529	1,311	3,840
Additions	436	276	-	712
Exchange differences	-	28	15	43
Impairment	(456)	-	(130)	(586)
At 31 December 2023 (audited)	5,655	6,972	1,196	13,823
Additions	147	30	-	177
Exchange differences	-	(56)	(25)	(81)
Impairment	(1,849)	(4,259)	-	(6,108)
At 30 June 2024 (unaudited)	3,953	2,687	1,171	7,811

Exploration and evaluation assets

Exploration costs written off in the period to 30 June 2024 were £1.8 million (6 months to 30 June 2023: £nil, year ended 31 December 2023: £0.5 million) which substantially all related to the impairment of capitalised exploration costs at PEDL 235, where the decision was taken not to renew our exploration licence (year ended 31 December 2023: £0.3 million of early-stage projects related to our conventional assets where there was no further development prospect and £0.2 million related to trailing costs on previously impaired unconventional licences).

The Group has £4.0 million (six months ended 30 June 2023: £5.7 million, year ended 31 December 2023: £5.7 million) of capitalised exploration expenditure which relates to our conventional assets including PL 240.

Management assessed the remaining capitalised exploration expenditure for indications of impairment under *IFRS 6 Exploration for and Evaluation of Mineral Resources* and did not identify any factors indicating an impairment.

At 1 January	226,888	1,734	228,622	220,301	2,046	222,347	220,301	2,046	222,347
Additions	1,692	-	1,692	2,702	-	2,702	6,920	27	6,947
Disposals/write offs	-	(29)	(29)	-	-	-	-	(339)	(339)
Changes in decommissioning	(1,217)	-	(1,217)	(1,062)	-	(1,062)	(333)	-	(333)
At 30 June/31 December	227,363	1,705	229,068	221,941	2,046	223,987	226,888	1,734	228,622
Accumulated Depreciation, Depletion and Impairment									
At 1 January	154,004	624	154,628	147,022	594	147,616	147,022	594	147,616
Charge for the period/year	2,323	17	2,340	2,758	14	2,772	6,982	30	7,012
Disposals/write offs	-	(29)	(29)	-	-	-	-	-	-
At 30 June/ 31 December	156,327	612	156,939	149,780	608	150,388	154,004	624	154,628
Net book value at 30 June/31 December	71,036	1,093	72,129	72,161	1,438	73,599	72,884	1,110	73,994

Impairment of oil and gas properties

The Group reviewed the carrying value of oil and gas assets as at 30 June 2024 and assessed it for impairment and impairment reversal indicators. No factors that would have a material impact on the carrying value of the assets since the last balance sheet date were identified. Management has therefore concluded that there were no impairment or impairment reversal indicators at 30 June 2024.

11 Financial Instruments - fair value disclosure

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

There are no non-recurring fair value measurements nor have there been any transfers between levels of the fair value hierarchy.

Financial assets and liabilities measured at fair value

	Level	Unaudited at 30 June 2024 £'000	Unaudited at 30 June 2023 £'000	Audited at 31 December 2023 £'000
Financial assets:				
Derivative financial instruments - oil hedges	2	-	270	-
At 30 June/31 December		-	270	-

	Level	Unaudited at 30 June 2024 £'000	Unaudited at 30 June 2023 £'000	Audited at 31 December 2023 £'000
Financial liabilities:				
Derivative financial instruments - oil hedges	2	(74)	-	-
Contingent consideration (note 12)	3	(480)	(2,731)	(2,731)
At 30 June/31 December		(554)	(2,731)	(2,731)

Fair value of derivative financial instruments

Commodity price hedges

The fair values of the commodity price hedges were provided by counterparties with whom the trades have been entered into. These consist of Asian style swaps to sell oil. The hedges are valued by comparing the fixed prices of the trades with prevailing market forward prices (or end of day prices) and the difference multiplied by the traded volumes. These results are discounted to provide a fair value.

Fair value of other financial assets and financial liabilities

The fair values of all other financial assets and financial liabilities are considered to be materially equivalent to their carrying values.

