



admenergy

ANNUAL REPORT AND ACCOUNTS

2021



COMPANY INFORMATION

DIRECTORS:

Oliver Andrews (Non-Executive Chairman)
Osamede Okhomina (Chief Executive Officer)
Richard Carter (Chief Operating Officer)
Manuel Lambolely (Non-Executive Director)
Lord Bellingham (Non-Executive Director)
Dr Stefan Liebing (Non-Executive Director)

REGISTERED OFFICE:

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COMPANY NUMBER:

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WELCOME TO ADM ENERGY

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2021

ADM Energy is a natural resources investment company with an existing asset base in Nigeria. We hold a 9.2% profit interest in the Aje Field, part of OML 113 and also hold an investment in the development of the Barracuda Field, an existing discovery asset in OML 141.

We are seeking to build on our existing asset base and target other investment opportunities across the West African region in the oil and gas sector with attractive risk reward profiles such as proven nature of reserves, level of historic investment, established infrastructure and route to early cash flow.

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2021 OVERVIEW

Investment Highlights

AJE FIELD, OML 113

- ▶ First full year of increased interest in the Aje Field, Nigeria (ADM increased its equity investment from 5% to 9.2% in December 2020)
- ▶ Total oil production in 2021 of 407,705 bbls and barrels of oil per day of 1,117 bopd (103 bopd net to ADM)
- ▶ Completed the 15th and 16th liftings at the Aje Field in April and October 2021 for a total of 457,379 barrels with a net share of 49,099

BARRACUDA FIELD, OML 141

- ▶ Acquired an indirect interest in a Risk Sharing Agreement ("RSA") for the development of the Barracuda Field. Subsequently, commissioned a CPR a Competent Person's Report ("CPR") by Xodus on the Barracuda Field
- ▶ Post-period announced the result of the CPR on the Barracuda prospect with a 2U (P50) case, the NPV10 is +\$99mm with an IRR of 45%

DISPOSAL OF INTEREST

- ▶ Disposed of 188,778 shares in Superdielectrics Ltd ("Superdielectrics") for a total consideration of £849,501, which provided a profit of £656,000 on ADM's original investment

407 K+ bbls

**TOTAL OIL PRODUCTION
IN 2021**

1,117 bopd

**BARRELS OF OIL PER DAY
IN 2021**

Financial and Corporate Highlights

- ▶ Revenue increased by 125% to £1.8m (2020: £0.8m), reflecting a recovery in the oil price and ADM's increased profit interest in the Aje Field
- ▶ Loss after tax decreased 64% to £2.5m (2020: £6.9m loss)
- ▶ Completed an oversubscribed fundraising of £1,220,000 in March 2021, and raised an additional £475,000 in November 2021
- ▶ Appointed Oliver Andrews, former Chief Investment Officer at the Africa Finance Corporation, as Non-executive Chairman and Dr Babatunde Pearse, as Chief Engineer on the Aje Development to oversee the next phase of Aje development
- ▶ Post period, in January 2022, the Company completed an equity fundraising of approximately £561,000 with Optima Resources Limited

£1.8 mln

REVENUE IN 2021

£1.695 mln

EQUITY FUNDRAISING

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

OLIVER ANDREWS

NON-EXECUTIVE CHAIRMAN



Dear Stakeholders,

2021 was another year where the world economy had to adapt to Covid-19 and the disruptions it brought. Despite this, it is pleasing to report that the Company made substantial progress in 2021 which included two liftings from Aje, significantly increasing revenue, the acquisition of an indirect interest in the Barracuda prospect, two fundraises and the strengthening of the technical team.

With an established foothold in West Africa and a superior quality oil producing asset in offshore Nigeria, the Board considers ADM is well-positioned as an oil and gas investing company with a growth strategy of adding value to our current investment assets while targeting the acquisition of undervalued 2P reserves without the risks associated with high-cost exploration.

Global oil demand gradually revived in 2021 and the war in Ukraine alongside a combination of other factors has heightened anxieties about global supply shortages, pushing oil and gas prices higher again in 2022. While the global shift to renewable energy accelerates, the full transition to a green economy remains years away and as such oil and gas will maintain a vital role in the world economy both now and into the future.

AJE FIELD

During the year, the 15th and 16th liftings were completed at the Aje Field, the first liftings since ADM consolidated its interest in Aje. Our belief and confidence in the asset has been echoed by PetroNor's decision to take a significant stake in the Aje field, a strong endorsement of the potential of Aje and the added value the development plans of the partners can bring. PetroNor has extensive sector experience in Upstream Oil and Gas exploration and production that will prove invaluable and help accelerate development plans taking Aje to the next phase of its development.

BARRACUDA

In March 2021, the Company acquired an indirect interest in a Risk Sharing Agreement ("RSA") for the development of the Barracuda Field. Located in OML 141, the Barracuda Field is an existing discovery and near-term production asset in the swamp/shallow waters of the Niger Delta.

The Company commissioned a Competent Person's Report ("CPR") which was completed in March 2022 and concluded that the prospect is considered prospective and robust for development, with a 2U (P50) case, the NPV10 is +\$99 million with an IRR of 45%. More exploratory work and analysis will be required before an investment decision can be taken but the CPR provides a solid foundation for further evaluation.

As stated previously, legal proceedings are continuing in respect of our interest in the Barracuda Field and we continue to vigorously defend our position as we await the outcome of the proceedings and will update shareholders in due course.

We believe our investments provide the Company with a good platform to grow shareholder value, both through our existing investment portfolio and as we search for other attractive opportunities.

FUNDRAISING AND ACCESS TO CAPITAL

ADM raised approximately £1.7 million in two fundraisings demonstrating investor support for our growth strategy to build a multi-asset portfolio by targeting projects with highly attractive risk-reward profiles.

In May 2021, the Company completed the sale of a sizeable portion of its holding in Superdielectrics for

£849,501, equating to a profit of £656,000, representing more than four times the Company's original investment.

We have a deep and expansive network including strong relationships with sector powerhouses such as Trafigura Pte Ltd. We are in regular discussions with prospective financing partners regarding potential new opportunities in which they would have the option to participate. It is a great advantage for the Company to have access to a strong network of companies who can help provide capital to advance attractive investments opportunities.

BOARD AND TECHNICAL TEAM CHANGES

I joined ADM as Chairman in August 2021 replacing Peter Francis. In the time I have been in the role I have been impressed with both the management and technical teams' level of expertise and commitment to executing our growth strategy. I am excited to bring my experience and network across Africa to add value to the board as we grow and progress for the benefit of all our shareholders.

We have added high calibre individuals with industry expertise and experience, including industry veteran Dr Babatunde Pearse appointed to the technical team as Chief Engineer to oversee the next phase of development at Aje.

LOOKING AHEAD

We have entered 2022 with an investment portfolio that gives us a solid platform for value creation for both existing and future potential investments. ADM with its knowledge of the industry and region, access to capital and extensive network, is in an excellent position to seek out investment opportunities in projects with attractive risk-reward profiles.

I am excited to assist with my experience and network across Africa as we focus on building ADM for the benefit of all our shareholders. I would like to thank my fellow Board members and the management team for their commitment and dedication to ADM. I also want to thank our shareholders for their continued support, and I am confident that 2022 will be an important year for ADM and our growth plans.

OLIVER ANDREWS
NON-EXECUTIVE CHAIRMAN

22 June 2022

CHIEF EXECUTIVE OFFICER'S REVIEW AND STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

OSAMEDE OKHOMNIA
CHIEF EXECUTIVE OFFICER



OPERATING REVIEW

2021 was an important year of progress for ADM Energy. It marks the first full year since the Company consolidated its position in the Aje Field OML 113, expanding ADM's profit interest from 5% to 9.5%. The Company announced the 15th and 16th Liftings at the Aje Field for a total of 457,379 barrels with a net share of 49,099.

For the full year, revenue increased by 125% to £1.8 million (2020: £0.8 million) reflecting the first two liftings at the Aje Field since the Company increased its interest in Aje alongside a recovery in oil prices in 2021.

Alongside Aje, the Company entered 2021 with a strategy to continue to pursue high-quality assets, with attractive risk-reward profiles, and successfully completed the acquisition of an indirect interest for the large-scale Barracuda Field in OML 141.

ADM also welcomed Oliver Andrews as Non-executive Chairman and strengthened the team's technical expertise with the appointment of industry veteran Dr Babatunde Pearse as Chief Engineer on the Aje Development.

AJE FIELD

The Aje Field on OML 113 offshore Nigeria is an oil producing asset which is rich in gas and condensate reserves. It is strategically located 24km offshore Lagos where it benefits from increasing local energy demand, particularly for gas, which is viewed as a replacement fuel for diesel and commands a premium. The field is also within close proximity to the West African Gas Pipeline which presents a potential opportunity for gas monetisation in neighbouring countries such as Benin and Togo.

OIL PRODUCTION:

	2021	2020
Gross	407,705 bbls	698,649 bbls
	1,117 bopd	1,909 bopd
Net	37,595 bbls	36,295 bbls
	103 bopd	99.2 bopd

This is the first full year since the Company announced the completion of the transaction with EER (Colobos) Nigeria Limited ("EER") in December 2020 benefitting from an increased 9.2% profit interest in the field, nearly doubling our share of revenue, reserves and net production.

During the period, oil production continued from the Aje Field (Aje-4 and Aje-5) at an average of 1,117 bopd (FY 2020: 1,909). Total gross production volume amounted to approximately 407,705 barrels of oil. As stated previously, the drop in volume reflects the decision by the Joint Venture Partners ("JV Partners") to continue a more thorough and extended period of maintenance on the Floating Production Storage and Offloading ("FPSO") while oil prices were depressed at the beginning of the year and due to limited gas handling capacity of the FPSO.

The Company announced the 15th and 16th liftings at the Aje Field in April and October 2021 for a total of 457,379 barrels with a net share of 49,099. These were the first liftings since the Company consolidated its interest in the asset. The proceeds of the liftings were applied against the project debt, contributing to a reduction in the outstanding balance and the JV Partners anticipate further liftings in 2022.

The JV Partners have assessed that the current FPSO is not suitable for the long-term development plans for OML-113 and are progressing plans to replace the current FPSO to increase capacity. As a result, the JV Partners declined to commit to a long-term extension of the current FPSO contract and the current FPSO operator will stop production in preparation for demobilisation from the field. This temporary suspension is a necessary step to ensure future production is not limited by FPSO capacity and production issues. The JV Partners are working towards securing an optimum FPSO that will match plans to significantly increase production from the redevelopment of the Aje field and the Company will update the market in due course.

A crucial step forward in the future development of Aje came post period in January 2022 when Panoro Energy ASA ("Panoro") and PetroNor E&P Limited ("PetroNor") announced that the transaction for Panoro to sell 10% of its ownership to PetroNor (the "Transaction") had received all government approvals. PetroNor and Panoro are progressing the final stages and have agreed a long-stop date to complete the transaction at 30 June 2022. PetroNor's decision to take a significant stake in the Aje field is a strong endorsement of the potential of the asset.

The expected completion of the Transaction will accelerate the JV Partners Final Investment Decision on the long-term field development plans for the Aje Field and PetroNor's experience in development and production will play a key role in the next phase of Aje's development. The Field Development

Plan which includes the potential drilling of three new wells, could significantly increase production of oil and gas liquids at a time nations around the world are seeking new sources of oil and gas. Chief Engineer on the Aje Development, Dr Babatunde Pearse, who has an IOC background and extensive industry experience will lead the planning, development and oversee Front end Engineering Design ("FEED") studies to support the Final Investment Decision.

BARRACUDA

In April 2021, ADM completed the acquisition of an indirect interest in a Risk Sharing Agreement ("RSA") for the development of the Barracuda Field. Located in OML 141, the Barracuda Field is an existing discovery asset which covers 103km² in the swamp/shallow waters of the Niger Delta.

In May 2021, the Company commissioned Xodus Group Limited ("Xodus"), an independent, international energy consultancy, to prepare a CPR on the field which was completed in March 2022. Xodus calculated gross, unrisks Prospective Resources for the RSA using standard geological and engineering approaches applied to the data made available by ADM.

The CPR demonstrated the prospect of Barracuda as prospective and robust for development, assuming at least 70mmbbl Stock tank oil initially in place ("STOIIP") is discovered, with a 2U (P50) case, the NPV10 is +\$99 million with an IRR of 45%.

The findings from the CPR provide a solid foundation to continue towards the next stage of technical review which will include subsurface analysis and gaining more analogue data from neighbouring fields to better understand the trap mechanisms.

The Company will use the findings from the CPR and any additional work required to further appraise the asset and make an investment decision.

INTERIM INJUNCTION

As announced in November 2021, K.O.N.H. (UK) Ltd ("KONH") was notified by Noble Hill-Network Limited ("NHNL") of a dispute regarding its ownership in NHNL and therefore its interest in the Barracuda Field in OML 141. ADM and its legal advisers consider that the dispute brought by NHNL is without merit and ADM confirms there has been no change in its position as the majority shareholder in KONH and the subsequent 70 per cent. indirect interest in NHNL.

