BARON OIL Plc

Annual Report and Financial Statements

for the year ended 31 December 2023

Contents

1. Corporate Information

Advisers & General Information

Directors	**Gerry Aherne**, Non-executive Chairman (appointed 22 April 2024) **Andrew Butler**, Chief Executive Officer **Keith Bush**, Non-executive Director **John Chessher**, Non-executive Director (appointed 22 April 2024) John Wakefield (resigned 22 April 2024) Andrew Yeo (resigned 31 March 2024) Jonathan Ford (resigned 30 April 2024)
Registered Office	2 Leman Street London E1W 9US
Company Secretary	Geoffrey Barnes
Auditor	Gravita Audit Limited Aldgate Tower 2 Leman Street London E1 8FA
Solicitors	Fieldfisher LLP Riverbank House 2 Swan Lane London EC4R 3TT
Nominated Adviser and Joint Broker	Allenby Capital Limited 5 St Helen's Place London EC3A 6AB
Joint Broker	Cavendish Capital Markets Limited One Bartholomew Close London EC1A 7BL
Registrars	Share Registrars Limited 3 The Millennium Centre Crosby Way Farnham Surrey GU9 7XX
Communications	IFC Advisory Ltd Birchin Court 20 Birchin Lane London EC3V 9DU
Website	www.baronoilplc.com
Company number	05098776 (England and Wales)

2. Corporate Statement

Baron Oil Plc ("Baron" or "the Company") is an independent oil and gas exploration and appraisal company based in the UK. The Company currently holds an interest in acreage in Southeast Asia (Timor-Leste). Ordinary shares in the Company are quoted in the UK on the AIM market of the London Stock Exchange – (BOIL.L).

The Company's objective is to deliver shareholder value through generating substantial increases in net asset value. We aim to achieve this by acquiring significant equity interests in material oil and gas assets where there is the opportunity for high impact exploration and appraisal activity at low entry costs. Historically, Baron's focus was on Latin America and the United Kingdom. However, with the progress made in maturing the Timor-Leste asset and recognition of the favourable business environment and the Company's competitive advantages in Southeast Asia, Baron now focuses its efforts in this region.

Baron is committed to safeguarding the environment and minimising risk to its employees, contractors and the communities in which it works. Through developing sustainable long-term relationships with its partners and the community, Baron aims to conduct business and enhance value in a responsible manner.

The board of directors (the "Board") is aware of its responsibilities for environmental reporting and to following industry international best practice in carrying out its activities. The Company currently does not produce hydrocarbons, however in H1 2024 the Company has been conducting a survey at the planned drilling location for the Chuditch-2 appraisal well in Timor-Leste and is planning for drilling operations in Q1 2025. In preparation for these activities, the Company is actively reviewing and upgrading its safety and environmental policies and procedures. It is anticipated that future annual reports will contain more detailed environmental disclosures as a result of these activities and initiatives.

Reporting of Fugitive Methane Emissions, Scope 1 and 2 emissions per barrel of oil equivalent production and Carbon Intensity Statements are not relevant to the Company at this stage of its development.

Should the Company become involved in future developments, it intends to adopt best practice carbon intensity reporting and prioritise those developments which are consistent with a lower carbon strategy and comply with regulatory requirements and standards.

3. Chairman's Statement & Operations Report

Financial Review

The net result for the year was a loss both before and after taxation of £1,712,000 (2022: loss of £1,387,000), which is wholly attributable to Baron Oil shareholders, representing a loss of 0.009p per share (2022: loss of 0.01p).

The Group generated no revenue during the period but focused on exploring and developing assets that the Board believes will generate revenue for the Group in the future.

Exploration and evaluation expenditure incurred included in the Income Statement amounted to £121,000 (2022: £213,000). A provision for Impairment has been made in respect of UK Offshore Licence P2478 amounting to £187,000 as the prospect of the project being taken to a successful conclusion had significantly diminished by 31 December 2023, and indeed the licence was relinquished by the joint venture partners in March 2024. The Directors judged that no other exploration assets required impairment.

Administration expenses for the year were £1,455,000 (2022: £1,191,000), an overall increase on the preceding year of £264,000. Administration costs arising in SundaGas (Timor-Leste Sahul) Pte.Ltd. ("TLS") have increased from £441,000 previously to £568,000 this year as the operation in Dili continues to gear up for the next phase of the Chuditch development. Directors and UK staff salaries and related costs increased by £120,000 to £467,000 in the year, details of which are contained in the Report of the Directors on page 17. Professional adviser fees increased from £157,000 previously to £227,000, mainly due to higher broker costs.

At the end of the financial year, cash reserves of the Group had decreased to £3,760,000 from a level at the preceding year end of £5,807,000 as the Group absorbed cash in its continuing development operations. The Group's investment in exploration and evaluation assets in the UK and Timor-Leste amounted to £381,000 in the period, and there was a general operating cash outflow amounting to £1,830,000. As a result of higher cash balances and increased interest rates, the Company achieved interest receivable of £152,000.

There were no share issuances during 2023, other than the exercise by a former director in February 2023 of 62,500,000 options. Following the end of the reporting period, in February 2024 the Company raised £2,993,000 net of costs from the issue of new share capital by way of a placing and subscription.

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

Report On Operations

Southeast Asia: Timor-Leste TL-SO-19-16 PSC ("Chuditch PSC" or "PSC") (Baron 60% interest – since February 2024)

Background

The Chuditch PSC is located approximately 185 kilometres south of Timor-Leste, 100 kilometres east of the producing Bayu-Undan field, 50 kilometres south of the potential Greater Sunrise development and covers approximately 3,571 km^2 in water depths of 40-120 metres. The Chuditch-1 discovery well, drilled by Shell in 1998 in 64 metres water depth, encountered a 25 metre net gas column in Jurassic Plover Formation sandstone reservoirs at a depth of around 2,900 metres on the flank of a large faulted structure. The discovery and neighbouring prospects are largely covered by a 3D seismic survey acquired in 2012, and subsequently reprocessed by Baron.

3. Chairman's Statement & Operations Report (continued)

Throughout 2023, Baron held a 75% working interest and operated the PSC through its wholly owned subsidiary SundaGas Banda Unipessoal Lda. ("SundaGas"), with the remaining 25% held by TIMOR GAP Chuditch Unipessoal Lda. ("TIMOR GAP"), a subsidiary of the state-owned national oil company, whose share of PSC expenditure is carried until first production. In February 2024, the Group completed a transaction in which its working interest dropped to 60%, following a partial transfer of its interest to TIMOR GAP. This transaction is described in further detail below.

The technical work programme obligations in the first two years of the initial three-year term of the PSC include the reprocessing of legacy seismic data, aimed at addressing reservoir imaging issues caused by sea-bed topography and shallow geological features, and for which a US$1 million Bank Guarantee is in place. The commitment within the PSC for Contract Year 3 is for the drilling of one appraisal well to the Plover Formation, subject to the seismic reprocessing having supported the presence of a significant structure associated with the Chuditch discovery. The successful conclusion of the 3D seismic reprocessing project, and subsequent interpretation of those data along with other studies, has definitively removed this subjectivity through clear imaging of the Chuditch structure.

2023 and subsequent activities

The reprocessed 3D seismic data was delivered during 2022 and its evaluation, in tandem with a number of geological and engineering studies, was completed during 2023.

Consultancy group ERC Equipoise Ltd ("ERCE") was engaged to prepare a Competent Person's Report ("CPR") to provide an independent assessment of the Chuditch resource to a SPE PRMS compliant standard. The CPR was released on 28 February 2023. For the Chuditch-1 discovery, ERCE assessed gross Pmean Contingent Resources of 1.16 Tcf of gas. The recognition of the resources as being Contingent, rather than Prospective, was a major milestone and reflected the significant improvement in understanding of the discovered resources through the seismic reprocessing and other studies carried out on Chuditch. Baron believes that the Chuditch-1 Contingent Resources are potentially sufficiently large to be economically viable to be developed standalone or in parallel with other developments in the region.

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

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

There continues to be an excellent working relationship between SundaGas, the Government Ministry of Petroleum and Mineral Resources ("MPM"), Autoridade Nacional do Petróleo ("ANP"), the Government regulatory authority for petroleum, and TIMOR GAP. The Company meets regularly with all of these bodies and provides detailed updates around our activities, plans and timelines on the PSC. The Company appreciates the support that it receives from these various state entities and will continue to work on maintaining these close relationships.

On 2 June 2023 and again on 5 December 2023, the Company announced two six-month extensions to Contract Year Two of the Chuditch PSC. These extensions were granted to provide additional time to complete detailed further technical studies on the Chuditch field and to have sufficient time to prepare for appraisal drilling. Contract Year 2 of the PSC now has an expiry date of 18 June 2024.

3. Chairman's Statement & Operations Report (continued)

On entry into Contract Year 3 of the PSC, the commitment will be to drill an appraisal well within a 12-month period. Planning for this appraisal drilling is ongoing, with a well expected to be drilled to a total depth of around 3,000 metres and to include a production test.

In anticipation of the drilling of an appraisal well on the Chuditch field during Contract Year 3 of the PSC, organisational and technical preparations for operational activities commenced in the second half of 2023. A highly experienced Well Operations Manager was hired to lead this effort, subsequently joined by Well Engineering, HSE (Health Safety & Environment), Procurement and Well Testing professionals. Detailed and regular workshops were initiated with ANP and TIMOR GAP, and discussions commenced with providers of drilling services, including owners of drilling rigs. These preparations have continued in earnest into 2024, including the completion of a site survey at the planned drilling location in two phases between February and April 2024. The Company currently anticipates that drilling operations will commence in Q1 2025.

On 18 December 2023, the Company announced that it had agreed that TIMOR GAP would increase its participation in the PSC from a 25% to a 40% working interest. A Farm-Up Agreement to this effect was entered into on 23 January 2024 and the transaction completed on 7 February 2024 following approval by ANP. Accordingly the SundaGas 60% share is now responsible for 80% of the costs of the Chuditch project and TIMOR GAP pays a 20% share. TIMOR GAP subsequently paid approximately US$ 1 million to cover its share of prior costs since the signing of the PSC.

During 2023, the Company held discussions with a number of other potential partners in the PSC that expressed interest in participating in the Chuditch project, including the drilling of the planned appraisal well, a process that is still ongoing.

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

More generally in Timor-Leste, increased E&P activity was seen both onshore and offshore. During the year Timor Resources completed its initial onshore drilling campaign, the first in 50 years, with a number of reported oil and gas discoveries. In addition, the Greater Sunrise project continued to move towards development with negotiations between its many stakeholders. In December 2023, following the Second Licencing Round that closed in 2022, a new PSC was signed by a subsidiary of the Italian major ENI, in the area known as Block P, which sits between the Chuditch PSC and the Greater Sunrise gas fields to the north of Chuditch. It is expected that 3D seismic acquisition will commence over this new PSC area during late 2024.

