

26 November 2024

The Parkmead Group plc ("Parkmead", "the Company" or "the Group")

Preliminary Results for the year ended 30 June 2024

Parkmead, the independent energy group focused on growth through gas, oil and renewable energy projects, is pleased to report its preliminary results for the year ended 30 June 2024.

HIGHLIGHTS

Excellent operating performance maintains strong financial position

- Profit after tax for the period of £4.9 million (2023: £42.3 million loss) driven by increased operational output across the portfolio and a material reduction in tax liabilities
- Revenue for the period of £5.7 million (2023: £14.8 million) fell from the prior year due to lower average realised gas price of €34.23/MWh (2023: €105.73/MWh) offset by increases in both gas and electricity production
- Gross margin of £3.4 million (2023: £12.5 million) reflecting the low-cost nature of the portfolio
- There are no remaining offshore liabilities as at 30 June 2024
- Parkmead's balance sheet strengthened by 33% during the year with net assets increasing to £19.6 million (2023: £14.7 million)
- The Group maintains healthy cash reserves of £9.5 million providing appropriate financial flexibility to pursue further investment opportunities (2023: £11.6 million)

Increased production onshore Netherlands driven by the successful development of LDS-01

- Gross production for the period across the Group's Dutch assets increased to 3.3kboe/d (2023: 3.0kboe/d)
- Diever-02 has performed steadily since it was successfully brought back on stream in February following the full recovery of LDS-01 reserves, which outperformed the Operator's post well high case
- Parkmead recently negotiated a unitisation of the VDW-A prospect which sits partially on its Drenthe VI concession, marking a critical step on the path for the partners to make a Final Investment Decision on this attractive target in 2025
- During the year, a full review of prospectivity was completed by the Drenthe VI partners. Opportunities have now been high-graded with the largest prospects being progressed
- Technical work has continued on the Geesbrug field where there is potential for two further wells. The Drenthe V partners anticipate making a final investment decision on these opportunities in the second half of 2025

UK offshore portfolio enhanced through successful 33rd round award of the Fynn Beaully discovery

- Parkmead accepted the award of licence P2536, consisting of blocks 14/5a, 14/20d and 15/11a, along with its sole partner Orcadian Energy (50% working interest)
- These blocks contain seven undeveloped discoveries, including the material Fynn Beaully accumulation (gross resource estimate 292mmboe)
- Good progress has been made on the Company's operated Skerryvore prospected (50% working interest)
- Parkmead believes there is excellent value in its UK offshore portfolio and continues to focus on work streams to progress its interests in these assets

Continuing steady cash flow generated at Parkmead's operated Kempstone Hill wind farm

- Electricity generation at Kempstone Hill increased to 2,570MWh in the year (2023: 2,446MWh) resulting in revenue for the period of £0.6 million (2023: £0.7 million) with the increased electricity generation offset by

- revenue for the period of £10 million (2023: £17 million) that are increased electricity generation costs by lower electricity prices
- The asset has continued to perform strongly post year-end, with uptime averaging 99% between July and September 2024

Major wind farm opportunity at Pitreadie

- The Group continues to progress discussions with a major European renewable energy developer regarding the development opportunity at Pitreadie for a wind farm of up to 100MW
- Negotiations are continuing in respect of a formal joint venture agreement ahead of approaching local planning authorities to progress this important project

Progressing plans to deliver shareholder value

- Parkmead is in discussions regarding a potential transaction that would involve a sale of its UK offshore assets
- The Company continues to evaluate acquisition and investment targets across both the UK renewable energy and international E&P sectors

Parkmead's Executive Chairman, Tom Cross, commented:

"We have delivered another year of strong operational results, which has led to a healthy profit for the Group and earnings of over four pence per share.

Parkmead continues to benefit from its balanced portfolio, and in particular its exposure to the UK renewables market which the new UK Government sees as a key area for growth. We welcomed the removal of the de facto ban on onshore wind energy developments across England which may unlock a range of investment opportunities.

As set out at the time of the interims, Parkmead has a valuable long term asset in its UK offshore oil licences and its UK ring fence tax loss pool. The Company is in ongoing discussions as it seeks to deliver shareholder value from this asset.