The Company and KONH obtained an interim injunction at the Federal High Court of Nigeria, Lagos ("Court") restraining NHNL from selling, disposing, divesting or tampering with the 70% shareholding interest of KONH in NHNL to third-party investors or in any other manner whatsoever.

NHNL applied to the court to set aside the interim injunction order. The Court pronounced NHNL's application as lacking in merit and the application was dismissed.

The Court has since adjourned this matter until 30 June 2022 and the interim injunction remains in place.

CORPORATE

The Company has sought to appoint high calibre individuals who will propel the business forward including Oliver Andrews as the new Non-executive Chairman. He replaces Peter Francis who departed due to personal circumstances, and whose contribution to the business was noted and for which the board noted its appreciation. Mr Andrews is the former Chief Investment Officer at the Africa Finance Corporation, one of the largest investment funds in Africa. Over the last 35 years, he has overseen investments of approximately US\$10 billion and originated investments deals in natural resources and infrastructure across the continent, worth US\$100 billion.

ADM continues to bolster its technical team to advance the Company's existing assets and evaluate new prospects. Dr Babatunde Pearse was appointed as Chief Engineer on the Aje Development to oversee the next phase of development at Aje and overseeing the FEED ("Front End Engineering Studies"). Dr Pearse is an industry veteran with an extensive background with international Oil Companies ("IOC's").

FUNDING AND DISPOSALS

The Company raised a total of approximately £1.7 million in two fundraisings in 2021. In March 2021, ADM completed an oversubscribed fundraising raising £1,220,000 before expenses and a further £475,000 raised in November 2021, including a subscription from Directors. In addition, post period, the Company announced an equity fundraise of approximately £561,000 with Optima Resources Limited.

In May 2021, the Company completed the sale of 188,778 shares in Superdielectrics for a total con-

sideration of £849,501, a profit of £656,000 and an increase in value of approximately 340% on ADM's original investment of £199,875 in 2017 and 2018. The proceeds of the sale, together with the above fundraises, have been used to support our growth strategy.

OUTLOOK

We consider that the progress the Company has made in 2021 provides an excellent platform for growth. In Aje, ADM has an interest in a high-quality asset with scope for significant increase in production. PetroNor coming on board is a great endorsement of Aje's potential and if, as is expected, PetroNor completes the formalities of the acquisition, it adds a heavyweight partner that will be keen to extract further value from the asset. It will enable the partners to progress the Field Development Plan and significantly increase production at a time when new supplies of oil and gas are increasingly needed around the world.

Alongside Aje, Barracuda took a major step forward with the completed CPR which showed Barracuda has the potential to be prospective for development. In 2022, we will continue further work and analysis to help us further understand the asset's potential before making an investment decision.

With Aje and Barracuda progressing, there remain opportunities for ADM, with its expertise, deep network and access to capital with strong relationships with majors such as Trafigura, to add additional high-quality assets to its investment portfolio. We consider we are well placed to take advantage of a market whereby International Oil Companies are in the process of extensive divestment programmes and, in line with our strategy, ADM will continue to seek out assets in West Africa at attractive valuations with substantial upside for shareholders. In addition, and as part of its investment strategy, ADM remains open to potential renewable energy investments, primarily in Europe, if there is an opportunity to bring additional value to shareholders.

KEY PERFORMANCE INDICATORS ("KPIs")

The Group's activity is that of an investing group and the Directors focus principally on the development of the Group's net asset value.

The key performance indicators are therefore set out below:

KEY RISKS AND UNCERTAINTIES

GROUP STATISTICS	As at 31 December 2021	As at 31 December 2020
Net asset value	£10,986,000	£11,002,000
Net asset value – fully diluted per share	5.2p	8.5p

Early stage investments in the natural resources sector carry an elevated level of risk and uncertainty, although the rewards can be outstanding. At this stage, there can be no certainty of outcome and, in addition, there is often a lack of liquidity in the Group's investments which can be either unquoted or quoted, such that the Group may have difficulty in realising the full value in a forced sale. Accordingly, a commitment is only made after thorough research into both the management and the business of the target, both of which are closely monitored thereafter. Details of other financial risks and their management are given in Note 22 to the financial statements. The Group is currently funded through debt and equity investment and therefore there is a significant liquidity risk associated with lack of funding. This is discussed further as part of the going concern note in the relevant section of this report.

Oil prices are subject to international supply and demand and margins can be volatile. Political developments, increased supply from new oil sources, technological change, global economic conditions and the influence of OPEC can impact supply and demand and prices for our oil. Decreases in oil prices could have an adverse effect on revenue, margins, profitability and cash flows. Exchange rate fluctuations can also create currency exposures and impact underlying costs and revenues.

We are pleased to report that operations at OML 113 have been largely uninterrupted by COVID-19, which is a consequence of the safety procedures in place to protect workers. To steer ADM through the previously low oil price environment, we have taken appropriate measures with a significant cost reduction plan, both at a corporate level and on the asset side, to streamline our operations while maintaining production levels. This flexibility ensures we remain profitable at an asset level and allows us to benefit from a positive forward curve in the oil price. As a result of these actions, ADM is now better positioned to execute its growth investment strategy,

supported by a solid foundation of our quality oil producing asset.

Promotion of the Company for the benefit of the members as a whole

S172 of the Companies Act 2006 requires the Board to promote the Company for the benefit of the members as a whole. In particular, the requirements of S172 are for the Directors to:

- ▶ Consider the likely consequences of any decision in the long term
- ▶ Act fairly between the members of the Company
- ▶ Maintain a reputation for high standards of business conduct
- ▶ Consider the interests of the Company's employees
- ▶ Foster the Company's relationships with suppliers, customers and others and
- ▶ Consider the impact of the Company's operations on the community and the environment.

The Directors believe that during the year they have acted in the way most likely to promote the success of the Company for the benefit of its members as a whole and have adhered to the requirements set out above that are applicable to the Company given its scope of operations. Through its financing activities, the Board has ensured that the Company is sufficiently capitalised and has cash resources for its requirements, to ensure that the Company has a viable operating plan for the long term. Given the nature of the Company's business, it has very few employees and the majority are themselves directors. The Board recognises that the Company's employees are, nevertheless, critical to the success of the Company and takes steps to ensure that the interests of employees are protected. The Company does not deal directly with customers or suppliers in relation to its oil and gas field interests, save for its relationship with the operator for the OML 113 licence. The Company acknowledges the importance of maintaining good relations with its suppliers and aims to settle all invoices in a timely manner. The Company's approach to its responsibilities in respect of the impact of its operations on the community and environment is set out in "Our Sustainable Approach" on page 18.



GOING CONCERN

At 31 December 2021, the Group recorded a loss for the year of £2,540,000 and had net current liabilities of £1,445,000, after allowing for cash balances of £110,000. During the period, the Group raised additional equity of £1.7 million in two fundraisings. In March 2021, the Group raised £1,220,000 and in November 2021, the Group raised £475,000. Post period, in January 2022, the Company announced an equity fundraising of approximately £561,000 with Optima Resources Limited. In May 2021 realised £850,000 from the sale of investments, to provide for working capital requirements, and the Directors have prepared cashflow forecasts for the period to 30 September 2022 to assess whether the use of the going concern basis for the preparation of the financial statements is appropriate. In the short term, the Group will require further additional funding in order to meet its liabilities as they fall due and continue to operate as a going concern. The Directors have taken into consideration the level and timing of the Group's working capital requirements (which takes into account recent reductions in costs and control of discretionary spending to preserve cash flow) and has also considered the likelihood of successfully securing funding to meet these needs. In particular, consideration has been given to ongoing discussions around further third-party investment and the extent to which these discussions are advanced both in respect of short and longer term funding. The Directors acknowledge that while they have an expectation that funding will be secured based on this assessment, at the date of approval of these financial statements, no such funding has been unconditionally committed. Therefore, while the Directors have a reasonable expectation that the Group has the ability to raise the additional finance required in order to continue in operational existence for the foreseeable future, the uncertainty surrounding the ability and likely timing of securing such finance indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Were no such funding to be secured, the Group would have no realistic alternative but to halt operations and prepare its financial statements on a non-going concern basis.

ON BEHALF OF THE BOARD,

**OSAMEDE OKHOMINA
DIRECTOR**

22 June 2022

CHIEF FINANCIAL OFFICER'S REVIEW

FOR THE YEAR ENDED 31 DECEMBER 2021

LIONEL THEROND
CHIEF FINANCIAL OFFICER



The financial results of the Group improved markedly on last year as they benefitted from an increased profit interest in the Aje Field, and the oil price recovered in the context of a somewhat abating Covid crisis. Also, the Group successfully completed the acquisition of a controlling indirect interest in the Risk Sharing Agreement (RSA) for the development of the large-scale Barracuda Field in OML 141.

REVENUE AND PROFIT

For the year ended 31 December 2021, the Group's revenue increased by 125% to £1.8 million (2020: £0.8 million). The higher revenue reflects the better oil price environment for the two liftings which were completed in April and October 2021 for a total gross production of 457,379 bbls with a net share of 49,099 bbls for ADM.

Operating costs increased by 36% to £1.9 million (2020: £1.4 million) as certain temporary cost-cutting initiatives taken by the Aje partnership in 2020 to mitigate the impact of low oil prices, were reversed as a response to a much better commodity pricing environment.

Decommissioning provision amounted to £1.3 million (2020: £1 million).

Depreciation & amortisation expense decreased by 45% to £0.05 million (2020: £0.09 million) reflecting the lower value of our interest in Aje after an impairment was recognised in 2020 to reflect the recent Petronor/Panoro transaction.

Administrative expenses decreased by 12% to £2.3 million (2020: £2.6 million) remaining at a relatively high level and reflecting high M&A evaluation activity, as well as the costs related to the completion of our acquisition of a controlling indirect interest in the Barracuda Field RSA.

Finance costs decreased by 16% to £0.06 million (2020: £0.07 million).



As a result, the loss after taxation decreased 64% to £2.5 million (2020: £6.9 million loss). The Directors do not propose a dividend (2020: £nil).

CASH FLOWS AND LIQUIDITY

After adjusting for the conversion of warrants issued in settlement of fees and working capital movements, cash flow loss from operating activities increased by 40% to £2.1 million (2020: £1.5 million loss).

The £2.7 million owed to the Aje JV has this year been accounted for in non-current liabilities rather than in current liabilities. The liability will be repaid in due time out of Aje production cash flows.

During the period, the Group raised additional equity of £1.7 million in two fundraisings. In March 2021, the Group raised £1,220,000 of equity for general working capital purposes. In November 2021, the Group raised £475,000 of equity also for general working capital purposes.

As of 31 December 2021, the Group had cash and cash equivalents of £110,000 (31 December 2020: £30,000).

Post period, in January 2022, ADM announced an equity fundraising of approximately £561,000 with Optima Resources Limited.

OUTLOOK

Following government approvals received in January 2022 by Panoro to sell its interest in the OML 113 offshore block to PetroNor, the Aje partnership are focused on progressing this project which remains a significant source of potential value creation for all partners and for the Group in particular.

The Group remains committed to pursuing other value-accretive acquisitions focused on producing and near-term production assets. To that effect the team is reviewing several such opportunities and will keep the market informed of any development.

LIONEL THEROND
CFO

22 June 2022

BOARD OF DIRECTORS



OLIVER ANDREWS

Non-Executive Chairman

Oliver has over 35 years' experience in infrastructure development, investing, public-private partnerships and strategic advisory work such as advising and partnering with governments, regional and international corporations and development finance institutions. During his career, he has overseen the investment of approximately US\$10bn and originated US\$100bn of investments in natural resources and infrastructure deals across the African continent on behalf of investee institutions. Oliver was formerly Executive Director and Chief Investment Officer at the Africa Finance Corporation, one of the biggest investors in natural resources and infrastructure solutions in Africa, where he oversaw the growth of assets under management from US\$1bn to over US\$8.4bn including significant investments in the oil and gas sector.



OSAMEDE OKHOMINA

Chief Executive Officer

A Cambridge Philosophy graduate turned oil man, Osamede was appointed CEO of ADM Energy in July 2019. He has more than 20 years' experience in the global oil and gas industry, particularly in Africa, financing projects and growing businesses. Osamede started his career at Terra Energy Services, helping to introduce new deep-water technologies in Nigeria. He is a founding partner of Africa-focused Energy Equity Resources, a partner investor of ADM Energy, where he has secured more than \$300 million of direct foreign investment into Nigerian oil and gas. He brings considerable government expertise and connections to the ADM Energy board.



RICHARD CARTER

Chief Operating Officer

Richard is a qualified accountant with extensive experience of raising funds for public and private companies. He has worked and advised across media, telecoms, engineering and energy sectors in various corporate finance and investor relations roles. As Chief Operating Officer, Richard supports the CEO and management team with its regulatory functions.