United Kingdom Offshore Licence P2478 (relinquished 31 March 2024)

Innovate Licence P2478 was awarded in September 2019 and was held through 2023 by a joint venture comprising Reabold North Sea Limited ("Reabold", Licence Administrator, interest 36%), Baron (32%), and Upland Resources (UK Onshore) Limited (32%). The licence covered blocks 12/27c, 17/5, 18/1 and 18/2 in the Inner Moray Firth area of the North Sea, containing the Dunrobin and Golspie prospects.

The work commitments on the P2478 Licence were to undertake reprocessing of legacy 3D and 2D seismic data and perform other studies, in order to better understand the subsurface risks, reduce the range of volumetric uncertainty, as well as providing drilling location candidates ahead of making a decision whether to proceed beyond the end of the Phase A evaluation stage of the licence on 14 July 2023.

The key technical work components of the Phase A commitments – those of seismic reprocessing plus geochemical studies – were delivered during second half of 2022 on time and on budget. Detailed seismic attribute analysis followed in early 2023 and in March 2023, the UK's North Sea Transition Authority ("NSTA") confirmed that the obligation work programme was fully complete.

3. Chairman's Statement & Operations Report (continued)

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

On 12 July 2023, the Company announced that the joint venture for Licence P2478 had been granted a two-year extension to Phase A of the licence by the UK North Sea Transition Authority ("NSTA"). A 'Drill or Drop' decision was required on or before 14 July 2025. The extension further required an additional commitment to acquire a minimum of 30 square kilometres of 3D seismic data. However, following unavoidable and significant delays to the acquisition of 3D seismic data, Licence P2478 was surrendered to the NSTA on 31 March 2024. The delays largely result from the continuous wind farm construction activities in the area. All Phase A commitments had been fulfilled and there remain no further obligations beyond the statutory submission of a relinquishment report, which Reabold is currently preparing. The Company had a high degree of expectation of this outcome at the end of the financial period and determined that the carrying value of the asset should be impaired in full in the 2023 Financial Statements.

Block XXI, Peru

In April 2022, Baron requested the relinquishment of Licence Block XXI in Peru, a legacy asset dating from an earlier, Latin-America focused strategy. The Licence Block XXI had been largely under Force Majeure for a variety of reasons since 2017. The Bank Guarantee of US$160,000 was released in full to Baron in June 2022. Baron continues to work with the Peruvian authorities to establish and file an Abandonment Plan. Ongoing costs are minimal, and we expect to complete our withdrawal from Peru during 2024.

New Ventures

In January 2023, the Company announced that, as a joint venture non-operating partner, it had submitted an application in the UK offshore 33rd Round of licensing, conducted by the UK North Sea Transition Authority. On 3 May 2024, the Company was informed that its application, as a joint venture non-operating partner, had not been successful for a new licence. Consequently, Baron no longer has any upstream assets in the United Kingdom. Further potential new ventures are under consideration, with a focus on gas opportunities in SE Asia, in line with the Company's revised strategy.

Corporate update

Subsequent to the reporting period, in February 2024, the Company completed a Placing, Subscription and WRAP Retail Offer of new ordinary shares at 0.05p to raise £3.26 million (gross). The monies are being applied to support the Chuditch PSC (Timor-Leste) as it moves towards the key appraisal drilling milestone.

On 1 July 2023, Dr Andy Butler was appointed to the Board as Director Asia-Pacific, bringing his knowledge and involvement in the Timor-Leste asset directly to the Board.

Subsequent to the reporting period, on 15 March 2024, Andy Butler took on the role of Chief Executive replacing Andy Yeo, who left the Company on 1 April 2024. On 22 April 2024, John Wakefield stepped down as Non-Executive Chairman and Gerry Aherne was appointed in his place. In addition, on that date, it was announced that Dr John Chessher had been appointed as an Independent Non-Executive Director and Rob Collins had been appointed as non-Board Chief Financial Officer. On 30 April 2024, Jon Ford stepped down from the Board, although he has been retained by the Company in a part-time consultancy role. Information on the backgrounds of the new directors are provided in the Report of the Directors on page 13.

3. Chairman's Statement & Operations Report (continued)

Conclusions

I am pleased to report that Baron made significant progress in its work on the Chuditch PSC during 2023, moving from completion of the subsurface evaluation (and publication of a CPR) through to extensive preparations towards the drilling of an appraisal well. This is an asset that has considerable and potentially transformative value for the Company and its shareholders.

The recent relinquishment of UK licence P2478, together with the previously announced results of the UK 33rd Licencing Round, means that the Company has now fully withdrawn from the UK. Baron will now focus all its attentions on its core business in SE Asia, where the Company has an exciting and valuable asset in Timor-Leste, a highly experienced operating team and a pipeline of material new venture opportunities across the region.

The decision by TIMOR GAP to increase their participation in the Chuditch project was a particular highlight for the year, confirming the Timor-Leste government's strong support for the Company's efforts and their belief in the development potential of the field. We look forward to updating shareholders on progress regarding other potential funding partners for the Chuditch project as soon as it is appropriate to do so.

The recent refreshment of the Board, including the appointment of Dr Andy Butler to the Chief Executive role, highlights Baron's strategic pivot towards SE Asia, and in particular gas projects in that region. The Company enjoys an excellent reputation in the region, where many of our team of experts are located. New independent non-executive director Dr John Chessher further strengthens Baron's SE Asia capabilities, with his extensive experience and networks in capital markets in the region.

SE Asia continues to see robust growth in energy demand and the Company recognises considerable opportunity for value creation in this arena, commencing with the Chuditch project. Our proposed change of Company name to Sunda Energy Plc encapsulates the change of emphasis towards the Orient.

I extend my thanks to all stakeholders of the Company, including my fellow directors, our employees and consultants, joint venture partners and governments, for their strong support of the Company's efforts. We are especially grateful for the support of our investors, including through the funding event in early 2024. As a result, we have a well-funded balance sheet covering our current activities and commitments. As at 31 December 2023 we had cash reserves of £3.8 million (2022: £5.8 million), and the cash balance stood at £5.5 million at 22 May 2024.

Gerry Aherne
Non-executive Chairman

24 May 2024

4. Strategic Report

The Directors now present their strategic report with the financial statements of Baron Oil Plc ("the Company") and its subsidiaries (collectively "the Group") for the year ended 31 December 2023.

Principal activities

The principal activity of the Group is that of exploration for, and appraisal of, oil and gas.

Business review

A review of the Group's business during the financial period and its likely development is given in the Chairman's Statement & Operations Report.

Key Performance Indicators (KPIs) 2023

The KPIs for 2023 were to:

- be in a fully informed position to make appropriate drilling decisions on a Chuditch-1 appraisal well and a Dunrobin West exploration well;
- continue to explore funding opportunities with a view to securing finance to advance these core projects;
- support and progress the UK 33rd Round licence application and actively pursue other new ventures;
- ensure that the Company remains sufficiently funded for current operations and thereafter has plans and funding arrangements in place prior to making major commitments.

The Chuditch asset progressed significantly towards drilling, with the recruitment of key drilling personnel and a number of technical and organisational steps taken to enable the Company to execute a successful drilling campaign. An assignment to joint venture partner TIMOR GAP of an enhanced participation in the project partially addressed funding for drilling of the appraisal well.

The Dunrobin West drilling opportunity failed to progress through the year and, despite an extension granted by the North Sea Transition Authority ("NSTA"), attempts to acquire additional seismic data were hindered by the inability to operate in the area owing to windfarm construction. By end year 2023, it was evident that it would not be possible to continue, and agreement was subsequently reached between the joint venture partners and NSTA to relinquish the asset.

No new projects were secured during 2023. The licence application to NSTA for the 33rd Offshore Licence Round, announced in January 2023, was still pending as at end 2023 but was learned in May 2024 to have been unsuccessful.

The Company remained well funded through the year and able to cover all current obligations.

Key Performance Indicators (KPIs) 2024

The Board has agreed the following KPIs for 2024, which are intended to be measurable and achievable, whilst targeted at making material progress in the development of the Company and its key asset.

The KPIs for 2024 are to:

- ensure all workplace and operational activities are conducted without harm to staff, contractors or third parties, built around a clear set of HSE policies and procedures;
- complete organisational and technical preparations, including site survey, to be ready for the drilling of the Chuditch-2 appraisal well by Q1 2025;

4. Strategic Report (continued)

- secure necessary financing to drill the Chuditch-2 appraisal well by Q1 2025 subject to rig availability;
- implement a business strategy focussed around existing and possible new venture assets in the SE Asia region; and
- ensure that the Company remains sufficiently funded for current operations.

Key risks and uncertainties

Exploration for hydrocarbons is highly speculative and involves significant degrees of risk. The Board constantly monitors the operational and financial aspects of the Company's activities and is responsible for the ongoing review of business risks and implementation of appropriate internal controls. While risks cannot be eliminated entirely, internal controls are implemented so as to reasonably minimise losses.

At present, the Company considers its principal risks to be the following:

Oil & gas market conditions and the availability of project finance

Our key asset requires funding from external partners and other sources to progress to the drilling stage. These influences may be global, regional, country, or specific to individual projects which change the nature of the funding proposition or even the availability/suitability of finance.

Impact

Without appropriate external funding to undertake drilling commitments, licences may be amended, terminated or relinquished leading to reductions in value or under certain conditions a permanent loss of value.

Action

The Board monitors and will react to changes in market conditions where possible but is careful not to enter into drilling commitments unless it has reasonable certainty over being able to fulfil its commitments.

Exchange rate fluctuations

Currency risk arises because the Group has operations whose functional currency is not the same as the functional currency that the Group operates under. It is the Group's policy to ensure that individual Group entities enter into local transactions in their functional currency wherever possible. The Company's main banking arrangements continue to be based in the UK and the Group reports in Sterling.

Impact

In 2023, around 51% of Baron's expenditure was transacted in US Dollars, almost all of it arising from its activities on the Chuditch Project. For the year as a whole, there was a loss on holdings of US Dollar balances of £32,000 compared to a gain of £43,000 in 2022.

Action

Corporate and capital expenditure budgets are set annually and cash called monthly with up to a two month forecast. It is the Group's policy to look to cover up to 12 months expenditure in any given currency at or around the level of the agreed budget. Due to the lack of production revenues and the modest absolute amount of overall US Dollar expenditure, the Company has not previously entered into hedging arrangements or structured products.

4. Strategic Report (continued)

Oil and gas prices

The Group's results and activities are influenced by oil and gas prices which are dependent on a number of factors impacting both world and regional supply and demand. Due to these factors, prices may be subject to significant fluctuations from year to year. While we are not insulated from any particular oil price shock, it should be noted that the Group's assets are all upstream and in the pre-cash flow exploration and appraisal phases. Since the award of the Chuditch PSC, the Group is much more heavily weighted towards gas where regional markets play a much greater role in pricing.

Impact

Oil and gas prices can fluctuate widely and could have a material impact on the Group's asset values, revenues, earnings and cash flows. In addition, price increases could cause supply or capacity constraints in areas such as specialist staff or equipment.

