Longboat Energy plc

2021

Annual Report & Financial Statements

31 December 2021

COMPANY INFORMATION

DIRECTORS	G S Stewart (Non-Executive Chairman) J J Saetre (Non-Executive Director) K L M Roe (Non-Executive Director) H A Hammer (Chief Executive Officer) J R Cooper (Chief Financial Officer) B Cheshire (Senior Non-Executive Director) N A Ingrassia (Corporate Development Director) (Appointed 1 June 2021)
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CEO STATEMENT

for the year ended 31 December 2021

In June, the Company executed three bilaterally negotiated transactions to farm-in to seven material, exploration wells on the Norwegian Continental Shelf. This transformed our status from an investment company to a fully operational North Sea E&P company with a portfolio of significant non-operated exploration assets. We completed the three transactions in September and during the last four months of the year we delivered the first three wells in the programme. Hydrocarbons were encountered in all three wells, and we are pleased to have made two discoveries which have the potential to become commercial developments.

In the Egyptian Vulture well (Longboat 15%), we made a significant light oil discovery close to infrastructure in the Norwegian Sea. The well was operated by Equinor which is also the operator of the nearby Kristin and Åsgard field, which are potential host facilities. Egyptian Vulture covers a large area of more than 80 km^2 and an appraisal well will be required, possibly in 2023 to provide information on lateral extent and reservoir quality.

The Rødhette well operated by Vår Energi (Longboat 20%) discovered between 9 and 12 mmboe (gross) of recoverable gas and oil close to the Goliat field in the Barents Sea. Together with additional resources in the area, Rødhette could form part of a commercial cluster development, which was also highlighted recently by Vår Energi in their IPO materials.

The Mugnetind well (Longboat 20%) encountered hydrocarbons, but the reservoir section was thinner than predicted and is not considered to be commercial in isolation. Since the year end, the results of the Equinor operated Ginny and Hermine well were announced (Longboat 9%) with the well failing to find hydrocarbons.

We are also pleased to report a closing cash balance of £26.3 million at the end of 2021, having completed the three first exploration wells in the programme, Egyptian Vulture, Rødhette and Mugnetind, all on schedule and within budget.

Market conditions

During the latter months of 2021, ahead of the events in Ukraine, we saw global oil demand returning close to pre-pandemic levels at c. 100 mb/d and in December, oil prices rose above 90 USD/bbl, the highest level since 2014. After a period of low investment in new capacity due to both the Covid pandemic and the increasing pressure to reduce carbon emissions, global oil inventories are now at very low levels. Depending on OPEC+'s ability to utilize and increase its spare oil production capacity, we are in a situation in the years ahead that higher crude oil demand could be significantly outstripping supply. Since the year end and following the invasion of Ukraine by Russia, commodity prices have been extremely volatile. The tragic events in the Ukraine may lead to European commodity supply disruption which will exacerbate an already tight market.

2021 saw record gas prices with new records set in December for many commodities. Global gas prices have traded over $40/mcf and European electricity traded well above Euro 400/mWh. Similarly to the oil market, gas prices have been driven higher by a combination of under investment in energy and low levels of gas storage. Other factors which have caused the very tight European gas market are increasing European CO_2 prices, periods of low wind generation, reduced supply of gas from Russia and lower international LNG supply. Absent events in Ukraine and uncertainty around Russian gas supplies being curtailed, there is a general concern in the markets that the under-investment in energy supply will result in a sustained energy crisis. This concern is heightened by the ongoing Russian invasion of Ukraine, the West's sanctions and threats around gas supply volumes.

In the North Sea, we have seen an increasingly active M&A market and continued consolidation during 2021. Several large transactions were announced in the UK including the combination of Chrysaor and Premier to create Harbour Energy. In Norway, several large deals were agreed such as the purchase of a controlling stake in Idemitsu Norge by INPEX, the merger of AkerBP with Lundin and the acquisition of Spirit Norge by the HitecVision-owned Sval Energi. In February, we have also seen the largest IPO in the E&P sector for many years when the ENI and HitecVision owned Vår Energi listed on Oslo Stock Exchange.

The active M&A market has continued into the new year and several large processes are currently ongoing both in the UK and in Norway. The trend over many years in the North Sea has been towards fewer and larger E&P companies, of which many are now private or PE-owned. As several of these larger players are now looking to realise value, exit the market or rationalise and streamline the portfolios, the expectation is that the active M&A market is set to continue. However, we are yet to see how the events in Ukraine will impact this market and whether vendors will defer disposal programmes.

Norwegian Tax Change and Development Activity

In August, the Norwegian Government announced a proposal to change the Norwegian Petroleum Tax System from 2022 onwards, which seemed to have wide political support and is therefore anticipated to be approved by the Storting (parliament) in the spring of this year. The tax change will have significant impact on the industry by stimulating near term development activity, allowing for new financing solutions in development projects, and implicitly affecting the M&A market.

In the proposal, the total marginal tax rate remains unchanged at 78 per cent, but the new system involves the immediate expensing of investments and the current exploration refund at 78 per cent will cease to exist and companies will instead receive the tax value of losses (on all costs including exploration costs) refunded in cash at the revised Special Petroleum Tax rate at 71.8 per cent at the end of the year after incurrence. The remaining corporation tax element (6.2 per cent) will be carried forward to be set off against future profits.

Whilst the new legislation will bring an end to the current exploration rebate and thereby the Exploration Finance Facility ('EFF'), an implication of the new tax system will be significantly improved economics of new development projects in the form of quicker pay-back and higher rate of return on investment. In addition, a further improvement in the economics and reduced working capital can be envisaged if the EFF, which Longboat already has in place, is replaced by a similar bank financing facility to cover all E&P expenses including development costs. We still await the detail of the new tax system which we expect to be published before the end of Q2 which will also clarify the continuation or otherwise of the current arrangements whereby an entity can pledge security over the tax receivable to a lending bank, which is integral to the EFF. In considering the continued availability of the EFF the Directors (and the EFF lending banks) considered written assurances from the Norwegian Ministry of Finance that the existing security structure of the tax refunds will be preserved for 2022.

The temporary tax change introduced during the pandemic period, together with the new permanent tax changes, have already resulted in a record number of 30 development projects being planned for project sanctioning in Norway in 2022. Many projects are subsea tie-back projects and, as a consequence, the use of existing infrastructure and pipeline systems on the NCS is being maximised in a timely and economic manner. The high development activity level is also resulting in increased M&A activity as companies adapt to the increased development activity and companies chose to optimise their portfolios by either acquiring or divesting development assets.

ESG

As an exploration and intended development and production business, Longboat's role in the energy transition is to produce hydrocarbons responsibly and minimise emissions. Longboat is committed to being net zero by 2050 with an earlier target date to be set dependent on the profile of the asset base delivered through the drilling campaign and M&A strategy. The oil and gas industry has been key in transforming the world economy and the wealth of nations since the beginning of the twentieth century. The industry also has an essential role in the energy transition as reflected in the current EU Taxonomy discussion and also

CEO STATEMENT

for the year ended 31 December 2021

with US Climate Envoy, John Kerry, recently announcing that natural gas could be an "important bridge fuel". The challenge is how to change industrial and consumer behaviour so that this extraordinary source of energy is used as efficiently as possible in conjunction with other existing sources and those to be developed.

In the near term, the world is facing an energy shortage, and this has manifested itself in a fourfold increase in Chinese coal, global gas and European electricity prices between 2018 and 2020. In order to avoid this becoming a persisting crisis we need to invest more in the energy transition globally, both proven and new technologies. This includes a faster build out of wind and solar energy, hydrogen and battery storage, carbon capture and storage, nuclear fusion, new technologies, the circular economy and also, controversially for some, in traditional fossil fuels to support the energy transition. In particular, there has been underinvestment in natural gas projects over recent years. The failure to invest in natural gas will spill over into oil and coal shortages where these fuels compete to substitute each other.

In this context, we are pleased that Longboat's exploration assets are all within tie-back distance to Norwegian existing infrastructure and are mainly gas opportunities. Norway is already among the lowest emission producers of oil and gas in the world, and with significant plans and Governmental support for further reducing the carbon emissions levels.

Outlook

Longboat has established itself as a licence holder in Norway with an outstanding team of professionals, committed to the Company's ethos and strategy, and we are very grateful for their commitment and achievements. Looking ahead, our confidence remains high both in the remaining committed exploration wells and in delivering further successful acquisitions.

We are currently drilling the Kveikje prospect which is in a very prolific area of the North Sea north of Troll close to many recent Equinor operated discoveries. If successful, Kveikje is likely to become part of a new subsea cluster development, which could include several of the nearby discoveries such as Røver Nord, Swisher and Toppand. Subsequently, Cambozola will be drilled back-to-back after Kveikje and followed by Copernicus in the summer. Cambozola and Copernicus are large gas prospects amongst the most exciting wells to be drilled in Norway in 2022 as has been highlighted by Woodmac in their "Wells to Watch" list for the year. The prospects being targeted by these three exploration wells have been estimated by ERC Equipoise Limited to contain prospective resources of 69 mmboe (net) and are primarily gas prospects (83%) with total upside identified by the Company of 254 mmboe (net).

I am loath to reference the outlook for the Company to the desperate events in Ukraine but inevitably there will be an impact. In the short term, the spike in commodity prices will make the M&A market challenging for both buyers and sellers, although more so for buyers. Conversely the move away from Russian oil and gas will make the case even stronger for Norwegian resources.

That aside, Longboat remains well-placed to transact. We have an experienced team with excellent relationships across the industry and we believe there are now many excellent opportunities for Longboat to pursue. However, patience will still be required given the commodity price levels and the competitive landscape.

Helge Hammer
Chief Executive

21 March 2022

STRATEGIC REPORT

for the year ended 31 December 2021

Macro environment

As we enter March 2022 the world is in turmoil and energy supplies may get disrupted by a protracted Russian conflict. Disrupting the supply of gas to Europe may be the only way for the Russian Government to counter the West's sanctions. The net result is that on 7 March 2022, Brent crude hit a 14 year high of $139/bbl. and NBP hit an all time high of 800 pence per therm.

Absent the turmoil in Ukraine, 2021 saw record gas prices with new records set in December for many commodities, global gas prices have traded over $40/mcf and European electricity traded well above Euro 400/ mWh.

Gas prices have been driven by a combination of under investment in energy, low levels of gas storage after a cold 20/21winter, a warm summer, post covid economic recovery, gas substitution caused by surging coal prices, increasing CO_2 prices in Europe, declining indigenous European supply, periods of low wind generation, reduced supply of gas from Russia and approximately 6% of LNG supply being offline in 2021.

Many commentators have worried about under-investment in energy supply and the potential for a sustained energy crisis. In a recent review, Thundersaid Energy estimated that the under-investment in all primary energy supplies has been running at least 10% below the required level since the start of 2020. Based on Thundersaid Energy's roadmap to net zero modelling, and if wind and solar are to reach 40% of all global energy by 2050, total annual investment in primary energy would need to increase from $870bn in 2021 to almost $2 trillion in the 2040's. This represents a seven-fold increase in spending on solar and wind investment to $2 trillion per annum. Even with such an aggressive build out of renewables considerable investment in upstream capex is required. Upstream gas capex is required to overcome the natural global gas declines of approximately 3% per annum let alone facilitate the coal to gas switch or deal with the issues around the supply of Russian oil and gas.

Acquisition strategy

The three conventional energy sources, coal, oil and gas account for approximately 85% of global primary energy. Coal is set to reduce its share of the primary energy mix, representing 27% in 2019 and accounting for 40% of all emissions. Gas provided 26% of the global primary energy in 2019. European indigenous gas supplies have fallen by a Compound Annual Growth Rate (CAGR) of 7%, from 18bcfd in 2011 to 8bcfd in 2021 increasing Europe's reliance on i) imported Russian gas, with Russian market share rising from 13% - 30% in the same period (possibly increasing to 40% if and when Nordstream 2 pipeline starts shipping gas which seems unlikely with the Russian conflict) and ii) imported LNG. Russia has been reducing gas exports via Ukraine, amidst political wrangling over its Nordstream 2 gas pipeline and genuine export constraints. This reduction in Russian gas exports has been caused by underinvestment in new Russian gas developments and record Russian and Turkish gas demand. The underinvestment in gas projects directed to Europe may be in part due to Europe communicating to Russia that its New European Energy policy would result in diminishing demand for gas and also as a result of the ongoing political situation surrounding the Ukraine. Added to Europe's supply issues, LNG projects in North America and Australia have been delayed coming on stream. LNG is the marginal global gas supply source for Europe and Asia, and further delays in new LNG projects coming on stream will put further pressure on gas prices in the short term.

Meanwhile global gas demand is set to increase in order to phase out coal. Gas has a 50-60% lower CO_2 intensity per kWh of useable energy when compared to coal. Pragmatic government policy supporting gas as a transition fuel will result in "real and immediate" CO_2 reductions, and will lower the burden on carbon capture, nature-based abatement solutions and absolute demand reductions to lower CO_2 emissions. We are starting to see a recognition of this in the EU's Taxonomy discussions and, in particular, whether to include gas as a green energy source. Discussions are ongoing as to the threshold amount of CO_2 that can be produced per kWh of electricity for gas to be defined as "green gas". On the journey to net zero a lack of gas will be the single greatest barrier to short term decarbonisation in the global energy system which currently still consumes 7 giga tonnes per annum of coal. A failure to invest in natural gas will spill over into oil and gas shortages. In addition, the phase-out of nuclear power will need to be frozen or even reversed, and amidst persistently high gas prices, the cost of nuclear per kWh no longer seems to be at a premium to gas. In addition, nuclear provides grid stability, inertia and reactive power factors that are often overlooked.

While current gas pricing appears to be high, extremely volatile and in part pricing in the curtailment of Russian energy supply to Europe, it is difficult to predict what a short to medium term gas price should be, clearly there are some very volatile factors at play in the supply of Russian gas to Europe and the rate of build out of US LNG. The full cycle cost of LNG delivered to Europe has been approximately $7.5/mcf historically with a weighted average cost of capital (WACC) of 8%. Certain Governments' policy of discouraging investment in fossil fuels has increased the required returns for new developments. If this WACC has increased to a 15% hurdle rate then this would push the full-cycle cost of gas to $12/mcf.

In 2019, oil still represented 33% of the primary global energy mix. In terms of oil prices the market looks more finely balanced at present. Potentially tight oil market fundamentals have been masked by the collapse in demand caused by Covid. Hydrocarbon project development investment by listed Western Gas companies has been harder hit than investment by state owned Eastern oil companies. With oil field decline rates averaging 5% per annum, new investment in oil developments is required to maintain production and meet demand through to 2030. This increase in growth is likely to come from US shale growth and releasing held back OPEC production.

These heightened commodity prices will result in increased inflation for consumers, both directly via heating / energy bills and also in terms of manufactured products. As producers, reflect the increased energy costs or in extreme cases produce less as we have seen with Ammonia production.

Company Strategy

Longboat's core strategy remains unchanged, which is to create a full-cycle North Sea E&P company, deliver growth and shareholder value through value accretive M&A and lower-risk, near-field exploration opportunities. The strategy is to grow the company in a manner that is sustainable both financially and environmentally. Longboat is committed to improving emissions in projects that it is involved in and ultimately to becoming a net zero producer.

A major first step in delivering this strategy was made in June with the farm-in transactions, which provided Longboat with a bespoke drilling programme of seven wells with further appraisal drilling likely on success. The portfolio is gas weighted and within tie-back distance to existing infrastructure, with an overlap between exploration partners and infrastructure owners; a clear low-cost route to monetisation and the potential for developments which can contribute positively to decarbonisation and are well aligned to Longboat's ESG targets.

While the first transactions were exploration farm-ins, the strategy remains to grow the Company, not only organically from exploration, but also to continue to chase value accretive opportunities which involves the acquisition of reserves and production.

Report on operations

In June 2021, the Company executed farm-in agreements with Equinor Energy AS, Spirit Energy Norway AS and Idemitsu Petroleum Norge AS covering seven near term exploration wells. The drilling and carry costs are being financed by a combination of the associated share placing and subscription (gross proceeds of £35 million) and a NOK 600 million (£50 million) Exploration Finance Facility ('EFF') with SpareBank 1 SR-Bank ASA and ING Bank N.V.

Under the current Norwegian fiscal regime for explorers, which is set to be updated this year, the Company is eligible for a 78 per cent. tax rebate on exploration spending. The expected average pre-tax dry hole cost per well is approximately US$6 million.

From the portfolio, four of the committed wells have been drilled as follows:

Rødhette Exploration Well *(Company 20%):* the results of the Var operated Rødhette prospect, announced in October, confirmed that hydrocarbons were encountered in the primary target in the Middle Jurassic Stø Formation. The top of the reservoir was reached close to prognosis with 29 metres of high net-to-gross, moderate to good quality sandstone and a gas column of approximately 18 meters over an oil rim. Preliminary estimates by the operator place the size of the discovery between 9 and 12 mmboe recoverable (gross). As the Rødhette volumes are at the lower end of pre-drill expectations, assessment of both existing discoveries and additional prospectivity in the area is needed to understand the commercial development potential of Rødhette through existing regional infrastructure. The well was drilled 30 km north of the Goliat field and 5 km south from the Tornerose discovery.

Egyptian Vulture Exploration Well *(Company 15%):* the Equinor operated Egyptian Vulture well results were announced in late October and confirmed a light oil discovery in the primary target in the Lower Cretaceous Intra-Lange Formation with 13 metres net sand in a 37 metres oil filled gross interval. The upper part of the Lange sand interval has a high net to gross ratio and porosities in the order of 16 percent. The operator's preliminary estimate of recoverable resources in the Egyptian Vulture discovery was 19 to 63 mmboe (gross) and the oil-in place volume has been estimated at 220 to 440 mmboe (gross). Further appraisal will be required to understand the flow potential of the reservoir and future development wells on this laterally extensive discovery measuring approximately 80 km^2 as defined by the seismic amplitude anomaly.

Egyptian Vulture sits in an area of significant infrastructure and export opportunities both for oil and gas. The well was drilled 20 km from the Åsgard field and 23 km from the Kristin field, both of which are also operated by Equinor and which offer development options.

Mugnetind Exploration Well *(Company 20%):* the results of the AkerBP Mugnetind well confirmed that hydrocarbons had been encountered in the Upper Jurassic Ula Formation with a 28 metres gross section with a 14 metres net sandstone of moderate to good quality. The reservoir section in Mugnetind is thinner than predicted and as the discovery contains recoverable resources between 5 and 11 mmboe, it is not considered to be commercial in isolation nor is there other compelling prospectivity on the licence.

Ginny/Hermine Exploration Well *(Company 9%):* the results of the Equinor operated Ginny and Hermine well were announced on 4th February 2022 with the well failing to find hydrocarbons. The operator is currently assessing if there is further prospectivity on the licence.

There are now three further committed wells remaining in this programme including two key wells, and Kveikje (Company 10% and drilling underway), Cambozola (Company 25%) in one of Norway's most active and prolific exploration and production areas. These prospects provide acreage in the most prolific hydrocarbon province in Norway, near Statfjord, Snorre, Gullfaks and Troll with numerous recent discoveries (Atlantis, Dugong, Equino, Basto) being made as operators focus on infrastructure-led exploration opportunities to utilise mature infrastructure and reduce CO_2 emissions. Multiple nearby tie-back options exist for both Cambozola and Kveikje on either a standalone basis or as part of wider regional developments. This area is also expected to be key for a number of energy transition projects. These two wells Equinor operated wells by Equinor will be drilled back-to-back with the semi-submersible drilling rig Deepsea Stavanger.

The final well in the programme targeting the Copernicus prospect (Company 10%) will be drilled using the Deepsea Yantai (operated by PIGNiG) and is expected to be drilled this summer. The prospect lies on the Utgard High in the Vøring Basin region of the Norwegian Sea and the prospect is a combination trap with mapped stratigraphic pinch out down-dip and a small structural component at the apex.

Ministry of Petroleum and Energy Approval

In August 2021 the Company's Norwegian subsidiary was approved by the Ministry of Petroleum and Energy as a licence holder of oil and gas assets on the NCS. To achieve this status the Company had to demonstrate its in-house technical ability and now has a full team of geoscientists and engineers located in its Stavanger offices.