MANUEL LAMBOLEY

Independent Non-Executive Director

Manuel is a financier with over 30 years' experience in international broking and investment banking. He previously served as Head of the Geneva office of Williams de Broe and has held senior positions at Bank Julius Bar, Kidder Peabody, Paine Webber International and Prudential-Bache Securities. Manuel has long-standing relationships with major investors and financial advisers worldwide, with a particular focus on the natural resources sector. He is a non-executive director of Alba Minerals plc and has been a non-executive director of several other listed companies in the mining and energy sectors, including International Mining & Infrastructure Corporation plc, and was also previously an independent director of UK-based African Aura Resources Limited.



DR STEFAN LIEBING

Independent Non-Executive Director

Dr Stefan Liebing is the Chairman of Afrika-Verein der deutschen Wirtschaft e.V., the prestigious German-African Business Association, where as part of his role, he advises the German Government on investment in Africa. He chaired the G20 Compact with Africa investment summits in 2018 and 2019, held under the patronage of Chancellor Angela Merkel. Dr Liebing is the CEO of Conjuncta GmbH, a boutique investment and project development company. Previously, Dr Liebing was a Director of International Gas Business at EnBW Energie Baden-Wuerttemberg AG, one of the largest energy supply companies in Europe. Previously he held various senior positions at Royal Dutch Shell.



Lord Bellingham

Independent Non-Executive Director

Lord Bellingham has enjoyed a distinguished Parliamentary career of almost 40 years and held a number of senior positions including: Foreign Office Minister for Africa, The UN, Caribbean, Overseas Territories and Conflict Issues; Chairman of the Westminster Foundation for Democracy; Chairman of the All-Party Group on the Commonwealth; and the Prime Minister's Trade Envoy to Libya. In 2016, he was Knighted in the New Year Honours list for Parliamentary and Political Service. He sits in the House of Lords after being awarded a Life Peerage in 2020. In addition to his Parliamentary career, Lord Bellingham has held several non-executive roles on AIM companies and, until recently, was Non-executive Chairman of Pathfinder Minerals plc since 2014. Prior to entering Parliament, Lord Bellingham practised as a barrister having graduated from Magdalene College, Cambridge with a master's degree in Law.

INVESTING POLICY

The Company will seek to invest in opportunities within the natural resources sector, the oil services, power and energy sectors and in technology opportunities related to these sectors that the Directors believe either are of strategic value or represent a significant value opportunity. The Company is prepared to take an active role in its investments where it is deemed to be appropriate.

The Directors plan to adopt a flexible approach, both as to the form and subject of the Company's investments. The investments may be in quoted and unquoted companies. This includes making investments in other quoted investment companies focused on the natural resources, power and energy sectors or related technologies, including those with no significant assets other than cash. The Directors believe that investing in these other investing companies will provide the Company with greater scope to make and support its investment strategy.

The Company's investments may take the form of equity, debt, convertible instruments, options and licence rights. Possible investments could include direct or indirect investments in permits and licences, exploration, mining and production operations and processing and development projects.

The Company may make direct investments in private or quoted companies and indirect investments via quoted companies, unquoted companies seeking a public quotation and candidates for reverse transactions into quoted investment companies. The Company may invest in these types of opportunities through acquisitions, partnerships, joint venture arrangements, as finance for management buy-outs or buy-ins, as finance for pre-IPO, seed and underwriting positions.

Such investments may result in the Company acquiring the whole or part of a company or project. The Company will consider opportunities anywhere in the world.

The Company expects to be an active investor in situations where the Company can make a clear contribution to the progress and development of the investment. In respect of other, principally more substantial opportunities, the Company expects to be a passive investor.

The Company intends to invest for the medium to long-term. However, should an opportunity arise to realise its investments, the Company will consider these on a case-by-case basis and seek to maximise value for shareholders. The Directors intend to hold all investments for a minimum of 30 days. Other than set out above, there are no restrictions on the Company's investment policy.

The Company intends to utilise industry experts in the analysis of proposed investments, and it is intended that the decision-making process will be a collegiate, team-based approach, driven by intrinsic value or informed opinion.



OUR SUSTAINABLE APPROACH

ADM Energy is committed to the highest standards of corporate social responsibility in its investing policy. Working alongside its partners, the Company strives to ensure the safety of all staff and contractors, while minimising environmental impact, for the benefit of the communities in which it works and all its stakeholders.

ADM conducts its investment operations in a responsible and transparent manner. Being socially responsible is a key component in the Company's business and its achievements. This includes not only adherence to Government legislation and Company policies, but must extend to acceptance that ADM is, in all the projects in which it holds an investment, a neighbour in established communities and environments.

The Company is conscious of the impact to the environment and local communities that oil and gas activities may have and aims to minimise and constantly reduce these effects. The projects in which ADM invests comply with all existing laws, regulations and permits. By making continuous improvements, the Company's ambition is to set a good example in the markets where it is active. ADM's focus in its projects is environmental protection, pollution prevention and human health. The Company's actions are characterised by respect for the cultures of the regions in which it operates. ADM is committed to maintaining an open dialogue over the environmental aspects of its investments and the operations of the partners in these projects with all stakeholders.



DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their annual report on the affairs of the Group, together with the financial statements for the year ended 31 December 2022.

Certain information required by the Companies Act 2006 relating to the information to be provided in the Directors' Report is set out in the Strategic Report and includes principal activity, future developments and principal risks and uncertainties.

Directors

The Board comprised the following directors who served throughout the year and up to the date of this report unless otherwise stated.

Oliver Andrews (Appointed 2 August 2021)

Osamede Okhomina

Richard Carter

Manuel Lambole

Lord Bellingham

Dr Stefan Liebing

Peter Francis (Resigned 2 August 2021)

Directors' Interests

Set out below are the Directors' beneficial holdings of ordinary shares in the Company as at 31 December 2021. Their interests in the Company's share warrants are included in the Report on Directors' Remuneration.

Name of director	Ordinary shares of 1p each Number	Percentage of capital %
Oliver Andrews	6,666,667	3.26%
Osamede Okhomina	6,006,159	2.94%
Richard Carter	2,431,296	1.19%
Dr Stefan Liebing	655,972	0.32%
Lord Bellingham	353,031	0.17%

Substantial Shareholdings

The only interests in excess of 3% of the issued share capital of the Company which have been notified to the Company as at 16 May 2022 were as follows:

Name of shareholder	Ordinary shares of 1p each Number	Percentage of capital %
Optima Resources Holding Ltd	51,000,000	19.96%
Hessia Group Limited	36,449,303	14.27%
Monecor (London) Ltd	17,618,095	6.90%
Align Research Limited & related parties – RS & CA Jennings	10,904,031	4.27%

Post Year End Events

On 21 January 2022, the Company announced that it had raised approximately £561,000 of equity issuing 51,000,000 new ordinary shares at a price of 1.11 pence per share to Optima Resources Holding Limited. In connection with the issue the Company has issued 15.3 million warrants to Optima Resources to subscribe for ordinary shares at an exercise price of 4.5 pence per share with an exercise period of two years from the date of Admission.

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with UK-adopted international accounting standards ("IFRS"). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. In preparing these financial statements, the Directors are required to:

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgments and accounting estimates that are reasonable and prudent;
- ▶ state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ▶ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each person who was a director at the time, this report was approved:

- ▶ so far as that director is aware there is no relevant audit information of which the Group's auditor is unaware; and

- ▶ that director has taken all steps that the director ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate Governance

Corporate governance regulations apply to all AIM quoted companies and require the Company to:

- ▶ provide details of a recognised corporate governance code that the board of directors has decided to apply; and
- ▶ explain how the Company complies with that code, and where it departs from its chosen corporate governance code provide an explanation of the reasons for doing so.

The Directors recognise the importance of sound corporate governance while taking into account the Group's size and stage of development and the following two sections explain the Company's compliance with these regulations.

Auditors

Kreston Reeves LLP were appointed as the statutory auditors during the year, and they have expressed their willingness to continue in office, and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD,

OSAMEDE OKHOMINA
DIRECTOR

22 June 2022



CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

Introduction

All members of the Board believe strongly in the value and importance of good corporate governance and in accountability to all of ADM Energy's stakeholders. The statement below, explains the approach to governance, and how the Board and its Committees operate.

The corporate governance framework which the Company operates, including board leadership and effectiveness, board remuneration, and internal control is based upon practices which the Board believes are proportional to the size, risks, complexity and operations of the business and is reflective of the Group's values. Of the two widely recognised formal codes, we have therefore decided to adhere to the Quoted Companies Alliance's (QCA) Corporate Governance Code for small and mid-size quoted companies (revised in April 2018 to meet the new requirements of AIM Rule 26).

The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. We have considered how we apply each principle to the extent that the Board judges these to be appropriate in the circumstances, and below we provide an explanation of the approach taken in relation to each.

The following paragraphs set out the Company's compliance with the ten principles of the QCA Code.

• ESTABLISH A STRATEGY AND BUSINESS MODEL WHICH PROMOTES LONG-TERM VALUE FOR SHAREHOLDERS

The Company is an investing company quoted on AIM. Its principal focus is investing in the natural resources sector, particularly in oil and gas where it believes that it can make an attractive return for shareholders. The Company expects to generate returns for shareholders through the development of its investments. Currently, the Company's principal investment is in the Nigerian offshore licence OML 113 and to date the Company has been involved with maintaining and progressing its investment in OML 113 together with the joint operators from the development stage through to production. It is therefore expected that a return to shareholders will be delivered principally through capital growth.

The Board recognises that a challenge of the natural resource sector is the critical time and financial investment often required to commercialise a resource or reserve. In respect of OML 113, the Company is a small but important stakeholder and therefore a key challenge is to continually appraise the OML 113 opportunity from a financial and technical standpoint and to ensure that all further investment in this asset delivers realistic value opportunities for all shareholders.

• SEEK TO UNDERSTAND AND MEET SHAREHOLDER NEEDS AND EXPECTATIONS

The Board is committed to maintaining effective communication and having constructive dialogue with its shareholders. Shareholders have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting ("AGM"). Investors also have access to current information on the Company through its website, www.admenergyplc.com and via Osamede Okhomina, CEO who is available to answer investor relations enquiries and can be contacted on osamede@admenergyplc.com or hello@admenergyplc.com.

- **TAKE INTO ACCOUNT WIDER STAKEHOLDER AND SOCIAL RESPONSIBILITIES AND THEIR IMPLICATIONS FOR LONG-TERM SUCCESS**

The Board recognises that the long-term success of the Company is reliant upon the efforts of its directors and employees, the efforts and activities of the joint operation partners and upon their contractors, suppliers and regulators. The Board has put in place a range of processes and systems to ensure that there is close Board oversight and contact with its key resources and relationships.

As an investing company, the Company recognises that it is likely further investment will be required as it develops the OML 113 asset and its portfolio of other investments. Accordingly, ensuring that the Company continually understands the requirements of shareholders in the context of the broader developments in its sector of operation is extremely important.

The Company's CEO is in regular dialogue with a number of the Company's shareholders, and feedback from this contact is used to shape subsequent communication with shareholders as a whole and the market more generally.

- **EMBED EFFECTIVE RISK MANAGEMENT, CONSIDERING BOTH OPPORTUNITIES AND THREATS, THROUGHOUT THE ORGANISATION**

In addition to its other roles and responsibilities, the Audit and Compliance Committee (see composition details in Corporate Governance section of website, www.admenergyplc.com), is responsible to the Board for ensuring that procedures are in place, and are being effectively implemented to identify, evaluate and manage the significant risks faced by the Company. Within the scope of the annual audit, specific financial risks are evaluated in detail, including in relation to foreign currency, interest rates, liquidity and credit.

In terms of investment appraisal, this process is usually led by the CEO and COO. The opportunities are then presented and discussed by the Board as a whole. Where necessary, the Company will also involve third party experts in the overall appraisal process.

The Directors have established procedures, as represented by this statement, for the purpose of providing a system of internal control. In addition, there are a range of Company policies that are reviewed at least annually by the Board. These policies cover matters such as share dealing and insider legislation. The Board currently takes the view that an internal audit function is not considered necessary or practical due to the size of the Company and the close day to day control exercised by the Directors. However, the Board will continue to monitor the need for an internal audit function.

The annual review of internal control and financial reporting procedures did not highlight any issues warranting the introduction of an internal audit function. It was concluded, given the current size and transparency of the operations of the Company, that an internal audit function was not required.

As noted in the Strategic Report on pages 8-12, the Board regularly reviews operating and strategic risks and considers in such reviews financial and non-financial information including:

- ▶ a review of the business at each Board meeting, focusing on any new decisions/risks arising;
- ▶ the performance of investments;
- ▶ selection criteria of new investments; and
- ▶ reports prepared by third parties.

- **MAINTAIN THE BOARD AS A WELL-FUNCTIONING, BALANCED TEAM LED BY THE CHAIR**

The QCA Code requires that the boards of AIM companies have an appropriate balance between executive and non-executive directors of which at least two should be independent.