Action

The Group keeps its sensitivity to fluctuations in oil and gas prices under regular review. As we do not have any assets in production at the current time, the Group has no need to hedge oil or gas prices. However, in the future we may enter into a hedge programme for oil or gas where the Board determines it is in the Group's interest to provide greater certainty over future cash flows.

Performance guarantee

The Group has given a US$1m performance guarantee in respect of its licence in Timor-Leste which is expected to increase during 2024 subject to negotiation. In the event that work commitments under the Chuditch PSC are not met, then this guarantee could be called in by 19 June 2025.

Impact

In the event that the Group forfeits a deposit under any guarantee, this will lead to a permanent reduction in asset value.

Action

The Group actively manages its work programmes under the licenses to the extent that it is able, paying close attention to milestones and expiry dates, in order to minimise the risk these licence commitments are not met.

Liquidity

The Group is exposed to liquidity risks, including the risk that financial assets cannot readily be converted to cash without the loss of value.

Impact

Failure to manage financing risks could have a material impact on the Group's cash flows, earnings and financial position as well as reducing the funds available to the Group for working capital, capital expenditure, acquisitions, dividends and other general corporate purposes.

Action

The Group manages liquidity risk by maintaining adequate levels of cash balances. As at the end of 2023, the Group's cash reserves of £3.8m were primarily spread amongst three large international banks in the UK and Singapore.

4. Strategic Report (continued)

Taxation

Tax law is evolving and is subject to different and changing interpretations, as well as inconsistent enforcement. Tax regulation and compliance is subject to review and investigation by the authorities who may impose severe fines, penalties and interest charges.

Impact

The uncertainty of interpretation and application, and the evolution, of tax laws in the territories in which we operate creates a risk of additional and substantial payments of tax or other unintended consequences by the Group, which could have a material adverse effect on the Group's cash flows, earnings and financial position.

Action

The Group makes every effort to comply with tax legislation, takes appropriate professional tax advice and works closely with tax authorities to ensure compliance and active management of its fiscal positions.

Directors' duties – S172 Companies Act 2006 Directors' duties to promote the long-term success of the Company

The Directors behave and carry out their activities to promote long-term success of the Group for the benefit of the Company's shareholders, employees, suppliers and other stakeholders. They engage with shareholders, employees, suppliers and other stakeholders to reflect their insights and views when making decisions on strategy; delivering operational effectiveness; making plans; driving initiatives; and committing to deliver outcomes that enhance social value. The culture and values promoted by the Directors create a focus across the Group on observing and maintaining the highest standards of business conduct whilst promoting the long-term success of the Company.

By order of the Board

Gerry Aherne
Non-executive Chairman

24 May 2024

5. Report of the Directors

The Directors submit their report together with the audited financial statements of Baron Oil Plc ("the Company") and its subsidiaries (collectively "the Group"), for the year ended 31 December 2023.

Directors

The following are biographical details of the Directors of Baron Oil Plc.

Gerry Aherne, Non-executive Chairman (appointed 22 April 2024)

Gerry Aherne has a wealth of career experience in the insurance and financial markets, having been a founding director of PRI Group plc, a directors' and officers' liability insurer, and having held non-executive directorships with Henderson Group plc, Mecom Group plc, Omnis Investments Ltd, and Iveagh Ltd. He was Investment Director at Schroder Investment Management for 16 years, managing pension funds and unit trusts, Chairman of Electric & General Investment Trust plc, and Chairman of Cenkos Securities plc from 2012 to 2018. He is currently Managing Partner of Javelin Capital Partners LLP.

Dr Andrew Butler, Chief Executive Officer (appointed 1 July 2023)

Andy Butler has over 27 years of experience in the oil and gas sector and brings relevant expertise to the Company's Board. Andy has had involvement with Baron Oil since 2016, when the Company entered into a joint venture agreement with SundaGas Pte Ltd, a company he founded and which ultimately led to the signing in 2019 of the Timor-Leste TL-SO-19-16 Production Sharing Contract. He has been a person discharging managerial responsibilities (PDMR) of the Company since 2021 and was appointed Chief Executive Officer on 15 March 2024, and continues to manage the Company's Timor Leste project. He is a director of the Company's two subsidiaries in Asia.

Andy was formerly vice president of business development at Mitra Energy Ltd (subsequently renamed Jadestone Energy Plc) and new ventures manager and a principal consultant geologist at BG Group. Andy is a Fellow of the Geological Society of London and an active member of the South-East Asia Petroleum Exploration Society (SEAPEX), the Geoscience Energy Society of Great Britain, the Society of Petroleum Engineers, the Association of International Energy Negotiators and the Singapore Institute of Directors. He has a Ph.D. in Geology from the University of Cambridge and a B.A. in Geology from the University of Oxford.

Keith Bush, Non-executive Director

Keith Bush is an experienced quoted company director having worked for over 30 years in the energy industry. He has a petroleum engineering background, with significant experience in the oil and gas sector. Previously he has worked for Amerada Hess, Burlington Resources and E.ON Ruhrgas, before joining AIM quoted Northern Petroleum plc, initially as COO and later as CEO. Keith is currently COO of Hartshead Resources a company listed on the ASX. He holds a B.Sc. in Physics from the University of Manchester. He was appointed as a Non-executive Director of Baron in 2022.

Dr John Chessher, Non-executive Director (appointed 22 April 2024)

John Chessher is a highly experienced investment industry professional who has held CEO and director-level positions at leading asset management and investment banking firms. John has extensive knowledge and experience of corporate research and capital raising, including as CEO of Cenkos Securities Asia and Head of Asia Pacific Research at Schroder Investment Management. He holds an MA in Engineering Science from University of Oxford and DBA, MSc and MBA qualifications from Henley Business School. He is a member of the Society of Petroleum Engineers and is a CFA charter-holder and currently combines non-executive and advisory roles with his position as a lecturer at Henley Business School.

5. Report of the Directors (continued)

The following were also directors during the period but resigned after the end of the reporting period.

Andrew Yeo – resigned 31 March 2024

John Wakefield – resigned 22 April 2024

Jon Ford – resigned 30 April 2024

Proposed dividend

The Directors do not recommend the payment of a dividend in respect of the financial year ended 31 December 2023.

Political contributions

In the year ended 31 December 2023 the Group made no political donations.

Policy and practice on payment of creditors

The Group and Company policy, in relation to all of its suppliers, is to settle the terms of payment when agreeing the terms of the transactions and to abide by those terms. The Group and the Company do not follow any code or statement on payment policy. The creditor days as at 31 December 2023 were 6 days (2022: 3 days).

Activities and results

A loss of £1,712,000 (2022: £1,387,000), of which £1,712,000 (2022: £1,387,000) was attributable to equity shareholders, was recorded for the year. Net assets of the Group as at 31 December 2023 amounted to £8,255,000 (2022: £10,088,000), of which £8,255,000 (2022: £10,088,000) was attributable to equity shareholders.

Details of the Group's affairs and the development of its various activities during the period, important events since the period end, and details of the Company's plans for the next year are given in the Chairman's Statement & Operations Report.

Issue of shares

The Company issued 62,500,000 new ordinary shares of £0.00025 each at £0.001 per share on 23 February 2023 as a result of an exercise of options by a former director, raising £62,500 gross (£50,000 net of costs).

See also Events after the Reporting Period below.

The Environment

The Company is firmly committed to protecting the environment wherever it does business. We will do our upmost to minimise the impact of the business on the environment. Both the Company and its employees will try to be recognised by regulatory agencies, environmental groups and governments where we do business for our efforts to safeguard the environment.

Community

The Directors believe it is the Group's responsibility as a good corporate citizen to improve the quality of life in the communities in which it does business. Where possible, the Group will seek to contribute towards local cultural and educational organisations. In Timor-Leste, Baron is actively supporting students in various educational initiatives and is exploring new Corporate and Social Responsibility programme possibilities.

5. Report of the Directors (continued)

Future outlook

Details of the Group's affairs and the development of its various activities during the period, important events since the period end, and details of the Company's plans for the next year are given in the Chairman's Statement & Operations Report.

Directors' interests

The interests of the Directors who were in office at the year end, and their families, in the issued share capital of the Company are as follows:

	31 December 2023		31 December 2022	
	No. of Ordinary shares	**% Holding**	**No. of Ordinary shares**	**% Holding**
A Butler*	628,601,442	3.3%	–	–
A Yeo	193,000,000	1.0%	193,000,000	1.0%
J Ford	22,500,000	0.1%	22,500,000	0.1%
J Wakefield	20,000,000	0.1%	20,000,000	0.1%
K Bush	–	–	–	–
	864,101,442	4.5%	235,500,000	1.2%

Options held by the Directors are as follows:

	31 December 2023 Number of options £0.0007[1]	**31 December 2022 Number of options £0.0007[1]**
A Yeo	250,000,000	250,000,000
J Ford	140,000,000	140,000,000
	Number of options £0.0006[2]	**Number of Options £0.0006[2]**
A Yeo	290,000,000	290,000,000
J Ford	180,000,000	180,000,000
	Number of options £0.0007[3]	**Number of options £0.0007[3]**
A Butler*	175,000,000	–
Total	1,035,000,000	860,000,000

(1) Each £0.0007 option grants the holder the right to subscribe for one Ordinary Share at £0.0007 per share and are granted under one option contract exercisable at any time prior to 22 July 2031.

(2) Each £0.0006 option grants the holder the right to subscribe for one Ordinary Share at £0.0006 per share and are granted under one option contract exercisable at any time prior to 17 December 2031.

(3) Each £0.0007 option grants the holder the right to subscribe for one Ordinary Share at £0.0007per share and are granted under one option contract exercisable at any time prior to 14 July 2025. See note 20 on page 59 for vesting conditions.

* The interests in shares and options held by Dr A Butler at 31 December 2022 are not shown as he was appointed to the Board on 1 July 2023.

5. Report of the Directors (continued)

Except as shown in note 25 to the Financial Statements (Related Party Transactions) on page 66, there have been no contracts or arrangements of significance during the period in which the Directors of the Company were interested.

Currently there are Appointment Letters and Service Contracts in place with all Directors of the Company and these contracts are available for inspection at the registered office of the Company on request.

Remuneration policy

As an AIM quoted company, the preparation of a Remuneration Committee report is not an obligation, although the Company includes a commentary on its remuneration policy within its annual report and financial statements and within its corporate governance statement. The Company seeks to provide information that is appropriate to its size and organisation. The Remuneration Committee is comprised of three independent Non-executive Directors with John Chessher as Chairman; Gerry Aherne and Keith Bush are the other members. The Remuneration Committee is responsible for the development of policy on Executive, Non-executive and senior management remuneration.

Rather than having formal terms of reference the Remuneration Committee operates a Remuneration Policy which is to provide a remuneration package which will attract and retain individuals with the ability and experience required to manage the Company. The Remuneration Committee takes into account both Company and individual performance, market value and sector conditions in determining remuneration. This includes benchmarking against the Company's key performance indicators (KPIs). The Company maintains a policy of paying fair salaries compared with peer companies in the independent oil and gas sector. All current salaries are without pension benefits. Notice periods for Executive Directors are 12 months.