12 Provisions

	Unaudited at 30 June 2024 £'000			Unaudited at 30 June 2023 £'000			Audited at 31 December 2023 £'000		
	Decommissioning provisions	Contingent consideration	Total	Decommissioning provisions	Contingent consideration	Total	Decommissioning provisions	Contingent consideration	Total
At 1 January	(62,411)	(2,731)	(65,142)	(62,825)	(2,731)	(65,556)	(62,825)	(2,731)	(65,556)
Acquisitions	-	-	-	-	-	-	-	(857)	(857)
Utilisation of provision	656	-	656	1,635	-	1,635	2,909	857	3,766
Unwinding of discount (note 5)	(1,221)	-	(1,221)	(1,273)	-	(1,273)	(2,596)	-	(2,596)
Reassessment of decommissioning provision	970	-	970	1,203	-	1,203	101	-	101
Change in fair value of contingent consideration	-	2,251	2,251	-	-	-	-	-	-
At 30 June/31 December	(62,006)	(480)	(62,486)	(61,260)	(2,731)	(63,991)	(62,411)	(2,731)	(65,142)

	Unaudited at 30 June 2024 £'000			Unaudited at 30 June 2023 £'000			Audited at 31 December 2023 £'000		
	Decommissioning provisions	Contingent consideration	Total	Decommissioning provisions	Contingent consideration	Total	Decommissioning provisions	Contingent consideration	Total
At 1 January	(62,411)	(2,731)	(65,142)	(62,825)	(2,731)	(65,556)	(62,825)	(2,731)	(65,556)
Acquisitions	-	-	-	-	-	-	-	(857)	(857)
Utilisation of provision	656	-	656	1,635	-	1,635	2,909	857	3,766
Unwinding of discount (note 5)	(1,221)	-	(1,221)	(1,273)	-	(1,273)	(2,596)	-	(2,596)
Reassessment of decommissioning provision	970	-	970	1,203	-	1,203	101	-	101
Change in fair value of contingent consideration	-	2,251	2,251	-	-	-	-	-	-
At 30 June/31 December	(62,006)	(480)	(62,486)	(61,260)	(2,731)	(63,991)	(62,411)	(2,731)	(65,142)

Current	(1,858)	-	(1,858)	(3,098)	(280)	(3,378)	(1,956)	(280)	(2,236)
Non-current	(60,148)	(480)	(60,628)	(58,162)	(2,451)	(60,613)	(60,455)	(2,451)	(62,906)
At 30 June/ 31 December	(62,006)	(480)	(62,486)	(61,260)	(2,731)	(63,991)	(62,411)	(2,731)	(65,142)

Decommissioning provision

The Group spent £0.7 million on decommissioning activities during the period (six months ended 30 June 2023: £1.6 million; year ended 31 December 2023: £2.9 million).

Provision has been made for the discounted future cost of abandoning wells and restoring sites to a condition acceptable to the relevant authorities. This is expected to take place between 1 to 29 years from period end (30 June 2023: 1 to 29 years; 31 December 2023: 1 to 29 years). The provisions are based on the Group's internal estimate as at 30 June 2024. Assumptions are based on the current experience from decommissioning wells which management believes is a reasonable basis upon which to estimate the future liability. The estimates are based on a planned programme of abandonments but also include a provision to be spent in 2024-2028 on preparing for the abandonment campaign, abandoning wells and restoring sites which for regulatory, integrity or other reasons fall outside the planned campaign. The estimates are reviewed regularly to take account of any material changes to the assumptions. Actual decommissioning costs will ultimately depend upon future costs for decommissioning which will reflect market conditions and regulations at that time. Furthermore, the timing of decommissioning is uncertain and is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend on factors such as future oil and gas prices, which are inherently uncertain.

The Group applies an inflation adjustment to the current cost estimates and discounts the resulting cash flows using a risk free discount rate. The provision estimate reflects a higher inflation percentage in the near term for the period 2024 - 2025 and thereafter incorporates the long-term UK target inflation rate for the period 2026 and beyond.

A risk free rate range of 3.0% to 5.8% is used in the calculation of the provision as at 30 June 2024 (30 June 2023: Risk free rate range of 3.0% to 5.9%; 31 December 2023: Risk free rate range of 3.0% to 5.5%).

Management performed sensitivity analysis to assess the impact of changes to the risk free rate on the Group's decommissioning provision balance. A 0.5% decrease in the risk free rate assumption would result in an increase in the decommissioning provision by £3.9 million. Management also performed sensitivity analysis to assess the impact of changes to the undiscounted future cost of abandoning wells and restoring sites on the Group's decommissioning provision balance. A 10% increase in the undiscounted future cost would result in an increase in the decommissioning provision by £6.4 million.

Contingent consideration

The carrying value of contingent consideration relates to the acquisition of GT Energy UK Limited (GT Energy). The consideration is payable in shares, and is dependent on the timing of various milestones being achieved. It is also dependent on the inputs to an agreed-form economic model which determines the level of the consideration for each milestone in accordance with the sale and purchase agreement (SPA). These inputs relate to targets for aspects of the Stoke-on-Trent project, including funding, amount of heat delivered, and costs and revenues achieved.