The Board comprises Non-executive Chairman Oliver Andrews, CEO Osamede Okhomina, COO Richard Carter, and Non-executive Directors Lord Henry Bellingham, Dr Stefan Liebing and Manuel Lamboley. The time commitment formally required by the Company is an overriding principal that each director will devote as much time as is required to carry out the roles and responsibilities that the director has agreed to take on. Biographical details of the current directors are set out within Principle Six below and on pages 15-16. Execut-

ive and non-executive directors are subject to re-election intervals as prescribed in the Company's Articles of Association. At each Annual General Meeting, one-third of the Directors, who are subject to retirement by rotation shall retire from office. They can then offer themselves for re-election. The letters of appointment of all directors are available for inspection at the Company's registered office during normal business hours.

The Directors' receive fees for their services as directors which are approved by the Board, being mindful of the time commitment and responsibilities of their roles and of current market rates for comparable organisations and appointments.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board meets as regularly as necessary. It has established an Audit and Compliance Committee and a Remuneration Committee, particulars of which appear hereafter. Appointments to the Board are made by the Board as a whole and so the Company has not created a Nominations Committee.

The Board retains full control of the Company with day-to-day operational control delegated to the CEO and other Directors.

- **ENSURE THAT BETWEEN THEM THE DIRECTORS HAVE THE NECESSARY UP-TO-DATE EXPERIENCE, SKILLS AND CAPABILITIES**

All members of the Board bring either relevant sector experience or public market's experience which the Company considers to be fundamentally important in its chosen area of operation and investment appraisal process. The Board believes that its blend of relevant experience, skills and personal qualities and capabilities is sufficient to enable it to successfully execute its strategy. Please see biographies of the Board of Directors on pages 15-16.

- **EVALUATE BOARD PERFORMANCE BASED ON CLEAR AND RELEVANT OBJECTIVES, SEEKING CONTINUOUS IMPROVEMENT**

Internal evaluation of the Board, its Committees and individual directors is important and will develop as the Company grows in the future. The expectation is that Board reviews will be undertaken on an annual basis to determine the effectiveness and performance in various areas as well as the directors' continued independence

- **PROMOTE A CORPORATE CULTURE THAT IS BASED ON ETHICAL VALUES AND BEHAVIOURS**

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole. Therefore, the importance of sound ethical values and behaviour is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places foremost importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does. The Board assessment of the culture within the Company at the present time is one where there is respect for all individuals, open dialogue within the Company and a commitment to best practice.

The Company has also adopted an anti-bribery policy which is clearly set out on the Company's website.

- **MAINTAIN GOVERNANCE STRUCTURES AND PROCESSES THAT ARE FIT FOR PURPOSE AND SUPPORT GOOD DECISION-MAKING BY THE BOARD**

The Board schedule provides for six board meetings per annum and, in addition, meets ad-hoc as required. Notwithstanding the above, the Board and its Committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting, and Board and Committee papers are distrib-

uted several days before meetings take place. Any Director may challenge Company proposals and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors. Any specific actions arising from such meetings are agreed by the Board or relevant Committee and then followed up by the Company's management.

The Audit and Compliance Committee monitors the integrity of financial statements, oversees risk management and control, and reviews external auditor independence. It also ensures that the Company is compliant with its relevant regulatory requirements.

The Non-executive Chairman has overall responsibility for corporate governance and in promoting ambitious standards throughout the group. He leads and chairs the Board, ensuring that committees are properly structured and operate with appropriate terms of reference, ensures that performance of individual directors, the board and its committees are reviewed on a regular basis, leads in the development of strategy and setting objectives, and oversees communication between the group and its shareholders.

The Executive Directors are responsible for implementing and delivering the strategy and operational decisions agreed by the board, making operational and financial decisions required in the day-to-day operation of the group, providing executive leadership to managers, championing the group's core values and promoting talent management.

The Non-executive Directors contribute independent thinking and judgement through the application of their external experience and knowledge, scrutinise the performance of management, provide constructive challenge to the executive directors and ensure that the group is operating within the governance and risk framework approved by the Board.

The Board has approved the adoption of the QCA Code as its governance framework against which this statement has been prepared and will monitor the suitability of this code on an annual basis and revise its governance framework as appropriate as the group evolves.

- **COMMUNICATE HOW THE COMPANY IS GOVERNED AND IS PERFORMING BY MAINTAINING A DIALOGUE WITH SHAREHOLDERS AND OTHER RELEVANT STAKEHOLDERS**

The Company communicates with shareholders through its period announcement, the Annual Report and Accounts, full-year and half-year announcements, the AGM and one-to-one meetings with large existing or potential new shareholders. A range of corporate information (including all Company announcements and presentations) is also available to shareholders, investors and the public on the Company's corporate website, www.admergencyplc.com.



CHAIRMAN'S GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

The Board is committed, where practicable, to developing and applying exacting standards of corporate governance appropriate to the Company's size and stage of development. The Board seeks to apply where appropriate the QCA Code as devised by the Quoted Companies Alliance.

The QCA Code is constructed around ten broad principles and a set of disclosures. The Code states what is considered to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures.

Board Structure

The Board has six directors, four of whom are non-executive. The Board is responsible for the management of the business of the Company, setting its strategic direction and establishing appropriate policies. It is the Directors' responsibility to oversee the financial position of the Company and monitor its business and affairs, on behalf of the shareholders, to whom they are accountable. The primary duty of the Board is to act in the best interests of the Company at all times. The Board also addresses issues relating to internal controls and risk management. The non-executive directors bring a wide range of skills and experience to the Company, as well as independent judgment on strategy, risk and performance. The independence of each non-executive director is assessed at least annually, and all of the non-executive directors are considered to be independent at the date of this report.

The roles of the Chairman and CEO are separate, with their roles and responsibilities clearly divided and recorded. A summary of their roles is as follows:

The Chairman is responsible for leadership of the Board, ensuring its effectiveness and setting its agenda. The Chairman facilitates the effective contribution and performance of all Board members whilst identifying any development needs of the Board. He also ensures that there is sufficient and effective communication with shareholders to understand their issues and concerns.

The CEO is responsible for executing the strategy agreed by the Board and developing the Group objectives through leadership of the senior executive team. He will recommend to the Board any investment or new business opportunities which meet this strategy. He also ensures that the Group's risks are adequately addressed and appropriate internal controls are in place. The CEO is responsible for meeting with shareholders and ensuring effective communication.

Attendance at Meetings

It is expected that all Directors attend Board and relevant Committee meetings, unless they are prevented from doing so by prior commitments, and that all Directors will attend the AGM.

During the year, the Board met 8 times and all the Directors attended the meetings.

Board Committees

REMUNERATION COMMITTEE

The Remuneration Committee consists of Oliver Andrews (Committee Chairman), Manuel Lamboley and Dr Stefan. It is responsible for reviewing the performance of the senior executives and for determining their levels of remuneration. The Committee makes recommendations to the Board, within agreed terms of reference regarding the levels of remuneration and benefits.

REMUNERATION COMMITTEE REPORT

On behalf of the Board, I am pleased to present the Remuneration Committee report for the financial period ended 31 December 2021. This report sets out the activities of the Remuneration Committee during 2021.

The Committee met twice during the year to determine the remuneration arrangements of the Directors and senior employees.

REMUNERATION POLICY

The Committee aims to ensure that total remuneration is set at an appropriate level for the Group and its operations. The objectives and core principles of the remuneration policy are to:

- ▶ ensure remuneration levels support the Group's strategy;
- ▶ ensure that there is an appropriate link between performance and reward;
- ▶ ensure alignment of Directors, senior management and shareholder interests;
- ▶ ensure that long-term incentives are linked to shareholder return;
- ▶ enable the Group to recruit, retain and motivate individuals with the skills, capabilities and experience to achieve its objectives; and
- ▶ strengthen teamwork by enabling all employees to share in the success of the business.

There are four elements of the remuneration package for Executive Directors and senior management:

- ▶ basic annual salary;
- ▶ benefits in kind;
- ▶ discretionary annual bonus; and
- ▶ long-term incentive plan.

AUDIT COMMITTEE

The Audit Committee consists of Oliver Andrews (Committee Chairman), Manuel Lamboley and Dr Stefan. The Audit Committee meets at least twice a year to consider the annual and interim financial statements and the audit plan. The Audit Committee is responsible for ensuring that appropriate financial reporting procedures are properly maintained and reported upon, reviewing accounting policies and for meeting the auditors and reviewing their reports relating to the financial statements and internal control systems.

Audit Committee Report

On behalf of the Board, I am pleased to present the Audit Committee report for the financial period ended 31 December 2021. This report sets out the activities of the Audit Committee during 2021.

The Audit Committee is governed by terms of reference which are agreed by the Board and subject to annual review.

Principle responsibilities of the committee:

- ▶ Ensuring the financial performance of the Group is properly reviewed, measured and reported;
- ▶ Monitoring the quality and adequacy of internal controls and internal control systems implemented across the Group;
- ▶ Receive and review reports from the Group's management and auditors relating to the interim and annual accounts;
- ▶ Reviewing risk management policies and systems;
- ▶ Advising on the appointment, re-appointment and remuneration of independent external auditors, besides scheduling meetings with external auditors independent of management for discussions and reviews; and
- ▶ Reviewing and monitoring the extent and independence of non-audit services rendered by external auditors.

Areas of focus during 2021

The Committee met three times in 2021 to execute its responsibilities. Meetings focussed on audit planning, risk management, internal controls and the approval of the interim and final results including the key judgments associated with acquisition accounting, asset impairment review assumptions and calculations, creditor completeness reviews and the going concern requirements and statement.

Internal controls and risk

The Board assigns to the Committee the responsibility of monitoring and improving the Group's internal controls governing the finances of the business. The system of internal controls is vital in managing the risks that face the Group and safeguarding shareholders' interests.

Audit Process

The Committee reviews the findings of the external auditors and then approves the scope of work to be undertaken for the next financial reporting year, including the associated audit fees. In addition, a review of the effectiveness of the external audit process is undertaken and an annual assessment of the external auditor's independence is made.

Company Culture and Ethics

The Board of Directors seeks to embody and promote a corporate culture that is based on sound ethical values and behaviours. A culture of ethics and compliance is at the core of a strong risk management program.

The Board of Directors of ADM Energy plc has adopted this code of ethics, to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest; promote the full, fair, accurate, timely and understandable disclosure of the Company's financial results in accordance with applicable disclosure standards; promote compliance with applicable governmental laws, rules and regulations; and deter wrongdoing.

OLIVER ANDREWS
NON-EXECUTIVE CHAIRMAN
22 June 2022

REPORT ON DIRECTORS' REMUNERATION

FOR THE PERIOD ENDED 31 DECEMBER 2021

REMUNERATION

The remuneration of the Directors has been fixed by the Board as a whole. The Board seeks to provide appropriate reward for the skill and time commitment required to retain the right calibre of director at a cost to the Group, which reflects current market rates.

The Board is responsible for the overall remuneration package for the Executive and Non-executive Directors. The Company's remuneration policy is set out on page 27.

DIRECTORS' EMOLUMENTS

Details of the remuneration package of each Director for the year are set out below:

	2021	2021	2021	2020
	Fees and emoluments	Pension contributions	Total remuneration	Total remuneration
Director	£'000		£'000	£'000
Oliver Andrews (appointed 2 Aug 2021)	25	–	25	–
Osamede Okhomina	384	25	409	275
Richard Carter	216	20	236	208
Manuel Lambole	37	–	37	30
Lord Bellingham	30	–	30	13
Dr Stefan Liebing	28	–	28	13
Directors who left during year:				
Peter Francis (resigned 2 Aug 2021)	20	–	20	50
Sergio Lopez	–	–	–	47
Stefan Olivier	–	–	–	10
	740	45	785	646

PENSIONS

Pension contributions of £45,000 were paid in respect of the directors for the year ended 31 December 2021 (2020: £59,000).

ON BEHALF OF THE BOARD,

OLIVER ANDREWS
NON-EXECUTIVE CHAIRMAN
 22 June 2022

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ADM ENERGY PLC

FOR THE PERIOD ENDED 31 DECEMBER 2021

Opinion

We have audited the financial statements of ADM Energy PLC (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the consolidated income statement, consolidated and company statements of financial position, consolidated and company statements of changes in equity, consolidated and company statements of cashflow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation of the group financial statements is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- ▶ *give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;*
- ▶ *have been properly prepared in accordance with UK adopted international accounting standards; and*
- ▶ *have been prepared in accordance with the requirements of the Companies Act 2006.*

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to note 2 in the financial statements, which discloses that the Group continues to require additional funding to meet its liabilities as they fall due, this is likely to continue to be the case for a period of at least 12 months from the date of the approval of these financial statements. These events or conditions, along with other matters set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. This conclusion is reached based on the following procedures, we have:

- ▶ Evaluated the design and implementation of key internal controls over management's assessment of going concern, considering in detail the rationale provided and whether this was consistent with our understanding as well as audit evidence obtained;
- ▶ considered the key financial data of the group and company at year end and assessed financial the financial headroom as well as ability to obtain additional financing. This includes terms agreed for additional financing of up to £2m via a convertible loan issue;
- ▶ considered specifically the willingness and ability of shareholders to continue to provide equity finance to the business based on historic track record of support, capital raises after the balance sheet date and the results of recent shareholder general meetings;
- ▶ considered the accuracy of forecasts produced by management by reference to key assumptions made as well as the historical accuracy of forecasts previously prepared by management, taking into account variances that arose;
- ▶ considered the impact of a range of reasonable sensitivities on the forecast headroom;
- ▶ Considered the trends of key commodity prices in the financial year and in the period up to the date of the approval of these financial statements.