Norwegian Fiscal Stimulus and potential Norwegian tax changes

In 2021 the Group benefited from the Norwegian government temporary tax reforms for the offshore oil and gas industry, introduced in June 2020 to mitigate the effect of the Covid pandemic, whereby tax losses incurred are paid out early by way of negative instalment tax payments "terminskatt". During the period, the Group received £18.3 million in negative tax instalments with a receivable of £8.1 million at the year end.

In August 2021 the Government and the Ministry of Finance announced proposals for potential changes to the Norwegian petroleum taxation system from 2022 onwards. The key element of these proposals is the immediate expensing of investments with the intention of improving the neutrality of the tax system between the government and the industry by aligning the pre-versus-post-tax economics.

Under the proposals the total marginal tax rate remains the same at 78 per cent but the current exploration refund will cease and the Group will instead receive the tax value of losses at the end of the following year (including exploration costs) refunded in cash at the revised Special Petroleum Tax rate of 71.8 per cent at the end of the following year and the remaining corporation tax element (6.2 per cent) will be carried forward to be set off against future profits from production.

Although the exploration rebate will not form part of the new legislation, which is key to the EFF, based on the consultation feedback and explicit statements made and reassurances received from the Norwegian Government, it is expected that the authorities will include a system for pledging tax loss settlements to the lending banks in a similar arrangement as is currently in place for the exploration tax cost refund scheme. The Norwegian Ministry of Finance wrote to various affected E&P companies in December 2021 notifying them of the intention for the Exploration Finance Facility tax-backed security arrangement to remain in place during 2022 irrespective of the proposed new tax regime. We expect full details of the new tax system to be proposed by the Government in the first half of 2022.

The Company has made a preliminary assessment of the impact of the proposed tax changes, which effectively increase the equity funding requirement of exploration costs from 22 to 28.2 per cent, and the Directors believe the Company remains fully funded for its exploration programme. In reaching this conclusion, the Company has assumed that the EFF shall be amended to reflect the proposed new tax regime enabling the Group to continue to borrow against the proposed tax refund in the same ratio as the existing exploration tax refund, and to pledge the same in favour of the lenders.

The Company is working with a group of banks on a new debt facility to reflect the expected changes in the tax regime and to support further development and production acquisitions.

Financial review

Longboat had a net cash position at the end of the period of £26.3 million (2020: £7.0 million), this was after raising proceeds of £35 million from its share issue (before share issue costs) in June and spending £17.4 million on exploration, £9.0 million on well carries and receiving £18.6 million tax rebate under the Norwegian temporary tax regime. Longboat expects to receive a further rebate of

£8.1 million during H1 2022 in respect of the period to 31 December 2021. During the period, Longboat had an active drilling campaign spudding four wells and completing three wells, Rødhette, Egyptian Vulture and Mugnetind. The exploration costs came in below the amounts originally budgeted at the time of the licence acquisitions.

The loss after taxation for the period excluding other comprehensive income was £4.7 million (2020: £1.6 million), this includes the write off of £6.4 million of pre-tax exploration costs in relation to the Mugnetind exploration well and after a tax credit of £6.9 million.

In the period £2.6 million of costs relating directly to the issue of shares was charged to the share premium account. Salaries and pension costs in the twelve month period were £2.3 million reflecting increased staffing and salaries post the farm-in deals. Bank charges of £0.5 million and exchanges losses of £0.75 million primarily arising on foreign currency bank balances. The IFRS2 non-cash charge for the period in relation to the Founders Incentive Plan and the employees LTIP and CIP scheme were £0.25 million.

Other significant costs in the period were those associated with the analysis and review of the farm-in transactions, such as professional fees and technical costs of £0.9 million which were capitalised against exploration licences acquired.

In early December we received confirmation that the Norwegian Ministry of Finance intended to keep the pledge for the exploration tax refund in place for 2022 which provided the banks with sufficient comfort to keep the EFF available for 2022, ahead of the awaited publication of the full detail of the new tax changes. During March 2022 Longboat made its first drawing under the EFF of NOK 15 million (~£1.275 million). We believe this addresses the material uncertainty associated with being the ability to draw down under the EFF during 2022 that existed and was highlighted in the 2021 interim results as outlined further in the Going Concern section. The Ministry of Finance has not yet provided any confirmation of a pledge for 2023, however, the bulk of committed E&A activity is during 2022 and based on a legal review of the Facility Agreement, a removal of the pledge in 2023 would not impact the utilisation or the repayment of the facility already drawn in 2022.

Section 172(1) Statement

Section 172 of the Companies Act 2006 sets out that Directors should have regard to stakeholder interests when discharging their duty to promote the success of the Company. The Directors consider that they have acted in good faith in such a way that would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172 (1)(a)-(f) of the Companies Act 2006 (set out below) in the decisions taken.

The Board is aware of the importance of their role in understanding stakeholder interests and concerns; balancing these fairly between the stakeholders of the Company and responding to them as part of their Board responsibilities. It should be noted however that the Company only ceased to be an investment company in September and so there has been limited scope for such matters to impact the decisions and duties of the Directors.

Specific commentary has been made below against the relevant provisions of Section 172(1)(a) to (f) of the Companies Act:

a. *the likely consequences of any decision in the long term:* sustainability is a real challenge for the oil and gas industry, but the Company believes that gas in particular has a major role to play in the energy transition. Accordingly, in June 2021 the Company farmed into a package of gas weighted exploration prospects.

b. *the interests of the company's employees:* the Company is dependent on employees' performance and has a legal and ethical responsibility to their well-being. The majority of our employees joined the Company in July and October this year to build a successful E&P company and all decisions taken have been to achieve this end. As our team of professionals is still small in number they are necessarily fully involved in the processes that lead up to any material board decisions.

c. *the need to foster the company's business relationships with suppliers, customers and others* Aside from a small number of service providers, the success of the Company will be driven in part by the business relationships that exist between the Directors and the management of other oil and gas companies and as such the maintenance of such relationships is given a very high priority by the Directors.

d. *the impact of the company's operations on the community and the environment:* We have an ethical responsibility to minimise the impact on livelihoods and the environments in which we operate. To date the Company's activities have been focused solely on offshore Norway which is very closely regulated with sector leading emissions standards.

e. *the desirability of the company maintaining a reputation for high standards of business conduct:* The Company's standing and reputation with other oil and gas companies, shareholders, debt providers and Government are key and the Company's ethics and behaviour, as summarised in the Company's Business Principle and Ethics, will continue to be central to the conduct of the Directors. The Company is advised by blue-chip experienced advisers which also assist in maintaining high standards of conduct.

f. *the need to act fairly as between members of the company:* The Directors will continue to act fairly between the members of the Company as required under the Companies Act, the AIM Rules and QCA corporate governance principles.

Subsidiaries

The Company has one 100% owned subsidiary, Longboat Energy Norge AS.

Results and review of financial performance

The Company's loss after taxation for the year to 31 December 2021 was £4.7 million.

Dividends

It is the Board's policy that the Company should seek to generate capital growth for its shareholders but may recommend distributions at some future date when the investment portfolio matures, and production revenues are established and when it becomes commercially prudent to do so.

Outlook

The focus of the Directors is firstly the successful drilling out of the exploration portfolio secondly securing follow up acquisitions that will deliver assets that are able to meet the Company's investment criteria (including near term cashflow) as well as providing an appropriate basis to build on the Company's objective to become a full-cycle North Sea E&P company.

On behalf of the board

Helge Hammer

Chief Executive

21 March 2022

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE BUSINESS

for the year ended 31 December 2021

The principal risks facing the Company were set out in the Company's AIM Re-admission Document dated 10 June 2021 and in the subsequent period to 31 December 2021 there have only been two appreciable changes in those risks as follows:

- Extreme oil and gas price volatility – the current surge in both oil and gas prices heightens certain risks to the Company namely: the impact on the economy, political and thereby fiscal backlash, even greater competition for assets, the challenge of matching buyer and seller expectations and an unwillingness of vendors to proceed with disposals during this period of conflict in the Ukraine; and
- Fiscal change – as evidenced by the proposed tax changes in Norway, even the most stable jurisdictions are capable of making sudden and material variations to the oil and gas tax regime which have the potential to be damaging to the Company.

The Board has assessed the risks to the Company associated with the invasion of Ukraine and, unless the conflict escalates into a conflict between Russia and NATO, has concluded that there are no direct consequences to the Company although there are indirect risks as outlined below notably as regards commodity prices and the impact on the M&A market.

The risks set out below are a selection of the principal near-term risks that face the Company and are in shortened form. Shareholders should refer to the Re-Admission Document for the full schedule of both short and long-term risks. Accordingly, these risks should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties.

Area	***Description***	***Mitigation***
Exploration / drilling, developing and operating risks	The Company has invested in oil and gas exploration assets which are speculative and involve a significant degree of risk. There is no assurance that such exploration will lead to commercial discoveries or, if there is a commercial discovery, that such reserves will be realisable. In addition, drilling operations involve a number of risks, many of which are beyond the control of the Company, which may delay or adversely impact the projects which the Company may have acquired or which the Company may have invested. These include mechanical failures or delay, adverse weather conditions and governmental regulations or delays. These delays and potential impacts could result in a project's activities being damaged, delayed or abandoned and substantial losses could be incurred.	The Company has a multi- well programme that carries a range of differing technical and commercial risks. Operational drilling and HSE risks will be managed by the Company through its dedicated HSE personnel, Business Management System, third parties and other third-party operators. The Company maintains a programme of insurance to cover such exposure up to recognised industry limits but should an incident occur of a magnitude in excess of such limits, the Company would be fully exposed to the financial consequences.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE BUSINESS

for the year ended 31 December 2021

Area	*Description*	*Mitigation*
Fiscal and other risks derived from government involvement in the oil and gas industry	Any government action such as a change in oil or gas pricing policy (including royalties), exploration and development policy, or taxation rules or practice, or renegotiation or nullification of existing concession contracts, could have a material effect on the Company. The Company notes the proposed changes to the Norwegian tax regime announced on 31 August 2021. If adopted, as is expected, the proposed changes would require certain amendments to the Company's Exploration Financing Facility in order to reflect both changes to the tax rate calculation methodology and security structure in favour of the lenders.	The Company operates in jurisdictions with sophisticated tax authorities capable of assessing any adverse impact of any change in legislation before it is enacted.
Availability of Debt finance	The Company uses its Exploration Financing Facility ("EFF"), provided by certain lending banks, to pre- finance the Norwegian Government's exploration tax rebate and to reduce the amount of working capital the Company needs to hold on its balance sheet. The EFF currently has an aggregate commitment limit of NOK600 million. In the event that the pledge /security arrangements are not continued under the proposed tax regime (see above), then the EFF would cease to be available to the Company which in turn would be unable to meet its working capital obligations without other funding being secured.	As regards the proposed changes to the Norwegian tax regime, based on explicit statements made by the Norwegian Government on seeking to protect the security structure of the tax refunds the Board believes that the EFF will continue to be accessible during 2022. We still await the final detail on the new regime, any transition arrangements and final clarity on the pledge for tax refund in 2022. Clarity on 2023 will be provided when further information on the new tax regime is made available, this is expected in the first half of 2022.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE BUSINESS

for the year ended 31 December 2021

Area	*Description*	*Mitigation*
Access to Capital	The Company's business is capital intensive and its projects may be subject to delays or cost overruns or increased scope and assets may move into the development stage. Moreover any new acquisitions will require further equity capital and new debt facilities. In any of these circumstances the Company will require additional financing from credit or equity markets and the availability of such financing is subject not only to market conditions but also a continued willingness of investors to finance oil and gas companies in an increasingly hostile political and social environment.	The Company will endeavour to invest in and acquire assets which meet its environmental and emissions criteria with a view to building a sustainable business that will continue to attract capital.
Volatility of commodity prices	The supply, demand and prices for commodities are volatile and are influenced by factors beyond the Company's control. With increased pressure to reduce GHG emissions by replacing fossil fuel energy generation with zero emission energy generation it is possible that peak demand for oil will be reached, and oil price will be adversely impacted as and when this happens. A significant prolonged decline in commodity prices could impact the viability of some or all of the exploration, development and producing projects which the Company may propose to acquire. Conversely extremely high oil and gas prices heighten certain risks to the Company namely: the impact on the economy, political and thereby fiscal backlash, even greater competition for assets and the challenge of matching buyer and seller expectations. In the near term, the impact of the invasion of Ukraine has exacerbated these effects particularly for potential vendors with assets in Russia who my now retain assets previously slated for disposal.	Where and when appropriate the Company will put in place suitable hedging arrangements, in accordance with its hedging policy, to mitigate the risk of a fall in commodity prices but such arrangements will only cover the relatively short term, leaving the Company exposed to any longer-term decline in commodity prices, and in addition some of the hedging arrangements entered into by the Company also carry inherent delivery risks.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE BUSINESS

for the year ended 31 December 2021

Area	*Description*	*Mitigation*
The Company may face significant competition for acquisition opportunities	There is significant competition from entities which possess greater technical, financial, human and other resources. The Company cannot assure investors that it will be successful against such competition. Such competition may cause the Company to be unsuccessful in executing an acquisition or may result in a successful acquisition being made at a significantly higher price than would otherwise have been the case.	It is not possible to mitigate competition for quality assets, however, the Company seeks to reduce competitive risk by targeting assets where it has a specific knowledge or would likely be a preferred partner.
Reliance on key personnel	The success of the Company, including its ability to identify and complete potential acquisitions, will be dependent on the services of key management and operating personnel, including both its existing Directors and individuals who have yet to be identified. If the Company fails to recruit or retain the necessary personnel, or if the Company loses the services of any of its key executives, its business could be materially and adversely affected.	In order to mitigate this risk, the Company has to offer competitive remuneration and retention packages to incentivise loyalty and good performance from its staff. There can be no mitigation against loss of key personnel resulting from any major accident or other loss of physical wellbeing.
Dilution of shareholders' interest as a result of additional equity financing	The Company may issue a substantial number of additional ordinary shares to complete further acquisitions. An issue of ordinary shares may significantly dilute the value of the ordinary shares held by existing shareholders.	Given the market capitalisation of the Company any material acquisition may lead to shareholder dilution. However. the Company will endeavour, where possible, appropriate and cost effective to do so, to make arrangements for all shareholders to participate in any share placing via an open offer.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE BUSINESS

for the year ended 31 December 2021

Area	*Description*	*Mitigation*
Functioning M&A market	The extreme movement in oil and gas prices triggered by the invasion of Ukraine will likely impact the M&A market and vendors may defer assets disposal programmes pending a more stable market.	The Company will continue to pursue its acquisition strategy and engage with vendors in the hope and expectation that the current crisis will abate.
Foreign Exchange Rate Volatility	The Company raises equity capital in pounds sterling and reports in the same. However, a significant proportion of the Group's expenditure is in Norwegian kroner and United States dollars and changes in currency values could have a material adverse effect on both the Group's operational results and financial position. This may be exacerbated by a strong US Dollar triggered by the events in Ukraine.	Whilst the Group may hedge against any specific currency exposure of scale, to date it has simply converted its cash to meet its budgeted currency exposure as and when the exchange rates are favourable and so is exposed to any material exchange rate movements.

DIRECTORS' REPORT

for the year ended 31 December 2021

The Directors present their annual report with the financial statements of the Company for the period from 1 January 2021 to 31 December 2021.

Incorporation and listing

The Company was incorporated on 28 May 2019, was admitted to trading on the AIM market of the London Stock Exchange on 28 November 2019 and re-admitted to trading on the AIM market on 2 September 2021.

Directors

The Directors who have held office during the period and to the date of this report are as follows:

Helge Ansgar Hammer

Chief Executive Officer (Age: 60) - appointed 28 May 2019

Helge has over 30 years' technical and business experience and served as Chief Operating Officer of Faroe Petroleum plc from 2006 until 2020. Prior to joining Faroe Petroleum plc, he was Asset Manager and Deputy Managing Director at Paladin Resources. He holds a degree in Petroleum Engineering from NTH University in Trondheim and in Economics from the Institut Francais du Pétrole in Paris. In addition, he worked for Shell for 13 years as a Reservoir Engineer, Team Leader and Business Manager in Norway, Oman, Australia and the Netherlands.

Jonathan Robert Cooper

Chief Financial Officer (Age: 53) - appointed 3 September 2019

Jonathan has a broad range of experience in mergers, acquisitions, public offerings and financings. He is a chartered accountant by training having qualified with KPMG before joining Dresdner Kleinwort Benson (later Wasserstein) in their Oil and Gas Corporate Finance and Advisory Team. Jonathan is a Fellow of the ICAEW and also has a PhD in Mechanical Engineering from the University of Leeds. In 2006 he was appointed as an Executive Director of Gulf Keystone Petroleum, followed by Sterling Energy plc in 2008, where he was Finance Director. He subsequently joined Lamprell plc as Chief Financial Officer in 2011. Jonathan served as Chief Financial Officer of Faroe Petroleum plc from 2013 until 2019.

Nicholas Andrew Ingrassia

Corporate Development Director (age 42) - appointed 1 June 2021

Nick has over 19 years' experience across a wide range of corporate roles in-and-around the oil & gas industry. Nick started his career in banking with roles at Morgan Stanley (energy investment banking) and RBS (structured energy lending & debt advisory) before joining the industry working in business development roles with Valiant Petroleum plc (sold to Ithaca Energy inc in 2013), Salamander Energy plc (sold to Ophir Energy plc in 2015) and Faroe Petroleum plc (sold to DNO ASA in 2019). Most recently, he acted as UK Country Manager for DNO ASA. Nick has MA Hons degree from St Andrews University in Ancient History.

Graham Duncan Stewart

Non-Executive Chairman (Age: 61) - appointed 3 September 2019

Graham holds an honours degree in Offshore Engineering from Heriot-Watt University and an MBA from Edinburgh University and has over 25 years' experience in oil and gas technical commercial affairs. He founded Faroe Petroleum plc in 1998, where he was Non-Executive Chairman until December 2002 when he became Chief Executive Officer until January 2019 and before that he was with Dana Petroleum plc, the Petroleum Science and Technology Institute and Schlumberger. Graham is also Chair of the Greenland gold mining company AEX Gold inc. Graham is Chairman of the Nomination Committee of the Company.

Brent Cheshire CBE

Senior Independent Non-Executive Director (Age: 67) - appointed 28 November 2019

Brent commenced his career with Shell as a geologist in its exploration and production division, eventually spending 14 years with the group. In 1991, he joined Amerada Hess, holding a number of senior positions, latterly as Senior Vice President for E&P Worldwide Technology, where he was responsible for all global technical activities. In 2004, he became DONG Energy's first UK employee, as managing director of its UK E&P business. Over the next 13 years, eventually becoming managing director of DONG Wind Power and Chairman of its entire UK operations; he developed the business into one of the largest acreage holders West of Shetland and the leading offshore wind developer in the UK. Brent was a Director of Faroe Petroleum plc from 2017 until 2019. He is Chairman of the Mersey Tidal Commission and a Professor in Practice at Durham University. He was made a CBE in the Queen's Birthday Honours in 2018 for services to the Renewable Energy Sector. He is a Fellow of the Geological Society and a Fellow of the Energy Institute. Brent is Chairman of the Remuneration Committee and a member of the Audit Committee.

Katherine Louise Margiad Roe

Independent Non-Executive Director (Age: 44) - appointed 28 November 2019

Katherine's career began in investment banking in the City of London, starting within Morgan Stanley's investment banking division and then as a Director of Investment Banking at Panmure Gordon. For her last four years at Panmure Gordon, she headed up the natural resources team and has extensive experience in oil and gas transactions, advising companies on a range of strategic options and equity capital fund raisings and has led many capital markets and M&A transactions. Katherine is the Chief Executive Officer of Wentworth Resources Plc, an AIM quoted oil and gas company with gas production and extensive exploration interests in the onshore Rovuma Basin of Southern Tanzania. Katherine was an independent Non-Executive Director of Faroe Petroleum plc from 2018 until 2019 and she is also a Non-Executive Director of ITM Power PLC, a leading manufacturer of integrated hydrogen energy solutions. Katherine is Chair of the Audit Committee and a member of the Remuneration Committee.