The Group's robust financial position provides Parkmead with a distinct advantage as we seek to further enhance shareholder value through acquisition opportunities across the Group."

The Parkmead Group plc

Tom Cross (Executive Chairman)

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Chairman's Statement

Parkmead is pleased to present a strong set of results for the year ended 30 June 2024.

Against the challenging backdrop of uncertainty over the future of the UK offshore oil & gas industry, our strategy of diversifying our asset base has proven its worth. Our UK onshore renewables portfolio has provided a platform for the Group to continue to perform in a sustainable manner, despite the political headwinds faced by the offshore industry. Renewable energy has grown to become a more substantial part of our overall revenue, totalling 12% in FY24 compared with 6% in the prior year. It complements our low carbon, natural gas production in the Netherlands.

During a turbulent period, the Group has successfully delivered earnings per share of 4.52p and a healthy profit after tax of £4.9m. Our strong financial position and broad asset base positions Parkmead well, relative to some companies who are facing an existential threat in the form of ambiguous energy policy from the UK government. Our assets in the Netherlands provide a hedge against the potential spectre of no significant future exploration or development activity being allowed on the UKCS.

Parkmead is well positioned to exploit growth opportunities during the next phase of the Company's development as we look to realise value from our UK offshore assets and continue to build upon our UK renewable and onshore international E&P portfolios.

Netherlands E&P

Parkmead's non-operated portfolio of onshore gas fields in the Netherlands has continued to perform well. Gross production across the portfolio increased 10% year-on-year to 3.3kboepd (thousand of barrels of oil equivalent per day).

This increase was primarily due to the success of the LDS-01 discovery on the Group's Drenthe VI concession which was brought onstream during the period. This prolific gas well outperformed the operator's post well high case, with the reserves now fully recovered. This allowed the restarting of production from Diever-02 which has performed strongly since being brought back online in February 2024.

The outlook for the Drenthe VI concession is particularly exciting, with numerous attractive prospects being progressed through the permitting process. Parkmead recently agreed the unitisation of the VDW-A prospect, which sits partially on its Drenthe VI concession, ahead of a potential Final Investment Decision being taken by the partnership in 2025.

On the Company's important Papekop development, work is ongoing to secure a suitable export route, with a decision anticipated in the next few months. Once approved this will enable the partnership to progress the project into detailed engineering design during the course of 2025.

The Drenthe V partners are continuing to evaluate the potential for further development drilling on the Geesbrug field. This includes two wells, one within the main Geesbrug structure and the second targeting Geesbrug West which is now understood to be disconnected from the rest of the field. Recent technical work by the operator has calculated that significant in-place volumes of 158Bcf remain at Geesbrug and Geesbrug West.

During the period, work continued to re-establish production from the Brakel-01 well. There remains potential for gas production to restart at the well through further well intervention or alternatively by side-tracking the existing well. Parkmead is currently exploring both options alongside the operator, Vermillion.

At Drenthe IV, the late life Grolloo field continues to produce economically. The field is expected to reach COP during 2025.

UK Renewables

Kempstone Hill Wind Farm

Our operated wind farm at Kempstone Hill has continued to perform strongly during the year, generating 2,570MWh (FY23: 2,446MWh) of electricity and revenue of £0.6m (FY23: £0.7m). Higher average wind speeds during the year resulted in stable electricity production despite a decline in operational uptime which averaged 90% during the year (FY23: 98%) due to the shutdowns associated with upgrades made to Turbine 2 during the second half of FY 24.

Post completion of these works the site has performed exceptionally well, with uptime averaging 99% between July and September 2024. Following the year-end, the Group successfully negotiated an updated Purchase Price Agreement covering the site for the twelve month period ending 30 September 2025 at an average export price of 88.50£/MWh, in line with prevailing market rates.

Pitreadie Wind and Solar Projects

As set out at the interim results, Parkmead is in advanced commercial discussions with a major renewable energy developer regarding a potential joint venture whereby Parkmead would participate in a significant wind farm development of potentially up to 100MW. These discussions include cost sharing arrangements for essential pre-planning work streams including ongoing ornithological surveys and wind monitoring using installed LIDAR equipment.