An Overview of the Scope of Our Audit

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

Our scoping considerations for the Group audit were based both on financial information and risk. The below table summarises for the parent company, and its subsidiaries, in terms of the level of assurance gained:

Group component	Level of assurance
ADM Energy PLC	Full statutory audit
P R Oil & Gas Nigeria Limited	Substantial audit procedures
ADM Asset Holdings Limited	Limited assurance review
ADM Energy Services Limited	Limited assurance review
ADM 113 Limited	Limited assurance review
Geo Estratos MXOil, SAPI de CV	Limited assurance review
K.O.N.H. (UK) Limited	Limited assurance review

Coverage Overview

	Group revenue (£'000s)	Group profit/(loss) before tax (£'000s)	Group net assets (£'000s)
Totals at 31 December 2021:	£1,751	(£2,540)	£10,986
Full statutory audit	£1,751	(£2,540)	£10,986
Limited procedures	£Nil	£Nil	£Nil

Our Application of Materiality

	Group financial statements	Parent company financial statements
Materiality	£215,300	£214,000
Basis for determining materiality	2% of net assets	Capped below group materiality
Rationale for benchmark applied	The group's principal activity is that of an exploration and drilling operations. To this end the business is highly asset focused. Therefore, a benchmark for materiality of the NA's of the group is considered to be appropriate.	The parent company materiality has been capped at below group materiality. This was to address the aggregation risk in the group audit.
Performance materiality	£161,500	£160,500
Basis for determining performance materiality	75% of materiality	Capped below group materiality
Rationale for performance materiality applied	On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% of our planning materiality. In assessing the appropriate level, we consider the nature, the number and impact of the audit differences identified in the previous year's audit by the previous auditors.	The parent company performance materiality has been capped at below group performance materiality. This was to address the aggregation risk in the group audit.
Triviality threshold	£10,800	£10,700
Basis for determining triviality threshold	5% of materiality	Capped below group materiality

We reported all audit differences found in excess of our triviality threshold of £10,800 to the directors and the management board.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

REVENUE RECOGNITION

Significance and nature of key risk

The Group had one main source of revenue during the year, this being the investment returns from its share in the OML 113 License. The underlying asset being a stake in the Aje oil and gas field in Nigeria.

We have focused on this income stream due to the potential for material misstatement of revenue whether caused by fraud or error.

The group's revenue share is outlined in the Joint Operating Agreement, the underlying revenues being generated from the sale of crude oil within the oil and gas field.

How our audit addressed the key risk

Given that revenues arise from the OML 133 license under the joint operating agreement, there is risk of calculation errors which may result in recorded revenue being material misstated.

We have obtained reconciliations produced by the asset's operator directly from this third party and confirmed the group's stated share to underlying signed contracts. The independence and competence of the operator was also assessed along with their control environment in place for the production of accurate financial reports for partners in the OML 113 License.

We have specifically considered revenue recognition and cut-off in line with the requirements of IFRS 15.

We have further assessed the systems and controls in place around the revenue cycle, implemented by the group themselves, to ensure that these are functioning as designed.

Key observations communicated to the Risk and Audit Committee

We have no concerns over the material accuracy of revenue recognised in the financial statements.

VALUATION/IMPAIRMENT OF INTANGIBLE ASSETS

Significance and nature of key risk

Intangible assets relate to the Group's capitalised development costs and proportionate interest in the production assets covered under the joint operating agreement.

Due to the recognition requirements under IAS 38 there is inherent management judgement in the treatment of these as assets of the group rather than expenses.

How our audit addressed the key risk

We have closely examined the nature of items capitalised to ensure that these meet the definition of intangible assets under IAS 38. This included agreement to sale and purchase agreements as well as other supporting evidence.

We have obtained management's assessment of the impairment of intangibles. In analysing this we have considered external factors, such as the consideration received for transfer of interest in the license between other partners, in order to gain evidence of potential impairment in the value of the group's holding – which is effectively represented in the financial statements by this intangible.

We have considered the appropriateness of the valuation model used and agree this is reasonable given the nature of the underlying asset that these development costs relate to.

Key observations communicated to the Risk and Audit Committee

We have no concerns over the material accuracy of intangible asset values recognised in the financial statements.

VALUATION OF LIABILITIES IN P R OIL & GAS NIGERIA LIMITED

Significance and nature of key risk

There are cost sharing obligations relating to the group's interest in the OML 133 License, as specified in the joint operating agreement.

These liabilities have increased with the acquisition of additional interest in the OML 113 license by the group in recent years.

There is a risk that expense share reported to the group to be accrued for is materiality understated.

How our audit addressed the key risk

In line with our auditing of revenue recognition we have obtained reconciliations produced by the asset's operator directly from this third party and confirmed the group's stated share to underlying signed contracts.

The independence and competence of the operating was also assessed along with their control environment in place for the production of accurate financial reports for partners in the OML 113 License.

We have confirmed that the specific audit of the operator's accounting for project costs was concluded in the financial year and that the results of this did not indicate increased risk of material misstatement of the group's share of operating liabilities.

Key observations communicated to the Risk and Audit Committee

We have no concerns over the material accuracy of liabilities relating to OML 113 license operations recognised in the financial statements. The audit of the operator was concluded in the year with no findings made that gave rise to material uncertainty over the accuracy of information being produced.

Other Information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- ▶ the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ▶ the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on Which We Are Required to Report by Exception

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

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

- ▶ adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the parent company financial statements are not in agreement with the accounting records and returns; or
- ▶ certain disclosures of directors' remuneration specified by law are not made; or
- ▶ we have not received all the information and explanations we require for our audit

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement (set out on page 20), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

CAPABILITY OF THE AUDIT IN DETECTING IRREGULARITIES, INCLUDING FRAUD

Based on our understanding of the group and industry, and through discussion with the directors and other management (as required by auditing standards), we identified that the principal risks of non-compliance with laws and regulations related to health and safety, anti-bribery and employment law. We considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, management bias in accounting estimates and judgemental areas of the financial statements such as the valuation of investment properties and mining reserve and development asset. Audit procedures performed by the group engagement team included:

- ▶ Detailed discussions were held with management to identify any known or suspected instances of non-compliance with laws and regulations.
- ▶ Identifying and assessing the design effectiveness of controls that management has in place to prevent and detect fraud.
- ▶ Challenging assumptions and judgements made by management in its significant accounting estimates, including assessing the capabilities of the property valuers and discussing with the valuers how their valuations were calculated and the data and assumptions they have used to calculate these.
- ▶ Performing analytical procedures to identify any unusual or unexpected relationships, including related party transactions, that may indicate risks of material misstatement due to fraud.
- ▶ Confirmation of related parties with management, and review of transactions throughout the period to identify any previously undisclosed transactions with related parties outside the normal course of business.
- ▶ Reading minutes of meetings of those charged with governance and reviewing correspondence with relevant tax and regulatory authorities.
- ▶ Review of significant and unusual transactions and evaluation of the underlying financial rationale supporting the transactions.
- ▶ The cashbook used to create the initial financial information with respect to ADM Energy PLC and P R Oil & Gas Nigeria Limited was reviewed to ensure no entries in the cash book indicated fraudulent activity by management.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is suf-

ficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the parent company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our Report

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

Anne Dwyer BSc(Hons) FCA (Senior Statutory Auditor)

For and on behalf of

Kreston Reeves LLP

Chartered Accountants

Statutory Auditor

London

Date: 22 June 2022

GROUP INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £'000	2020 £'000
Continuing operations			
Revenue	3	1,751	799
Operating costs		(1,895)	(1,423)
Administrative expenses		(2,340)	(2,616)
Impairment of investment		–	(4,628)
Consultancy fee income		–	353
Operating loss	4	(2,484)	(7,515)
Movement in fair value of investments		–	678
Finance costs	5	(56)	(67)
Loss on ordinary activities before taxation		(2,540)	(6,904)
Taxation	7	–	–
Loss for the year		(2,540)	(6,904)
Other Comprehensive income:			
Exchange translation movement		141	(233)
Total comprehensive income for the year		(2,399)	(7,137)
Basic and diluted loss per share:	8		
From continuing and total operations		(1.6)p	(8.7)p

GROUP AND COMPANY STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

		GROUP		COMPANY	
		2021	2020	2021	2020
	Notes	£'000	£'000	£'000	£'000
NON-CURRENT ASSETS					
Intangible assets	9	16,149	16,007	–	–
Investment in subsidiaries	10	–	–	12,335	12,316
Fixed asset investments	11	576	–	576	–
		16,725	16,007	12,911	12,316
CURRENT ASSETS					
Investments held for trading	12	28	878	28	878
Inventory	13	33	32	–	–
Trade and other receivables	14	130	109	130	109
Cash and cash equivalents	15	110	30	109	30
		301	1,049	267	1,017
CURRENT LIABILITIES					
Trade and other payables	16	1,534	4,206	1,515	1,429
Convertible loans	17	212	235	212	235
		1,746	4,441	1,727	1,664
NET CURRENT LIABILITIES					
		(1,445)	(3,392)	(1,460)	(647)
NON-CURRENT LIABILITIES					
Convertible loans	17	–	284	–	284
Other borrowings	17	247	297	247	297
Other payables		2,783	–	–	–
Decommissioning provision	18	1,264	1,032	–	–
		4,294	1,613	247	581
NET ASSETS					
		10,986	11,002	11,204	11,088

EQUITY					
Share capital	19	10,267	9,450	10,267	9,450
Share premium	19	38,014	36,591	38,014	36,591
Other reserves	20	960	817	960	817
Currency translation reserve		(709)	(850)	–	–
Retained deficit		(37,546)	(35,006)	(38,037)	(35,770)
Equity attributable to owners of the Company and total equity		10,986	11,002	11,204	11,088

The financial statements were approved by the Board and ready for issue on 22 June 2022.

Osa Okhomina

Director

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £'000	Share premium £'000	Exchange translation reserve £'000	Other reserves £'000	Retained deficit £'000	Total equity £'000
At 1 January 2020	8,817	34,012	(617)	870	(28,152)	14,930
Loss for the year	–	–	–	–	(6,904)	(6,904)
Exchange translation movement	–	–	(233)	–	–	(233)
Total comprehensive expense for the year	–	–	(233)	–	(6,904)	(7,137)
Issue of new shares	633	2,544	–	(134)	–	3,043
Share issue costs	–	(21)	–	–	–	(21)
Warrants issued in settlement of fees	–	–	–	170	–	170
Warrants exercised	–	56	–	(106)	50	–
Issue of convertible loans	–	–	–	17	–	17
At 31 December 2020	9,450	36,591	(850)	817	(35,006)	11,002
Loss for the year	–	–	–	–	(2,540)	(2,540)
Exchange translation movement	–	–	141	–	–	141
Total comprehensive expense for the year	–	–	141	–	(2,540)	(2,399)
Issue of new shares	817	1,517	–	–	–	2,334
Share issue costs	–	(94)	–	27	–	(67)
Issue of convertible loans	–	–	–	2	–	2
Warrants issued in settlement of fees	–	–	–	114	–	114
At 31 December 2021	10,267	38,014	(709)	960	(37,546)	10,986

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained deficit £'000	Total equity £'000
At 1 January 2020	8,817	34,012	870	(29,270)	14,429
Loss for the period and total comprehensive expense	–	–	–	(6,550)	(6,550)
Issue of new shares	633	2,544	(134)	–	3,043
Share issue costs	–	(21)	–	–	(21)
Issue of convertible loans	–	–	17	–	17
Warrants issued in settlement of fees	–	–	170	–	170
Warrants exercised	–	56	(106)	50	–
At 31 December 2020	9,450	36,591	817	(35,770)	11,088
Loss for the period and total comprehensive expense	–	–	–	(2,267)	(2,267)
Issue of new shares	817	1,517	–	–	2,334
Share issue costs	–	(94)	27	–	(67)
Issue of convertible loans	–	–	2	–	2
Warrants issued in settlement of fees	–	–	114	–	114
At 31 December 2021	10,267	38,014	960	(38,037)	11,204

GROUP AND COMPANY STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

		GROUP		COMPANY	
	Note	2021	2020	2021	2020
		£'000	£'000	£'000	£'000
OPERATING ACTIVITIES					
Loss for the period		(2,540)	(6,904)	(2,267)	(6,550)
Adjustments for:					
Fair value adjustment to investments		–	(678)	–	(678)
Warrants issued in settlement of fees		114	170	114	170
Finance costs		56	67	56	67
Impairment of intangible assets		–	4,628	–	4,996
Depreciation and amortisation		47	85	–	–
Decommissioning provision		215	–	–	–
Operating cashflow before working capital changes		(2,108)	(2,632)	(2,097)	(1,995)
Increase in inventories		–	(32)	–	–
Decrease/(increase) in receivables		(21)	303	(21)	303
Increase/(decrease) in trade and other payables		570	1,410	545	783
Net cash outflow from operating activities		(1,559)	(951)	(1,573)	(909)
INVESTMENT ACTIVITIES					
Development costs		–	(181)	–	–
Acquisition of subsidiary		(180)	–	(180)	–
Proceeds on disposal of investments		850	–	850	–
Loans to subsidiary operation		–	–	(19)	(181)
Net cash outflow from investment activities		670	(181)	651	(181)
FINANCING ACTIVITIES					
Continuing operations:					
Issue of ordinary share capital		1,406	848	1,406	848
Share issue costs		(67)	(21)	(67)	(21)
Repayment of borrowings		(338)	–	(338)	–
Proceeds from short term loans		–	278	–	278

Net cash inflow from financing activities		1,001	1,105	1,001	1,105
Net (decrease)/increase in cash and cash equivalents from continuing and total operations		112	(27)	79	15
Exchange translation difference		(32)	42	-	-
Cash and cash equivalents at beginning of period		30	15	30	15
Cash and cash equivalents at end of period	15	110	30	109	30

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. General Information

The Company is a public limited company incorporated in the United Kingdom and its shares are listed on the AIM market of the London Stock Exchange. The Company also has secondary listings on the Quotation Board Segment of the Open Market of the Berlin Stock Exchange ("BER") and Xetra, the electronic trading platform of the Frankfurt Stock Exchange ("FSE").