In 2020, the Remuneration Committee reviewed the incentive opportunities available for the management team. It identified four main elements of the Remuneration Package for Executives: Base Salary, Benefits, Share Options and Discretionary Bonuses. As part of these arrangements the Company created an Enterprise Management Incentive (EMI) share option scheme. The EMI is an HMRC approved tax efficient option scheme that enables companies to attract and retain key UK tax resident staff by rewarding them with equity participation in the business.

Base salaries are reviewed annually or when individuals change positions or responsibility, or the Company's situation changes. The Remuneration Committee meets as required.

John Chessher, the Remuneration Committee's chairman is a Non-executive Director of the Company and is considered to be independent. The Remuneration Committee's other members are also independent Non-executive Directors and the Company therefore fully complies with the QCA Code in this respect.

As Remuneration Committee's chairman, Dr Chessher consults with the other directors and conducts peer group reviews. No Director can take part in discussions or vote on matters pertaining to their individual performance or remuneration. In the event of a tied vote, the Remuneration Committee's independent chairman has the casting vote. Director remuneration, contracts, grants of options and incentive arrangements for senior management are matters that are formally reserved for the Board.

The Remuneration Committee makes recommendations which are considered and adopted by the Board as a whole. The Board considers that its Remuneration Committee and Remuneration Policy are appropriate to the Company's current size, organisation and level of operations.

5. Report of the Directors (continued)

Salaries and benefits

Basic salaries are reviewed annually or when individuals change positions or responsibility or the Company's position changes. Details of salaries plus non-cash benefits paid during the year are shown below.

	Base salary/fee £	Company car £	Benefits-in-kind £	Bonuses £	Year ended 31 December 2023 Total £	Year ended 31 December 2022 Total £
J Wakefield	50,000	–	–	–	50,000	50,000
A Butler*	–	–	–	–	–	–
A Yeo	175,000	11,922	13,220	80,000	280,142	231,309
J Ford	77,979	–	–	45,000	122,979	104,688
K Bush	30,000	–	–	–	30,000	3,885
	332,979	11,922	13,220	125,000	483,121	348,877

* Dr A Butler was appointed the Board on 1 July 2023. For the period he was a director, fees were paid to SundaGas Pte Ltd, a company in which he is a significant shareholder amounting to £128,645. Refer to note 25 on page 66 for details of related party transactions with companies controlled by Directors.

No pension contributions were made during the period for the Directors. The Directors did not receive any other emoluments, compensation or cash or non-cash benefits other than that disclosed above.

Employees

The Group seeks to keep employees informed and involved in the operations and progress of the business by means of regular staff meetings by country open to all employees and directors.

The Group operates an equal opportunities policy. The policy provides that full and fair consideration will be given to disabled applications for employment and that existing employees who become disabled will have the opportunity to retrain and continue in employment wherever possible.

Events after the Reporting Period

On 7 February 2024, the Company entered into a Farm-Up Agreement with TIMOR GAP, whereby TIMOR GAP would increase its participation in the Chuditch PSC from a 25% to a 40% working interest. The incremental 15% interest assigned included a share of the obligation to carry the costs of the initial TIMOR GAP 25% interest and accordingly the Group's 60% share is now responsible for 80% of the costs of the Chuditch project and TIMOR GAP pays a 20% share of the costs of the Chuditch project. Shortly after completion of the transaction, TIMOR GAP paid approximately US$1 million to cover its share of prior costs since the signing of the PSC.

On 29 February 2024, the Company issued 6,528,023,360 new ordinary shares of 0.025p each at an issue price of 0.05 pence per share, raising new capital of £3,264,000 gross, £2,993,000 net of costs.

On 15 March 2024, the Company announced that Dr Andy Butler (formally Director Asia-Pacific) had taken on the role of Chief Executive Officer of the Company and the Board's shift of priority to progress and realise the value in the Chuditch project in Timor-Leste.

On 31 March 2024, the joint venture for UK Offshore Licence P2478 relinquished its licence following unavoidable and significant delays to the acquisition of 3D seismic data outside the control of the Company. All commitments under the licence have been fulfilled and there are no further financial obligations.

On 7 May 2024, the Company confirmed that its application as a joint venture non-operating partner, in the UK offshore 33rd Round of licensing, conducted by the UK North Sea Transition Authority was unsuccessful.

5. Report of the Directors (continued)

Financial Review

Liquidity & Share Trading

The Board believes that high liquidity is important in attracting both small and institutional investors to Baron. During the last financial period Baron has had a high stock liquidity on the E&P sector on AIM.

Shares in Issue and Shareholders' Profile

The number of shares in issue at 15 May 2024 was 25,510,783,788 Ordinary Shares, with each share having equal voting rights. Baron Oil Plc has 965 registered shareholders.

The shareholding distribution at 15 May 2024 is as follows:

Range	No of shares	No of shareholders
>10%	13,843,006,152	3
5-10%	2,794,268,095	2
1-5%	6,694,790,020	11
0.5-1%	772,900,129	4
<0.5%	1,405,819,392	945
	25,510,783,788	965

Significant shareholdings

The Company has been informed that, as of 15 May 2024, the following shareholders owned 3% or more of the issued share capital of the Company:

Name	Shares	% of company
Hargreaves Lansdown (Nominees) Limited	7,371,465,391	28.90
Interactive Investor Services Nominees Limited	3,294,816,923	12.92
HSDL Nominees Limited	3,176,723,838	12.45
Vidacos Nominees Limited	1,434,622,762	5.62
Barclays Direct Investing Nominees Limited	1,359,645,333	5.33
Lawshare Nominees Limited	1,222,441,278	4.79
HSBC Client Holdings Nominee (UK) Limited	1,109,317,866	4.35

Listing

The Company's ordinary shares have been traded on the AIM market of the London Stock Exchange since 14 July 2004. Allenby Capital Limited is the Company's Nominated Adviser and Joint Broker, Cavendish Capital Markets Limited is the other Joint Broker. The closing mid-market price on 15 May 2024 was 0.07p.

Financial instruments

Details of the financial risk management objectives and policies, and details on the use of financial instruments by the Company and its subsidiary undertakings, are provided in note 21 to the financial statements on page 60.

5. Report of the Directors (continued)

Going concern

The Directors have prepared a cash flow forecast covering the period to 30 June 2025 which contains certain assumptions about the development and strategy of the business. The Directors are aware of the risks and uncertainties facing the business but the assumptions used are the Directors' best estimate of its future development. The Group is intending to drill the Chuditch-2 appraisal well as part of the work program for Year 3 of the PSC, which is scheduled to expire on 18 June 2025. In the event that the entirety of drill funding is not secured in adequate time to enable this activity to conclude in the period, then the Directors would seek an extension to Year 3, as they were granted in Year 1 and Year 2.

After considering the forecasts and the risks, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

Publication on Company's website

Financial statements are published on the Company's website (www.baronoilplc.com). The maintenance and integrity of the website are the responsibility of the Directors. The Directors' responsibility also extends to the financial statements contained therein. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other countries.

Indemnity of officers

The Group may purchase and maintain, for any director or officer, insurance against any liability and the Group does maintain appropriate insurance cover against legal action bought against its directors and officers.

Statement of disclosure to auditors

So far as the Directors are aware, there is no relevant audit information of which the Group's auditors are unaware, and they have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group auditors are aware of that information.

Auditors

A resolution for the reappointment of Gravita Audit Limited as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Geoffrey Barnes
Secretary

24 May 2024

6. Corporate Governance Statement

The Directors recognise the importance of sound corporate governance. The Company has adopted the 2018 QCA Corporate Governance Code ("QCA Code"), which the Directors consider appropriate for a company of its size and nature. The QCA Code takes key elements of good governance and allows companies to apply them in a manner which is appropriate for the differing needs of small companies. The "Comply or Explain" maxim allows companies to inform shareholders where policies differ from the norm and why. The details of the Company's policies in this respect are set out in its AIM Notice 26 Statement, which can be downloaded from the Company's website at https://baronoilplc.com/about/company-policies/.

The Board

The Board comprises one executive director and three non-executive directors, details of whom are contained in the Report of the Directors included in this report.

The Board meets at least four times a year.

The Board is responsible for the Group's strategy, review and approval of acquisition opportunities, capital expenditures, budgets, trading performance and all significant financial and operational issues.

The Audit Committee

The Audit Committee is comprised of the three independent Non-executive Directors with John Chessher as Chairman, Gerry Aherne and Keith Bush are the other members. The Audit Committee meets at least twice a year and the external auditors have the opportunity to meet with members of the Audit Committee without any executive management being present. The Audit Committee's terms of reference include the review of the Interim and Annual Financial Statements, review of internal controls, risk management and compliance procedures, consideration of the Company's accounting policies and all issues with the annual audit.

The Remuneration Committee

The Remuneration Committee is comprised of the three independent Non-executive Directors with John Chessher as Chairman, Gerry Aherne and Keith Bush are the other members. The Remuneration Committee is responsible for the development of policy on Executive, Non-executive and senior management remuneration. Rather than having formal terms of reference, Remuneration Committee operates a Remuneration Policy, which is to provide a remuneration package which will attract and retain individuals with the ability and experience required to manage the Company. The Remuneration Committee meets as required.

John Chessher, the Remuneration Committee's chairman is one of the Company's Non-executive Directors and is considered to be independent. No Director can take part in discussions or vote on matters pertaining to their individual performance or remuneration. In the event of a tied vote, the Remuneration Committee's independent chairman, John Chessher has the casting vote. Director remuneration, contracts, grants of options and incentive arrangements for senior management are matters that are formally reserved for the Board.

Health, Safety and Environmental Committee

As the Company is now an active offshore operator in South East Asia, the Board has decided to constitute a Health, Safety and Environmental Committee ("HSE Committee") with Keith Bush as its Chairman, Gerry Aherne and John Chessher are the other members.

The Nominations Committee

Due to the small size of the Group, it is not considered necessary to have a Nominations Committee at this time in the Company´s development and the Board reserves to itself the process by which a new director is appointed.

6. Corporate Governance Statement (continued)

Communications

The Company, which also uses third party external communications consultants, provides information on Group activities by way of press releases, Interim and Annual Financial Statements and also its website (www.baronoilplc.com). The Company's website is updated regularly and contains all operational reports, press releases and Interim and Annual Financial Statements.

Internal control

The Board has the overall responsibility for identifying, evaluating and taking the necessary action to manage the risks faced by the Company and the Group. The process of internal control is not to eliminate risk, but to manage the risk to reasonably minimise loss.

7. Statement of Directors' Responsibilities

in respect of the Strategic Report, the Report of the Directors and the Financial Statements

Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial period in accordance with applicable law and UK adopted International Accounting Standards. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that year. The Directors are also required to prepare the financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the AIM market.