As detailed note 9, it is now expected that the project will not progress in its intended form. This means that it will not be possible to meet the milestones, with the exception of a "business development" milestone (relating to the development of a second project) which could result in a payment of up to £1 million. Therefore the fair value for each milestone other than the business development milestone was assessed as £nil. The fair value of the business development milestone was calculated by determining the probability weighted value of the payment, discounted at a discount rate of 4.4%. The balance of the contingent consideration at 30 June 2024 has been classified as a non-current liability based on the contractual milestone payment dates in the SPA for the GT Energy acquisition and the estimated timing of the achievement of the milestone.

13 Cash and cash equivalents and other financial assets

	Unaudited at 30 June 2024 £000	Unaudited at 30 June 2023 £000	Audited at 31 December 2023 £000
Cash and cash equivalents	4,199	1,493	3,855
Borrowings - including capitalised fees	(5,483)	(5,239)	(5,358)
Net debt	(1,284)	(3,746)	(1,503)
Capitalised fees	(577)	(267)	(133)
Net debt excluding capitalised fees at 30 June/31 December	(1,861)	(4,013)	(1,636)

Net debt reconciliation

	Cash and cash equivalents £000	Borrowings £000	Total £000
At 1 January 2023 (audited)	3,092	(8,743)	(5,651)
Interest paid on borrowings	(384)	-	(384)
Repayment of RBL	(3,284)	3,284	-
Foreign exchange adjustments	(128)	354	226
Other cash flows	2,197	-	2,197
Other non-cash movements	-	(134)	(134)
At 30 June 2023 (unaudited)	1,493	(5,239)	(3,746)
Interest paid on borrowings	(425)	-	(425)
Other interest paid	(575)	-	(575)
Repayment of RBL	-	-	-
Foreign exchange adjustments	(102)	15	(87)
Other cash flows	3,464	-	3,464
Other non-cash movements	-	(134)	(134)
At 31 December 2023 (audited)	3,855	(5,358)	(1,503)
Interest paid on borrowings	(188)	-	(188)
Repayment of RBL	(5,541)	5,541	-
Drawdown of loan facility	6,110	(6,110)	-
Foreign exchange adjustments	26	(4)	22
Capitalised transaction costs	(626)	626	-
Other cash flows	563	-	563
Other non-cash movements	-	(178)	(178)
At 30 June 2024 (unaudited)	4,199	(5,483)	(1,284)

Borrowings

In October 2019, the Group signed a 40.0 million RBL facility with BMO Capital Markets (BMO). In addition to the committed 40.0 million RBL, a further 20.0 million was available on an uncommitted basis, and could be used for any future acquisitions or new conventional developments. The RBL had a five-year term, an interest rate of USD LIBOR plus 4.0%, matured in June 2024 and was secured on the Group's assets. USD LIBOR ceased to be published from 30 June 2023 and the facility was amended to replace LIBOR with the Secured Overnight Finance Rate (SOFR) with effect from 1 July 2023. There was no material impact on the financial position and performance of the Group resulting from this transition.

On 9 April 2024, the Group announced the closing of a new €25.0 million facility with Kommunalkredit Austria AG (Kommunalkredit). The facility comprises of a facility A which was used to fund the repayment of the outstanding balance on the RBL facility and carries a fixed interest rate of 9.384% and is repayable on 30 June 2025 and a facility B which provides funding for the Group's geothermal development activities and carries an interest rate of Euribor +6% and has a five-year term with repayments commencing on 31 December 2025.

At 30 June 2024, we have drawn down €7.1 million, with a further €17.9 million available for draw down in future. The current portion of the borrowings have been assessed on the basis of contractual repayment terms.

The Group is subject to the following financial covenants under the facility agreement, applicable at 30 June and 31 December for each year of the agreement:

- Loan Life Cover Ratio ("LLCR") not less than 1.25:1.
- Net Debt to Earnings before Interest, Tax, Depreciation, Amortisation, and Exceptional items ("EBITDAX") ratio less than or equal to 2.00:1.
- The current ratio of the Group, defined as the ratio of current assets to current liabilities (with specific agreed exclusions) greater than or equal to 1.00:1.
- The Debt Service Cover Ratio ("DSCR") greater than or equal to 1.10:1 (applicable after 31 December 2025).
- The Approved Reserve Value to Net Debt ratio greater than or equal to 2.50:1.