The Company is an investment company, mainly investing in natural resources and oil and gas projects. The registered office and principal place of business of the Company is as detailed in the Company Information section on page 2.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied throughout all periods presented in the financial statements.

As in prior periods, the Group financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and interpretations issued by the International Accounting Standards Board (IASB) UK-adopted International Financial Reporting Standards (adopted IFRSs). The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

The current period covered by these financial statements is the year to 31 December 2021. The comparative figures relate to the year ended 31 December 2020. The financial statements are presented in pounds sterling (£) which is the functional currency of the Group.

An overview of standards, amendments and interpretations to IFRSs issued but not yet effective, and which have not been adopted early by the Group are presented below under 'Statement of Compliance'.

GOING CONCERN

Going Concern

At 31 December 2021, the Group recorded a loss for the year of £2,540,000 and had net current liabilities of £1,445,000, after allowing for cash balances of £110,000.

During the period, the Group raised additional equity of £1.7 million in two fundraisings. In March 2021, the Group raised £1,220,000 and in November 2021, the Group raised £475,000. Post period, in January 2022, the Company announced an equity fundraising of approximately £561,000 with Optima Resources Limited. In May 2021 realised £850,000 from the sale of investments to provide for working capital requirements, and the Directors have prepared cashflow forecasts for the period to 30 September 2022 to assess whether the use of the going concern basis for the preparation of the financial statements is appropriate. In the short term, the Group will require further additional funding in order to meet its liabilities as they fall due and continue to operate as a going concern. The Directors have taken into consideration the level and timing of the Group's working capital requirements (which takes into account recent reductions in costs and control of discretionary spending to preserve cash flow) and has also considered the likelihood of successfully securing funding to meet these needs. In particular, consideration has been given to ongoing discussions around further third-party investment and the extent to which these discussions are advanced both in respect of short and longer

term funding. The Directors acknowledge that while they have an expectation that funding will be secured based on this assessment, at the date of approval of these financial statements, no such funding has been unconditionally committed. Therefore, while the Directors have a reasonable expectation that the Group has the ability to raise the additional finance required in order to continue in operational existence for the foreseeable future, the uncertainty surrounding the ability and likely timing of securing such finance indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Were no such funding to be secured, the Group would have no realistic alternative but to halt operations and prepare its financial statements on a non-going concern basis.

STATEMENT OF COMPLIANCE

New standards, amendments and interpretations adopted by the Company

The company has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2021:

- ▶ Amendment to "IFRS 4 "Insurance Contracts – deferral of IFRS 9" supports the companies implementing the new IFRS 17 standard and it makes it simpler to report their financial performances.
- ▶ The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2" integrate the amendments made in 2019. The amendments referred in phase 2, address issues that might affect financial reporting when an existing interest rate benchmark is replaced with an alternative benchmark interest rate (i.e., replacement issue) and assist companies in the application of IFRS when changes are made to contractual cash flows or hedging relationships due to the interest rate reform, and in providing useful information to users of the financial statements.
- ▶ The Amendment to IFRS 16, "Covid-19-Related Rent Concessions beyond 30 June 2021" extends the period of application of the 2020 amendment to IFRS 16, relative to the lessees' accounting of concessions granted as a result of Covid-19, by one year.

The adoption of the standards and interpretations described above, already in effect at the date of this report, did not have a material impact on the measurement of the Group's assets, liabilities, costs and revenues.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company. There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

KEY ESTIMATES AND ASSUMPTIONS

Estimates and assumptions used in preparing the financial statements are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of these estimates and assumptions form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. judgement also applies in determining whether costs associated with contingent liabilities can be reliably estimated or not and the extent to which it is appropriate to make disclosure in this area.

USEFUL ECONOMIC LIFE OF INTANGIBLE ASSETS

The Group's intangible assets relate to oil field development expenditure which is considered capital in nature. Intangible assets are amortised over their useful economic life in accordance with the expected pattern of consumption of the benefits arising from the Group's interest in OML 113 license (the Unit of Production method). The timing and pattern of production represents an estimation made with reference to research performed by third parties and the Directors assessment of the timing and level of activity over the life of developed assets.

IMPAIRMENT OF ASSETS

Note 10 summarises the cumulative cost less amortisation of Group's indirect investment in the Aje Field (OML 113). During the year, the Directors noted indicators of impairment related to this asset. They have therefore reviewed the value of the Group's proportionate share of the Aje fixed assets (which as a cash generating unit is represented by the intangible asset relating to the cumulative cost of its acquisition and funding of its interest in the Aje Field) and have determined that it is appropriate to impair the asset down to the fair value as implied by the value of the recent Petronor/Panoro transaction which as at 31 December 2021 was considered by the Directors to represent the most relevant and reliable available indicator of value against a backdrop of market and operation uncertainty prevalent at the time. The Directors have considered other valuation indicators such as value in use calculations and fair value assessments based on seismic reports, but these are not considered to give the same reliable indication of value as a publicly announced transaction between two third parties. It should be noted that the referenced Petronor/Panoro transaction is subject to adjustments to take into account it is a corporate transaction rather than a valuation of a group of assets identified as a cash generating unit. Such adjustments are subject to judgement and estimation by the directors, as are adjustments for other implied factors such as contingent consideration associated with the transaction. The carrying value of the parent company's investment in subsidiaries is also derived using the same valuation techniques, judgements and estimations, but modified for the fact it represents the valuation of an investment in a legal entity.

Contingent Liabilities

The assessment of contingent liabilities inherently involves the exercise of significant judgment and estimates of the outcome of future events. This judgement involves the Directors making assessment as to whether an economic outflow relating to a past event is considered probable, possible or remote, and the extent to which its outcome can be reliably estimated. In making this judgement, the Directors make reference to correspondence with parties relevant to the contingent liability and make their own assessment of whether they have sufficient information from such correspondence to reliably predict an outcome.

Investments Held For Trading

Investments held for trading are held at fair value through profit and loss. At both reporting dates they are considered to be Level 3 investments whereby their valuation is determined by whole or in part using valuation techniques based on assumptions that are not supported by observable prices in comparable market transactions in the same instrument or similar observable data.

The Directors regularly review the valuation of such investments against both ongoing results of the business in which it has made investments and the price at which any further investment has taken place if such investment is considered to give sufficient and appropriate indication of fair value.

Decommissioning Provision

Decommissioning costs will be incurred by the Group, in accordance with the terms of the Joint Operating Agreement, at the end of the operating life of the production facilities associated with the Group's interest in OML 113. The Group assesses its retirement obligation at each reporting date. The ultimate asset retirement costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for asset retirement obligation. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future asset retirement costs required.

Share Based Payments

The Group has made awards of options and warrants over its unissued share capital to certain Directors, employees and professional advisers as part of their remuneration.

The fair value of options and warrants are determined by reference to the fair value of the options and warrants granted, excluding the impact of any non-market vesting conditions. In accordance with IFRS 2 'Share Based Payments', the Group

has recognised the fair value of options and warrants, calculated using the Black-Scholes option pricing model. The Directors have made assumptions particularly regarding the volatility of the share price at the grant date in order to reach a fair value. Further information is disclosed in Note 19.

REVENUE RECOGNITION

The Group follows IFRS 15. The standard provides a single comprehensive model for revenue recognition in a five step process.

1. Identify all contract(s) with customers and ensure that these are clearly documented.	The group hold a signed agreement confirming their interest in the OML 113 license. These details the revenue and cost sharing arrangements in place.
2. Identify separate performance obligations in a contract. Will a contract need to be 'unbundled' into two or more components? Alternatively, will two or more contracts need to be 'bundled' into a single overall obligation?	There is no performance obligation as such on ADM's part. The contract in place gives them legal rights to their share of the revenues in the operations relating to the OML 113 license in the financial year as calculated by the third party operations and management company.
3. Determine the transaction price.	<p>The transaction price is the calculated share of revenues in the financial period which are to be allocated to ADM. This calculation is based on ADM's interest in the OML 113 license in the period.</p> <p>Therefore, there is no pre-set transaction price as this is a derived return from the performance of the underlying asset under the OML 113 license in the year.</p>
4. Is revenue recognised at a single point in time, or over a period of time?	Revenue theoretically accrues over the course of the financial period based on the performance of the asset. In practice this revenue is recognised in the group as a year end adjustment as the final revenue posting is made based on the billing statement provided by the third party operations and management company. This billing statement covered the entire financial year.
5. If revenue is recognised over time, how should progress towards completion be measured and recognised?	As above – revenues relate to performance of the asset in the year. However, in terms of final accounting the revenue is recognised at a single point in time as part of the YE adjustments following the receipt of the third party billing statement.

TAXATION

UK taxes

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the statement of financial position date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable result for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability, unless the related transaction is a business combination or affects tax or accounting profit. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability, unless the related transaction is a business combination or affects tax or accounting profit. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the statement of financial position date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

Nigerian taxes

The Company's subsidiary, P R Oil & Gas Nigeria Ltd operates offshore Nigeria and is subject to the tax regulations of that country

Current income tax assets and liabilities for current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws are those that are enacted or substantially enacted at the reporting date. The Company engaged in exploration and production of crude oil (upstream activity). Therefore, its profits are taxable under the Petroleum Profit Tax Act.

INTANGIBLE ASSETS

Intangible assets relate to the Group's capitalised E&E costs and proportionate interest in the production assets of joint operations (development costs).

The share of development costs incurred on specific projects are capitalised when all the following conditions are satisfied:

- ▶ completion of the asset is technically feasible so that it will be available for use or sale
- ▶ the Group intends to complete the asset and use or sell it
- ▶ the Group has the ability to use or sell the asset
- ▶ the asset will generate probable future economic benefits
- ▶ there are adequate technical, financial and other resources to complete the development and to use or sell the asset, and
- ▶ the expenditure attributable to the asset during its development can be measured reliably.

Other development expenditure that does not meet these criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. There were no development costs recognised as an expense during the year (2020: £Nil).

Intangible assets are amortised as the benefits associated with them are consumed.

IMPAIRMENT OF INTANGIBLE ASSETS

Proven oil and gas properties and intangible assets are reviewed annually for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The carrying value is compared against the expected recoverable amount of the asset, generally by net present value of the future net cash flows, expected to be derived from production of commercial reserves or consideration expected to be achieved through the sale of its interest in an arms-length transaction, less any associated costs to sell. The cash generating unit applied for impairment test purposes is generally the field and the Group's interest in its underlying assets, except that a number of field interests may be grouped together where there are common facilities.

FINANCIAL ASSETS

Financial assets are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

The Group's financial assets are classified into the following specific categories: 'Investments measured at fair value through other comprehensive income', 'investments held for trading', and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

INVESTMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets measured at fair value through other comprehensive income are designated as Fixed Asset Investments and are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at fair value.

Fair value gains or losses are recognised and posted to Other Comprehensive Income and held in the Financial Instruments Revaluation Reserve. Fair value measurements and techniques are set out in the accounting policy on page 44 and referred to in Financial Assets Measured at Fair Value through Profit and Loss.

INVESTMENTS HELD FOR TRADING

All investments determined upon initial recognition as held at fair value through profit or loss were designated as investments held for trading. Investment transactions are accounted for on a trade date basis. Assets are de-recognised at the trade date of the disposal. Assets are sold at their fair value, which comprises the proceeds of sale less any transaction cost. The fair value of the financial instruments in the statement of financial position is based on the quoted bid price at the statement of financial position date, with no deduction for any estimated future selling cost. Unquoted investments are valued by the directors using primary valuation techniques such as recent transactions, last price at which shares have been issued and net asset value. Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the consolidated statement of comprehensive income as "Net gains on investments". Investments are initially measured at fair value plus incidental acquisition costs. Subsequently, they are measured at fair value in accordance with IFRS 9 Financial Instruments. This is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted.