Jorunn Johanne Saetre

Independent Non-Executive Director (Age: 65) - appointed 28 November 2019

Jorunn is a chemical engineer, who worked in senior positions with Halliburton, in Norway, Europe and the US, over a 30-year period. Her roles included serving as director of Halliburton's European Research Centre, Head of Halliburton's overall Scandinavian operations and responsibility for Global Production Enhancement activities. In 2008, she was the first to be awarded the title of "Oil Woman of the Year" by Stavanger Society of Petroleum Engineers. Jorunn held a management and business development role with the engineering support group AGR. She is currently project manager with the energy cluster Norwegian Energy Solutions and is a member of the Corporate assembly of Hydro, the fully integrated aluminium company. Jorunn was an Independent Non-Executive Director of Faroe Petroleum plc from 2014 until 2019. She is a member of the Audit and Nomination Committees.

Status and activities

The Company ceased to be an investment company in September 2021 following the acquisition of a package of exploration assets in Norway and is in the process of drilling out the seven exploration targets. The Company is also seeking to secure follow up acquisitions that will deliver assets that are able to meet the Company's investment criteria (including near term cashflow) as well as providing an appropriate basis to build on the Company's objective to become a full-cycle North Sea E&P company.

Results and dividends

For the period to 31 December 2021, the Company's loss after taxation was £4.7 million.

It is the Board's policy that the Company should seek to generate capital growth for its shareholders but may recommend distributions at some future date when the investment portfolio matures, and production revenues are established and when it becomes commercially prudent to do so.

Future developments

The Directors continue to identify acquisition opportunities which will meet the requirements of the Company's strategy.

Share capital

Details of shares issued by the Company are set out in Note 23 to the financial statements.

Conflicts of interest

Under the articles of association of the Company and in accordance with the provisions of the

Companies Act 2006, a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. However, the Directors may authorise conflicts and potential conflicts, as they deem appropriate. As a safeguard, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and the Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate. During the financial period from 1 January 2021 to 31 December 2021, the directors have authorised no such conflicts or potential conflicts.

Directors' interests in shares

Directors' interests in the shares of the Company, including family interests, as at 1 March 2022 were as follows:

	Ordinary shares 2021	**Ordinary shares 2020**
Helge Hammer	837,023	300,000
Jonathan Cooper	333,432	125,000
Graham Stewart	350,000	150,000
Jorunn Saetre	51,667	25,000
Nicholas Ingrassia	179,023	–

Directors' remuneration

Details for remuneration for each Director are provided in the Remuneration Report on pages 40 to 41.

Substantial shareholdings as at 1 March 2022

Shareholder	**Number of Ordinary Shares**	**Shareholding (%)**
Blackrock Investment Management	8,038,997	14.2%
Fidelity International	5,371,329	9.5%
AXA Investment Managers	5,300,000	9.4%
SVM Asset Management	4,341,666	7.7%
Janus Henderson	3,000,000	5.3%
Richard Sneller	2,838,333	5.0%
Smith & Williamson Investment Management	2,736,506	4.8%
Chelverton Asset Management Limited	2,666,666	4.7%
Canaccord Genuity Wealth Management	2,333,332	4.1%

Independent auditors

The Directors have reason to believe that BDO LLP conducted an effective audit. The Directors have provided the auditors with full access to all of the books and records of the Company. BDO has expressed its willingness to continue to act as auditors to the Company and a resolution for its re-appointment will be proposed at the forthcoming Annual General Meeting.

DIRECTORS' REPORT

for the year ended 31 December 2021

Corporate Governance
The Directors recognise the importance of sound corporate governance and their associated report is set out on pages 20 to 27. As a company quoted on AIM, the Company has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code, as amended from time to time.

Engagement with Employees Statement
Aside from the Executive, the Company has a small number of professional employees with one based in the UK and nine in Norway making engagement straightforward. That said the Company is committed to providing a workplace free of discrimination where all employees are afforded equal opportunities and are rewarded on merit and ability.

Engagement with Stakeholders Statement
This element of reporting is discussed in the §172 Statement on page 9.

Financial risk profile
The Company's financial instruments comprise mainly of cash and various items such as payables and receivables that arise directly from the Company's operations. A summary of the principal short term risks and uncertainties facing the Company are set out on pages 11 to 15. Shareholders should refer to the Re-Admission Document of 10 June 2021 for the full schedule of both short and long-term risks.

Political and charitable donations
The Company did not make any political donations or incur any political expenditure during the period.

Statement as to disclosure of information to auditor
So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors
BDO LLP were appointed as auditors during the period. The auditors, BDO LLP, will be proposed for re- appointment at the forthcoming Annual General Meeting in accordance with s485 of the Companies Act 2006.

Directors' indemnities
As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity is currently in force. The Company also purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of itself and its Directors.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

On behalf of the board

Helge Hammer
Chief Executive

21 March 2022

DIRECTORS' RESPONSIBILITIES STATEMENT

for the year ended 31 December 2021

The directors are responsible for preparing the Annual Report and the Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Company financial statements for each financial year. Under the AIM Rules for Companies of the London Stock Exchange they are required to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards as adopted in the UK (FRSs). 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 of the profit or loss of the Group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

CORPORATE GOVERNANCE STATEMENT

for the year ended 31 December 2021

Introduction

The Company is committed to high standards of health, safety and environmental performance. The health and safety of people, the protection of the environment and compliance with all applicable legal and internal requirements as well as industry best practice, is critical to the overall success of the Company. The Company's Business Management System (BMS) provides both the framework and mechanism for setting, monitoring and measuring suitable health, safety and environmental objectives as well as ensuring their continual improvement.

Business Principles and Ethics

The Company is committed to maintaining high standards of corporate governance to ensure that it is managed with openness, honesty and transparency. The Company's Business Principles and Ethics Policy, which can be found on our website, is key to the way we work both internally and externally.

Longboat strives to meet the highest standards of integrity and ethics as it undertakes its activities. To ensure these values are core to the business, they are integrated within the Company's management systems through policies, procedures and project plans. All policies are reviewed and signed off by the Chief Executive Officer which further reinforces our ethos of conducting our business with integrity which is a core principle as we meet the requirements of our strategy.

The Company's operations based in Norway are amongst the most mature oil and gas jurisdictions in the world. This in turn requires the Company to operate to very high regulatory standards for Environmental, Health and Safety legislation.

Environmental stewardship

The Company supports the goals of the Paris Agreement and the net zero emissions by 2050 targets set by the UK Government and the European Commission. Longboat recognise the combined challenge of meeting increasing energy demand driven by a growing global and more affluent population and the urgent need to reduce global carbon emissions. As such, the Company aims to take an active role in driving down carbon emissions from our activities as it develops, acquires further assets and supports the energy transition through playing an active role at a company and industry level to promote best practice in environmental stewardship.

The Company remains committed to reporting consistently and meeting investor needs for transparent environmental disclosure. In 2021, Longboat conducted an independent review of its Corporate Social Responsibility (CSR) reporting and as part of its continual improvement process chose to report with the requirements of the Sustainable Accounting Standards Board (SASB). As Longboat develops its portfolio it will continue to ensure it has high standards of environmental transparency and reporting relevant to the asset base. Longboat will continue to monitor the evolution of environmental reporting standards and will seek to produce a separate sustainability report as its portfolio grows. The Company also supports the UN Sustainable Development Goals ("SDGs"), in particular SDG 7 Affordable and clean energy, SDG 5 Gender equality, SDG 12 Responsible consumption and production, SDG 13 Climate action and SDG 14 Life below the water. These SDG's will help to guide the Company in minimising the impacts and maximising the benefits of its activities as it develops its business. The Company plans to develop its business so that it has a sustainable strategy as an oil company providing safe and responsible energy at a low cost with low emissions.

Accordingly, the Company is committed to:

- supporting the energy transition through playing an active role to promote best practice in environmental stewardship;
- pursuing a strategy of delivering low Scope 1 and Scope 2 emissions per barrel, to minimise carbon intensity of operations (including no routine flaring) and transparent annual disclosure of GHG emissions;
- prioritising renewable energy sources in the powering of operated and non-operated platforms where possible;

- using an internal carbon price for investment decisions; and
- being net zero by 2050 with an earlier target date to be set dependent on the profile of the assets acquired and the costs of CO_2 abatement and offset solutions.

Greenhouse gas (GHG) emissions

The Company reports its equity share of Scope 1 emissions from exploration drilling and an estimate of its Scope 2 emissions of GHGs, in line with SASB standards (see appendix 1 to the annual report) as part of its annual HSE monitoring programme. GHG emissions are reported annually to the Norwegian Environment Agency and to BEIS (Department for Business, Energy & Industrial Strategy) in the UK. During 2021 Longboat drilled three exploration wells Egyptian Vulture, Mugnetind and Rødhette. Longboat's equity share of Scope 1 Greenhouse gas emissions ("GHG) were 1,667 tonnes (CO_2, CO, N2O, nm VOC, NOx and Sox), of this 1,639 tonnes of the Scope 1 GHG emissions were CO_2 (2020: nil Scope 1 emissions). It is the Company's intention to acquire oil and gas production and development assets and if successful, the Company will assess and manage the risks of its operations in order to improve its environmental performance on a continual basis. It is the Company's intention that environmental management will be an integral part of the BMS and will include the following activities: environmental permits, identification of main environmental aspects, chemical assessments and substitution plans, environmental reporting, environmental surveys/studies and assessments and oil spill preparedness plans.

Scope 2 GHG emissions comprise those arising from generation of electricity supplied to offices, Longboat has estimated its scope 2 carbon dioxide emissions based on the operation of its larger office based in Stavanger and its smaller office in London, which includes heating, flights, other travel, computer and phone usage. For 2021 these scope 2 emissions were estimated to be approximately 31.5 tonnes of carbon dioxide (2020:10 tonnes). The increase in emissions is a result of a becoming qualified as a licence holder in Norway, with an increased technical staff and a larger office in Stavanger The methodology and assumptions for estimating Scope 2 Emissions were prepared in conjunction with Thundersaid Energy, the research consultancy for the energy transition, and Proactima's ESG advisory service.

Environmental releases

Longboat has a target of zero acute discharges to sea. Any spill, irrespective of size, is recorded and followed up internally and reported to the authorities. There were no spills in 2021 from the three wells that Longboat had equity interests in (2020: nil).

People and Equal opportunities and discrimination

The Company is an equal opportunities employer and will recruit, employ and develop employees in line with best practice and based on the qualifications, experience and skills required for the work. We consider applications for employment from people regardless of gender, race, age, disability, marital status, sexual orientation or religious belief. We have respect for human dignity and the rights of the individual. We support the principles of, and promote respect for, the Universal Declaration of Human Rights.

Societal contribution

The Company intends to identify impactful community programmes to be funded as part of the longer-term corporate social investment strategy. There is extensive reporting of our statements and policies on issues available on the HSE and Governance section of our website including statements on: Anti-Bribery and corruption; Anti-facilitation of tax evasion; Human Rights; Modern Slavery Statement and Whistleblowing.

Chairman's Governance Statement

As Chairman of the Company, I continue to provide leadership, ensuring that the Board is performing its role effectively and has the capacity, ability, structure, corporate governance systems and support to enable it to continue to do so.

This Governance section of the Annual Report provides an update on our Corporate Governance policy, and includes the Audit Committee Report, the Nomination Committee Report, and the Remuneration Report. In these reports we set out our governance structures and explain how we have applied the Quoted Companies Alliance (QCA) Corporate Governance Code ("QCA Code").

The Directors recognise the importance of sound corporate governance commensurate with the size of the Company and the interests of all shareholders. As a company quoted on AIM, the Company has adopted the QCA Code, as amended from time to time and established its governance structures accordingly during the year. The QCA Code identifies ten corporate governance principles that AIM companies should follow and with which the Company complies as set out below.

The disclosures required to be included in the Company's website in respect of the QCA Corporate Governance Code can be found at www.longboatenergy.com.

Principle 1 - Establish a strategy and business model which promote long-term value for the shareholders

Longboat's strategy and business model are developed by the Chief Executive Officer and approved by the Board. The Executive Committee, led by the Chief Executive Officer, is responsible for implementing the strategy and managing the business of the Company.

Longboat's core strategy remains unchanged, which is to create a full-cycle North Sea E&P company, deliver growth and shareholder value through value accretive M&A and lower-risk, near-field exploration opportunities. The strategy is to grow the company in a manner that is sustainable both financially and environmentally. Longboat is committed to improving emissions in projects that it is involved in and ultimately to becoming a net zero producer.

Principle 2 - Seek to understand and meet shareholder needs and expectations

The Company seeks to maintain a continuing dialogue with its shareholders to communicate the Company's strategy and results and to understand the needs and expectations of its shareholders. In addition to shareholder General Meetings, the Chief Executive Officer and the Chief Financial Officer are available to all significant shareholders after the release of the financial results and the announcement of any significant transaction or result.

The Senior Independent Non-Executive Director is available to attend meetings with shareholders without the Executive Directors present, if requested by shareholders. Shareholders are invited to the Annual General Meeting held each year where Board members interact with our shareholders on a one-to-one basis and take questions as they arise. The Board hopes that there will be no restrictions on public meetings in the summer to enable shareholders to attend the 2022 Annual General Meeting in person failing which the Company will make arrangements for there to be a supporting electronic platform to enable shareholders to follow proceedings.

Principle 3 - Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Company is aware of its corporate responsibilities to its stakeholders including personnel, joint venture partners, regulatory and licensing authorities, the environment and wider society. The environmental impact of the Company's activities are carefully considered and the maintenance of high environmental standards is a key priority and essential for the long-term success of the business.

The Company intends to grow in a manner that is sustainable both financially and environmentally. Longboat is committed to improving emissions in projects that it is involved in and ultimately to becoming a net zero producer.

Principle 4 - Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board is responsible for establishing and maintaining the system of internal controls and risk management systems and reviewing their effectiveness on an ongoing basis. The Directors will continue to assess the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity.

The internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss. The Company has appetite for economic risks as regards the performance of its assets as well as geological risk, both in exploration drilling and field development drilling, up to certain financial thresholds. Needless to say, the Company does not have appetite for risks regarding solvency, health and safety, environmental and reputational matters.

The Company maintains appropriate insurance cover in respect of actions taken against the Directors, as well as against material loss or claims against the Company. The insurance cover in place will be reviewed on a periodic basis.

Principle 5 - Maintain the Board as a well-functioning, balanced team led by the Chairman
Led by the Non-Executive Chairman, the Board comprises three independent Non-Executive Directors and three Executive Directors. All of the Directors are subject to election by shareholders at the first Annual General Meeting after their appointment to the Board and will continue to seek re-election at least once every three years.

The Board is responsible to the shareholders for the proper management of the Company and will meet at least four times a year to set the strategy of the Company and review the operational and financial performance of the Company.

The Board considers itself sufficiently independent. The QCA Code suggests that a board should have at least two independent Non-Executive Directors. Aside from the Chairman, the Board has considered each of the three Non-Executive Director's length of service and interests in the share capital of the Company and consider that Mr Cheshire, Ms Roe and Ms Saetre are independent.

The Company has put in place Audit, Remuneration, Nomination and Disclosure committees as summarised under principle 9 below.

The Directors are expected to allocate sufficient time to prepare for and attend Board meetings, meetings of Board Committees of which they are members, annual general meetings, and any other shareholder meetings convened from time to time.

The following is a table of Board and Committee meetings held during the period:

	Board Meetings(1)	Audit Committee	Nominations Committee	Remuneration Committee
Meetings held	4	3	2	3
Attendance:				
Executive Directors				
Helge Hammer	4	–	–	–
Jonathan Cooper	4	–	–	–
Nicholas Ingrassia(2)	2	–	–	–
Non-Executive Directors				
Graham Stewart	4	–	2	–
Brent Cheshire	4	3	–	3
Katherine Roe	4	3	–	3
Jorunn Sætre	4	3	2	–

(1) Excludes meetings called for the specific approvals or matters that have the prior general approval of the full Board and are attended by a Committee of Directors
(2) Appointed on 1 June 2021

All Directors have disclosed any significant commitments outside their respective duties as Directors and confirmed that they have sufficient time to discharge their duties including Mr Stewart, who is chair of another quoted company and Ms Roe who is an executive director and a non-executive director of two other quoted companies (see biography on page 17).

The Company encourages its Directors not to hold more than five 'mandates' at quoted companies* where, for the purposes of calculating this limit, a non-executive Directorship counts as one mandate, a non-executive Chair counts as two mandates, and a position as executive Director is counted as three mandates. The Directors of the Company hold the following number of mandates none of which, on a weighted basis, exceed the calculation:

Mandates (no)	**Non-Executive**	**Non-Executive Chair**	**Executive Director**	**Weighted Score**
Executive Directors	–	–	1	3
Jonathan Cooper	–	–	1	3
Helge Hammer	–	–	1	3
Nicholas Ingrassia	1	–	–	4
Non-Executive Directors				
Graham Stewart	–	2	–	4
Brent Cheshire	1	–	–	1
Katherine Roe	2	–	1	5
Jorunn Sætre	1	–	–	1

* discretion to be applied for companies not on the full list or deemed to be less complex and thereby demanding on a director's time noting that for the purposes of above, no distinction has been made.

Principle 6 - Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

Directors who have been appointed to the Board have been chosen because of the skills and experience they offer and their personal qualities and capabilities. The Board will regularly review the composition of the Board to ensure that it has the necessary breadth and depth of skills to support the ongoing strategy of the Company. Refer to the biographies on pages 16 & 17 for details of experience and skills.

The Directors receive updates from the Company Secretary in relation to corporate governance matters and annual AIM Rules briefings from the Company's NOMAD, and each Director takes responsibility for maintaining his or her own skill set, which includes roles and experience with other boards and organisations as well as formal training and seminars.

Each member of the Board is encouraged to put forward areas where the Company can provide appropriate training and developments for which funds will be made available for Directors were relevant and beneficial.

Non-Executive Directors have a contractual right to receive external advice, at the Company's expense, when necessary. In addition, the Directors have direct access to the advice and services of the Company Secretary.

Principle 7 - Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board continuously evaluates the balance of skills, experience, knowledge, and independence of the Directors. The Board assesses and scrutinises its performance through an annual effectiveness review. Profiles of the skills and experience of the Directors are included in their biographical details on pages 16 & 17. Each year the Nomination Committee carries out an evaluation process of the Board and its Committees, the last being undertaken in December 2021, details of which are included in the Nomination Committee Report on page 30.

Principle 8 - Promote a corporate culture that is based on ethical values and behaviours

The Chief Executive Officer, together with the Board, believe that working with integrity and transparency are the core principles which underpin the Company's behaviour in pursuing its strategic objectives and will be key in delivering success. In an industry that is based on joint ventures, a reputation for ethical behaviour is essential if the Company is to succeed. To ensure these ethical values are core to the business, they are to be integrated within the Company's BMS through policies and procedures. Corporate governance is considered as being important for maintaining effective controls which helps keeps the confidence and trust of stakeholders high.

Principle 9 - Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board has overall responsibility for the strategic direction and performance of the Company. The Executive Directors have day-to-day responsibility for the operation of the Company's business and implementing the strategy of the Board.

The Board meets at least four times a year with detailed written reports provided well ahead of such meetings. Written recommendations from the Executive Directors for any major transactions will be delivered to the Board in a timely manner.

There is a clear division of responsibility at the head of the Company. The Chairman is responsible for running the business of the Board and the Chief Executive Officer is responsible for proposing the strategic focus to the Board.

The Company has Audit, Remuneration, Nomination and Disclosure Committees. The Chairman chairs the Nomination Committee. Formal terms of reference have been agreed for each of the Board committees, which are available on the Company's website, and whose responsibilities are summarised below:

Audit Committee: this committee is responsible for monitoring the integrity of the Company's financial statements, reviewing significant financial reporting issues, and overseeing the relationship with the external auditors (including advising on their appointment, agreeing the scope of the audit and reviewing the audit findings). The Audit Committee comprises Katherine Roe (Chair), Brent Cheshire and Jorunn Saetre with Katherine Roe being recognised as having current and relevant financial experience. The Audit Committee will meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required and will also meet regularly with the Company's external auditors.