Parkmead is looking to finalise the negotiations around a joint venture agreement ahead of the parties approaching local planning authorities to progress this important renewable energy development. The team is also studying the potential for a solar farm to coexist alongside the wind farm project.

Brachmont Solar Opportunity

Parkmead's renewable energy team is analysing the potential to develop a solar energy farm in the Brachmont area, where conditions appear favourable.

UK Offshore Oil Licences

Fynn Beauly

Post period end, Parkmead was pleased to accept the award of the major Fynn Beauly discovery as part of the UK's 33rd offshore licensing round. Licence P2634 is situated in the Outer Moray Firth and comprises blocks 14/15a, 14/20d and 15/11a. Parkmead (50% interest and operator) believes this licence contains one of the UK's largest undeveloped discoveries. This heavy oil accumulation has been proven by three wells and is estimated to contain oil-in-place of between 740 million and 1.33 billion barrels.

A key feature of the Fynn Beauly field is the highly aromatic nature of the crude, which Parkmead has confirmed through review of oil analyses from the historic discovery wells. Aromatic feedstock is essential for oil refineries to produce premium-quality needle coke which can be turned into synthetic graphite, a critical component of lithium-ion battery anodes required in electric vehicles.

Skerryvore

A significant amount of progress has been made on the planning of the next stage in the development of the Company's Skerryvore licence. A new well location (30/13c-M) has been agreed by the partners on the licence to optimise penetration of the Mey and Tor reservoir targets whilst avoiding potential shallow gas hazards. The well design has been simplified to a dual-target vertical wellbore to allow for more cost-efficient operations without compromising on the geological requirements. Pore pressure and fracture gradient prediction studies have been completed and the data acquisition plan is now in place. Site survey planning has also commenced as the partners look to enable the drilling of this high-impact exploration well.

Gamma East

As a result of the negative investment environment created by successive UK governments through ambiguous energy policy and a series of changes to the fiscal regime, Parkmead has elected not to progress the Gamma East prospect further. The Group has notified the NSTA of its intention to relinquish licence P218, in which Gamma East is located, and this is being progressed.

P1293 Abex

During the year, the final subsea removals were successfully carried out on P1293. The required work scopes were completed safely and on budget. Following this the joint venture proactively carried out a post decommissioning seabed survey, after which it is the view of the operator that all commitments have now been fulfilled on the licence. Once confirmed by the regulator, Parkmead will have no further exposure to UK offshore abandonment costs.

UK Oil & Gas

Parkmead believes that it holds quality assets in its UK offshore licences. It is however cognisant of the current headwinds facing the UK North Sea E&P sector and also the increasing capital required to fully develop such licences into production. Furthermore, Parkmead recognises that it has a valuable asset in its UK Ring Fence tax loss pool that could be used against future UK production. Parkmead is therefore in discussions regarding a potential sale of its UK offshore position, as it looks to deliver shareholder value from these assets. These discussions are ongoing.

Financial performance

Parkmead has delivered a healthy profit after tax of £4.9m (FY23: loss of £42.3m) as a result of strong operating performance, and a tax credit to the income statement following a reduction in previous estimates of Netherlands tax liabilities, including the Netherlands windfall tax. This is equivalent to a basic earnings per share of 4.52p (FY23: loss per share of 38.74p).

Group turnover for the year was £5.7m (FY23: £14.8m). The year-on-year decrease was due to a fall in gas prices from the historic highs which arose as a result of the war in Ukraine. The average realised gas price in the period was €34.23/MWh (FY23: €105.73/MWh).

Operating costs have remained stable compared with the prior year at £2.3m (FY23: £2.2m) leading to a gross profit for the period of £3.4m (FY23: £12.5m). Administrative expenses have remained closely controlled at £1.8m (FY23: £1.8m). Exploration expenses for the period totalled £0.3m and related primarily to costs on licence P218 (FY23: £33.0m).

Parkmead continues to maintain a strong balance with sheet with gross assets of £27.3m (FY23: £28.6m). Cash and cash equivalents decreased in the year to £9.5m (FY23: £11.6m) primarily due to decommissioning expenditure of c£2.8m in the period on Athena. This was mainly incurred in the first half of the year.