In preparing those financial statements, the Directors are required:

- to select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether financial statements have been prepared in accordance with UK adopted International Accounting Standards 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 and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

By order of the board

Gerry Aherne
Non-executive Chairman

24 May 2024

8. Report of the Independent Auditor

to the Members of Baron Oil Plc

Opinion

We have audited the financial statements of Baron Oil Plc (‘the Company’) and its subsidiaries (together ‘the Group’) for the year ended 31 December 2023 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated and company statement of changes in equity, the consolidated and company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted International Accounting Standards (IFRSs). The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and UK-adopted International Accounting Standards (IFRSs) as applied in accordance with the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the Company’s affairs as at 31 December 2023 and of the Group’s loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards (IFRS);
- the Company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards (IFRS) as applied in accordance with the Companies Act 2006; and
- the financial statements 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 Company 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.

Our approach to the audit

We tailored the scope of our audit work to ensure we obtained sufficient evidence to support our opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls and the industry in which the Group operates.

As Group auditor we carried out the audit of the Company financial statements and, in accordance with ISA (UK) 600, obtained sufficient appropriate evidence regarding the audit of the Group’s Singaporean and Timorese subsidiaries SundaGas (Timor-Leste Sahul) Pte Ltd and SundaGas Banda Unipessoal, Lda. These subsidiaries were deemed to be significant to the Group financial statements due to their size. The Group audit team directed, supervised and reviewed the work of the component auditors in Singapore who performed a full scope audit of the subsidiaries in Singapore and Timor-Leste, which involved issuing detailed instructions, holding video calls and performing a review of key working papers. Audit work in Singapore and Timor-Leste was performed at materiality levels of £33,333, which was lower than Group materiality.

We also performed targeted procedures in respect of Gold Oil Peru SAC, which was not identified as a significant component requiring a full scope audit.

8. Report of the Independent Auditor (continued)

to the Members of Baron Oil Plc

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. 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.

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.

Key audit matter	How our audit addressed the key audit matter
Impairment of exploration assets (Group) and net investment in subsidiaries (Company) At 31 December 2023 the group held exploration assets of £3.8m (2022: £3.7m). The assets represent costs capitalised associated with the Chuditch asset in Timor Leste in line with the Group's IFRS 6 accounting policy for exploration expenditure under which costs are capitalised once the Group secures the rights to explore and that licence remains in good standing. The Board perform an annual review of impairment indicators based on the available industry, economic and resource data available to them. The Company's net investment in subsidiaries at 31 December 2023 was £5.9m (2022: £5.0m). This balance relates entirely to the Company's subsidiaries in Singapore and Timor Leste and comprises both equity investments and loans. Both entities are solely involved in progressing the Chuditch project and therefore potential impairment of the net investment is assessed on the same basis as impairment of the associated Chuditch exploration asset.	The Directors' impairment review concluded that an impairment was not required in respect of the Group's Chuditch exploration asset, or of the Company's net investment in subsidiaries, at the year end. The Group's Inner Moray Firth UK offshore IFRS 6 asset was impaired in full due to the expectation during 2023 that Baron would not progress with the project. The Group's interest was subsequently formally relinquished in March 2024. We have assessed and understood the methodology used by the Directors in their impairment analysis and determined it to be reasonable. We reviewed the underlying Production Sharing Contract and wider available evidence to examine whether the Group had complied with its minimum performance obligations and therefore whether there was evidence of impairment due to non-compliance. We also reviewed the most recent competent persons' report on the Chuditch exploration assets to understand if the basis for the Directors' conclusions was consistent with the information contained within that report. In respect of the Company's loans to subsidiaries we also examined the basis for which the loans are presented as part of the Company's net investment by reference to the underlying business model, future expectations and intentions of management. We concluded that the Directors' impairment assessment was reasonable and that the Company's loans to subsidiaries were fairly presented as part of the net investment.

8. Report of the Independent Auditor (continued)

to the Members of Baron Oil Plc

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

	Group	Company
Overall materiality	£100,000 (2022: £100,000).	£99,000 (2022: £100,000).
How we determined it	Based on 1.5% of gross assets.	Based on 1.5% of gross assets.
Rationale for benchmark used	The Group's principal activity is the furtherance of its exploration activities and therefore cash and capitalised exploration assets are the Group's key assets. The Group has no debt and minimal liabilities. For this reason, a materiality measure based on gross assets was considered the most appropriate.	The Company principally acts as a holding company and therefore gross assets is an appropriate measure.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £5,000 (2022: £5,000) for both the Group and Company audits as well as misstatements below this amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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. Our evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included a detailed review of the Group's forecasts in comparison to cash balances held at the date of these financial statements and actual expenses in the recent period to assess the reasonability of the estimates made.

We have further performed a sensitivity analysis to conclude on the degree to which current cash reserves will be able to sustain the Group for at least a further twelve months from the date of these financial statements. We have also examined the projected expenditure in light of the Group's obligations under the Chuditch Production Sharing Contract along with management's justification for the timing of cash flows and proposed mitigations in a downside scenario in which funding is not secured to enable drilling to take place as planned. We have considered the obligations on the Group in such a scenario and we have assessed the expected impact on cash balances during the going concern review period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements were authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

8. Report of the Independent Auditor (continued)

to the Members of Baron Oil Plc

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's 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 the knowledge and understanding of the Group and 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 22, 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 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 the Company or to cease operations, or have no realistic alternative but to do so.

8. Report of the Independent Auditor (continued)

to the Members of Baron Oil Plc

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the senior statutory auditor ensured the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Company through discussions with directors and other management.
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Company including taxation legislation, anti-bribery, employment laws and anti-money laundering regulations.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence.
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit; and
- we assessed the susceptibility of the Group and Company financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:
    - o making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
    - o considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in the notes to the financial statements were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions.

8. Report of the Independent Auditor (continued)

to the Members of Baron Oil Plc

- In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:
  - agreeing financial statement disclosures to underlying supporting documentation;
  - reading the minutes of meetings of those charged with governance;
  - enquiring of management as to actual and potential litigation and claims;
  - reviewing the available correspondence with HMRC and the Group's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of noncompliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

Use of this 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's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Joseph Brewer
Senior Statutory Auditor
For and on behalf of
Gravita Audit Limited (Statutory Auditors)
Aldgate Tower
2 Leman Street
London
EC1 8FA

24 May 2024

9. Consolidated Income Statement

for the year ended 31 December 2023

	Notes	2023 £'000	2022 £'000
Revenue		–	–
Cost of sales		–	–
Gross profit		–	–
Exploration and evaluation expenditure	3	(121)	(213)
Intangible asset impairment	10	(187)	–
Property, plant and equipment impairment and depreciation	9	(37)	(33)
Peru closure costs		(26)	–
Administration expenses	3	(1,455)	(1,191)
(Loss)/gain on exchange	3	(32)	43
Operating loss	3	(1,858)	(1,394)
Finance cost	6	(6)	(5)
Finance income	6	152	12
Loss on ordinary activities before taxation		(1,712)	(1,387)
Income tax expense	7	–	–
Loss for the year		(1,712)	(1,387)
Loss on ordinary activities after taxation attributable to:			
Equity shareholders		(1,712)	(1,387)
		(1,712)	(1,387)
Earnings per ordinary share – continuing			
Basic	8	(0.009p)	(0.010p)
Diluted		(0.009p)	(0.010p)

10. Consolidated Statement of Comprehensive Income

for the year ended 31 December 2023

	2023 £'000	2022 £'000
Loss on ordinary activities after taxation attributable to owners of the parent	(1,712)	(1,387)
Other comprehensive income: items which may subsequently be reclassified to profit and loss		
(Loss)/gain on translating foreign operations	(172)	174
Total comprehensive loss for the year	(1,884)	(1,213)
Total comprehensive loss attributable to Owners of the parent	(1,884)	(1,213)

11. Consolidated Statement of Financial Position

at 31 December 2023

	Notes	2023 £'000	Restated 2022 £'000
Assets			
Non current assets			
Property plant and equipment	9	41	78
Intangible fixed assets	10	3,781	3,696
Goodwill	11	–	–
		3,822	3,774
Current assets			
Trade and other receivables	13	91	101
Performance bond guarantee deposit	14	786	827
Cash and cash equivalents	15	3,760	5,807
		4,637	6,735
Total assets		8,459	10,509
Equity and liabilities			
Capital and reserves attributable to owners of the parent			
Share capital	18	4,746	4,730
Share premium account	19	38,881	38,846
Share option reserve	19	319	332
Foreign exchange translation reserve	19	715	887
Retained earnings	19	(36,406)	(34,707)
Total equity		8,255	10,088
Current liabilities			
Trade and other payables	16	185	377
Taxes payable	16	15	14
		200	391
Non-current liabilities			
Lease finance	16/17	4	30
Total equity and liabilities		8,459	10,509

The financial statements were approved and authorised for issue by the Board of Directors on 24 May 2024 and were signed on its behalf by:

G Aherne
Director

A Butler
Director

Company number: 05098776

12. Company Statement of Financial Position

at 31 December 2023

	Notes	2023 £'000	Restated 2022 £'000
Assets			
Non current assets			
Property plant and equipment	9	9	21
Intangible fixed assets	10	–	159
Investments	12	5,865	5,002
		5,874	5,182
Current assets			
Trade and other receivables	13	56	61
Cash and cash equivalents	15	3,652	5,625
		3,708	5,686
Total assets		9,582	10,868
Equity and liabilities			
Capital and reserves attributable to owners of the parent			
Share capital	18	4,746	4,730
Share premium account	19	38,881	38,846
Share option reserve	19	319	332
Foreign exchange translation reserve	19	–	–
Retained earnings	19	(34,479)	(33,248)
Total equity		9,467	10,660
Current liabilities			
Trade and other payables	16	100	185
Taxes payable	16	15	14
		115	199
Non-current liabilities			
Lease finance	16/17	–	9
Total equity and liabilities		9,582	10,868

As permitted by section 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements. The loss of the Company for the year was £1,244,000 (2022: loss of £555,000).