Remuneration Committee: this committee is responsible for determining and agreeing with the Board the framework for the remuneration of the Executive Directors and other designated senior executives and, within the terms of the agreed framework, determining the total individual remuneration packages of such persons including, where appropriate, bonuses, incentive payments and share options or other share awards. The remuneration of Non-Executive Directors will be a matter for the chairman and the executive members of the Board. No Director will be involved in any decision as to his or her own remuneration. The Remuneration Committee comprises Brent Cheshire (Chairman) and Katherine Roe and will meet at least twice a year and otherwise as required.

Nomination committee: this committee is responsible for reviewing the structure, size and composition of the Board and identifying and nominating, for the approval of Board, candidates to fill vacancies on the Board as and when they arise. In addition, this committee is responsible for undertaking the performance review of the Board, its committees and individual directors. The Nomination Committee is comprised of Graham Stewart (Chairman) and Jorunn Saetre and will meet as required.

Disclosure committee: this committee is responsible for ensuring that the Company makes timely and accurate disclosure of all information that is required to be disclosed to meet its disclosure obligations under the AIM rules. The Disclosure Committee comprises Jonathan Cooper (Chairman), Helge Hammer and Julian Riddick, and will meet as required.

Principle 10 - Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Beyond the Annual General Meeting, the Chief Executive Officer and the Chief Financial Officer are available to all significant shareholders after the release of the Company's results. The Chairman and Senior Non-executive Independent Director ('SID') are available to major shareholders. The Chief Executive Officer, the Chairman and the SID are the primary points of contact for the shareholders and are available to answer queries from shareholders throughout the year, subject to the AIM disclosure rules.

The website of the Company will be regularly updated to include all relevant reports and information required under AIM Rule 26.

The results of voting on all resolutions at general meetings are posted to the Company's website on a timely basis, including any actions to be taken as a result of resolutions, which received a high percentage of votes against from shareholders. At the 2021 Annual General Meeting, 14 of the 15 resolutions were passed with all votes cast in favour of all resolutions with the remaining resolution passed with 94% of votes in favour.

Share dealing

The Company has a share dealing policy regulating trading and confidentiality of inside information for the Directors and other persons discharging managerial responsibilities (and their persons closely associated) which contains provisions appropriate for a company whose shares are admitted to trading on AIM (particularly relating to dealing during closed periods which will be in line with the EU Market Abuse Regulation (No. 596/2014)). The Company takes reasonable steps to ensure compliance by the Directors and any relevant employees with the terms of that share dealing policy. The Directors believe that the share dealing policy adopted by the Board is appropriate for a company quoted on AIM. The Board complies with Rule 21 of the AIM Rules for Companies relating to directors' dealings and takes reasonable steps to ensure compliance by the Company's "applicable employees" (as defined in the AIM Rules for Companies).

Relations with shareholders

The Directors are available for communication with shareholders and the Board hopes that there will be no restrictions on public meetings this summer to enable all shareholders to attend and vote at the forthcoming Annual General Meetings of the Company during which the Board will be available to discuss issues affecting the Company. The Board stays informed of shareholders' views via regular meetings and other communications they may have with shareholders.

Statement of going concern

The financial statements of Longboat Energy plc have been prepared on a going concern basis (note 1.4)

Internal control

The Board is responsible for establishing and maintaining the Company's system of internal controls and reviewing its effectiveness. Internal control systems are designed to meet the particular needs of the Company and the particular risks to which it is exposed. The procedures are designed to manage rather than eliminate risk and by their nature can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has reviewed the Company's risk management and control systems and believes that the controls are satisfactory given the nature and size of the Company.

Report of the Audit Committee

The audit committee has three members all of whom are independent non-executive directors being Katherine Roe (Chair), Brent Cheshire and Jorunn Saetre.

Activity during the period

The Audit Committee met three times during the year and with specific regard to the Interim and Annual Report and Accounts, considered Group financial disclosures and accounting matters, including the impact and treatment of standards that had came into effect and were proposed. The Company was impacted indirectly by the COVID crisis, notably through the effect on the M&A market, but there were no direct effects for the Audit Committee to consider.

At the year-end, the Audit Committee paid specific regard to the following two matters where significant judgement was required: the carrying values of exploration assets capitalised with impairment assessments being conducted at the year- end (see Financial Review); and the impact of the proposed tax changes in Norway on the Company's going concern assessment and related disclosures (see note 1.4 to the Annual Report and Accounts):

External audit

The external auditor has unrestricted access to the Chair of the Audit Committee. Audit Committee meetings are also attended by the external auditor where appropriate and, by invitation, the Chairman, Chief Executive Officer, Chief Financial Officer and senior management.

The external audit function plays an important part in assessing the effectiveness of financial reporting and internal controls and, in turn, the effectiveness and quality of audit is of key importance. The auditors, BDO LLP have been in place since the Group's formation in 2019 and, in line with the audit profession's ethical guidance, the current audit engagement partner is due to rotate off the Company's account following the year-ending 31 December 2024 having served for a period of five years.

The Audit Committee reviews the Auditors' independence and monitors the nature and level of non-audit fees payable to them on an annual basis. The Audit Committee believes that certain work of a non-audit nature is best undertaken by the external auditors, and that it is not appropriate to limit the level of such work by reference to a set percentage of the audit fee, as this does not take into account important judgements that need to be made concerning the nature of work undertaken to help safeguard the auditors' independence. Details of fees payable to the auditors are set out in note 7.

Roles and Responsibilities

The Committee's roles and responsibilities include; reviewing the consistency of accounting policies; reviewing the accounting of unusual or significant transactions; ensuring fair, complete and accurate disclosure; monitoring the integrity of the Group's financial statements; making recommendations to the Board on the appointment of the Auditors; agreeing the scope of the auditors' annual audit programme and reviewing the output; keeping the relationship with the auditors under review; assessing the effectiveness of the audit process; and developing and implementing policy on the engagement of the auditors to supply non-audit services.

At present, given the relative simplicity of the Company's operations and structure, the Board of Directors as advised by the Audit Committee has retained responsibility for the review of the effectiveness of the Group's internal control and risk management policies and systems. In due course as the Group expands the Audit Committee will assume direct responsibility for the review of the Group's internal control and risk management policies. In the meantime, the Audit Committee has advised the Board that it is satisfied that the Group does not currently require an internal audit function, however, it will continue to review the situation periodically and, where it deems necessary, commission limited internal audit of controls and processes.

Finally, employees are encouraged to report (whistle blow) any incident or suspicion of malpractice or misconduct or if they have any concerns surrounding ethical issues, by speaking directly to their line manager or failing that the Senior Independent Director. During the period no such reports were made.

Report of the Nomination Committee

Committee Composition and Meetings
The Committee is made up of Graham Stewart (non-executive Chairman) and Jorunn Saetre (independent non- executive). During 2021 the Committee met twice formally to plan and undertake the annual evaluation of the Board and its committees and consider succession planning for members of the Board and senior executive team.

The Committee is also mindful of diversity and the Company is keen make an appointment to increase the diversity of the Board.

Roles and Responsibilities of the Committee
The Nomination Committee's primary responsibility is reviewing the structure, size and composition of the Board and identifying and nominating suitable candidates. In particular it:

- reviews the structure, size and composition of the Board;
- carries out succession planning for the Board and senior management;
- is responsible for filling board vacancies when they arise and, before any appointment is made, evaluating the balance of skills, knowledge, experience and diversity on the Board;
- is responsible for using open advertising or appointing any external advisors to facilitate the search for suitable candidates; and
- is responsible for board performance evaluation.

Board Composition
The Committee is aware of the importance of Board diversity issues especially with regard to pertinent skills for our sector and indeed gender balance. At present a third of the Board are female and this is deemed an important element of any future Board appointments.

Succession Planning
The Executive and Non-executive Directors have been in place for less than three years and so there is no immediate call for succession planning but with an eye to the longer term, the Company has a number of senior managers with the ability to take on an executive function in due course. The identification of future non- executive directors is more challenging as fewer candidates outside the industry wish to be associated with the E&P sector and this is made even more challenging if the Company is to meet its diversity objectives.

Board Performance Evaluation
Each year the Nomination Committee carries out an evaluation process, the last being undertaken in December 2021. The evaluation was supported by three processes, namely: a questionnaire focusing on Board and Committee composition and processes together with behaviour and activities; a skills matrix to identify potential gaps in Board and Committee skills, experience and knowledge; and a review of individual director characteristics against a checklist of key qualities.

Overall, the outcome of these separate processes reflects a Board that continues to function very well as a group, with each member contributing effectively. The Board represents a good mix of industry and financial knowledge, and Board discussions are characterised as transparent and collaborative. The following areas were identified for focus and development:

Subject	Issue	Mitigation/Action
Skills Gap	No Board member is an expert in IT systems	Following a review by external IT consultants, the Board believes that the Company systems are well protected and currently the Company has limited external exposure but as it grows it may need to address this skills gap
Diversity	Similar ethnicity and background	Whilst one third of the Board is female, efforts should be made, as and when new appointments are made, to add diversity to the background and ethnicity of the Board
Ongoing training	Limited in scope	Whilst there are very high levels of experience across the Board, each member is being encouraged to put forward areas where the Company can provide appropriate training

Remuneration Committee - Remuneration Report

Introduction

The main focus for the Remuneration Committee in 2021 related to the changes to the various elements of remuneration following the Company's change in status from investment to operations.

The key remuneration related decisions made by the Committee in 2021 can be summarised as follows:

Base salary increases

In accordance with the Company's Remuneration policy, and as flagged at the time of the Company's Admission to AIM, when the Company became operational the base salaries of the Directors were increased to market levels. The Committee received independent remuneration advice and performed detailed benchmarking; the output of which are salaries around the mean for both size and sector peer groups.

Alignment of pension contributions

Historically, pension contributions in Norway have been much higher than in the UK and the Committee undertook a review of pension provisions with the objective of having a common pension benefit for executive directors and staff in both countries. The conclusion reached by the Committee was that this alignment be delivered upon the Company becoming operational by offering a single rate of 12.5% of base salary to all staff including Executive Directors.

2021 annual bonus
During the period the Committee introduced an Executive Directors' and staff bonus scheme dependent on the achievement of various Company KPIs. Based on an assessment of the extent to which the relevant targets were achieved, awards were made under the annual bonus scheme to the Executive Directors (as a percentage of annual salary) of 25.6%. The same level of award was applied to the maximum bonus potential for all staff which range between 30% and 50% of base salary, pro-rated for time.

Long Term Incentive Plan (LTIP)
During 2021, the Committee made grants under the Company's LTIP as adopted at the 2020 AGM. Grants were made to the new employees who joined the Company following the acquisitions made in June 2021, along with an award to Nicholas Ingrassia (Corporate Development Director) in the form of an option to acquire 536,700 ordinary shares of 10p each in the Company (0.95% of the Company's issued share capital).

Co-investment Plan (CIP)
The CIP was approved at the AGM and allows employees to be granted matching share awards with a value equal to the market value of shares purchased by the employees up to a maximum of 50% of their pre-tax base salary. The Company believes that awards under the CIP will strengthen alignment between employees and shareholders through increased share ownership. In June 2021, various awards were made to the Executive Directors as detailed in the notes below.

Non-Executive Directors' fees and Chairman's fee
During 2021, the Committee reviewed the Chairman of the Board's annual fee in the context of market data and the change in the Company's status from investment to operations. Following this review, it was decided that the fee from 1 July 2021 should be increased to £93,750. The fees paid to Non-Executive Directors were also reviewed during the period by the Executive Directors and it was determined that their basic annual fee would be increased to £50,000 from the same date.

Feedback on Directors' Remuneration Report
We welcome questions and feedback from all those interested in this report. At last year's Annual General Meeting, the Committee was very pleased with the strong support by the Company's members for the resolution to approve the Directors' Remuneration Report with 100% of votes cast in favour. We also look forward to receiving your support for the Directors' Remuneration Report at the forthcoming AGM.

Finally, as referenced in the Audit Committee Report, although the COVID-19 crisis impacted the Company indirectly, it was fortunate not to be directly affected and did not access any UK Government loan or the furlough scheme.

The Remuneration Committee continues to take the views of shareholders very seriously and these views will be influential in shaping remuneration policy and practice. Shareholder views will be considered when evaluating and setting ongoing remuneration strategy and the Committee commits to consulting with major shareholders prior to any significant changes to its remuneration policy.

The Committee has established the policy on the remuneration of the Executive Directors and the Chairman, and the Board has established a policy on the remuneration of the other Non-Executive Directors.

Executive Directors
The policy on Directors' remuneration is that the overall remuneration package should be sufficiently competitive to attract and retain individuals of a quality capable of achieving the Company's objectives. The objective is for overall remuneration including salary, benefits, bonus and long-term incentives to be at or near the upper quartile for companies considered by the Committee to be comparable to Longboat Energy. Remuneration policy is designed such that individuals are remunerated on a basis that is appropriate to their position, experience and value to the Company.

The current terms and conditions of the Directors service contracts and letters of appointment have been set to reflect the Company's current activities.

The main components of the remuneration policy and how they are linked to and support the Company's business strategy are summarised below:

Objective and link to strategy	Operation	Maximum opportunity	Performance assessment
Base Salary Core element of remuneration, set at a level which is sufficiently competitive to recruit and retain individuals of the appropriate calibre and experience.	Salaries will be reviewed annually, with any changes being effective from 1 January each year. When determining salaries for the Executives the Committee takes into consideration: • Company performance; • the performance of the individual Executive Director; • the individual Executive Director's experience and responsibilities; • pay and conditions throughout the Group. Salaries together with other fixed benefits including pension will be benchmarked periodically against comparable roles at companies of a similar size, complexity and in the Exploration & Production sector the objective is for total fixed remuneration to be in line with the median peer group.	When determining salary increases of the Executive Directors, the Committee takes into account the employment conditions and salary increases awarded to employees throughout the Group. Any salary increases will be determined by the Committee. There is no maximum salary opportunity.	Salary increases will be determined in accordance with the rationale set out under the column entitled 'Operation'.

Objective and link to strategy	Operation	Maximum opportunity	Performance assessment
Other benefits Support individuals in carrying out their roles.	Reviewed periodically to ensure benefits remain market competitive. Benefits typically comprise life assurance cover, private health care arrangements and permanent health insurance.	Benefit values vary year on year depending on premiums and the maximum potential value is the cost of the provision of these benefits.	Not applicable.
Annual bonus Incentivises the achievement of a range of short-term performance targets that are key to the success of the Company.	Executive Directors will participate in an annual performance related bonus scheme. Bonus scheme awards are awarded annually at the year-end (and will be pro-rated for time). The performance period is one financial year with pay-out determined by the Committee following the year end. At the discretion of the Committee bonus payments can be paid in cash and/or the Company's shares in line with corporate governance best practice there will be a provision for malus and clawback of bonus payments.	The maximum bonus potential and threshold, for exceptional performance, is 125% of salary. If threshold performance, representing a score of 50%, is achieved 20% of salary can be earned. Bonuses are discretionary and there is no contractual obligation to pay bonuses (other than in exceptional circumstances e.g. where new recruits have foregone a bonus to join the Company).	A performance scorecard is used as a guide for the Committee, which reserves the right to override the formulaic outturn based on a broader assessment of overall Company performance. Performance targets are based on a range of corporate, ESG, operational, financial and executive team performance measures. The precise allocation between measures (as well as the weightings within these measures) is determined by the Committee at the start of each year.

Objective and link to strategy	Operation	Maximum opportunity	Performance assessment
Long-term incentives Incentivises the achievement of long-term financial performance and sustainable returns to shareholders in a way that aligns the interests of Executives and shareholders	As approved by shareholders at admission and the 2021 Annual General Meeting, the Company may issue 15% of its share capital within a ten-year period to satisfy awards to participants in the Long-Term Incentive Plan, Co-Investment Plan, Founders Incentive Plan and any other share plan.		
	Longboat Energy plc Long Term Incentive Plan (LTIP): The Company introduced this employee share plan to provide incentivisation and retention for management personnel	The maximum face value of the annual awards is 100% of salary (200% in exceptional circumstances).	The Committee will set the performance conditions at the time of each award. Vesting will be subject to continued employment with the Company, satisfaction of the performance conditions and any other terms or conditions determined at the grant stage. The vesting period will typically be three years and set by the Committee at each grant with Awards to Executive Directors being subject to a further two-year post-vesting holding period. The Committee will retain discretion to ensure that participants in the Founder incentive Plan (FIP) will not be paid for the same performance under both the FIP and the LTIP. Malus and clawback provisions apply.

Objective and link to strategy	Operation	Maximum opportunity	Performance assessment
	Longboat Energy plc Co-Investment Plan (CIP): Under the CIP employees can purchase shares in the Company (Investment Shares) which will be matched by nil-cost options (Matching Shares). These options will vest provided participants still hold the Investment Shares and meet other certain performance criteria at the end of a three year period.	Employees can invest up to 50% of their pre-tax salary in any financial year to purchase Investment Shares. The maximum match is 1:1 (i.e. one option over a Matching Share for every Investment Share) on a grossed up/pre-tax basis. For the Matching Share award to vest, the price of the Company's shares needs to increase by a minimum of 30% over the three year period	The vesting of options over Matching Shares will be subject to continued employment with the Company, satisfaction of the performance targets and any other terms or conditions determined at the grant stage. Performance will be measured at the end of a three year performance period against absolute Total Shareholder Return targets
Pension To provide competitive levels of retirement benefit.	The Company does not operate a pension scheme, but does, at the Directors' option, contribute to the personal pension plans of each Executive Director, or pays cash in lieu of such contributions. In the UK where such contributions reach the maximum Annual Allowance or an Executive Director has accumulated an amount equivalent to the Lifetime Allowance, such excess contributions are paid as cash.	Executive Directors and all staff receive a contribution to a personal pension scheme or cash allowance in lieu of pension benefits equivalent to 12.5% of salary.	Not applicable.

Objective and link to strategy	Operation	Maximum opportunity	Performance assessment
Shareholding requirement To align Executive Directors' interests with those of shareholders through build-up and retention of a personal shareholding.	Executive Directors are required to hold shares with a value equivalent to two times base salary within five years of the 2021 Annual General Meeting	Not applicable.	Not applicable.

New appointments

The same principles as described above will be applied in setting the remuneration of a new Non-Executive Director. Remuneration will comprise fees only, to be paid at the prevailing rates of the Company's existing Non- Executive Directors.

Remuneration Policy for other employees

The remuneration arrangements for employees will be designed to ensure that they are, insofar as is practicable, also aligned with the Company's objectives:

- the Company's approach to salary reviews is consistent across the Company with consideration given to level of responsibility, experience, individual performance, salary levels in comparable companies and the Company's ability to pay.
- all employees will participate in the same annual bonus scheme as the Executive Directors with opportunities varying by organisational level.
- notwithstanding the current companywide pension contribution rate, pension and benefits arrangements may vary according to location and so different arrangements may be put in place in different jurisdictions.

Service contracts and exit payment policy

The service and employment contracts of the Executive Directors are not of a fixed duration and therefore have no unexpired terms, but continuation in office as a Director, is subject to re-election by shareholders as required under the Company's Articles of Association. The Company's policy is for Executive Directors to have service and employment contracts with provision for termination of no longer than 12 months' notice and currently no Executive Director has more than six months' notice.

The Executive Directors are also entitled to life assurance, travel insurance, permanent health insurance, critical illness cover and 30 days holiday per annum. Their appointment is terminable by six months' notice by either party. Upon a change of control of the Company, the Executive Directors are entitled to terminate their service agreements within three months of the completion of such an event and receive compensation in the form of 6 months' salary and 65 per cent of any bonus paid in the previous period. The agreement also imposes certain restrictions as regards the use of confidential information and intellectual property.

The Non-Executive Directors do not have service contracts. Letters of Appointment provide for termination of the appointment with three months' notice by either party.