We complied with all the covenants applicable at the balance sheet date.

Collateral against borrowing

A security agreement was executed between Apex Corporate Trustees (UK) Limited (as security agent for Kommunalkredit Austria AG) ("Apex"), Star Energy Group plc and certain subsidiaries, namely: IGas Energy Limited, Star Energy Limited, IGas Energy Enterprise Limited, Island Gas (Singleton) Limited, Island Gas Limited, Dart Energy (East England) Limited, Dart Energy (West England) Limited, IGas Energy Development Limited, IGas Energy Production Limited, Dart Energy (Europe) Limited and GT Energy UK Limited (as chargors) dated 9 April 2024 ("Star Energy Debenture"). On the same date, Scottish bonds and floating charges were executed between Apex (as security agent) and Dart Energy (Europe) Limited and IGas Energy Production Limited (Star Energy Group companies, as "Scottish Chargors") ("Scottish BFCs"). A further security agreement was executed between GT Energy Croatia Limited (a Star Energy Group company, as chargor) and Apex (as security agent) dated 26 April 2024 ("GT Debenture").

Under the terms of the Star Energy Debenture and GT Debenture, Apex has fixed charges over certain real property (freehold and/or leasehold property), petroleum licences, all pipelines, plant, machinery, vehicles, fixtures, fittings, computers, office and other equipment and chattels and all related property rights, shares of certain subsidiaries as well as the assigned agreements and rights and all related property rights and first floating charges over property, assets, rights and revenues (other than those charged or assigned pursuant to the aforementioned fixed charges). Under the terms of the Scottish BFCs, Apex has a first floating charge over all of the assets of the Scottish Chargors.

14 Loss after tax from discontinued operations

The divestment of assets acquired as part of the Dart Acquisition, namely the Rest of the World segment, was completed in 2016. The Group had a presence in a small number of Australian, Indian and Singaporean registered operations. During the period ended 30 June 2024, we finalised the liquidation process for the remaining of these overseas dormant subsidiaries, with formal deregistration of the final Australian entity (Dart Energy Pty Ltd). The total loss after tax in respect of discontinued operations was £nil (six months ended 30 June 2023: £nil; year ended 31 December 2023: £nil).

15 Share capital

	Ordinary shares		Deferred shares		Share capital	Share premium
	No.	Nominal value £000	No.	Nominal value £000	Nominal value £000	Value £000
Issued and fully paid						
At 1 January 2023 (audited)	126,731,529	3	303,305,534	30,331	30,334	103,068
SIP share issue- partnership	122,731	-	-	-	-	22
SIP share issue - matching	225,462	-	-	-	-	41
Shares issued in respect of MRP exercises	154,014	-	-	-	-	-
Shares issued in respect of EDRP exercises	150,000	-	-	-	-	-
Shares issued in respect of EIP exercises	15,182	-	-	-	-	-
At 30 June 2023 (unaudited)	127,398,918	3	303,305,534	30,331	30,334	103,131
SIP share issue - partnership	164,625	-	-	-	-	20
SIP share issue - matching	325,854	-	-	-	-	38
Shares issued in respect of MRP exercises	440,140	-	-	-	-	-
Shares issued in respect of EIP exercises	17,496	-	-	-	-	-
At 31 December 2023 (audited)	128,347,033	3	303,305,534	30,331	30,334	103,189
SIP share issue - partnership	143,461	-	-	-	-	13
SIP share issue - matching	171,567	-	-	-	-	16
Shares issued in respect of MRP exercises	585,184	-	-	-	-	-
Shares issued in respect of EIP exercises	59,261	-	-	-	-	-

At 30 June 2024 (unaudited)	129,306,506	3	303,305,534	30,331	30,334	103,218
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16 Operating Segments

An operating segment is a component of the Group that engages in a business activity from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments operating results are reviewed regularly to make decisions about resources to be allocated to the Segment and to assess its performance by the Chief Operating Decision Maker, which for the Group is the Board of Directors. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and head office expenses.