Our modest financial debt has continued to reduce with £0.8m outstanding at 30th June 2024 (FY23: £0.9m). This small debt was inherited as a result of the acquisition of Kempstone Hill Wind Energy Limited.

Outlook

Parkmead remains in a position of relative financial strength due to our Netherlands gas and UK renewable income streams, healthy cash balances and carefully controlled costs. In addition, the Group has no further exposure to UK offshore abandonment liabilities.

As set out above, we believe that there is an opportunity to deliver shareholder value from the work we have done to date in accumulating and progressing our UK offshore licences. Furthermore, Parkmead continues to progress its attractive hopper of organic growth initiatives, such as the Pitreadie wind development opportunity, whilst expanding our broad portfolio of natural gas targets in the Netherlands. We are also focused on complementing our organic growth by exploring opportunities to expand the Group's asset base through selective acquisitions. We firmly believe that oil & gas will continue to play an important role in the global energy mix and we are continuing to assess international E&P investment opportunities, as well targeting the acquisition of further cashflow generating renewable energy assets onshore UK to deliver value for our shareholders.

Tom Cross

Executive Chairman

26 November 2024

Group statement of profit or loss and other comprehensive income for the year ended 30 June 2024

	Jun-24	Jun-23
Continued operations	£100	£100

Continuing operations	Notes	£'000	£'000
Revenue		5,720	14,769
Cost of sales		(2,302)	(2,237)
Gross profit		3,418	12,532
Exploration and evaluation expenses	4	(300)	(33,009)
Impairment of property, plant and equipment		-	(13,030)
Gain / (loss) on sale of assets		(2)	36
Administrative expenses	2	(1,780)	(1,753)
Operating profit/(loss)		1,336	(35,224)
Finance income		148	192
Finance costs		(412)	(267)
Profit/(Loss) before taxation		1,072	(35,299)
Taxation		3,870	(7,035)
Profit / (loss) for the period attributable to the equity holders of the Parent		4,942	(42,334)
Profit / (loss) per share (pence)			
Basic	3	4.52	(38.74)
Diluted	3	4.07	(38.74)

Group statement of financial position as at 30 June 2024

	2024 £'000	2023 £'000
Non-current assets		
Property, plant and equipment: development & production	4,049	4,503
Property, plant and equipment: other	5,603	5,600
Goodwill	1,084	1,084
Exploration and evaluation assets	2,481	1,966
Total non-current assets	13,217	13,153
Current assets		
Trade and other receivables	1,632	941
Interest bearing loans	2,936	2,936
Inventory	-	16
Cash and cash equivalents	9,486	11,576
Total current assets	14,054	15,469
Total assets	27,271	28,622
Current liabilities		
Trade and other payables	(1,877)	(2,673)
Decommissioning provisions	-	(2,773)
Current tax liabilities	(3,053)	(2,263)
Total current liabilities	(4,930)	(7,709)
Non-current liabilities		
Trade and other payables	(760)	(942)
Loans	(668)	(767)
Windfall taxation	-	(2,374)
Deferred tax liabilities	-	(641)
Decommissioning provisions	(1,269)	(1,529)
Total non-current liabilities	(2,697)	(6,253)
Total liabilities	(7,627)	(13,962)
Net assets	19,644	14,660
Equity attributable to equity holders		
Called up share capital	19,688	19,688
Share premium	83,625	83,625
Merger reserve	3,376	3,376
Retained deficit	(87,045)	(92,029)
Total Equity	19,644	14,660

Group statement of changes in equity for the year ended 30 June 2024

	capital	premium	reserve	deficit	total
	£'000	£'000	£'000	£'000	£'000
At 30 June 2022	19,688	83,625	3,376	(49,695)	56,994
Loss for the year	-	-	-	(42,334)	(42,334)
Total comprehensive loss for the year	-	-	-	(42,334)	(42,334)
At 30 June 2023	19,688	83,625	3,376	(92,029)	14,660
Profit for the year	-	-	-	4,942	4,942
Total comprehensive income for the year	-	-	-	4,942	4,942
Share-based payments	-	-	-	42	42
At 30 June 2024	19,688	83,625	3,376	(87,045)	19,644