CORPORATE GOVERNANCE STATEMENT

for the year ended 31 December 2021

Director	Date of service contract	Date of appointment	Notice period by Company or director
Executive Directors			
Helge Hammer	28 November 2019	28 May 2019	6 months
Jonathan Cooper	28 November 2019	3 September 2019	6 months
Nicholas Ingrassia	9 June 2021	1 June 2021	6 months
Non-Executive Directors	**Date of letter of appointment**	**Date of Appointment**	
Brent Cheshire	28 November 2019	28 November 2019	90 days
Katherine Roe	28 November 2019	28 November 2019	90 days
Jorunn Saetre	28 November 2019	28 November 2019	90 days
Graham Stewart	28 November 2019	3 September 2019	90 days

Founder Incentive Plan

There is an incentive arrangement for the founders of the Company designed to incentivise participants to deliver exceptional returns for shareholders over a five-year period (the "FIP"). Under the FIP, participants are eligible to receive 15% of the growth in returns of the Company from the date of the Company's Admission to AIM should a hurdle of doubling of the total shareholder return be met.

Not more than 10% of the Company's issued ordinary share capital may be issued under the FIP.

Conditional Awards: On 3 July 2020 the following conditional awards, as outlined in the prospectus at the time of the Company's Admission to AIM, were made to the Company's founders under the FIP which are expressed as a percentage of the total maximum potential award, being 10% of the Company's issued share capital. Subject to the performance conditions set out below being met, the awards will be converted into nil cost options over ordinary shares of 10p each in the share capital Company on each measurement date as set out in the following table:

Founder	Percentage entitlement of Initial Award pool %	Maximum percentage entitlement of growth in value from IPO %	Maximum percentage of issued share capital %
Helge Hammer	23.5000	3.525	1.48
Graham Stewart	19.7500	2.963	0.62
Jonathan Cooper	19.1250	2.869	0.59
Julian Riddick	18.5000	2.775	0.48

A further 19.125% entitlement of the initial award with a maximum 2.869% entitlement of growth in value to be converted up to a maximum of 1.9125% of the Company's issued share capital, has been made to trusts established by a further founder.

Performance Conditions - the share price at the date of Admission of the Company to AIM on 28 November 2019 of £1.00 will be used to measure the level of return at each measurement date. Testing of the level of return achieved will be at the end of years three, four and five from the Commencement Date. At each Measurement Date the value of the award will be driven by the return generated above the initial price of £1.00, being the threshold value:

Measurement Date	Threshold Total Shareholder Return	Measurement Total Shareholder Return
First Measurement Date 28 November 2022	25.99% compound annual growth from the initial price of £1.00 as at the First Measurement Date.	Average of the market value for the Company's shares for the 30-day period ending on the First Measurement Date plus the dividends paid per share from 28 November 2019 to the First Measurement Date.
Second Measurement Date 28 November 2023	The higher of: • 18.92% compound annual growth from the initial price of £1.00 as at the Second Measurement Date; and • the highest previous measurement total shareholder return which resulted in Conversion.	Average of the market value for the Company's shares for the 30-day period ending on the Second Measurement Date plus the dividends paid per share from 28 November 2019 to the Second Measurement Date.
Third Measurement Date 28 November 2024	The higher of: • 14.87% compound annual growth from the initial price of £1.00 as at the Third Measurement Date; and • the highest previous measurement total shareholder return which resulted in Conversion.	Average of the market value for the Company's shares for the 30-day period ending on the Third Measurement Date plus the dividends paid per Plan Share 28 November 2019 to the Third Measurement Date.

If at the Measurement Dates three and/or four the threshold value has been reached, then nil cost options will be awarded of which half will vest and can be exercised immediately. The remaining half will be deferred until the Measurement Date at year five. All nil cost options awarded in respect of the Measurement Date at year five will vest immediately.

Awards of all nil cost options will be made after approval by the Committee taking into account the overall performance of the Company during the performance period. Malus and clawback provisions apply.

Long Term Incentive Plan

At the 2020 Annual General Meeting, shareholders approved the introduction of the Company's Long Term Incentive Plan ("LTIP") designed to provide incentivisation and retention for management personnel.

The maximum face value of LTIP awards is 100% of salary with up to 200% in exceptional circumstances. The Committee will set the performance conditions at the time of each award, which is likely to be TSR based.

Vesting of LTIP awards will be subject to continued employment with the Company, satisfaction of the performance conditions and any other terms or conditions determined at the grant stage. The vesting period will typically be three years and set by the Committee at each grant with Executive Directors being subject to a further two-year post-vesting holding period. Malus and clawback provisions are expected to apply.

The Company may issue 15% of its share capital within a ten-year period to satisfy awards to participants in the LTIP, FIP, CIP and any other share plan.

On 5 July 2021 an LTIP award was made to Nick Ingrassia, Corporate Development Director in the form of an option to acquire 536,700 ordinary shares of 10 pence each in the Company representing 0.95% of the Company's current issued share capital. Subject to meeting the prescribed TSR performance conditions, this award will vest three years after grant and then be subject to a further two-year holding period.

LTIP Awards were made to other employees in July, October and November as summarised in note 26.

Co-investment Plan

At the 2021 Annual General Meeting, shareholders approved the introduction of the Company's Co-investment Plan ("CIP"). Under the CIP employees can purchase shares in the Company (Investment Shares) which will be matched by nil-cost options over shares (Matching Shares). These Matching Shares will vest provided participants still hold the Investment Shares and meet other certain performance criteria at the end of a three- year period. Employees can invest up to 50% of their pre-tax salary in any financial year to purchase Investment Shares.

The maximum match is 1:1 (i.e. one option over a Matching Share for every Investment Share) on a grossed-up/ pre-tax basis. For the options to vest, the price of the Company's shares needs to increase by at least 30% over the three year period. The vesting of options over Matching Shares will be subject to continued employment with the Company, satisfaction of the performance targets and any other terms or conditions determined at the grant stage. Performance will be measured at the end of a three year performance period against absolute Total Shareholder Return targets.

On 2 July 2021 conditional awards of Matching Shares were made to the following Executive Directors and PDMR:

Executive Director/ PDMR	Shares Acquired No.	Value £	Award Cap Salary (50%) £	Price £	Award Share Plan No.	Issued Share Capital %
Helge Hammer	506,667	380,000	150,000	0.75	200,000	0.35%
Jonathan Cooper	200,000	150,000	125,000	0.75	166,600	0.29%
Nick Ingrassia	160,000	120,000	115,000	0.75	153,300	0.27%
Julian Riddick	160,000	120,000	90,000	0.75	120,000	0.21%

Annual bonus – 2021 structure and outcome

During 2021, the Company operated an annual bonus scheme for all employees and Executive Directors. The maximum level of bonus award for Executive Directors and certain PDMRs for the year was 125% of annual salary. For all participants, 2021 bonus awards were based on achievement against a mixture of Group wide KPIs and personal performance. When determining the level of award attributable to the personal performance element of these individuals' bonuses, consideration was also given to the extent to which they demonstrated the Company's "high performance behaviours" during the period and also the level of their understanding, application and compliance with the Company's various standards and policies.

Taking into account commercial sensitivities around disclosure, a summary of the relevant targets, ascribed weightings, payment scales and achievement levels is set out below:

- Corporate & Business development (weighting 20%), which include new business and governance (score 10%);
- Operations (weighting 50%) which includes HSE and operational performance (score 31.25%);
- Financial Performance (weighting 20%) which includes actual/budget targets and balance sheet strength (score 10%);
- Personal performance (weighting 10%) measured by behaviour and performance (score 7.5%)

The score of 53.75% translated to a bonus payment equivalent to 25.6% of each employee's bonus potential (the relationship is not linear where a 50% score is required to achieve the minimum 20.0% pay-out). As the Directors maximum bonus potential was set at 100% of annual salary, this equated to a bonus payment of 25.6% of annual salary. The final level of bonuses awarded to employees below Executive Director/PDMR level was also reviewed and approved by the Committee. The same level of award, pro-rated for time, was applied to the maximum bonus potential for all staff which range between 30% and 50% of base salary.

Total Remuneration of Executive Directors

The table below reports single figure of total remuneration for the Executive Directors during the year:

	Base salary[1] £	**Bonus £**	**Other benefits £**	**Share costs[2] £**	**2021 Total £**	2020 Total £
Helge Hammer	231,099[3]	55,514[3]	16,890[3]	25,333	328,836	163,453[4]
Jonathan Cooper	192,216	47,360	5,974	19,418	264,968	139,659
Nicholas Ingrassia	198,541	48,640	3,625	78,472	329,278	–

1 Actual salary paid over the year (adjusted as at 1 July 2021)
2 Non-cash
3 Converted at an exchange rate of 11.9321 NOK/£
4 Converted at an exchange rate of 11.7112 NOK/£

Total Remuneration of Non-Executive Directors

	Base fee[1] £	Additional fee[1,2] £	Other benefits £	2021 total £	2020 total £
Graham Stewart	84,375	9,000	8,028	101,403	100,692
Brent Cheshire	45,000	18,000	–	63,000	61,097
Katherine Roe	45,000	9,000	–	54,000	52,369
Jorunn Saetre[3]	44,535	–	–	44,535	44,710

1 Actual fees paid over the year (increased mid-year at 1 July 2021)
2 For chairing the Nomination, Remuneration and Audit Committees & acting as Senior Independent Director
3 Converted at an exchange rate of 11.9321 NOK/£

Total pension contributions made to the Executive Directors
The table below reports the pension contributions made to the Executive Directors during the year:

	2021 total £	2020 total £
Helge Hammer	–	11,859[1]
Jonathan Cooper	11,333	13,092
Nicholas Ingrassia	13,333	–

1 Converted at an exchange rate of 11.7112 NOK/£

INDEPENDENT AUDITOR'S REPORT

for the year ended 31 December 2021

Independent auditor's report to the members of Longboat Energy plc

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the Parent Company’s affairs as at 31 December 2021 and of the Group’s loss for the year then ended;
- the Group’s financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Longboat Energy plc (the ‘Parent Company’) and its subsidiary (the ‘Group’) for the year ended 31 December 2021 which comprise the Group statement of comprehensive income, the Group statement of financial position, the Company’s statement of financial position, the Group statement of changes in equity, the Company statement of changes in equity, the Group statement of cash flows, the 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 their preparation is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent 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.

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.

Given of the judgements made by Directors, and the significance of this area, we have determined Going Concern to be a key area of focus for the audit. Our evaluation of the Directors’ assessment of the Group and the Parent Company’s ability to continue to adopt the going concern basis of accounting and response to the key audit matter is included in the “Key Audit Matters” section below.

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 or Parent Company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are 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.

Overview

Coverage	100% of total assets and loss for the year (2020: 100% of total assets and loss for the year)		
Key audit matters		2021	2020
	Carrying value of exploration assets	✓	
	Going concern	✓	✓
	Valuation and accounting for share incentive schemes		✓
Materiality	Group financial statements as a whole Group Materiality was determined based on 1% of total assets as at year- end, which has been calculated at £0.6m (2020: £0.1m based on 1.3% of total assets).		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by management that may have represented a risk of material misstatement.

We identified two significant components, being the two entities in the Group comprising the Parent Company and its Norwegian subsidiary. The Group audit team performed a full scope audit on the Parent Company. The Norwegian component was subject to a full scope audit by a BDO member firm.

Our involvement with component auditors

For the work performed by the component auditor, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- Detailed Group reporting instructions were sent to the component auditor, which included the significant areas to be covered by the audit (including areas that were considered to be key audit matters as detailed below), and set out the information required to be reported to the Group audit team.
- We performed a remote review of the component audit files in Norway using our online audit software platform, held regular calls and videoconferences with the component audit team during the audit.
- The Group audit team was actively involved in the direction of the audits performed by the component auditor for Group reporting purposes, along with the consideration of findings and determination of conclusions drawn. We performed our own additional procedures in respect of the significant risk areas that represented Key Audit Matters in addition to the procedures performed by the component auditor.

INDEPENDENT AUDITOR'S REPORT

for the year ended 31 December 2021

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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) that 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. We determined that Carrying value of exploration assets and Going concern are key audit matters in our audit of the financial statements of the current period. Valuation and accounting for share incentive schemes, which was a key audit matter as part of 2020 year-end audit is not considered to be a key audit matter as part of 2021 year-end audit based on the criteria noted above for our audit of the financial statements of the current period.

Key audit matter		*How the scope of our audit addressed the key audit matter*
Carrying value of exploration assets (see notes 3,6 and 12)	The exploration assets form a significant part of the Group's statement of financial position. Management are required to consider if there are any impairment indicators in accordance with IFRS 6. If an indication of impairment exists, Management are required to perform a full impairment assessment in accordance with IAS 36. As detailed in notes 3, 6 and 12 Management identified impairment indicators in respect of the Mugnetind licence and recorded and recorded an impairment expense of £6.4 million. No impairment indicators were identified in respect of the remaining licence areas at year end. Management determined that no indicator of impairment existed at Ginny/ Hermine at year end given the substantive information relating to well results were obtained in 2022 and the operator is continuity to assess prospectivity.	• We assessed management's accounting policy with respect to exploration and evaluation costs and the appropriateness of the cash generating unit allocation for impairment indicator assessment purposes against IFRS 6, the Group's exploration strategy and licence structure; • We inspected the licences to confirm valid title and reviewed government correspondence, submissions for extensions, letters of renewals and assessed whether commitments and terms under the licences have been adhered to. • We made inquiries of Management to understand the drilling results and further plans of exploration and appraisal on the fields drilled as part of exploration program and discussed the plans with the Audit Committee. • We inspected the Group's budget and strategic plans for future exploration and development to ensure that expenditure has been planned to maintain the licences and has budgeted for further expenditure in the licence areas. • We considered the appropriateness of Management's judgement regarding the impairment of Mugnetind, given the renewal of the licence by the operator and continuation of studies. In doing so we made inquiries of the Group's geologists to assess the results of the drilling in the year and future prospectivity and obtained evidence regarding Group's expressed position on future prospectivity.

Key audit matter		How the scope of our audit addressed the key audit matter
		• We considered management's judgment that the exploration results obtained in 2022 at the Ginny/Hermine licence represented a non-adjusting subsequent event for impairment indicator purposes. In doing so we obtained drilling reports and made inquiries of the Group's geologists to understand the timing of substantive evidence of the well results being determined and that the operator continues to assess prospectivity. • We reviewed public announcements, board minutes, press releases and results of activities carried out in the year on the licence areas for evidence of indicators of impairment. **Key observations:** We consider that Management's decision to fully impair the Mugnetind exploration assets is appropriate and in accordance with the accounting standards. We concur with Management's assessment that the remaining assets are not impaired and as a result, the year end carrying value of these assets was supportable at 31 December 2021.
Going concern (see note 1 "Accounting policies", section 1 .4 "Going concern")	The Directors are required to make an assessment of the Parent Company's and the Group's ability to continue as a going concern. Where material uncertainties are identified these are required to be disclosed. As detailed at note 1.4, the Directors have concluded that the going concern basis of preparation is appropriate and no material uncertainties exist. We consider this area to be a key audit matter due to the level of judgement and estimation required to be exercised, specifically related to the continued availability of the tax rebate pledge as security for the Exploration Finance Facility and the disclosure of such assessments.	• We obtained and evaluated the Board papers assessing going concern for the forecast period and the assessment of risks and uncertainties together with the supporting cash flow forecasts prepared by Management. In doing so, we formed our own assessment of risks and uncertainties based on our understanding of the business and oil and gas sector; • We obtained Management's assessment of potential impacts of the Ukraine conflict and Russian sanctions on the business and discussed this assessment with the Audit Committee with no adverse direct effects noted The assessment further included consideration of the indirect effects the Ukraine conflict and Russian sanctions may have through volatility in commodity prices and the availability of further acquisition opportunities and investor/lender appetite for transactions together with macroeconomic factors, including cost inflation. • We performed a detailed review of the cash flow forecasts prepared by Management and assessed the appropriateness of the period over which going concern has being assessed. In assessing the cash flow forecasts we considered the actual 2021 cash flows against the budget for the year, historical cost levels and compared exploration costs to licence work programmes and commitments;

Key audit matter		*How the scope of our audit addressed the key audit matter*
		• We evaluated management's conclusion that the tax rebates will continue as pledged security in 2022 for the Exploration Finance Facility ("EFF") notwithstanding the proposed revisions to fiscal arrangements announced in Norway. In doing so, we obtained correspondence from the Ministry of Finance which corroborated Management's assessment and held discussions with the Group's lenders on this point. • We inspected legal advice obtained by Management which was consistent with Management's assessment that amounts drawn down in 2022 in the event of the pledge security being withdrawn or amended in 2023 remain repayable upon receipt of the tax rebate related to 2022 during 2023. • We evaluated Management's sensitivity analysis and stress tests including inability to further draw down on the EFF in 2023, given the absence of communications from the Ministry of Finance regarding the intended pledge security status beyond 2022. We confirmed that adequate liquidity remained under the Management's sensitivity. • We considered Management's assessment of liquidity beyond the 12 month period under the base case and stress scenarios and the mitigating actions available to the Group. • We reviewed and evaluated the adequacy and completeness of disclosures in the financial statements in respect of going concern. **Key observations:** Refer to the 'Conclusion relating to going concern' section above.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group financial statements		Parent company financial statements	
	2021 £m	2020 £m	2021 £m	2020 £m
Materiality	0.6	0.1	0.4	0.095
Basis for determining materiality	1% of Total Assets	1% of Total Assets	1% of Total Assets	1% of Total Assets
Rationale for the benchmark applied	Given the asset-based focus of the business with its significant exploration asset base we considered it appropriate to adopt a total assets-based measure of materiality.	Given the asset-based focus of the business with its significant exploration asset base we considered it appropriate to adopt a total assets-based measure of materiality.	Given the asset-based focus of the business as a holding company we considered it appropriate to adopt a total assets-based measure of materiality.	Given the asset-based focus of the business as a holding company we considered it appropriate to adopt a total assets-based measure of materiality.
Performance materiality	75% of materiality	75% of materiality	75% of materiality	75% of materiality
Basis for determining performance materiality	Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 75% based on consideration of factors including the level of historical errors and nature of activities.			

Component materiality
Component materiality for the Norwegian component, which represented the only component other than the Parent Company, was set at £450,000. In the audit of the component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold
We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £12,000 (2020: £2,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Business Review
Governance
Financial Statements
Appendix SASB

INDEPENDENT AUDITOR'S REPORT

for the year ended 31 December 2021

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITOR'S REPORT

for the year ended 31 December 2021

Responsibilities of directors

As explained more fully in the Statement of Directors’ responsibilities, 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 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 to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

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. Our procedures included:

- We obtained an understanding of the Group’s activities and considered the laws and regulations of the UK and Norway to be of significance in the context of the Group audit. In doing so, we made inquiries of management and the Audit Committee, considered the Group’s control environment as it pertains to compliance with laws and regulations and considered the activities of the Group. We determined the most significant laws and regulations to be AIM Listing Rules, Companies Act 2006 and Norwegian Company Tax Law.
- We discussed the measures taken to ensure continued monitoring and adherence to sanctions legislation with the Audit Committee.
- We made inquiries of management and the Board and reviewed Board and Committee minutes to identify any instances of irregularities or non-compliance.
- We agreed the financial statement disclosures to underlying supporting documentation, performed detailed testing on accounts balances which were considered to be at a greater risk of susceptibility to fraud and reviewed correspondence with relevant authorities, such as the Norwegian tax authority, in so far as the correspondence related to the financial statements.
- In addressing risk of management override of control, we performed testing of general ledger journal entries to the financial statements, including verification of journals which we consider exhibit higher fraud risk characteristics based on our understanding of the Group. As part of our testing of management override of controls we performed procedures on accounts subject to greater management estimate including share based payment awards.