	Unaudited at 30 June 2024			
	Oil and gas segment	Geothermal segment	Unallocated	Total
	£'000	£'000	£'000	£'000
External revenues	23,230	-	-	23,230
Cost of sales	(13,257)	-	-	(13,257)
Gross profit	9,973	-	-	9,973
Administrative expenses	(3,108)	(616)	(351)	(4,075)
Research and non-capitalised development costs	-	(1,799)	-	(1,799)
Impairment of development costs	-	(4,259)	-	(4,259)
Exploration and evaluation assets written off	(1,849)	-	-	(1,849)
Change in fair value of contingent consideration	-	2,251	-	2,251
Loss on derivative financial instruments	(74)	-	-	(74)
Other expense	(2,000)	-	-	(2,000)
Other income	3	-	-	3
Segment operating profit/(loss)	2,945	(4,423)	(351)	(1,829)
Finance income				34
Finance costs				(2,430)
Finance costs - net				(2,396)
Loss before income tax				(4,225)
Total assets at 30 June	135,347	4,433	-	139,780
Total liabilities at 30 June	(84,320)	(2,261)	(630)	(87,211)

	Audited at 31 December 2023				Unaudited at 30 June 2023			
	Oil and gas segment	Geothermal segment	Unallocated	Total	Oil and gas segment	Geothermal segment	Unallocated	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
External revenues	49,466	-	-	49,466	23,781	-	-	23,781
Cost of sales	(32,376)	-	-	(32,376)	(15,576)	-	-	(15,576)
Gross profit	17,090	-	-	17,090	8,205	-	-	8,205
Administrative expenses	(4,395)	(1,224)	(1,671)	(7,290)	(1,482)	(549)	(409)	(2,440)
Research and non-capitalised development costs	-	(2,002)	-	(2,002)	-	(126)	-	(126)
Impairment of goodwill	-	(130)	-	(130)	-	-	-	-
Exploration and evaluation assets written off	(456)	-	-	(456)	-	-	-	-
(Loss)/profit on derivative financial instruments	(25)	-	-	(25)	474	-	-	474
Other income	8	-	-	8	-	-	-	-
Segment operating profit/(loss)	12,222	(3,356)	(1,671)	7,195	7,197	(675)	(409)	6,113
Finance income				177				254
Finance costs				(4,603)				(2,168)
Finance costs - net				(4,426)				(1,914)
Profit before income tax				2,769				4,199
Total assets at 31 December/ 30 June 2023	136,283	9,006	-	145,289	139,475	4,155	-	143,630
Total liabilities at 31 December/ 30 June 2023	(85,163)	(4,460)	(793)	(90,416)	(81,295)	(2,736)	(265)	(84,296)

The Group has two geographical areas of operation being the UK and Croatia. All Group revenues are derived in the UK. There is a total of £2.8

the Group has two geographical areas of operation being the UK and Croatia. All Group revenues are derived in the UK. There is a total of £3.0 million (30 June 2023: £nil; 31 December 2023: £3.9 million) of non-current assets relating to operations in Croatia, with the remainder of the Group's non-current assets relating to operations in the UK.

17 Performance bonds

On 1 November 2023, Tokio Marine Europe S.A issued performance guarantees amounting to €5.2 million (£4.5 million) on behalf of the Group for licence commitments relating to the Sječe and Pčelić, exploration licences. The guarantees have a term of 5 years. Subsequent to the year end, the Group agreed to provide cash backing for the guarantees using the proceeds of the Kommunalkredit facility.

Glossary

£ The lawful currency of the United Kingdom

The lawful currency of the United States of America

€ The lawful currency of the European Union

1P Low estimate of commercially recoverable reserves

2P Best estimate of commercially recoverable reserves

3P High estimate of commercially recoverable reserves

1C Low estimate or low case of Contingent Recoverable Resource quantity

2C Best estimate or mid case of Contingent Recoverable Resource quantity

3C High estimate or high case of Contingent Recoverable Resource quantity

AIM AIM market of the London Stock Exchange

Bbl(s)/d Barrel(s) of oil per day

boepd Barrels of oil equivalent per day

bopd Barrels of oil per day

Contingent Recoverable Resource - Contingent Recoverable Resource estimates are prepared in accordance with the Petroleum Resources Management System (PRMS), an industry recognised standard. A Contingent Recoverable Resource is defined as discovered potentially recoverable quantities of hydrocarbons where there is no current certainty that it will be commercially viable to produce any portion of the contingent resources evaluated. Contingent Recoverable Resources are further divided into three status groups: marginal, sub-marginal, and undetermined. Star Energy Group plc's Contingent Recoverable Resources all fall into the undetermined group. Undetermined is the status group where it is considered premature to clearly define the ultimate chance of commerciality.

m Million

Mbbl Thousands of barrels

MMboe Millions of barrels of oil equivalent

MMscfd Millions of standard cubic feet per day

PEDL United Kingdom petroleum exploration and development licence

PL Production licence

UK United Kingdom

USD The lawful currency of the United States of America

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