The financial statements were approved and authorised for issue by the Board of Directors on 24 May 2024 and were signed on its behalf by:

G Aherne
Director

A Butler
Director

Company number: 05098776

13. Consolidated and Company Statement of Changes in Equity

for the year ended 31 December 2023

	Share capital £'000	Share premium £'000	Retained earnings £'000	Share option reserve £'000	Foreign exchange translation £'000	Total equity £'000
GROUP						
As at 1 January 2022 *(restated)*	2,896	34,061	(33,376)	388	713	4,682
Shares issued	1,834	4,785	–	–	–	6,619
Transactions with owners	1,834	4,785	–	–	–	6,619
Loss for the year attributable to equity shareholders	–	–	(1,387)	–	–	(1,387)
Share option reserve released	–	–	56	(56)	–	–
Foreign exchange translation adjustments	–	–	–	–	174	174
Total comprehensive income for the period	–	–	(1,331)	(56)	174	(1,213)
As at 1 January 2023	4,730	38,846	(34,707)	332	887	10,088
Shares issued	16	35	–	–	–	51
Transactions with owners	16	35	–	–	–	51
Loss for the year attributable to equity shareholders	–	–	(1,712)	–	–	(1,712)
Share option reserve released	–	–	13	(13)	–	–
Foreign exchange translation adjustments	–	–	–	–	(172)	(172)
Total comprehensive income for the period	–	–	(1,699)	(13)	(172)	(1,884)
As at 31 December 2023	4,746	38,881	(36,406)	319	715	8,255

13. Consolidated and Company Statement of Changes in Equity

for the year ended 31 December 2023 (continued)

	Share capital £'000	Share premium £'000	Retained earnings £'000	Share option reserve £'000	Foreign exchange translation £'000	Total equity £'000
COMPANY						
As at 1 January 2022 *(restated)*	2,896	34,061	(32,749)	388	–	4,596
Shares issued	1,834	4,785	–	–	–	6,619
Transactions with owners	1,834	4,785	–	–	–	6,619
Loss for the year	–	–	(555)	–	–	(555)
Share option reserve released	–	–	56	(56)	–	–
Total comprehensive income for the period	–	–	(499)	(56)	–	(555)
As at 1 January 2023	4,730	38,846	(33,248)	332	–	10,660
Shares issued	16	35	–	–	–	51
Transactions with owners	16	35	–	–	–	51
Loss for the year	–	–	(1,244)	–	–	(1,244)
Share option reserve released	–	–	13	(13)	–	–
Total comprehensive income for the period	–	–	(1,231)	(13)	–	(1,244)
As at 31 December 2023	4,746	38,881	(34,479)	319	–	9,467

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

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

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

Share option reserve represents the accumulated value of share-based payments charged to the Income Statement on outstanding share options (see note 20 on page 59).

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

14. Consolidated and Company Statement of Cash Flows

for the year ended 31 December 2023

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Operating activities	(1,830)	(1,084)	(1,750)	(582)
Investing activities				
Interest received	152	149	12	11
Advances to subsidiaries	–	(1,050)	–	(1,848)
Performance bond guarantee deposit returned	–	–	128	–
Additions to exploration and evaluation assets	(381)	(28)	(806)	(91)
Acquisition of tangible assets	(2)	–	(17)	–
	(231)	(929)	(683)	(1,928)
Financing activities				
Net proceeds from issue of share capital	51	51	6,619	6,619
Lease financing	(37)	(11)	(29)	(11)
	14	40	6,590	6,608
Net cash(outflow)/inflow	(2,047)	(1,973)	4,157	4,098
Cash and cash equivalents at the beginning of the year	5,807	5,625	1,650	1,527
Cash and cash equivalents at the end of the year	3,760	3,652	5,807	5,625

14. Consolidated and Company Statement of Cash Flows

for the year ended 31 December 2023 (continued)

Note to the Consolidated and Company Statement of Cash Flow

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Operating activities				
Loss for the year attributable to controlling interests	(1,712)	(1,244)	(1,387)	(555)
Depreciation, amortisation and impairment charges	224	161	33	55
Finance income shown as an investing activity	(152)	(149)	(12)	(11)
Interest on lease liability	6	1	4	1
Foreign exchange translation	(20)	225	(74)	(205)
Operating cash outflows before movements in working capital	(1,654)	(1,006)	(1,436)	(715)
Decrease/(increase) in receivables	10	5	(47)	22
(Decrease)/increase in payables	(186)	(83)	(267)	111
Net cash outflows from operating activities	(1,830)	(1,084)	(1,750)	(582)

15. Notes to the Financial Statements

General Information

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

1. Significant accounting policies

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

Going concern basis

The Directors have prepared a cash flow forecast covering the period to 30 June 2025 which contains certain assumptions about the development and strategy of the business. The Directors are aware of the risks and uncertainties facing the business but the assumptions used are the Directors' best estimate of its future development. The Group is intending to drill the Chuditch-2 appraisal well as part of the work program for Year 3 of the PSC, which is scheduled to expire on 18 June 2025. In the event that the entirety of drill funding is not secured in adequate time to enable this activity to conclude in the period, then the Directors would seek an extension to Year 3, as they were granted in Year 1 and Year 2.

After considering the forecasts and the risks, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

Basis of preparation

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

Changes in accounting policies and disclosures

Adoption of new and revised standards

a) *The impact of new IFRSs adopted during the year*

During the current year, the Group adopted all new and revised standards and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee and that are endorsed by the UK that are effective for annual accounting periods beginning on 1 January 2023. None of them had a material impact on the group financial statements.

– Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
  The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies.

– Definition of Accounting Estimates (Amendments to IAS 8)

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

15. Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

– Deferred Tax Relating to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
  IAS 12 specifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions.

b) New standards, interpretations and amendments not yet effective

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

– IFRS 16 *Leases* (Amendments) (Effective from the year ending 31 December 2024)
  The amendments affect only the subsequent measurement of lease liabilities arising from a sale and leaseback transaction with variable lease payments, which occurred from the date of initial application of IFRS 16 and for which the seller-lessee's accounting policy differs from the requirements specified in these amendments.

– IAS 1 *Presentation of Financial Statements* (Amendments to Classification of Liabilities as Current or Non-current) (Effective from the year ending 31 December 2024)
  The amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

– IAS 1 *Presentation of Financial Statements* (Amendment to Non-current liabilities with covenants). (Effective from the year ending 31 December 2024)
  The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries using the acquisition method of accounting.

Subsidiaries

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

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

15. Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Impairment of non-financial assets

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

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

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

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

Intangible Assets

Oil and gas assets: exploration and evaluation

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

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

15. Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

All lease and licence acquisition costs, geological and geophysical costs and other direct costs of exploration, evaluation and development are capitalised as intangible or property, plant and equipment according to their nature. Intangible assets comprise costs relating to the exploration and evaluation of properties which the Directors consider to be unevaluated until reserves are appraised as commercial, at which time they are transferred to tangible assets as 'Developed oil and gas assets' following an impairment review and depreciated accordingly. Where properties are appraised to have no commercial value, the associated costs are treated as an impairment loss in the period in which the determination is made.

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

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

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

Property, plant and equipment

Non oil and gas assets

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

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

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

Equipment and machinery 4-10 years

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

Investments

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

Financial instruments

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

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

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

15. Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Trade and other receivables

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

Cash and cash equivalents

Cash and cash equivalents in the Statement of Cash Flows (see page 35) include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Taxation

Income tax

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

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

Deferred tax

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

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

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

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

Trade and other payables

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

15. Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Fair values

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

Share-based compensation

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

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

Share based payments (Note 20)

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

Equity instruments

Ordinary shares are classified as equity.

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

Lease accounting

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

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

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

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

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

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

15. Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Foreign currencies

i) Functional and presentation currency

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

ii) Transactions and balances

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

iii) Group companies

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

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

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

(c) all resulting exchange differences are recognised as a separate component of equity.

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

Management of capital

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

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

Dividends cannot be issued until there are sufficient reserves available.

Critical accounting judgements and key sources of estimation uncertainty

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

15. Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Carrying value of intangible exploration and evaluation assets

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

The Board also assesses potential impairment of the Company's net investment in subsidiaries by reference to the same judgements around the circumstances of the Group's oil and gas exploration projects. At year end the Group's exploration assets which the board reviewed for impairment were carried at £3.7m and the Company's net investment in subsidiaries was held at £5.0m. Further details are given in Notes 10 and 13 respectively.

Commercial reserves estimates

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

15. Notes to the Financial Statements (continued)

2. Segmental information

In the opinion of the Directors the Group has one class of business, being the exploration for, and appraisal of, oil and gas resources that can be commercially developed and produced, and other related activities.

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

Exploration and appraisal year ended 31 December 2023

	United Kingdom £'000	South America £'000	South East Asia £'000	Total £'000
Revenue	–	–	–	–
Cost of sales	–	–	–	–
Gross profit	–	–	–	–
Exploration and evaluation expenditure	(75)	–	(46)	(121)
Intangible asset impairment	(187)	–	–	(187)
Property, plant and equipment impairment and depreciation	(12)	–	(25)	(37)
Peru closure costs	–	(26)	–	(26)
Administration expenses	(878)	(9)	(568)	(1,455)
Loss on exchange	(32)	–	–	(32)
Operating loss	(1,184)	(35)	(639)	(1,858)
Finance cost	(1)	–	(5)	(6)
Finance income	149	3	–	152
Loss before taxation	(1,036)	(32)	(644)	(1,712)
Income tax expense	–	–	–	–
Loss after taxation	(1,036)	(32)	(644)	(1,712)
Assets and liabilities				
Segment assets	65	–	4,634	4,699
Cash and cash equivalents	3,652	1	107	3,760
Total assets	3,717	1	4,741	8,459
Segment liabilities	102	–	87	189
Current tax liabilities	15	–	–	15
Total liabilities	117	–	87	204
Other segment items				
Capital expenditure	28	–	355	383
Depreciation, amortisation and impairment charges	199	–	25	224

15. Notes to the Financial Statements (continued)

2. Segmental information (continued)

Exploration and appraisal year ended 31 December 2022

	United Kingdom £'000	South America £'000	South East Asia £'000	Total £'000
Revenue	–	–	–	–
Cost of sales	–	–	–	–
Gross profit	–	–	–	–
Exploration and evaluation expenditure	(67)	(8)	(138)	(213)
Property, plant and equipment impairment and depreciation	(12)	–	(21)	(33)
Administration expenses	(686)	(64)	(441)	(1,191)
Gain on exchange	43	–	–	43
Operating loss	(722)	(72)	(600)	(1,394)
Finance costs	(1)	–	(4)	(5)
Finance income	11	1	–	12
Loss before taxation	(712)	(71)	(604)	(1,387)
Income tax expense	–	–	–	–
Loss after taxation	(712)	(71)	(604)	(1,387)
Assets and liabilities				
Segment assets	298	1	4,403	4,702
Cash and cash equivalents	5,625	5	177	5,807
Total assets	5,923	6	4,580	10,509
Segment liabilities	194	1	212	407
Current tax liabilities	14	–	–	14
Total liabilities	208	1	212	421
Other segment items				
Capital expenditure	92	–	794	886
Depreciation, amortisation and impairment charges	12	–	213	225

15. Notes to the Financial Statements (continued)

3. Operating loss

	2023 £'000	2022 £'000
The operating loss is stated after charging:		
Auditor's remuneration		
Audit of group and company financial statements – current year	30	29
Audit of group and company financial statements – prior year	–	4
Non-audit services: tax compliance	2	2
Non-audit services: other assurance services	2	2
Exploration and evaluation expenditure	121	213
Impairment of intangible assets	187	–
Depreciation of property, plant and equipment	37	33
Loss/(gain) on exchange	32	(43)

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

	2023 £'000	2022 £'000
Employee benefit expense	764	632
Exploration and evaluation expenditure	121	213
Depreciation, amortisation and impairment charges	224	33
Legal and professional fees	509	410
Peru closure costs	26	–
Loss/(gain) on exchange	32	(43)
Other expenses	182	149
	1,858	1,394

15. Notes to the Financial Statements (continued)

4. Staff numbers and cost

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

	2023		2022	
	Group Number	Company Number	Group Number	Company Number
Directors	4	4	3	3
Technical and production	4	–	4	–
Administration	2	1	2	1
Total	10	5	9	4

The aggregate payroll costs of these persons were as follows:

	£'000	£'000	£'000	£'000
Wages and salaries	221	54	206	49
Directors' fees, salaries and benefits	483	483	390	390
Social security costs	72	62	47	47
	776	599	643	486

5. Directors' emoluments

	2023 £'000	2022 £'000
Directors' remuneration	483	390
Compensation for loss of office	–	–
Share based payments	–	–
	483	390

Management fees paid to an entity in which a director is a shareholder are disclosed in note 25 on page 66.