INDEPENDENT AUDITOR'S REPORT

for the year ended 31 December 2021

- We involved Norwegian tax specialists from a BDO member firm in our audit to evaluate the appropriateness of recognition of tax receivables under the Norwegian tax regulations.
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and the component auditors as part of meetings at the planning stage and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: https:// www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ryan Ferguson
For and on behalf of BDO LLP, Statutory Auditor
London, UK
21 March 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Notes	2021 £	2020 £
Group			
Administrative expenses		(4,720,133)	(2,399,204)
Exploration and evaluation expenses	9	(6,399,134)	–
Operating loss	6	(11,119,267)	(2,399,204)
Finance income	5	11,412	18,736
Finance costs	8	(484,527)	–
Loss before taxation		(11,592,382)	(2,380,468)
Income tax credit	10	6,911,762	754,289
Loss for the year		(4,680,620)	(1,626,179)
Other comprehensive income:			
Currency translation differences		580,447	524
Total items that may be reclassified to profit or loss		580,447	524
Total other comprehensive income for the year		580,447	524
Total comprehensive loss for the year		(4,100,173)	(1,625,655)
Loss per share	11	pence	pence
Basic		(12.97)	(16.26)
Diluted		(12.97)	(16.26)
Company			
Loss for the year		(4,469,763)	(1,713,675)
Total comprehensive expense for the year		(4,469,763)	(1,713,675)

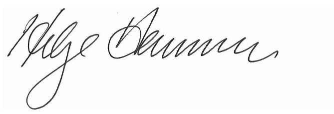
As permitted by section 408 of the Companies Act 2006 the Company has elected not to present a separate statement of comprehensive income.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

Group	Notes	2021 £	2020 £
Non-current assets			
Exploration and evaluation assets	12	23,988,754	–
Property, plant and equipment	13	29,600	11,798
Right of use asset	13	560,709	–
		24,579,063	11,798
Current assets			
Cash and cash equivalents		26,282,067	7,021,105
Inventories	15	92,798	–
Trade and other receivables	16	1,136,081	75,807
Current tax recoverable	17	8,149,906	777,823
		35,660,852	7,874,735
Total assets		60,239,915	7,886,533
Current liabilities			
Trade and other payables	18	4,772,167	351,610
Lease liabilities	19	96,172	–
		4,868,339	351,610
Net current assets		30,792,513	7,523,125
Non-current liabilities			
Lease liabilities	19	486,630	–
Deferred tax liabilities	20	18,766,424	431
		19,253,054	431
Total liabilities		24,121,393	352,041
Net assets		36,118,522	7,534,492
Equity			
Called up share capital	23	5,666,665	1,000,000
Share premium account	24	35,570,411	7,808,660
Other reserves		450,000	450,000
Share option reserve	25	353,550	97,763
Currency translation reserve	26	580,996	549
Retained earnings		(6,503,100)	(1,822,480)
Total equity		36,118,522	7,534,492

The financial statements were approved by the board of directors and authorised for issue on 21 March 2022 and are signed on its behalf by:



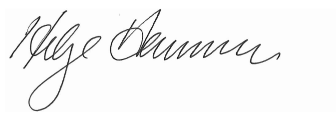
Helge Hammer
Chief Executive

STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

Company	Notes	2021 £	2020 £
Non-current assets			
Investments	14	26,617,915	–
Property, plant and equipment	13	19,567	6,779
Intercompany receivables	16	1,830,078	558,879
		28,467,560	565,658
Current assets			
Cash and cash equivalents		7,209,314	6,947,125
Other receivables	16	95,595	–
Trade and other receivables	16	187,478	92,916
		7,492,387	7,040,041
Total assets		35,959,947	7,605,699
Current liabilities			
Trade and other payables	18	299,060	159,252
		299,060	159,252
Net current assets		7,193,327	6,880,789
Total liabilities		299,060	159,252
Net assets		35,660,887	7,446,447
Equity			
Called up share capital	23	5,666,665	1,000,000
Share premium account	24	35,570,411	7,808,660
Other reserves		450,000	450,000
Share option reserve	25	353,550	97,763
Retained earnings		(6,379,739)	(1,909,976)
Total equity		35,660,887	7,446,447

The financial statements were approved by the board of directors and authorised for issue on 21 March 2022 and are signed on its behalf by:



Helge Hammer
Chief Executive

Company Registration No. 12020297

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

Group	Notes	Share capital £	Share premium account £	Share option reserve £	Currency translation reserve £	Other reserves £	Retained earnings £	Total £
Balance at 1 January 2020		1,000,000	7,808,660	–	25	450,000	(196,301)	9,062,384
Period ended 31 December 2020:								
Loss for the period		–	–	–		–	(1,626,179)	(1,626,179)
Other comprehensive income		–	–	–	524	–	–	524
Credit to equity for equity settled share-based payments		–	–	97,763	–	–	–	97,763
Balance at 31 December 2020		1,000,000	7,808,660	97,763	549	450,000	(1,822,480)	7,534,492
Year ended 31 December 2021:								
Loss for the year		–	–	–	–	–	(4,680,620)	(4,680,620)
Other comprehensive income		–	–	–	580,447	–	–	580,447
Issue of share capital	23	4,666,665	30,333,334	–	–	–	–	34,999,999
Credit to equity for equity settled share-based payments		–	–	255,787	–	–	–	255,787
Costs of share issue		–	(2,571,583)	–	–	–	–	(2,571,583)
Balance at 31 December 2021		**5,666,665**	**35,570,411**	**353,550**	**580,996**	**450,000**	**(6,503,100)**	**36,118,522**

Company	Notes	Share capital £	Share premium account £	Share option reserve £	Currency translation reserve £	Other reserves £	Retained earnings £	Total £
Balance at 1 January 2020		1,000,000	7,808,660	–	25	450,000	(196,301)	9,062,359
Period ended 31 December 2020:								
Loss and total comprehensive income for the period		–	–	–	–	–	(1,713,675)	(1,713,675)
Credit to equity for equity settled share-based payments		–	–	97,763	–	–	–	97,763
Balances at 31 December 2020		1,000,000	7,808,660	97,763	–	450,000	(1,909,976)	7,446,447
Year ended 31 December 2021:								
Loss and total comprehensive income for the year		–	–	–	–	–	(4,469,763)	(4,469,763)
Issue of share capital	23	4,666,665	30,333,334	–	–	–	–	34,999,999
Credit to equity for equity settled share-based payments		–	–	255,787	–	–	–	255,787
Costs of share issue		–	(2,571,583)	–	–	–	–	(2,571,583)
Balances at 31 December 2021		**5,666,665**	**35,570,411**	**353,550**	**–**	**450,000**	**(6,379,739)**	**35,660,887**

STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

Group	Note	2021 £	2021 £	2020 £	2020 £
Cash flows from operating activities					
Cash absorbed by operations	29		(4,197,318)		(2,164,648)
Tax refunded/(paid)			1,429,635		(23,533)
Net cash outflow from operating activities			(2,767,683)		(2,188,181)
Investing activities					
Purchase of exploration and evaluation assets		(26,513,457)		–	
Tax refund relating to investing activity		17,173,053		–	
Purchase of property, plant and equipment		(25,769)		(12,359)	
Interest received		11,412		18,736	
Net cash (used in)/generated from investing activities			(9,354,761)		6,377
Financing activities					
Issue of ordinary shares		32,428,416			
Interest paid		(484,527)		–	
Loan facility fees		(604,085)		–	
Net cash generated from/(used in) financing activities			31,339,804		–
Net increase/(decrease) in cash and cash equivalents			19,217,360		(2,181,804)
Cash and cash equivalents at beginning of year			7,016,199		9,197,479
Foreign exchange			48,508		524
Cash and cash equivalents at end of year			26,282,067		7,016,199
Relating to:					
Bank balances and short term deposits			26,282,067		7,021,105
Credit cards			–		(4,906)

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STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

Company	Note	2021 £	2021 £	2020 £	2020 £
Cash flows from operating activities					
Cash absorbed by operations	29		(1,693,134)		(1,418,294)
Net cash outflow from operating activities			(1,693,134)		(1,418,294)
Investing activities					
Purchase of property, plant and equipment		(27,966)		(5,979)	
Investment in subsidiaries		(29,000,000)		(166,329)	
Loan to subsidiaries		(1,406,444)		(688,313)	
Interest received		2,997		26,220	
Net cash used in investing activities			(30,431,413)		(834,401)
Financing activities					
Issue of ordinary shares		32,428,416		–	
Net cash generated from/(used in) financing activities			32,428,416		–
Net increase/(decrease) in cash and cash equivalents			303,869		(2,252,695)
Cash and cash equivalents at beginning of year			6,942,219		9,194,914
Effect of foreign exchange rates			(36,774)		–
Cash and cash equivalents at end of year			7,209,314		6,942,219
Relating to:					
Bank balances and short term deposits			7,209,314		6,947,125
Credit cards			–		(4,906)

1 ACCOUNTING POLICIES

Company information

Longboat Energy plc is a public quoted company, limited by shares, incorporated in England and Wales. The registered office is 5th Floor One New Change, London, EC4M 9AF.

1.1 Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the United Kingdom and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, except as otherwise stated.

The financial statements are prepared in sterling, which is the functional currency of the Group. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Foreign currencies

The functional currency for the UK entity is sterling and the functional currency for Longboat Energy Norge AS is Norwegian kroner.

Transactions in foreign currencies during the year are recorded in the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities are translated at the rate ruling on the Balance Sheet date and any gains and losses on translation are reflected in the Income Statement.

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the Balance Sheet date. Income and expenses are translated at weighted average exchange rates for the year. The resulting exchange differences on assets and liabilities of such foreign operations are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Income Statement.

1.3 Joint arrangements

Judgement is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement, including the approval of the annual capital and operating expenditure work programme and budget for the joint arrangement, and the approval of chosen service providers for any major capital expenditure as required by the joint operating agreements applicable to the entity's joint arrangements. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries, as set out in Note 2. Judgement is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. Specifically, the Group considers:

- the structure of the joint arrangement; whether it is structured through a separate vehicle;
- when the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising therefrom:
- the legal form of the separate vehicle; the terms of the contractual arrangement, or other facts and circumstances, considered on a case-by-case basis.

1 ACCOUNTING POLICIES continued

This assessment often requires significant judgement. A different conclusion about both joint control and whether the arrangement is a joint operation or a joint venture, may materially impact the accounting.

A Joint Operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangements. In relation to its interests in joint operations, the Group recognises its:

- assets, including its share of any assets held jointly;
- liabilities, including its share of any liabilities incurred jointly;
- revenue from the sale of its share of the output arising from the joint operation;
- share of the revenue from the sale of the output by the joint operation; and
- expenses, including its share of any expenses incurred jointly.

1.4 Going concern

The Directors, having considered cash flow forecasts, sensitivities and stress tests and undertaken careful enquiry, are of the opinion that the Group has adequate working capital to continue its operations and meet its liabilities and commitments for a period of at least the next 12 months. Accordingly, the directors have made an informed judgement to continue to adopt the going concern basis of accounting in preparing the annual financial statements. In forming their assessment, the Directors have carefully considered potential risks and uncertainties associated with the Group's business model and additionally the continuing conflict in Ukraine and associated international sanctions activity on Russia as detailed on page 2 and in the Principal Risks and Uncertainties section.

The forecasts indicate that sufficient liquidity is maintained across the going concern period and have been prepared on the basis of committed exploration expenditure and budgeted operating costs, continuation of the Norwegian tax refund arrangements based on proposals issued by the Norwegian Ministry of Finance and the continued availability under the EFF in 2022 and 2023.

In considering the continued access to the EFF, the Directors (and the EFF lending banks based on enquiries made by the Directors) considered written assurances from the Norwegian Ministry of Finance that the existing security structure of the tax refunds will be preserved for 2022, which will enable the EFF to continue to be available. Whilst an element of inherent uncertainty regarding the availability of the EFF remains until the legislative process is complete, the assurances received from the Norwegian Ministry of Finance are such that the Directors consider the risks of the security structure not being preserved for 2022 to be remote. Confirmation of the continued availability of tax refunds as security for the EFF is anticipated when details of the new Norwegian tax regime are published. In March 2022 Longboat made its first drawing of NOK 15 million under the EFF. The Directors believe this addresses the material uncertainty associated with being able to draw down under the EFF during 2022 that existed and was highlighted in the 2021 interim results.

1 ACCOUNTING POLICIES continued

The Ministry of Finance has not yet confirmed if the pledge will continue in 2023, however, the bulk of the Group's committed E&A expenditure is scheduled for the current year and sensitivity scenarios in which no drawdowns are available in 2023 demonstrate that sufficient liquidity is retained for at least 12 months from the date of approval of the financial statements. The Directors have obtained legal advice which confirms that contractual repayment terms of amounts drawn down in 2022 would be unaffected by an adverse revision to the security package in 2023. The Directors have further considered combination stress case scenarios in which exploration cost escalation is combined with inability to access the EFF which indicates that liquidity is retained until Q4 2023, however, the Directors are at a well progressed stage with lending banks regarding alternate facilities being available should they be required.

Having considered the forecasts the Directors consider that the Group will have sufficient liquidity and no material uncertainties are considered to exist in respect of going concern.

1.5 Medium term sustainability

In the medium term, new acquisitions and developments resulting from exploration success will require further equity capital and new debt facilities. In any of these circumstances the Company will require additional financing from the equity markets and the bank or credit markets. Availability of such financing is subject not only to market conditions but also a continued willingness of investors to finance oil and gas companies. The Company has mandated and is working with banks to develop new debt facilities that are appropriate for the proposed tax changes in Norway. This work is ongoing and we await the final details of the proposed tax system.

1.6 Oil and Gas Assets

Capitalisation

Pre-acquisition costs on oil and gas assets are recognised in the Income Statement when incurred. Costs incurred after rights to explore have been obtained, such as geological and geophysical surveys, drilling and commercial appraisal costs and other directly attributable costs of exploration and appraisal including technical and administrative costs are capitalised as intangible exploration and evaluation ("E&E") assets. The assessment of what constitutes an individual E&E asset is based on technical criteria but essentially either a single licence area or contiguous licence areas with consistent geological features are designated as individual E&E assets.

E&E costs are not amortised prior to the conclusion of appraisal activities. Once active exploration is completed the asset is assessed for impairment. If commercial reserves are discovered then the carrying value of the E&E asset is reclassified as a development and production ("D&P") asset, following development sanction, but only after the carrying value is assessed for impairment and where appropriate its carrying value adjusted. If commercial reserves are not discovered the E&E asset is written off to the Income Statement.

Oil and gas assets include rights in respect of unproved properties. Property, plant and equipment, including expenditure on major inspections, and intangible assets are initially recognised in the Balance Sheet at cost where it is probable that they will generate future economic benefits. This includes capitalisation of decommissioning and restoration costs associated with provisions for asset retirement.

Property, plant and equipment and intangible assets are subsequently carried at cost less accumulated depreciation, depletion and amortisation (including any impairment). Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts of assets sold and are recognised in income, within interest and other income.

1 ACCOUNTING POLICIES continued

1.7 License and Property Acquisition Costs

Exploration licence costs are capitalised in intangible assets. Licence and property acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that work is under way to determine that the discovery is economically viable. If no future activity is planned or the licence has been relinquished or has expired, the carrying value of the licence and property acquisition costs are written off through the statement of profit or loss and other comprehensive income. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas properties.

1.8 Development Costs

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells is capitalised within property, plant and equipment.

1.9 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	20% straight line
Computers	33.33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.10 Non-current investments

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.11 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible 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 it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any evidence on the performance of the assets received following the end of the period, which relates to the current period will be recognised in a subsequent period rather than in the current period.

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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1 ACCOUNTING POLICIES continued

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, 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.

Impairment of intangible assets is assessed when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The facts and circumstances used are in accordance with those dictated by IFRS 6 and if any of those circumstances are present than and impairment test is performed in accordance with IAS 36 and any loss recognised. An exploratory well in progress at period end which is determined to be unsuccessful subsequent to the balance sheet date based on substantive evidence obtained during the drilling process in that subsequent period is treated as a non-adjusting subsequent event.

1.12 Inventories

Materials and supplies inventories are valued at the lower of cost or net realisable value. The cost of materials is the purchase cost, determined on a first-in, first-out basis.

1.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term liquid investments with original maturities of three months or less.

1.14 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Financial assets at fair value through profit or loss

When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset is classified as measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognised initially at fair value and any transaction costs are recognised in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognised in profit or loss, and is included within finance income or finance costs in the statement of income for the reporting period in which it arises.

Financial assets held at amortised cost

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (e.g. trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

1 ACCOUNTING POLICIES continued

Financial assets at fair value through other comprehensive income

The Company has made an irrevocable election to recognise changes in fair value of investments in equity instruments through other comprehensive income, not through profit or loss. A gain or loss from fair value changes will be shown in other comprehensive income and will not be reclassified subsequently to profit or loss. Equity instruments measured at fair value through other comprehensive income are recognised initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognised through other comprehensive income are directly transferred to retained earnings when an equity instrument is derecognised or its fair value substantially decreased. Dividends are recognised as finance income in profit or loss.

Impairment of financial assets

Financial assets, other than those measured at fair value through profit or loss, are assessed for impairment at each reporting end date.

For trade receivables and intercompany receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Due to the nature of the balances the Company has determined that a provisions matrix is not appropriate and applies a scenario based approach to estimate lifetime ECL.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.15 Financial liabilities

The Company recognises financial debt when the Company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as measured at fair value through profit or loss when the financial liability is held for trading. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of selling or repurchasing it in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at fair value through profit or loss are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

1 ACCOUNTING POLICIES continued

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled, or they expire.

1.16 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years 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 reporting end date.

The Group benefits from tax legislation in Norway which allows tax to be reclaimed on specific exploration activity. This allows the Group to recognise a tax receivable.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable 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 balance sheet 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 of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end 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 is realised. Deferred tax is charged or credited in the 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 the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.17 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.18 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1 ACCOUNTING POLICIES continued

1.19 Leases

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the Company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the Company's estimate of the amount expected to be payable under a residual value guarantee; or the Company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

1.20 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

1.21 Reserves

Share capital

Share capital represents the nominal value of shares issued less the nominal value of shares repurchased and cancelled.

Share premium

This reserve represents the difference between the issue price and the nominal value of shares at the date of issue, net of related issue costs and share premium cancelled.

Share based payment reserve

This reserve represents the potential liability for outstanding equity settled share options.

1 ACCOUNTING POLICIES continued

Retained earnings

Net revenue profits and losses of the Group which are revenue in nature are dealt with in this reserve.

Currency translation reserve

This reserve represents foreign exchange differences on the revaluation of the foreign subsidiary.

Other reserves

Other reserves relate to the nominal value of share capital repurchased and cancelled.

1.22 Share based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions which may be equity settled or cash settled. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using an appropriate pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The Income Statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

The key areas of estimation regarding share based payments are: share price volatility; and estimated lapse rates.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Cash settled transactions relate to phantom options, where employees are entitled to a cash payment equivalent to the gain that would have been made by exercising options at notional price over a notional number of shares and then selling the shares at the date of exercise. The ultimate cost of a cash-settled transaction is the fair value of the cash paid at the settlement date. The cumulative cost recognised until settlement date is a liability on the face of the balance sheet and not a component of equity. The fair value of the liability is determined by an external valuer using an appropriate pricing model. All changes in the liability are recognised in profit or loss.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2 ADOPTION OF NEW AND REVISED STANDARDS AND CHANGES IN ACCOUNTING POLICIES

In the current year, the following new and revised Standards and Interpretations have been adopted by the company. None of these new and revised Standards and Interpretations had an effect on the current period or a prior period but may have an effect on future periods:

		Effective from:
IFRS 4 (Amendments)	Extension of the temporary exemption from applying IFRS 9	1 January 2021
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)	Interest Rate Benchmark Reform - Phase 2	1 January 2021
IFRS 16 (Amendments)	Covid-19 related rent concessons	1 April 2021

Standards which are in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue but not yet effective:

		Effective from:
IFRS 17	Insurance contracts	1 January 2023
IAS 1 (Amendments)	Classification of liabilities as current or non-current	1 January 2023
IFRS 3 (Amendments)	Reference to the conceptual framework	1 January 2022
IAS 16 (Amendments)	Property, plant and equipment - proceeds before intended use	1 January 2022
IAS 37 (Amendments)	Onerous contracts - cost of fulfilling a contract	1 January 2022
Annual Improvements 2018-2020 Cycle	Amendments to IFRS 1 (subsidiary as a first-time adopter), IFRS 9 (fees in the '10 percent' test for derecognition of financial liabilities), IFRS 16 (lease incentives), IAS 41 (taxation in the fair value measurements)	1 January 2022
IAS 1 (Amendments)	Classification of liabilities as current or non-current - deferral of effective date	1 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
IAS 8 (Amendments)	Definition of accounting estimates	1 January 2023
IAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company aside from additional disclosures.