BASIS OF CONSOLIDATION

The consolidated financial statements present the results of ADM Energy plc and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Income Statement

JOINT OPERATIONS (OML 113 OPERATING AGREEMENT)

The Group has a 9.2% profit share and 12.3% cost share in the OML 113 operating licence. The operating agreement for OML 113 is a joint arrangement, with the fundamental decisions requiring unanimity between the partners. Other decisions require a qualified majority decision. As no corporate entity exists the agreement cannot be considered to meet the definition of a joint venture.

In relation to its interests in the OML 113 operations, the Group recognises:

- ▶ The fair value of the Group's share of the underlying assets of the joint operation (classified as intangible assets), measured at historical cost less amortisation and impairment.
- ▶ Amounts owed in respect of the joint operating agreement
- ▶ Revenue from the sale of its share of the output arising from the joint operation
- ▶ Expenses, including its share of any expenses incurred jointly

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

EQUITY

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

Equity comprises the following:

- ▶ Share capital represents the nominal value of equity shares issued.
- ▶ The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.
- ▶ Option reserve represents the cumulative cost of share based payments in respect of options granted.
- ▶ Warrant reserve represents the cumulative cost of share based payments in respect of warrants issued.
- ▶ Convertible loan note reserve represents the equity portion of convertible loan notes issued.
- ▶ Currency translation reserve is used to recognise foreign currency exchange differences arising on translation of functional currency to presentation currency.
- ▶ Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income.

FINANCIAL LIABILITIES

Financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance cost in the income statement using the effective interest rate method.

The Group's financial liabilities comprise trade and other payables.

Trade payables are recognised initially at their fair value and subsequently measured at amortised cost less settlement payments.

DECOMMISSIONING LIABILITY

A decommissioning liability is recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. A corresponding amount equivalent to the obligation is also recognised as part of the cost of the related production plant and equipment. The amount recognised is the estimated cost of decommissioning, discounted to its present value, using a discount rate of 10 per cent. Changes in the estimated timing of decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to production plant and equipment. The unwinding of the discount on the decommissioning provision will be included in the income statement.

CONTINGENT LIABILITIES

Contingent liabilities are possible obligations arising from past events whose existence will be confirmed by uncertain future events that are not wholly within the control of the Group. Contingent liabilities also include obligations that are not recognised because their amount cannot be measured reliably or because settlement is not probable.

Unless the possibility of an outflow of economic resources is remote a contingent liability is disclosed in the notes.

SHARE BASED PAYMENTS

Where share options are awarded, or warrants issued to employees, the fair value of the options/warrants at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options/warrants that eventually vest. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where warrants or options are issued for services provided to the Group, including financing, the fair value of the service is charged to the statement of comprehensive income or against share premium where the warrants or options were issued in exchange for services in connection with share issues. Where the fair value of the services cannot be reliably measured, the service is valued using Black Scholes valuation methodology taking into consideration the market and non-market conditions described above.

Where the share options are cancelled before they vest, the remaining unvested fair value is immediately charged to the statement of comprehensive income.

FOREIGN CURRENCIES

The Directors consider Sterling to be the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Sterling, which is the Group's functional and presentation currency.

Foreign currency transactions are translated into Sterling using the exchange rates prevailing at the date of the transactions. Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the income statement. Non-monetary items that are measured at historical costs in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated into the functional currency using the exchange rates at the date when the fair value was determined.

SEGMENTAL REPORTING

A segment is a distinguishable component of the Group's activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about the allocation of resources and assessment of performance and about which discrete financial information is available.

As the chief operating decision maker reviews financial information for and makes decisions about the Group's investment activities as a whole, the directors have identified a single operating segment, that of holding and trading in investments in natural resources, minerals, metals, and oil and gas projects. The Directors consider that it would not be appropriate to disclose any geographical analysis of the Group's investments.

No segmental analysis has been provided in the financial statements as the Directors consider that the Group's operations comprise one segment.

3. Revenue

The Group has a share in an oil and gas licence offshore Nigeria and all the Group's revenue is derived from this source.

	2021	2020
	£'000	£'000
Revenue from share in offshore oil and gas licence in Nigeria	1,751	799
	1,751	799

4. Operating Loss

	2021	2020
	£'000	£'000
Loss from continuing operations is arrived at after charging:		
Directors' remuneration (see note 6)	866	646
Employee salaries and other benefits	–	35
Amortisation	47	85
Decommissioning costs – Unwinding of provision	141	–
Decommissioning costs – Change in provision estimate	155	–
Impairment of intangible assets	–	4,628
Auditors' remuneration:		
fees payable to the principal auditor for the audit of the Group's financial statements	30	28

5. Finance Costs

	2021	2020
	£'000	£'000
Short term loan finance costs	56	67
	56	67

6. Employee Remuneration

The expense recognised for employee benefits for continuing operations is analysed below:

	2021	2020
	£'000	£'000
Wages and salaries (including directors and employee benefits)	785	671
Directors' termination payments	–	10
Social security costs	81	66
	866	747
Directors' remuneration:		
Wages and salaries (including benefits)	785	646
Social security costs	81	64
	866	710

Further details of Directors' remuneration are included in the Report on Directors' Remuneration on page 27.

Only the directors are deemed to be key management. The average number of employees (including directors) in the Group was 6 (2020:6).

7. Income Tax Expense

	2021	2020
	£'000	£'000
Current tax – ordinary activities	–	–
	2021	2020
	£'000	£'000
Loss before tax from ordinary activities	(2,540)	(6,904)
Loss before tax multiplied by rate of corporation tax in the UK of 19% (2020: 19%)	(483)	(1,312)
Expenses not deductible for tax purposes	49	890
Unrelieved tax losses carried forward	434	422
Total tax charge for the year	–	–

No deferred tax asset has been recognised in respect of the Group's losses as the timing of their recoverability is uncertain.

8.Earnings And Net Asset Value Per Share

EARNINGS

The basic and diluted earnings per share is calculated by dividing the loss attributable to owners of the Group by the weighted average number of ordinary shares in issue during the year.

The weighted average number of shares used for calculating the diluted loss per share for 2021 and 2020 was the same as that used for calculating the basic loss per share as the effect of exercise of the outstanding share options was anti-dilutive.

	2021	2020
	£'000	£'000
Loss attributable to owners of the Group		
- Continuing operations	(2,540)	(6,904)
Continuing and discontinued operations	(2,540)	(6,904)
	2021	2020
Weighted average number of shares for calculating basic and fully diluted earnings per share	155,014,671	79,594,655
	2021	2020
	pence	pence
Earnings per share:		
Loss per share from continuing and total operations	(1.6)	(8.7)

NET ASSET VALUE PER SHARE ("NAV")

The basic NAV is calculated by dividing the loss total net assets attributable to the owners of the Group by the number of ordinary shares in issue at the reporting date. The fully diluted NAV is calculated by adding the cost of exercising any extant warrants and options to the total net assets and dividing the resulting total by the sum of the number of shares in issue and the number of warrants and options extant at the reporting date.

	2021	2020
	£'000	£'000
Total net assets of the Group	10,986	11,002
Cost of exercise of warrants	1,318	1,715
Total net assets for calculation of fully diluted NAV	12,304	12,717
	2021	2020
Number of shares in issue at the reporting date	204,480,863	122,769,073
Number of extant warrants	31,581,012	27,726,241
Total number of shares for calculation of fully diluted NAV	236,061,875	150,495,314
	2021	2020
NAV – Basic (pence per share)	5.4p	9.0p
NAV – Fully diluted (pence per share)	5.2p	8.5p

9. Intangible Assets

GROUP

The intangible asset relates to the Group's 9.2% revenue interest (12.3% cost share) in the OML 113 licence, which includes the Aje Field ("Aje") and the further costs of bringing the Aje 4 and Aje 5 wells into production.

	Development costs	
	2021	2020
	£'000	£'000
Cost		
At 1 January	21,076	16,071
Additions	–	5,287
Foreign currency exchange translation difference	247	(282)
At 31 December	21,323	21,076
Amortisation		
At 1 January	5,069	363
Charge for year	47	85
Impairment	–	4,628
Foreign currency exchange translation difference	58	(7)
At 31 December	5,174	5,069
Net book value at 31 December	16,149	16,007

Development costs are amortised on a useful economic basis which is aligned with output in a given financial period compared to total proven and possible production. Production is expected to continue until 2039. The adoption of the units of production method of amortisation means amortisation will not accrue evenly to this date, rather it will vary according to production levels which are considered to equate to consumption of the cost of the asset.

10. Investment In Subsidiaries

On 10 August 2016, the Group completed the agreement for the acquisition of Jacka Resources Nigeria Holdings Limited, now renamed ADM 113 Limited ("ADM 113"), a BVI registered company, in which Jacka Resources Limited ("JRL") held the single issued share. ADM 113's sole asset is its wholly owned subsidiary, P R Oil & Gas Nigeria Limited ("PROG"), a Nigerian registered company which held a 5% revenue interest in the OML 113 licence, offshore Nigeria, which includes the Aje Field ("Aje"), where oil production commenced in May 2016. In 2020 the Group paid US\$4 million (£2,256,000) to acquire a further interest in Aje which increased its revenue interest to 9.2%.

In April 2021, the Group acquired 51% of the equity in K.O.N.H. (UK) Limited for a nominal fee.

	2021	2020
	£'000	£'000
Balance at beginning of period	12,316	14,983
Advances to PROG	19	2,329
Impairment	–	(4,996)
Balance at end of period	12,335	12,316

The Group's subsidiary companies are as follows:

Name	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the Group
ADM 113 Limited	Holding company	British Virgin Islands Maples Corporate Services (BVI) Ltd Kingston Chambers P.O. Box 173, Road Town, Tortola	100%
*P R Oil & Gas Nigeria Limited	Oil exploration & production	Nigeria 1, Murtala Muhammed Drive Ikoyi, Lagos	100%
K.O.N.H. (UK) Limited	Holding company	60 Gracechurch Street, London, United Kingdom, EC3V 0HR	51%
Geo Estratos MXOil, SAPI de CV	Dormant	Mexico Lago Alberto 319, Piso 6 IZA Punto Polanco Col. Granada, Del. Miguel Hidalgo CP 11520, Ciudad de Mexico	100%
ADM Asset Holdings Limited	Dormant	60 Gracechurch Street, London, United Kingdom, EC3V 0HR	100%

*Indirectly held

11. Fixed Asset Investments

In April 2021, the Group acquired an indirect interest in Noble Hill – Network Limited, a Nigeria registered company, which holds a Risk Sharing Agreement for the development of the large-scale Barracuda Field in OML 141, an existing discovery and near-term production asset in swamp/shallow waters offshore Nigeria. The consideration paid was US\$ 0.25m (£180,000) in cash and US\$ 0.55m (£396,000) in shares, issued at 7p per share, a total of US\$ 0.8m (£576,000). Overall consideration may total up to US\$1.3m, the remainder of the consideration being contingent on the demonstration of commercial flow rates from the first new well.

	GROUP AND COMPANY	
	2021	2020
	£'000	£'000
Cash at bank	576	–
Cash and cash equivalents	576	–

12. Investments Held For Trading

The table of investments sets out the fair value measurements using the IFRS 7 fair value hierarchy. Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset as follows (see note 19)

The investments held by the Group are designated as at fair value through profit or loss.

	GROUP AND COMPANY	
	2021	2020
	£'000	£'000
Fair value of investments brought forward	878	200
Disposal of investments	(850)	–
Movement in fair value of investments	–	678
Fair value of investments held for trading	28	878
Investments held at the year end were categorised as follows		
Level 3	28	878
	28	878

The table of investments sets out the fair value measurements using the IFRS 7 fair value hierarchy. Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 valued using quoted prices in active markets for identical assets.

Level 2 valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.

Level 3 valued by reference to valuation techniques using inputs that are not based on observable market data.

The valuation techniques used by the company are explained in the accounting policy note, “Financial assets held at fair value through profit and loss”. There are no Level 1 and Level 2 investments.

13. Inventory

Inventory represents the Group's share of the stock of oil lifted but unsold, stated at the lower of cost and market value

	GROUP		COMPANY	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Inventory	33	32	–	–
Total inventory	33	32	–	–

14. Trade And Other Receivables

The fair value of Other receivables is considered by the Directors not to be materially different to carrying amounts. At the date of the Statement of Financial Position in 2021 and 2020 there were no trade receivables.

	GROUP		COMPANY	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Other receivables	121	42	121	42
Prepayments and accrued income	9	67	9	67
	130	109	130	109

15. Cash And Cash Equivalents

	GROUP		COMPANY	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Cash at bank	110	30	109	30
Cash and cash equivalents	110	30	109	30

16. Trade And Other Payables

	GROUP		COMPANY	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
CURRENT PAYABLES				
Trade payables	397	468	397	468
Tax and social security	592	395	592	395
Amount owed in respect of OML 113 operating agreement	–	2,766	–	–
Other payables	22	71	22	71
Short term loan finance	–	104	–	104
Accruals and deferred income	523	402	504	391
	1,534	4,206	1,515	1,429
NON-CURRENT PAYABLES				
Amount owed in respect of OML 113 operating agreement	2,913	–	–	–
	4,447	4,206	1,515	1,429

It is expected that the amount owed in relation to the Group's proportionate share of costs incurred as part of the OML 113 joint operating agreement will be offset against net revenues of the project.