No directors benefitted from pension contributions in 2023 or 2022.

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

	2023 £'000	2022 £'000
Remuneration	280	214
Post termination benefits	–	17
Share based payments	–	–
	280	231

Total remuneration in respect of key management personnel amounted to £537,000 (2022: £432,000). Key management personnel remuneration consisted solely of short-term benefits in 2022 and 2023, other than £17,000 of post termination benefits recorded in 2022.

15. Notes to the Financial Statements (continued)

6. Finance income and expenses

	2023 £'000	2022 £'000
Bank and other interest received	152	12
Interest on right of use asset finance	(6)	(4)
Other finance cost	–	(1)
Total	146	7

7. Income tax expense

	2023 £'000	2022 £'000
The tax charge on the loss on ordinary activities was:-		
UK Corporation Tax – current and deferred	–	–
Foreign taxation	–	–
	–	–

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

	2023 £'000	2022 £'000
Loss before tax	(1,712)	(1,387)
Tax at composite group rate of 27.9% (2022: 18.6%)	(478)	(258)
Effects of:		
Losses not subject to tax	127	163
Movement on capital allowances	(91)	(76)
Increase in tax losses	442	171
Tax expense	–	–

At 31 December 2023, the Group had estimated tax losses of £38,022,000 (2022 – £36,011,000) to carry forward against future profits. The potential deferred tax asset on these tax losses at a composite group rate of 29.7% of £11,279,000 (2022: at 29.5%, 10,636,000) has not been recognised due to uncertainty over the timing and existence of future taxable profits. The current tax reconciliation has been prepared using a blended rate of 27.9% (2022: 18.6%) based on prevailing headline taxation rates as applied to the group's taxable entities in the year. The rate assessed for the unrecognised deferred tax asset reflects management's best estimate of the applicable rates which would apply to oil and gas revenues in the group's respective countries of operation.

8. Earnings per share

	2023	2022
Loss per ordinary share		
– Basic	(0.009p)	(0.010p)
– Diluted	(0.009p)	(0.010p)

Earnings per ordinary share is based on the Group's loss attributable to controlling interests for the year of £1,712,000 (2022: £1,387,000).

The weighted average number of shares used in the calculation is the weighted average ordinary shares in issue during the year of 18,973,685,086 (2022: 13,784,079,264).

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

15. Notes to the Financial Statements (continued)

9. Property, plant and equipment

	Equipment and machinery £'000	Right of use assets £'000	Total £'000
Group			
Cost			
At 1 January 2022	31	45	76
Foreign exchange translation adjustment	4	–	4
Additions	17	62	79
Disposals	(34)	–	(34)
At 1 January 2023	18	107	125
Foreign exchange translation adjustment	(1)	(3)	(4)
Additions	2	–	2
At 31 December 2023	19	104	123
Depreciation			
At 1 January 2022	29	13	42
Foreign exchange translation adjustment	5	1	6
Charge for the period	5	28	33
Disposals	(34)	–	(34)
At 1 January 2023	5	42	47
Foreign exchange translation adjustment	–	(2)	(2)
Charge for the period	6	31	37
At 31 December 2023	11	71	82
Net book value			
At 31 December 2023	8	33	41
At 31 December 2022	13	65	78

Right of Use assets of £33,000 (2022: £65,000) relate to a motor vehicle and an office lease.

	Equipment and machinery £'000	Right of use asset £'000	Total £'000
Company			
Cost			
At 1 January 2022, 31 January and 31 December 2023	1	45	46
Depreciation			
At 1 January 2022	–	13	13
Charge for the period	–	12	12
At 1 January 2023	–	25	25
Charge for the period	–	12	12
At 31 December 2023	–	37	37
Net book value			
At 31 December 2023	1	8	9
At 31 December 2022	1	20	21

Right of Use assets of £8,000 (2022: £20,000) relate to a motor vehicle.

15. Notes to the Financial Statements (continued)

10. Intangible fixed assets

	Exploration and evaluation assets £'000	Total £'000
Group		
Cost		
At 1 January 2022	5,054	5,054
Foreign exchange translation adjustment	275	275
Additions	806	806
Consolidation of single asset company	(2,439)	(2,439)
At 1 January 2023	3,696	3,696
Foreign exchange translation adjustment	(109)	(109)
Additions	381	381
At 31 December 2023	3,968	3,968
Impairment		
At 1 January 2022	2,318	2,318
Foreign exchange translation adjustment	121	121
Disposals	(2,439)	(2,439)
At 1 January 2023	–	–
Charge for the period	187	187
At 1 January and 31 December 2023	187	187
Net book value		
At 31 December 2023	3,781	3,781
At 31 December 2022	3,696	3,696

15. Notes to the Financial Statements (continued)

10. Intangible fixed assets (continued)

	Exploration and evaluation assets £'000	Total £'000
Company		
Cost		
At 1 January 2022	703	703
Additions	91	91
Disposals	(635)	(635)
At 1 January 2023	159	159
Expenditure	28	28
At 31 December 2023	187	187
Impairment		
At 1 January 2022	635	635
Disposals	(635)	(635)
At 1 January 2023	–	–
Charge for the year	187	187
At 31 December 2023	187	187
Net book value		
At 31 December 2023	–	–
At 31 December 2022	159	159

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

The Directors have performed an assessment of impairment as at the balance sheet date in respect of exploration and evaluation assets, taking account of the facts and circumstances which existed at that date. Impairment reviews were performed at the Operating Segment level and therefore separate tests were performed for the Chuditch and UK Offshore Licence P2478 exploration assets.

In relation to Chuditch, the Directors concluded that the facts did not give rise to an impairment and therefore no impairment charge has been reflected in 2023 (2022: £nil).

In the case of the P2478 licence, the Directors concluded that, as a result of the increasing difficulty in pursuing the work programme due to factors that are beyond the Company's control, there was a strong possibility that the Company will not be able to pursue the development of the licence and judged that whole carrying value should be impaired. This results in an impairment charge of £187,000 (2022: nil). In the event, the Company and its joint venture relinquished its licence on 31 March 2024. The impairment is separately presented in the income statement and is attributed to the UK operating segment.

15. Notes to the Financial Statements (continued)

11. Goodwill

	Goodwill on consolidation of subsidiaries £'000
Group	
Cost	
At 1 January 2022	81
Goodwill written off	(81)
At 1 January and 31 December 2023	–
Impairment	
At 1 January 2022	81
Adjustment on write off of goodwill	(81)
At 1 January and 31 December 2023	–
Net book value	
At 31 December 2023	–
At 31 December 2022	–

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

15. Notes to the Financial Statements (continued)

12. Investments

	Loans to group undertaking £'000	Shares in group undertaking £'000	Total £'000
Company			
Cost			
At 1 January 2022	1,824	7,548	9,372
Exchange rate adjustment	205	–	205
Additions	–	–	–
Net loan movements	1,811	–	1,811
At 1 January 2023	3,840	7,548	11,388
Exchange rate adjustment	(225)	–	(225)
Net loan movements	1,050	–	1,050
At 31 December 2023	4,665	7,548	12,213
Impairment			
At 1 January 2022	899	5,444	6,343
Charge/(release) for the year	43	–	43
At 1 January 2023	942	5,444	6,386
Charge/(release) for the year	(38)	–	(38)
At 31 December 2023	904	5,444	6,348
Carrying value			
At 31 December 2023	3,761	2,104	5,865
At 31 December 2022	2,898	2,104	5,002

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

The Company has made provision on the investment in Gold Oil Peru S.A.C. of £6,348,000 (2022: £6,386,000).

15. Notes to the Financial Statements (continued)

12. Investments (continued)

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

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

All shareholdings are in ordinary, voting shares.

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

13. Trade and other receivables

	2023		2022	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade receivables	–	–	–	–
Other receivables	27	23	24	24
Prepayments	64	33	77	37
	91	56	101	61

15. Notes to the Financial Statements (continued)

14. Bank guarantee bond

	2023		2022	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank guarantee bond at 31 December 2023	786	–	827	–

The Company's wholly-owned subsidiary, SundaGas Banda Unipessoal, Lda ("SundaGas"), had provided a performance guarantee to Autoridade Nacional do Petróleo ("ANP") in respect of the offshore Timor-Leste TL-SO-19-16 Production Sharing Contract ("PSC"). This performance guarantee was previously secured by a bank guarantee given by United Overseas Bank Limited of Singapore ("UOB") which required SundaGas to place a bond with UOB of US$1 million. This arrangement was originally put in place in December 2019 triggering the effective date at the outset of the PSC, was extended in November 2022, and expired on 1 August 2023. On expiry, a new bank guarantee given by Australia and New Zealand Banking Group Limited ("ANZ) was established which required SundaGas to place a new bond with ANZ for the same amount. ANZ are A-rated by all the main credit rating agencies and the exposure to credit risk is considered low. The bank guarantee will remain in place for the current phase of the PSC.

The original bond was set up by SundaGas Pte. Ltd ("SGPL"), the former owners of SundaGas, and remained in their name beyond the acquisition of SundaGas by the Company, so as to not disrupt the contractual position of the PSC until the expiry of the UOB guarantee on 1 August 2023. At that time, the original bond was initially released to SGPL who accounted for the funds to SundaGas in accordance with the Relationship Agreement that exists between the parties.

15. Cash and cash equivalents

	2023		2022	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank current accounts	131	24	837	655
Bank deposit accounts	3,629	3,628	4,970	4,970
	3,760	3,652	5,807	5,625

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

15. Notes to the Financial Statements (continued)

16. Trade and other payables

	2023		2022	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade payables	18	18	67	66
Accruals	136	73	274	109
Lease finance liability due within 12 months	31	9	36	10
Taxation	15	15	14	14
	200	115	391	199
Non-current liabilities				
Lease finance liabilities due after 12 months	4	–	30	9

17. Lease finance

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

	2023		2022	
	Group £'000	Company £'000	Group £'000	Company £'000
Current	31	9	36	10
Non-current	4	–	30	9
	35	9	66	19

18. Share capital

	2023 £'000	2022 £'000
Allotted, called up and fully paid		
18,982,760,428 (2022: 18,920,260,428) ordinary shares of £0.00025 each	4,746	4,730
	4,746	4,730

The Company issued 62,500,000 new ordinary shares of £0.00025 each at £0.001 per share on 20 February 2023 for cash resulting from the exercise of share options.