The Company plans to adopt the above standards when from the effective dates noted in the table above.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Exploration and evaluation assets (note 6 and 12)

Judgement is required to determine whether impairment indicators exist in respect of the Group's exploration assets recognised in the statement of financial position. The Group has to take into consideration whether the assets have suffered any impairment, taking into consideration the results of the drilling to date, and the likelihood of reserves being found. The Group relies upon information from third parties to take these decisions, and can be subject to change if future information becomes available. At 31 December 2021 the Group determined that impairment of £6.9 million was required in respect of the Mugnetind licence detailed in note 6 and 12. Judgment was further exercised in evaluating the extent to which an impairment indicator existed at year end in respect of the Ginny/Hermine licence however based on the timing of substantive drilling post year end and the continued evaluation of the well no impairment indicator was considered to exist.

Share-based payments (note 25)

Estimation is required in determining inputs to the share-based payment calculations, as detailed in note 25.

The fair value of the options were determined by an external valuation provider using an industry accepted pricing model. For the July and September 2020 awards, the vest date calculation required judgment to determine the point at which the Group and recipients had a shared mutual understanding of the terms of the awards. The Board consider that IPO Admission Document provided such a shared mutual understanding given the detailed disclosure of the terms of the scheme. Accordingly, the estimated fair value of the awards has been spread over the vesting period which commenced at IPO. For the awards issued during 2021, the vesting period was seen to commence on date of issue.

Impairment of investments

Investments have been assessed for recoverability based on the current value of the investments. Determination is based upon the assessment of exploration risk, net asset position and cash within the subsidiary. See note 10 for further details on the investments.

Cost Allocation

The issue of new shares needs to be treated in accordance with IAS 32. According to IAS 32, the costs of issuing new shares and a stock market listing should be accounted for as follows:

- Incremental costs that are directly attributable to issuing new shares should be deducted from equity, share premium, (net of any income tax benefit) - IAS 32.37; and

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS continued

- Costs that relate to the stock market listing, or are otherwise not incremental and directly attributable to issuing new shares, should be recorded as an expense in the statement of comprehensive income.

The directors exercised judgement in allocation of the costs that relate to both share issuance and listing. These were allocated between those functions on a rational and consistent basis. In the absence of a more specific basis for apportionment, an allocation of common costs based on the proportion of new shares issued to the total number of (new and existing) shares listed is an acceptable approach. The total costs that were deducted from share premium were £2.57 million. These are all directly attributable to the issue with the remainder of the costs (£0.45 million) being expensed as they were related but not directly attributable. These are accounted for through administrative expenses in the Statement of Comprehensive Income.

Expected credit loss (note 16)

Determining an expected credit loss on an intercompany loan for an exploration business is very subjective, as unlike a financial institution there is no default credit history on a loan book to a portfolio of customers. This is exploration and one successful well would have the ability to provide the necessary value ultimately to repay any intercompany loans. The next three wells are important wells and are some of the larger wells in the portfolio. Consequently, the directors have determined a provision equivalent to 25% of the loan value is appropriate based on assessment of scenarios related to well success factors.

4 EMPLOYEES

Group

The average monthly number of persons (including directors) employed by the group and company during the year was:

	2021 Number	2020 Number
Executive Directors	3	2
Non-Executive Directors	4	4
Staff	4	2
Total	11	8

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	1,703,062	646,485
Social security costs	245,771	82,826
Pension costs	133,047	41,782
Foreign currency gains	(33,844)	–
Share based payment charge	255,737	97,763
	2,303,773	868,856

Foreign currency gains arise on remuneration due to one of the executive director's salaries being declared in GBP and paid in NOK.

4 EMPLOYEES continued

The remuneration of the highest paid director is shown below.

	Salary	Taxable Benefits	Annual Bonus	Pension	Total
Helge Hammer	231,099	16,890	55,514	–	303,504

5 INVESTMENT INCOME

Group	2021 £	2020 £
Interest income		
Bank deposits	**11,412**	18,736

Total interest income for financial assets that are not held at fair value through profit or loss is £11,412 (2020: £18,736).

6 OPERATING LOSS

Group	2021 £	2020 £
Operating loss for the year is stated after charging/(crediting):		
Exchange losses	**151,369**	28,037
Fees payable to the company's auditor for the audit of the company's financial statements	**36,190**	36,170
Other assurance services	**126,000**	16,000
Subsidiary audit fees	**4,190**	4,170
Depreciation of property, plant and equipment	**30,057**	2,767
Costs associated with share issue	**451,000**	–
Share-based payments	**255,787**	97,763
Executive Director's remuneration	**799,860**	226,024
Non-Executive Director remuneration	**262,938**	230,541
Wages and salaries	**640,264**	150,719
Pensions and payroll taxes	**344,924**	124,608
Operating leases less than 12 month term	**77,815**	96,519

7 AUDITOR'S REMUNERATION

Group	2021 £	2020 £
Fees payable to the group's auditor and associates:		
For audit services		
Audit of the financial statements of the group	**36,190**	36,170

During the year the auditor provided non-audit services of £110,000 in their role as Reporting Accountant in relation to the work on the Re-admission to AIM and £16,000 (2020: £16,000) relating to the interim review.

8 FINANCE COSTS

Group	2021 £	2020 £
Interest on bank overdrafts and loans	484,527	–

The Group has entered into a rolling exploration funding facility with 1 SR-Bank ASA and ING Bank N.V. in Norway which will allow the Group to receive funding for exploration activities to take place. The loan interest charged for the facility is a margin of 2.50% p.a. plus NIBOR. For the undrawn loan amount, a commitment fee equal to 40% of the margin is charged.

9 EXPLORATION AND EVALUATION EXPENSES

Group	2021 £	2020 £
Amounts written off on exploration activity	(6,399,134)	–

During the year, the Group acquired working interests in seven exploration wells on the Norwegian Continental Shelf, which completed on 31 August 2021.

During the year, the evaluation of the licences was completed, and it was determined that the Mugnetind well was dry, therefore the Directors have evaluated the potential future cashflows from that well and future licence prospectivity, and have decided to write off the value of the well and associated licence costs. Further information in respect of subsequent events can be found in note 28.

10 INCOME TAX EXPENSE

Group	2021 £	2020 £
Current tax		
Foreign tax on losses for the current period	(25,971,588)	(754,708)
Deferred tax		
Origination and reversal of temporary differences	19,059,826	419
Total tax (credit)	(6,911,762)	(754,289)

The charge for the year can be reconciled to the loss per the income statement as follows:

	2021 £	2020 £
Loss before taxation	(12,172,830)	(2,380,992)
Expected tax credit based on a corporation tax rate of 19.00% (2020: 19.00%)	(2,312,838)	(452,284)
Effect of expenses not deductible in determining taxable profit	581,294	29,421
Effect of overseas tax rates	1,463,583	(16,696)
Deferred tax not recognised	442,003	439,559
Foreign taxes and reliefs	(6,911,762)	(754,289)
Reameasurement of deferred tax for changes in tax rates	(172,264)	–
Fixed asset differences	(1,778)	–
Taxation credit for the year	(6,911,762)	(754,289)

10 INCOME TAX EXPENSE continued

Unused tax losses in the UK on which no deferred tax asset has been recognised as at 31 December 2021 was £2,871,071 (2020: £1,288,521) and the potential tax benefit was £717,768 (2020: £439,559). Deferred tax assets, including those arising from temporary differences, are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised. The current tax (rebate) of £25.9 million (NOK 306.3 million) represents what has been paid out during 2021 and will be paid out during 2022 according to Norwegian Tax Legislation. As per 31 December 2021 £18.5 million (NOK 209.1 million) has been refunded, leaving £8.2 million (NOK 97.2 million) to be paid during 2022. The deferred tax charge represents the tax portion on capitalised intangibles being deductible for tax purposes.

11 EARNINGS PER SHARE

Group	2021 £	2020 £
Number of shares		
Weighted average number of ordinary shares for basic earnings per share	36,082,191	10,000,000
Earnings		
Earnings for basic and diluted earnings per share being net profit attributable to equity shareholders of the Company for continued operations	(4,680,620)	(1,626,179)
Basic and diluted earnings per share (expressed in pence)		
From continuing operations	(12.97)	(16.26)

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume to conversion of all dilutive potential ordinary shares. 2,281,667 (2020: nil) of share options are not included because they are anti-dilutive.

12 EXPLORATION AND EVALUATION ASSETS

Group	£
Cost	
Additions - purchased	29,716,850
Foreign currency adjustments	671,038
Exploration write off	(6,399,134)
At 31 December 2021	**23,988,754**
Carrying amount	
At 31 December 2021	**23,988,754**

12 EXPLORATION AND EVALUATION ASSETS continued

During the year, the Group acquired interests in seven exploration licences on the Norwegian Continental Shelf, which completed on 31 August 2021.

During the year, the evaluation of the licences was completed, and it was determined that the Mugnetind well was dry, therefore the Directors have evaluated the potential future cashflows from that well and future licence prospectivity, and have decided to write off the value of the well and associated licence costs. There have been no post balance sheet events to indicate any further indicators of impairment that were in place at the year end.

Company

The Company does not have any exploration and evaluation assets at the end of the period.

13 PROPERTY, PLANT AND EQUIPMENT

Group	Right of use assets £	Fixtures and fittings £	Computers £	Total £
Cost				
At 1 January 2020	–	–	2,245	2,245
Additions	–	–	12,360	12,360
At 31 December 2020	–	–	14,605	14,605
Additions	580,044	3,340	37,869	621,253
Disposals	–	–	(15,322)	(15,322)
Foreign currency adjustments	–	–	(119)	(119)
At 31 December 2021	**580,044**	**3,340**	**37,033**	**620,417**
Accumulated depreciation and impairment				
At 1 January 2020	–	–	–	–
Charge for the year	–	–	2,767	2,767
Foreign currency adjustments	–	–	40	40
At 31 December 2020	–	–	2,807	2,807
Charge for the year	20,015	167	9,875	30,057
Eliminated on disposal	–	–	(2,050)	(2,050)
Foreign currency adjustments	(680)	–	(26)	(706)
At 31 December 2021	**19,335**	**167**	**10,606**	**30,108**
Carrying amount				
At 31 December 2021	**560,709**	**3,173**	**26,427**	**590,309**
At 31 December 2020	–	–	11,798	11,798

13 PROPERTY, PLANT AND EQUIPMENT continued

Company	Computers £	Total £
Cost		
At 1 January 2020	2,245	2,245
Additions	5,979	5,979
At 31 December 2020	8,224	8,224
Additions	32,163	32,163
Disposals	(12,421)	(12,421)
At 31 December 2021	**27,966**	**27,966**
Accumulated depreciation and impairment		
At 1 January 2020	–	–
Charge for the year	1,445	1,445
At 31 December 2020	1,445	1,445
Charge for the year	7,643	7,643
Eliminated on disposal	(690)	(690)
At 31 December 2021	**8,398**	**8,398**
Carrying amount		
At 31 December 2021	**19,567**	**19,567**
At 31 December 2020	6,779	6,779

14 INVESTMENTS

Company	2021 £	2020 £
Investments in subsidiaries	**26,617,915**	–

The Company or its investments at the Statement of Financial Position date were represented by its subsidiary, Longboat Energy Norge AS (company number 924 186 720), with a registered office at Strandkaien 36, 4005 Stavanger, Norway. The company was incorporated on 5 December 2019.

Class of shares:

	Holding %
Ordinary	100

In the current year, the subsidiary recorded a loss of £9,182,968 with a closing surplus position of £26,617,915.

14 INVESTMENTS continued

During the year, the Company assessed the carrying value of the investment, as a result of indicators of impairment from the trading performance of the subsidiary, and determined that the investment should be impaired to it's approximate carrying value, resulting in a £2.4m impairment.

Movements in non-current investments

	Shares in group undertakings £
Cost or valuation	
At 1 January 2021	–
Additions*	29,000,000
At 31 December 2021	**29,000,000**
Impairment	
At 1 January 2021	–
Impairment losses	(2,382,085)
At 31 December 2021	**(2,382,085)**
Carrying amount	
At 31 December 2021	**26,617,915**
At 31 December 2020	–

*During 2021 the Company invested £29m in cash in Longboat Energy Norge AS equity.

15 INVENTORIES

Group	2021 £	2020 £
Materials and supplies	92,798	–

Closing inventories are equal to their net realisable value.

Company

The Company does not hold any inventory at the year end.

16 TRADE AND OTHER RECEIVABLES

Group	2021 £	2020 £
Trade receivables	22,662	–
Taxes recoverable	81,737	22,161
Other receivables	40,462	–
Prepayments	991,220	53,646
	1,136,081	75,807

Company	2021 £	2020 £
Non-current		
Amounts owed by subsidiary undertakings	2,395,350	696,541
Less expected credit loss*	(565,272)	(137,662)
	1,830,078	558,879
Current		
Trade receivables	187,478	–
Taxes recoverable	35,353	22,161
Amounts owed by subsidiary undertakings	–	10,253
Other receivables	11,757	–
Prepayments	48,485	60,502
	283,073	92,916
	2,113,151	651,795

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

* At the year end management made an assessment of the expected credit loss on the intercompany loan. Management concluded on a 25% impairment on the outstanding balance to be recognised in the year.

17 CURRENT TAX RECOVERABLE

Group	2021 £	2020 £
Current tax receivable	8,149,906	777,823

Company	2021 £	2020 £
Current tax receivable	–	–

18 TRADE AND OTHER PAYABLES

Group	2021 £	2020 £
Trade payables	580,084	129,713
Accruals	2,753,202	115,309
Social security and other taxation	239,922	94,850
Other payables	1,198,959	11,738
	4,772,167	351,610

Company	2021 £	2020 £
Trade payables	46,098	35,518
Accruals	189,514	89,214
Social security and other taxation	59,564	22,781
Other payables	3,884	11,739
	299,060	159,252

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

19 LEASE LIABILITIES

Group

The Group has lease contracts for buildings used in its operations. The Group has agreed a new lease for its Stavanger office which was signed in September 2021. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

Set out below are the carrying amounts of right of use assets recognised and the movements during the period:

	2021 £
At 1 January 2021	–
Additions	585,706
Depreciation charge for the year	(20,015)
Foreign exchange	(4,982)
At 31 December 2021	560,709

19 LEASE LIABILITIES continued

Set out below are the carrying value of lease liabilities and the movements.

	2021 £
At 1 January 2021	–
Additions	585,706
Interest	2,758
Foreign exchange	(5,662)
At 31 December 2021	582,802

	£
Within one year	96,172
In two to five years	486,630
	582,802

Maturity analysis

	£
Within one year	111,799
In two to five years	514,273
Total undiscounted liabilities	626,072
Future finance charges and other adjustments	(43,270)
Lease liabilities in the financial statements	(582,802)

Amounts recognised in profit or loss include the following:

	£
Depreciation expense of right of use assets	19,335
Foreign exchange on depreciation	680
Interest expense for right of use assets	2,758

20 DEFERRED TAXATION

Group

The following are the deferred tax liabilities and assets recognised and movements thereon during the current and prior reporting period.

	ACAs £
Deferred tax balance at 1 January 2020	–
Deferred tax movements in prior year	
Differences in tax basis for depreciation in Norway	431
Deferred tax liability at 1 January 2021	431
Deferred tax movements in current year	
Differences in tax basis for offset of tax losses in Norway	19,059,825
Foreign exchange	(293,832)
Deferred tax liability at 31 December 2021	18,766,424

20 DEFERRED TAXATION continued

Deferred tax assets and liabilities are offset in the financial statements only where the company has a legally enforceable right to do so.

The Group has tax losses that arose within Longboat Energy Norge AS that are available indefinitely for offsetting against future taxable profits of that entity. These have been recognised as a deferred tax asset on the basis that there are future taxable profits expected within that entity which will allow it to be offset.

The Group has not recognised a deferred tax asset within Longboat Energy plc, as there is no evidence to support their recoverability in the near future.

21 FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risks through its various business activities. In particular, changes in interest rates exchange rates can have an effect on the capital, financial situation of the Group. In addition, the Group is subject to credit risks.

The Group has adopted internal guidelines, which concern risk control processes and which regulate the use of financial instruments and thus provide a clear separation of the roles relating to operational financial activities, their implementation and accounting, and the auditing of financial instruments. The guidelines on which the Group's risk management processes are based are designed to ensure that the risks are identified and analysed across the Group. They also aim for a suitable limitation and control of the risks involved, as well as their monitoring.

The Group controls and monitors these risks primarily through its operational business and financing activities.

Credit Risks

The credit risk describes the risk from an economic loss that arises because a contracting party fails to fulfil their contractual payment obligations. The credit risk includes both the immediate default risk and the risk of credit deterioration, connected with the risk of the concentration of individual risks. For the Group, credit and default risks are concentrated in the financial institutions in which it places cash deposits.

The Group's policy is to place its cash with banks with an appropriate credit rating in accordance with the Company's Treasury Risk Management Policy.

Notwithstanding existing collateral, the amount of financial assets indicates the maximum default risk in the event that counterparties are unable to meet their contractual payment obligations. The maximum credit default risk amounted to £26,345,191 at the balance sheet date, of which £26,282,067 was cash on deposit at banks.

Liquidity Risks

Liquidity risk is defined as the risk that a company may not be able to fulfil its financial obligations. The Group manages its liquidity by maintaining cash and cash equivalents sufficient to meet its expected cash requirements to implement its investment policy. In the event that there is a risk that the cash required to follow the investment policy is greater than the Group's liquid resources, the Group would seek confirmation of the continuation of the policy and the raising of further financing at a shareholder general meeting.

At 31 December 2021, the Group had cash on deposit of £26,282,067 (2020: £7,021,104).

Market Risks

Interest Rate Risks

Interest rate risks exist due to potential changes in market interest rates and can lead to a change in the fair value of fixed-interest bearing instruments, and to fluctuations in interest payment for variable interest rate financial instruments.

The Group is exposed to interest rate risks on cash held on deposit at banks. Interest income for the year to 31 December 2021 was £11,412 (2020: £18,736). These accounts are maintained for liquidity rather than investment, and the interest rate risk is not considered material to the Group.

21 FINANCIAL RISK MANAGEMENT continued

Currency risks

The Group operates in the UK and Norway, incurs expenses in sterling, United States dollars and Norwegian kroner ("NOK"), and holds cash in sterling, US dollars and NOK. The Group incurs some expenditure in foreign currency when the investment policy requires services to be obtained overseas. The foreign exchange risk on these costs is not considered material to the Group.

The Group's exposure to foreign currency risk at the end of the reporting period is summarised below. All amounts are presented in GBP equivalent.

	2021 £
Cash and cash equivalents	11,804,980
Trade and other receivables	1,104,580
Trade and other payables	(4,693,250)
Lease liabilities	(582,803)
Net exposure	7,633,507

Foreign currency gains and losses were not material in 2020 and therefore have not been disclosed.

Sensitivity analysis

As shown in the table above, the Company is exposed to changes in exchange rates through its balances held in non-GBP. The table below shows the impact in GBP on pre-tax profit and loss of a 10% increase/decrease in the exchange rates, holding all other variables constant.

	2021 £
Exchange rate increases by 10%	848,167
Exchange rate decreases by 10%	(693,955)

22 RETIREMENT BENEFIT SCHEMES

Group

Defined contribution schemes	2021 £	2020 £
Charge to profit or loss in respect of defined contribution schemes	133,047	41,782

The Group does not operate any defined benefit schemes.

Company

Defined contribution schemes	2021 £	2020 £
Charge to profit or loss in respect of defined contribution schemes	46,809	41,782

The Group does not operate any defined benefit schemes.