**Group statement of cashflows
for the year ended 30 June 2024**

	Notes	2024 £'000	2023 £'000
Cashflows from operating activities			
Continuing activities	4	1,516	11,414
Taxation paid		753	(4,881)
Net cash generated by operating activities		2,269	6,533
Cash flow from investing activities			
Interest received		109	192
Acquisition of exploration and evaluation assets		(414)	(519)
Disposal of property, plant and equipment		-	654
Acquisition of property, plant and equipment: development and production		(187)	(950)
Acquisition of property, plant and equipment: other		(549)	(87)
Decommissioning expenditure		(2,809)	(16,983)
Net cash (used in) investing activities		(3,850)	(17,693)
Cash flow from financing activities			
Interest paid		(180)	(136)
Lease payments		(239)	(229)
Repayment from loans and borrowings		(99)	(88)
Net cash (used in) financing activities		(518)	(453)
Net (decrease) in cash and cash equivalents		(2,099)	(11,613)
Cash and cash equivalents at beginning of year		11,576	23,263
Effect of foreign exchange rate differences		9	(74)
Cash and cash equivalents at end of year		9,486	11,576

Notes to the financial information for the year ended 30 June 2024

1. Basis of preparation of the financial information

The financial information set out in this announcement does not comprise the Group and Company's statutory accounts for the years ended 30 June 2024 or 30 June 2023.

The financial information has been extracted from the audited statutory accounts for the years ended 30 June 2024 and 30 June 2023. The auditors reported on those accounts; their reports were unqualified and did not contain a statement under either Section 498 (2) or Section 498 (3) of the Companies Act 2006 and did not include references to any matters to which the auditor drew attention by way of emphasis.

The statutory accounts for the year ended 30 June 2023 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 30 June 2024 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The accounting policies are consistent with those applied in the preparation of the interim results for the period ended 31 December 2023 and the statutory accounts for the year ended 30 June 2023 and have been prepared in accordance with UK-adopted International Accounting Standards ("IFRS").

2. Administrative expenses

Administrative expenses include a credit in respect of a non-cash revaluation of share appreciation rights (SARs) and share based payments totalling £661,000 (2021: £1,200,000). The SARs may be settled via shares or cash and are therefore revalued with the movement in share price. The valuation was impacted by the decrease in share price between 30 June 2023 and 30 June 2024

3. Profit/(loss) per share

Profit/(loss) per share attributable to equity holders of the Company arise from continuing and discontinued operations as follows:

	2024	2023
Profit/(loss) per 1.5p ordinary share from continuing operations (pence)		
Basic	4.53	(28.74)

Ddil	4.54p	(30.74)p
Diluted	4.07p	(38.74)p

The calculations were based on the following information:

	2024	2023
	£'000	£'000
Profit/(loss) attributable to ordinary shareholders		
Continuing operations	4,942	(42,334)
Total	4,942	(42,334)

Weighted average number of shares in issue

Basic weighted average number of shares	109,266,931	109,266,931
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Dilutive potential ordinary shares

Share options	12,072,297	-
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Profit/(loss) per share is calculated by dividing the profit/(loss) for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted profit/(loss) per share

Profit/(loss) per share requires presentation of diluted profit/(loss) per share when a company could be called upon to issue shares that would decrease net profit or net loss per share. When the group makes a loss the outstanding share options are therefore anti-dilutive and so are not included in dilutive potential ordinary shares.

4. Notes to the statement of cashflows

Reconciliation of operating profit/(loss) to net cash flow from continuing operations

	2024	2023
	£'000	£'000
Operating profit/(loss)	1,336	(35,224)
Depreciation	1,027	722
Amortisation and exploration write-off	-	32,834
Profit/(Loss) on sale of property, plant and equipment	2	(36)
Provision for share based payments	42	-
Currency translation adjustments	(9)	74
Impairment of property, plant and equipment	-	13,030
Decreases / (increase) in receivables	(691)	1,077
Decrease in stock	16	26
Increase/(decrease) in payables	(207)	(1,089)
Net cash flow from operations	1,516	(11,414)

5. Approval of this preliminary announcement

This announcement was approved by the Board of Directors on 25 November 2024.

6. Publication of annual report and accounts

Copies of the Annual Report and Accounts will be made available shortly on the Company's website www.parkmeadgroup.com, along with a copy of this announcement.

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