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

15. Notes to the Financial Statements (continued)

19. Share premium and reserves

	Share premium account £'000	Share option reserve £'000	Foreign exchange translation reserve £'000	Profit and loss account £'000
Group				
At beginning of the year	38,846	332	887	(34,707)
Loss for the year attributable to controlling interests	–	–	–	(1,712)
Issue of new shares	47	–	–	–
Share issue costs	(12)	–	–	–
Share option reserve released	–	(13)	–	13
Foreign exchange translation adjustments	–	–	(172)	–
	38,881	319	715	(36,406)
Company				
At beginning of the year	38,846	332	–	(33,248)
Loss for the year	–	–	–	(1,244)
Issue of new shares	47	–	–	–
Share issue costs	(12)	–	–	–
Share option reserve released	–	(13)	–	13
	38,881	319	–	(34,479)

Details of options and warrants issued, exercised and lapsed during the year together with options and warrants outstanding at 31 December 2023 are as follows:

Issue date	Final exercise date	Exercise price	1 January 2023 Number	New Issue Number	Exercised Number	Lapsed or cancelled Number	31 December 2023 Number
26 May 2020	26 May 2030	£0.00100	125,000,000	–	(62,500,000)	–	62,500,000
22 July 2021	22 July 2031	£0.00070	440,000,000	–	–	–	440,000,000
22 July 2021*	31 December 2025	£0.00070	150,000,000	–	–	–	150,000,000
17 December 2021	17 December 2031	£0.00060	530,000,000	–	–	–	530,000,000
14 July 2022	14 July 2025	£0.00070	175,000,000	–	–	–	175,000,000
			1,420,000,000	–	(62,500,000)	–	1,357,500,000

* These options have been granted to two external contractors who have been engaged by SundaGas (Timor-Leste Sahul) Pte. Ltd.

15. Notes to the Financial Statements (continued)

19. Share premium and reserves (continued)

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

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

The number of share options which were exercisable at year end was 1,182,500,000 (2022: 1,245,000,000). The weighted average remaining life of share options at the year end was 7 years (2022: 7 years). The weighted average exercise price (in pence) applying to share options during the year was as follows:

	2023	2022
Opening	0.07p	0.08p
Exercised	0.10p	0.10p
Lapsed	–	0.08p
Cancelled	–	0.10p
Issued	–	0.07p
Closing	0.07p	0.07p

20. Share based payments

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

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

The warrants and options will not normally be exercisable during a closed period, and furthermore can only be exercisable if the performance conditions are satisfied. Warrants and options, which have vested immediately before either the death of a participant or his ceasing to be an eligible employee by reason of injury, disability, redundancy or dismissal (otherwise than for good cause) shall remain, exercisable (to the extent vested) for 12 months after such cessation, and all non-vested options shall lapse.

Volatility was determined by reference to the company's historical share price volatility over a suitable period.

15. Notes to the Financial Statements (continued)

20. Share based payments (continued)

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

Given that vesting is contingent on the spudding of a well at the Chuditch project and that the occurrence of this event is dependent, inter alia, on events outside the control of the director, the Board considered that the current degree of certainty over vesting was such that no share-based payment charges were recorded in respect of these options during 2022 or 2023. A detailed summary of the current status and future plans for the Chuditch project are given in the Chairman's Statement & Operations Report.

21. Financial instruments

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

Financial instruments – Risk Management

The Group and Company are exposed through their operations to the following risks:

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

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

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

15. Notes to the Financial Statements (continued)

21. Financial instruments (continued)

Principal financial instruments

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

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

General objectives, policies and processes

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

Credit risk

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

As at 31 December 2023 and 2022 there were no trade receivables.

Cash flow interest rate risk

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

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

The Group and the Company are not at present exposed to cash flow interest rate risk on borrowings as neither has no significant debt. No subsidiary company of the Group is permitted to enter into any borrowing facility or lease agreement without the prior consent of the Company.

15. Notes to the Financial Statements (continued)

21. Financial instruments (continued)

Interest rates on financial assets

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

31 December 2023

Group	Financial assets on which interest earned £'000	Financial assets on which interest not earned £'000	Total £'000
UK sterling	2,509	33	2,542
US dollar (USD)	1,120	906	2,026
Singapore Dollar (SGD)	–	3	3
Peruvian Nuevo Sol (PEN)	–	–	–
	3,629	942	4,571

31 December 2022

Group	Financial assets on which interest earned £'000	Financial assets on which interest not earned £'000	Total £'000
UK sterling	4,802	397	5,199
US dollar (USD)	168	1,287	1,455
Peruvian Nuevo Sol (PEN)	–	4	4
	4,970	1,688	6,658

31 December 2023

Company	Financial assets on which interest earned £'000	Financial assets on which interest not earned £'000	Total £'000
UK sterling	2,509	11	2,520
US dollar (USD)	1,120	13	1,133
	3,629	24	3,653

31 December 2022

Company	Financial assets on which interest earned £'000	Financial assets on which interest not earned £'000	Total £'000
UK sterling	4,802	373	5,175
US dollar (USD)	168	282	450
	4,970	655	5,625

The Group and the Company earned interest on its interest-bearing financial assets at rates between 2% and 5.5% (2022 1.5% and 4%) during the period.

15. Notes to the Financial Statements (continued)

21. Financial instruments (continued)

A change in interest rates on the statement of financial position date would increase/(decrease) the equity and the anticipated annual income or loss by the theoretical amounts presented below. The analysis is made on the assumption that the rest of the variables remain constant. The analysis with respect to 31 December 2022 was prepared under the same assumptions.

	Change of 1.0% in the interest rate as of			
	31 December 2023		31 December 2022	
Group and Company	**Increase of 1.0%**	**Decrease of 1.0%**	**Increase of 1.0%**	**Decrease of 1.0%**
Instruments bearing variable interest (£'000)	36	(36)	50	(50)

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

Foreign exchange risk

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

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

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

	USD	SGD	PEN
Average for year ended 31 December 2023	1.24	1.67	4.60
At 31 December 2023	1.27	1.68	4.63
Average for year ended 31 December 2022	1.24	1.71	4.73
At 31 December 2022	1.21	1.62	4.55

15. Notes to the Financial Statements (continued)

21. Financial instruments (continued)

A change in exchange rates on the statement of financial position date would increase/(decrease) the equity and net asset position by the theoretical amounts presented below. The analysis is made on the assumption that the rest of the variables remain constant. The analysis with respect to 31 December 2022 was prepared under the same assumptions.

	Change of 10.0% in the GBP/USD rate as of			
	31 December 2023		31 December 2022	
	Increase of 10.0%	Decrease of 10.0%	Increase of 10.0%	Decrease of 10.0%
Net assets (£'000) – Group	(402)	492	(319)	390
Net assets (£'000) – Company	(445)	544	(135)	165

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

Liquidity risk

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

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

All of the Group's and the Company's financial liabilities are due within one year other than undiscounted lease liabilities due after one year of £4,000.

Price risk

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

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

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

15. Notes to the Financial Statements (continued)

21. Financial instruments (continued)

Volatility of oil and gas prices

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

	31 December 2023	Average price 2023	31 December 2022
Crude oil – WTI			
Per barrel – US$	$72	$78	$81
Per barrel – £	£57	£63	£67
Natural gas LNG Japan/Korea Marker (Platts)			
Per Million Btu – US$	$9	$12	$19
Per Million Btu – £	£7	£12	£15

Oil and gas prices are dependent on a number of factors impacting world supply and demand. Due to these factors, prices may be subject to significant fluctuations from year to year. However, these prices had no effect on the Group's results for 2023, since it had no production.

Capital risk

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

22. Capital commitments

As of 31 December 2023, there were no capital commitments (2022: none).

23. Contingent Liabilities

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

24. Events after the reporting period

On 7 February 2024, the Company entered into a Farm-Up Agreement with TIMOR GAP, whereby TIMOR GAP would increase its participation in the Chuditch PSC from a 25% to a 40% working interest. The incremental 15% interest assigned included a share of the obligation to carry the costs of the initial TIMOR GAP 25% interest and accordingly the Group's 60% share is now responsible for 80% of the costs of the Chuditch project and TIMOR GAP pays a 20% share of the costs of the Chuditch project. Shortly after completion of the transaction, TIMOR GAP paid approximately US$1 million to cover its share of prior costs since the signing of the PSC.

On 29 February 2024, the Company issued 6,528,023,360 new ordinary shares of 0.025p each at an issue price of 0.05 pence per share, raising new capital of £3,264,000 gross, £2,993,000 net of costs.

On 15 March 2024, the Company announced that Dr Andy Butler (formally Director Asia-Pacific) had taken on the role of Chief Executive Officer of the Company and the Board's shift of priority to progress and realise the value in the Chuditch project in Timor-Leste.

15. Notes to the Financial Statements (continued)

24. Events after the reporting period (continued)

On 31 March 2024, the joint venture for UK Offshore Licence P2478 relinquished its licence following unavoidable and significant delays to the acquisition of 3D seismic data outside the control of the Company. All commitments under the licence have been fulfilled and there are no further financial obligations.

On 7 May 2024, the Company confirmed that its application as a joint venture non-operating partner, in the UK offshore 33rd Round of licensing, conducted by the UK North Sea Transition Authority was unsuccessful.

25. Related party transactions

Company

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

	Year ended 31 December 2023		Year ended 31 December 2022	
	Balance £'000	Loan advance £'000	Balance £'000	Loan advance £'000
SundaGas (Timor-Leste Sahul) Pty. Ltd	2,878	1,031	1,977	1,622
SundaGas Banda Unipessoal, Lda	883	8	921	253
Gold Oil Peru S.A.C*	904	10	941	(64)

* The company has provided for an impairment of £904,000 (2022: £941,000) on the outstanding loans.

Group and company

SundaGas (Timor-Leste Sahul) Pty. Ltd ("TLS"), a wholly-owned subsidiary paid fees amounting to US$315,000 (2022: US$285,000) to SundaGas Pte. Ltd, a company in which Dr. Andrew Butler, a director of the Company, held a significant interest. These fees are in respect of services to the group including management time and finance and accounting services.

The directors' aggregate remuneration and any associated benefits in respect of qualifying services are disclosed in note 5.

26. Restatement of comparative figures

The Directors have reviewed the constituent elements of the Foreign Exchange Translation Reserve and have concluded that such reserves amounting to £848,000 relating to subsidiaries disposed and branches closed in prior years should have been transferred to Retained Earnings. Therefore the comparative period has been restated to represent this reallocation.

None of the restatements impact on the Earnings Per Share as reported in 2022 or 2023. The only affected line items are Retained Earnings and the Foreign Exchange Translation Reserves.

16. Glossary of Technical Terms

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

16. Glossary of Technical Terms (continued)

Mean	Reflects an unrisked median or best-case volume estimate of resource derived using probabilistic methodology. This is the mean of the probability distribution for the resource estimates and is often not the same as 2U as the distribution can be skewed by high resource numbers with relatively low probabilities.
PSC	Production Sharing Contract.
PSDM	Pre-Stack Depth Migration version of processed seismic data.
Tcf	Trillion standard cubic feet of gas.
TGS-NOPEC	TGS-NOPEC Geophysical Company.

BARON OIL Plc

www.baronoilplc.com