The fair value of trade and other payables is considered by the Directors not to be materially different to carrying amounts.

17. Borrowings

CONVERTIBLE LOANS ("CLNS")

On 15 August 2020, the Group entered into 12 month convertible loan agreements for a total of £230,000 with interest payable at 10 per cent. On 10 December 2020, the Company issued a convertible loan note for US\$400,000 (£293,000) as part consideration for the acquisition of its additional interest in Aje. The loan note was partly repaid and partly converted into shares during the year.

The net proceeds received from the issue of the CLNs have been split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Group, as follows:

	GROUP AND COMPANY	
	2021	2020
	£'000	£'000
Liability component at 1 January	519	–
Nominal value of convertible Loans	–	523
Equity component	(2)	(17)
Interest charged	30	13
Loan converted into equity	(127)	–
Repayments	(208)	–
Liability component at 31 December	212	519
Current portion of loans	212	235
Non-current portion of loans	–	284
	212	519

The interest charged for the year is calculated by applying an effective average interest rate of 12 per cent to the liability component for the period since the loan notes were issued.

The directors estimate the fair value of the liability component of the convertible loan notes at 31 December 2021 to be approximately £212,000. The fair value has been calculated by discounting the future cash flows at the market rate of 12 per cent.

OTHER BORROWINGS

	2021	2020
	£'000	£'000
Other loan	247	297

£50,000 of the other loan was converted into shares during the year. The balance of the loan is non-interest bearing and its repayment date is 15 May 2023. The loan agreement gives the Group the right to convert the balance owed into shares at the ruling market rate at any time during the remaining term of the loan at the discretion of the Group. The loan is treated as a liability because while the value of equity to be issued on conversion is fixed, the number of shares is variable, meaning it meets the definition of a financial liability as set out by IFRS 9.

18. Decommissioning Provision

In accordance with the agreements and legislation, the wellheads, production assets, pipelines and other installations may have to be dismantled and removed from oil and natural gas fields when the production ceases. The exact timing of the obligations is uncertain and depends on the rate the reserves of the field are depleted. However, based on the existing production profile of the OML 113 licence area and the size of the reserves, it is expected that expenditure on retirement is likely to be after more than ten years. The current basis for the provision is a discount rate of 10 per cent.

The following table presents a reconciliation of the beginning and ending aggregate amounts of the obligations associated with the decommissioning of oil and natural gas properties

	2021	2020
	£'000	£'000
Balance brought forward	1,032	–
Arising during the year	219	1,032
Foreign currency exchange translation difference	13	–
As at 31 December 2020	1,264	1,032

19. Called Up Share Capital

	Number of Ordinary shares	Value £'000	Number of deferred shares	Value £'000	Total value £'000	Share Premium £'000
Issued and fully paid						
At 1 January 2020 (ordinary shares of 1p)	59,501,210	595	8,222,439,370	8,222	8,817	34,012
Shares issued	63,267,863	633	–	–	633	2,560
Warrants issued in connection with equity subscriptions	–	–	–	–	–	(16)
Share issue costs	–	–	–	–	–	(21)
Warrants exercised	–	–	–	–	–	56
At 31 December 2020	122,769,073	1,228	8,222,439,370	8,222	9,450	36,591
Shares issued (see notes below)	81,711,790	817	–	–	817	1,517
Share issue costs	–	–	–	–	–	(94)
At 31 December 2021	204,480,863	2,045	8,222,439,370	8,222	10,267	38,014

The deferred shares have restricted rights such that they have no economic value.

SHARE ISSUES IN YEAR

On 24 March 2021, 21,23,921 ordinary shares of 1p were issued at 4.25p each as a result of a placing, raising £931,767 before expenses and 6,786,329 shares were issued at 4.25p each in settlement of liabilities totaling £288,419.

On 8 April 2021, 208,333 ordinary shares of 1p were issued at 2.4p each in settlement of liabilities totaling £5,000 and 235,294 shares were issued at 4.25p each to settle liabilities totaling £10,000.

On 28 April 2021, 5,657,912 ordinary shares were issued at 7p each to settle US\$550,000 (£396,054), being part consideration for the acquisition of 51% of K.O.N.H. (UK) Ltd.

On 15 November 2021, 31,666,667 ordinary shares were issued at 1.5p each as a result of a placing, raising £475,000 before expenses, and 15,233,334 ordinary shares were issued also at 1.5p each in settlement of liabilities totaling £228,500.

20. Other Reserves

	Shares to be issued	Reserve for warrants issued	Convertible loan note reserve	Other reserves
	£'000	£'000	£'000	£'000
Balance at 1 January 2020	150	720	–	870
Issue of new shares	(150)	16	–	(134)
Warrants issued in settlement of fees	–	170	–	170
Warrants exercised	–	(106)	–	(106)
Issue of convertible loans	–	–	17	17
Balance at 31 December 2020	–	800	17	817
Warrants issued in settlement of fees	–	141	–	141
Extension of convertible loan terms	–	–	2	2
Balance at 31 December 2021	–	941	19	960

21. Share Warrants

In the following paragraphs the number of warrants issued prior to June 2019 have been adjusted to reflect the 1 for 100 share consolidation.

On 24 March 2021, the Company issued 502,941 share warrants to advisers in respect of a private placing. The warrants are exercisable at 4.25p per share for a period of 5 years from the date of issue. Also on 24 March 2021 the Company agreed to rebase the exercise price of 4,705,882 warrants, issued in 2020, to equal the share issue price of 4.25p

On 15 November 202, the Company issued 6,666,667 share warrants in connection with the share placing. The warrants are exercisable at 3p per share for a period of 2 years from the date of issue.

The fair value of the share warrants at the date of issue was calculated by reference to the Black-Scholes model. The significant inputs to the model in respect of the warrants issued in the year were as follows:

Issue date	15 Nov 2021	24 Mar 2021	24 Mar 2021	8 Jan 2020	6 May 2020	25 Aug 2020	25 Aug 2020	25 Aug 2020
Issue date share price	1.5p	4.25p	4.25p	4.75p	2.4p	5.5p	5.5p	5.5p
Exercise price per share	3p	4.25p	4.25p	8p	2.4p	4.25p	5.5p	5.5p
No. of warrants	6,666,667	9,411,764	502,941	2,148,000	8,333,333	4,705,882	909,091	120,000
Risk free rate	1%	1%	1%	1%	1%	1%	1%	1%
Expected volatility	50%	50%	50%	50%	50%	50%	50%	50%
Expected life of warrant	2 years	2 years	5 years	2 years	2 years	2 years	2 years	5 years
Calculated fair value per share	0.26475p	1.20513p	1.86234p	0.58612p	0.68054p	2.09916p	1.55958p	2.41010p

The share warrants outstanding at 31 December 2020 and their weighted average exercise price are as follows:

	2021		2020	
	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)
Outstanding at 1 January	18,801,601	6.71	18,801,601	6.71
Issued	2,148,000	8.00	2,148,000	8.00
Issued	8,333,333	2.40	8,333,333	2.40
Issued	4,705,882	4.25	4,705,882	4.25
Issued	1,029,091	5.50	1,029,091	5.50
Exercised	(7,291,666)	2.40	(7,291,666)	2.40
Lapsed or cancelled	–	–	–	–
Outstanding at 31 December	27,726,241	6.18	27,726,241	6.18

The fair value of the share warrants recognised as part of the premium paid in respect of the share subscriptions in the year was £27,000 and in respect of the share warrants issued in settlement of fees £113,000 was recognised as the fair value expense in the income statement. Both these amounts were credited to the share warrant reserve. In 2020, £186,000 was recognised in the financial statements as the fair value of warrants issued.

22. Risk Management Objectives And Policies

CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are:

- ▶ to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for shareholders;
- ▶ to support the Group's growth; and
- ▶ to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Management regards total equity as capital and reserves, for capital management purposes.

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's risk management is coordinated by the board of directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets.

Management review the Group's exposure to currency risk, interest rate risk, liquidity risk on a regular basis and consider that through this review they manage the exposure of the Group on a near term needs basis

There is no material difference between the book value and fair value of the Group's cash.

MARKET PRICE RISK

The Group's exposure to market price risk mainly arises from potential movements in the fair value of its investments. The Group manages this price risk within its long-term investment strategy to manage a diversified exposure to the market. If each of the Group's equity investments were to experience a rise or fall of 10 per cent in their fair value, this would result in the Group's net asset value and statement of comprehensive income increasing or decreasing by £60,000 (2020: £88,000).

INTEREST RATE RISK

The Group and Company manage the interest rate risk associated with the Group's cash assets by ensuring that interest rates are as favourable as possible, whilst managing the access the Group requires to the funds for working capital purposes.

The Group's cash and cash equivalents are subject to interest rate exposure due to changes in interest rates. Short-term receivables and payables are not exposed to interest rate risk.

CREDIT RISK

The Group's financial instruments, which are exposed to credit risk, are considered to be mainly loans and receivables, and cash and cash equivalents. The credit risk for cash and cash equivalents is not considered material since the counterparties are reputable banks. The maximum exposure to credit risk for loans and receivables is as set out in the table below, and relates to the financing of the Group's joint venture interests.

The Group's exposure to credit risk is limited to the carrying amount of the financial assets recognised at the balance sheet date, as summarised below:

	2021	2020
	£'000	£'000
Cash and cash equivalents	110	30
Loans and receivables	121	42
	231	72

LIQUIDITY RISK

Liquidity risk is managed by means of ensuring sufficient cash and cash equivalents are held to meet the Group's payment obligations arising from administrative expenses. The cash and cash equivalents are invested such that the maximum available interest rate is achieved with minimal risk.

23. Financial Instruments

The Group uses financial instruments, other than derivatives, comprising cash to provide funding for the Group's operations.

CATEGORIES OF FINANCIAL INSTRUMENTS

The IFRS 9 categories of financial asset included in the statement of financial position and the headings in which they are included are as follows:

	2021 £'000	2020 £'000
FINANCIAL ASSETS:		
Cash and cash equivalents	110	30
Fixed asset investment	576	–
Investments held for trading (see fair value measurements below)	28	878
FINANCIAL ASSETS BY IFRS 7 FAIR VALUE HIERARCHY		
Level 3 - Investments held for trading	28	878
	28	878

FAIR VALUE MEASUREMENTS

The Group holds quoted investments that are measured at fair value at the end of each reporting period using the IFRS 7 fair value hierarchy as set out below.

Level 1 – valued using quoted prices in active markets for identical assets.

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

The valuation techniques used by the Group are explained in the accounting policy note, "Investments held for trading".

FINANCIAL LIABILITIES AT AMORTISED COST:

The IFRS 9 categories of financial liabilities included in the statement of financial position and the headings in which they are included are as follows:

	2021	2020
	£'000	£'000
Trade and other payables	3,924	3,700
Borrowings	459	920

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest repayment date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate curves at the balance sheet date. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years
	£'000	£'000	£'000	£'000	£'000
2021					
Interest bearing:					
Borrowings	–	–	212	247	–
Non-interest bearing:					
Trade and other payables	–	1,011	–	2,913	–
2020					
Interest bearing:					
Borrowings	–	–	339	581	–
Non-interest bearing:					
Trade and other payables	–	3,700	–	–	–

As at 31 December 2021 the Group had net debt (defined as cash less borrowings) of £349,000 (2020: net debt of £890,000). The movement arose from cash flows with the exception of £177,000 borrowings which was settled in equity.

24. Contingent Liabilities

OML 113 JOINT AGREEMENT

The Group recognises a liability in respect of its participation in the OML 113 Joint Operating Agreement. The liability disclosed in these accounts is based on a reconciliation of the amounts owed under the operating agreement entered into by the Group and other participators in the OML 113 operation. The reconciliation is based on returns and reconciliations provided by the project's operator, which references the Group's share of revenue received and costs incurred. It is understood that some of the partners disagreed with the amounts shown in the reconciliation and so an audit is currently in progress to confirm the balances due by the partners in respect of the joint operating agreement. The provisional findings of the audit indicate that the Group's liability is materially lower than as shown in the Group's accounts, but as the audited figures have not yet been agreed by the partners to the joint agreement it has been considered prudent to show the Group's liability in line with the figures produced by the project's operator.

25. Related Party Transactions

The remuneration of the Directors, who are key management personnel of the Group, is set out in the report on Directors' Remuneration.

26. Ultimate Controlling Party

The Directors do not consider there to be a single ultimate controlling party.

27. Post Period End Events

On 21 January 2022, the Company announced that it had raised approximately £561,000 of equity issuing 51,000,000 new ordinary shares at a price of 1.11 pence per share. In conjunction with the share issue 15,300,000 warrants were issued at an exercise price of 4.5 pence per share, with an exercise period of 2 years.