23 SHARE CAPITAL

Group & Company

	2021 Number	2020 Number	2021 £	2020 £
Ordinary share capital Issued and fully paid				
Ordinary of 10p each	**56,666,666**	10,000,000	**5,666,666**	1,000,000

On 10 June 2021 46,666,666 Ordinary Shares were allotted at 75p per Ordinary Share. This brought the total share capital to 56,666,666 ordinary shares.

24 SHARE PREMIUM ACCOUNT

	2021 £	2020 £
At the beginning of the year	**7,808,660**	7,808,660
Issue of new shares	**30,333,334**	–
Costs of share issue	**(2,571,583)**	–
At the end of the year	**35,570,411**	7,808,660

25 SHARE OPTION RESERVE

	2021 £	2020 £
At the beginning of the year	**97,763**	–
Arising in the year	**255,787**	97,763
At the beginning and end of the year	**353,550**	97,763

During the year, Longboat Petroleum plc operated three share incentive schemes: the Founder Incentive Plan (FIP), the Long-Term Incentive Plan (LTIP) and the Co-investment plan (CIP). Details of the schemes are summarised below:

Founder Incentive Plan

Under the FIP, the founders are eligible to receive 15% of the growth in returns of the Company from its Admission to AIM in November 2019 over a five year period. The awards are expressed as a percentage of the total maximum potential award, being 10% of the Company’s issued share capital.

Should a hurdle of doubling of the Total Shareholder Return (“TSR”) over the five-year period be met, the awards will be converted into nil cost options over ordinary shares of 10p each in the share capital Company. The hurdle is adjusted for any capital raises that occur during the performance period, including the share placing of 10 June 2021, and for any additional value to accrue to the founders, those placing shares will need to increase by the same hurdle but as adjusted for time to reflect the shorter period between the date of the placing and the original measurement dates in years three to five.

25 SHARE OPTION RESERVE continued

For the purpose of determining the fair value of an award, the following assumptions have been applied and a valuation calculation run through the Monte Carlo Model:

Grant date - 3 July 2020	£
Weighted average share price at grant date	0.78
TSR performance	–
Risk free rate	(0.08%)
Dividend yield	–
Volatility of Company share price	50.44%

The risk-free rate assumption has been set as the yield as at the calculation date on zero coupon government bonds of a term commensurate with the remaining performance period.

The historical 3 year volatility of the constituents of the FTSE AIM Oil & Gas supersector, as of the date of grant, was used to derive the volatility assumption.

The weighted average exercise price of outstanding options is nil.

The weighted average remaining contractual life as at 31 December 2021 is 27 months.

Co-Investment Plan (CIP) awards

The awards granted under the CIP are nil cost options to acquire Matching Shares being ordinary shares of 10p each in the share capital of the Company. The awards are subject to a share price performance condition, where the share price growth over the vesting period must be greater than 30%. No options will vest if this condition is not met.

For the purpose of determining the fair value of an award, the following assumptions have been applied and a valuation calculation run through the Monte Carlo Model:

Grant date	02-Jul-21
Performance period (years)	3
Share price at grant date	£0.70
Exercise price	£0.10
Risk free rate	15.00%
Dividend yield	0%
Volatility of Company share price	51.00%
Fair value per award	£0.38

	2021 No.	Weighted average fair value (£ per share)
Outstanding at beginning of the period	–	–
Granted during the period	639,900	£0.38
Forfeited during the period	–	–
Exercised during the period	–	–
Expired during the period	–	–
Outstanding at the end of the period	639,900	–
Exercisable at the end of the period	–	–

25 SHARE OPTION RESERVE continued

The weighted average exercise price of outstanding options is £0.10.

The weighted average remaining contractual life as at 31 December 2021 is 30 months.

Long Term Incentive Plan

The awards issued under the LTIP are nil-cost options to acquire ordinary shares in the Company, subject to a performance condition.

For the purpose of determining whether the condition has been met, the TSR of the Company is measured over the three year performance period, commencing at the grant date. The return index is averaged over the 30 dealing day period prior to the start of the performance period and over the final 30 days of the performance period.

The awards have been valued using the Monte Carlo model, which calculates a fair value based on a large number of randomly generated simulations of the Company's TSR.

For the purpose of determining the fair value of an award, the following assumptions have been applied:

Grant date	24 Sept 20	2 July 21	2 July 21	1 Oct 21	8 Nov 21
Weighted average share price at grant date	0.885	0.72	0.72	0.78	0.705
TSR performance	–	–	–	–	–
Risk free rate	(0.1%)	0.09%	0.15%	0.60%	n/a
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
Volatility of Company share price	58.00%	51.00%	51.00%	50.00%	n/a
Weighted average fair value	£0.33	£0.27	£0.33	£0.36	£0.33

The risk-free rate assumption has been set as the yield as at the calculation date on zero-coupon government bonds of a term commensurate with the remaining performance period.

The historical three year volatility of the constituents of the FTSE AIM Oil & Gas supersector,as of the date of grant, was used to derive the volatility assumption.

Opening share awards	40,000
Awarded in the period	1,375,100
Exercised during the period	–
Expired during the period	(98,600)
Outstanding at the end of the period	1,316,500
Exercisable at the end of the period	–

The weighted average exercise price of outstanding options is £0.10.
The weighted average remaining contractual life as at 31 December 2021 is 27 months.

26 CURRENCY TRANSLATION RESERVE

Group

	2021 £	2020 £
At the beginning of the year	549	25
Currency translation differences	580,447	524
At the end of the year	580,996	549

The currency translation reserve relates to the movement in translating operations denominated in currencies other than sterling into the presentation currency.

27 RELATED PARTY TRANSACTIONS

On 10 June 2021, the Company announced a conditional placing and subscription for new ordinary shares in the Company (the "Fundraising") raising gross proceeds of £35 million. The following related parties subscribed for shares at a price of 75 pence per share as set out below:

Blackrock Investment Management	7,000,258
Graham Stewart	200,000
Helge Hammer	506,667
Jonathan Cooper	200,000
Nicholas Ingrassia	160,000
Jorunn Seatre	26,667
Blackacre Trust No 1	100,000
Blackacre Trust No 2	100,000

Remuneration of key management personnel

Members of the Board of Directors are deemed to be key management personnel. Key management personnel compensation for the financial period is the same as the Director remuneration set out in note 4 to the accounts.

Other information

Directors' interests in the shares of the Company in the current and prior period, including family interests, were as follows:

	Ordinary shares
Helge Hammer	837,023
Jonathan Cooper	333,432
Graham Stewart	350,000
Jorunn Saetre	51,667
Nick Ingrassia	179,023
Julian Riddick (PDMR)	272,648
Hilde Salthe (PDMR)	11,805

27 RELATED PARTY TRANSACTIONS continued

Under IAS 24 section 4, all intragroup transactions which have been eliminated on consolidation are exempt from being disclosed as the Group has prepared consolidated financial statements.

In addition, the following conditional awards have been made to the Executive Directors and Company Secretary under the FIP which are expressed as a percentage of the total maximum potential award, being 10% of the Company's issued share capital:

Founder

	Percentage entitlement of Initial Award pool %	Maximum percentage entitlement of growth in value from IPO %	Maximum percentage of issued share capital %
Helge Hammer	23.50	3.53	1.48
Graham Stewart	19.75	2.96	0.62
Jonathan Cooper	19.13	2.87	0.59
Julian Riddick	18.50	2.78	0.48

The Group does not have one controlling party.

28 SUBSEQUENT EVENTS

Post the year end, the results of the Equinor operated Ginny and Hermine well were announced on 4th February 2022 with the well failing to find hydrocarbons. The operator is currently assessing if there is further prospectivity on the licence.

Post the year end Russia invaded the Ukraine. The Board has assessed the risks to the Company associated with the Russian invasion of Ukraine and, unless the conflict escalates into a conflict between Russia and NATO, has concluded that there are no direct consequences to the Company although there are indirect risks as outlined, in the Principal Risks and Uncertainties section, notably as regards commodity prices, FX rates and the impact on the M&A market.

29 CASH ABSORBED BY OPERATIONS

Group	2021 £	2020 £
Loss for the year after tax before other comprehensive income	(4,680,620)	(1,626,179)
Adjustments for:		
Taxation credited	(6,911,763)	(754,289)
Exploration write off	6,399,134	–
Release of prepaid bank fees	103,517	–
Investment income	–	(18,736)
Interest payable	484,527	–
Interest receivable	(11,412)	–
Time writing adjustments	(448,071)	–
Depreciation	27,982	2,807
Other	–	431
Equity settled share based payment expense	255,736	97,763
Movements in working capital:		
Increase in inventories	(92,798)	–
Decrease in trade and other receivables	104,906	7,192
Increase in trade and other payables	571,544	126,363
Cash absorbed by operations	(4,197,318)	(2,164,648)

Company	2021 £	2020 £
Loss for the year after tax	(4,469,764)	(1,713,675)
Adjustments for:		
Investment income	(137,260)	(26,220)
Depreciation and impairment of property, plant and equipment	7,643	1,445
Impairment of investment and expected loss provision movement	2,809,694	303,991
Equity settled share based payment expense	211,877	97,763
Movements in working capital:		
Increase in trade and other receivables	(302,387)	(15,499)
Increase/(decrease) in trade and other payables	187,063	(66,099)
Cash absorbed by operations	(1,693,134)	(1,418,294)

APPENDIX SASB REPORT

Longboat Energy plc 2021 Disclosure under SASB Oil and Gas Exploration and Production Standard
This document provides information as to the alignment of disclosures made by Longboat Energy plc, and its subsidiary Longboat Energy Norge AS, with the Sustainability Accounting Standards Board (SASB) Oil & Gas Exploration and Production Standard (Version 2018-10). The information herein is associated with the 2021 calendar year.

Longboat Energy plc, and where appropriate its subsidiary Longboat Energy Norge AS, are referred to individually or collectively as 'Longboat Energy' or 'LBE'.

SUSTAINABILITY DISCLOSURE TOPICS & ACCOUNTING METRICS		
Code	**Accounting Metric**	**Location/Information**
GREENHOUSE GAS EMISSIONS		
EM-EP-110a.1	Gross global Scope 1 emissions, percentage methane, percentage covered under emissions-limiting regulations	Gross 1,667 tonnes GHG (CO_2, CO, N_2O, nmVOC, NOx and SOx), 0.05 tonnes methane. 1,639 tonnes of the GHG are CO_2 Emissions are Longboat Energy's equity share from drilling operations on the Rødhette, Egyptian Vulture and Mugnetind wells. 0% covered under emission-limiting regulations.
EM-EP-110a.2	Amount of gross global Scope 1 emissions from: (1) flared hydrocarbons, (2) other combustion, (3) process emissions, (4) other vented emissions, and (5) fugitive emissions	LBE has only participated in the drilling of explorations wells with semi-submersible and jack up rigs in 2021. LBE has no production, hence all items are non-applicable (N/A).
EM-EP-110a.3	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Longboat Energy is currently an early-stage E&P company. The main source of greenhouse gas emissions relates to the drilling of exploration wells on the NCS. LBE's natural gas focused portfolio of exploration licences are in mature areas with existing infrastructure to tie-in to. Upon success this will contribute to low carbon footprint energy. Through licence participation in development activities, Longboat Energy will assess options such as renewable power from shore, offshore wind power and ammonia production with CO_2 capture and storage to reduce GHG emissions. Upon being profitable LBE will also look at nature-based solutions to offset its GHG emissions. Longboat Energy supports the goals of the Paris Agreement and the net zero emissions by 2050 targets set by the UK Government and the European Commission. We recognise the combined challenge of meeting increasing energy needs driven by a growing global population and the urgent need to reduce global carbon emissions.

APPENDIX SASB REPORT

SUSTAINABILITY DISCLOSURE TOPICS & ACCOUNTING METRICS		
Code	**Accounting Metric**	**Location/Information**
		Longboat Energy also supports the UN Sustainable Development Energy Goal and plans to develop its business so that it has a sustainable strategy as an oil and gas company providing safe and responsible energy at a low cost with low emissions. Accordingly, LBE is committed to: • supporting the energy transition through playing an active role to promote best practice in environmental stewardship; • pursuing a strategy of delivering low Scope 1 and Scope 2 emissions per barrel, to minimise carbon intensity of operations (including no routine flaring) and transparent annual disclosure of GHG emissions; • prioritising renewable energy sources in the powering of operated and non-operated platforms where possible; • using an internal carbon price for investment decisions; and • being net zero by 2050 with an earlier target date to be set dependent on the profile of the assets developed/acquired
AIR QUALITY		
EM-EP-120a.1	Air emissions of the following pollutants: (1) NOx (excluding N2O), (2) SOx, (3) volatile organic compounds (VOCs), (4) particulate matter (PM10)	LBE equity from the drilling operations of three exploration wells: 1. NOx: 22.8 tonnes 2. SOx: 0.43 tonnes 3. VOCs: 2.64 tonnes 4. n/a
WATER MANAGEMENT		
EM-EP-140a.1	(1) Total fresh water withdrawn, (2) total fresh water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	(1) 324 m^3 Egyptian Vulture well (2) N/A as LBE only has activities in Norway where water is not a scarce resource
EM-EP-140a.2	Volume of produced water and flowback generated; percentage (1) discharged, (2) injected, (3) recycled; hydrocarbon content in discharged water	(1) 189 m3 'oily' water to sea with average oil content 3.3 ppm on Egyptian Vulture well which is within the discharge permit limits issued by the Norwegian Environmental Agency (NEA). (2) (3) N/A as LBE does not have any ownership in any producing fields

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SUSTAINABILITY DISCLOSURE TOPICS & ACCOUNTING METRICS		
Code	**Accounting Metric**	**Location/Information**
EM-EP-140a.3	Percentage of hydraulically fractured wells for which there is public disclosure of all fracturing fluid chemicals used	N/A as LBE does not have any ownership in any producing fields, nor any hydraulic fracturing.
EM-EP-140a.4	Percentage of hydraulic fracturing sites where ground or surface water quality deteriorated compared to a baseline	N/A as LBE does not have any ownership in any producing fields, nor undertakes any hydraulic fracturing.
BIODIVERSITY IMPACTS		
EM-EP-160a.1	Description of environmental management policies and practices for active sites	As stated in LBE's HSEQ Policy, LBE is committed to respecting and preserving the natural environment. The policy is to minimise the undesirable effects on the environment resulting from LBE's operations and to work to prevent pollution and reduce emissions. LBE will assess and manage its performance to continually improve its environmental performance. Permits and consents from the Norwegian authorities are required for the operator to execute the Drilling Operations, and strict reporting requirements are in place.
EM-EP-160a.2	Number and aggregate volume of hydrocarbon spills, volume in Arctic, volume impacting shorelines with ESI rankings 8-10, and volume recovered	No spills in 2021 from the drilling operations of the three wells in which LBE participated.
EM-EP-160a.3	Percentage of (1) proved and (2) probable reserves in or near sites with protected conservation status or endangered species habitat	(1) N/A (2) N/A as LBE has no reserves.
SECURITY, HUMAN RIGHTS & RIGHTS OF INDIGENOUS PEOPLES		
EM-EP-210a.1	Percentage of (1) proved and (2) probable reserves in or near areas of conflict	N/A LBE's activities are exclusively offshore Norway
EM-EP-210a.2	Percentage of (1) proved and (2) probable reserves in or near indigenous land	N/A LBE's activities are exclusively offshore Norway

APPENDIX SASB REPORT

SUSTAINABILITY DISCLOSURE TOPICS & ACCOUNTING METRICS		
Code	**Accounting Metric**	**Location/Information**
EM-EP-210a.3	Discussion of engagement processes and due diligence practices with respect to human rights, indigenous rights, and operation in areas of conflict	LBE is fully committed to meeting its responsibilities towards its staff, contractors and third parties who may be impacted by its activities, and to adhere to all applicable national and local legislation as well as the principles for business and human rights embodied in international initiatives, such as the United Nations Global Compact and the United Nations Guiding Principles on Business and Human Rights. Adhering to and implementing the Human Rights Policy is a requirement of anyone who works for or on behalf of Longboat Energy. LBE's activities are solely offshore Norway where Human Rights are well protected and accord with LBE's Human Rights Policy.
COMMUNITY RELATIONS		
EM-EP-210b.1	Discussion of process to manage risks and opportunities associated with community rights and interests	LBE's activities are focussed solely offshore Norway and the operators of its offshore licences have well established environment controls and procedures for ensuring compliance with any interested parties notably the fishing industry
EM-EP-210b.2	Number and duration of non-technical delays	No delays attributable to community relations.
WORKFORCE HEALTH & SAFETY		
EM-EP-320a.1	(1) Total recordable incident rate (TRIR), (2) fatality rate, (3) near miss frequency rate (NMFR), and (4) average hours of health, safety, and emergency response training for (a) full-time employees, (b) contract employees, and (c) short-service employees	(1-3) From the drilling operations of three exploration wells in 2021 there were no recorded incidents (4) LBE does not operate any of its licence interests and so health and safety training is limited to ensuring safe conduct and procedures in its offices and training for a safety representative.
EM-EP-320a.2	Discussion of management systems (MS) used to integrate a culture of safety throughout the exploration and production lifecycle	Safety is a core value and it is a priority that everyone is aware of his / her responsibility towards providing a safe and secure environment. LBE is committed to ensuring the health and safety of all who work with it and protecting the environment in which it works. LBE upholds excellent health and safety standards in order to reduce accidents and ill health within the workplace and to minimise the impact of its operations on the environment. LBE also insists that all contractors maintain the same high standards.

APPENDIX SASB REPORT

SUSTAINABILITY DISCLOSURE TOPICS & ACCOUNTING METRICS		
Code	**Accounting Metric**	**Location/Information**
		All members of staff are familiar with LBE's processes and procedures with its MS and its emphasis on risk management to minimise the impact of its activities. Although LBE does not operate any exploration and production assets, under the MS and through its 'see to duty' LBE reviews and oversees the operators' activities to ensure that the health and safety of its workforce receives the priority it deserves. To be accepted as a Licence holder in Norway, every company is required to undergo a thorough pre-qualification process by the Norwegian Petroleum Directorate (NPD) and The Petroleum Safety Authority Norway (PSA) to ensure they have the required competencies, capacity and Business Management Systems in place. LBE was approved by the Ministry of Petroleum and Energy as a licence holder in August 2021 having been reviewed by the NPD and PSA.
RESERVES VALUATION & CAPITAL EXPENDITURES		
EM-EP-420a.1	Sensitivity of hydrocarbon reserve levels to future price projection scenarios that account for a price on carbon emissions	Currently LBE does not have any 2P reserves. LBE is targeting gas in Norway, where the cost of carbon emissions is transparent.
EM-EP-420a.2	Estimated carbon dioxide emissions embedded in proved hydrocarbon reserves	N/A as LBE has no proved hydrocarbon reserves. The discoveries are classified as resources at the present time with no firm plan for development.
EM-EP-420a.3	Amount invested in renewable energy, revenue generated by renewable energy sales	N/A as LBE has not invested in any renewable energy.
EM-EP-420a.4	Discussion of how price and demand for hydrocarbons and/or climate regulation influence the capital expenditure strategy for exploration, acquisition, and development of assets	LBE is targeting gas with its exploration and business development activities, as it believes i) gas is critically important in the path to net zero GHG emissions and even with an aggressive build out of renewables, considerable upstream capex will be required to facilitate the coal to gas switch and to overcome natural global gas declines; and ii) Europe's indigenous gas supplies have fallen by 7% CAGR from 18bcf to 8bcf in 2021, leaving Europe heavily reliant on Russian gas and imported LNG. Hence, activities to maintain Europe's indigenous gas supply is an important element for recovering stability and reliability as part of the energy transition.
BUSINESS ETHICS & TRANSPARENCY		
EM-EP-510a.1	Percentage of (1) proved and (2) probable reserves in countries that have the 20 lowest ranking in Transparency International's Corruption Perception Index	N/A LBE's activities are solely focussed offshore Norway

APPENDIX SASB REPORT

SUSTAINABILITY DISCLOSURE TOPICS & ACCOUNTING METRICS		
Code	**Accounting Metric**	**Location/Information**
EM-EP-510a.2	Description of the management system for prevention of corruption and bribery throughout the value chain	LBE has a dedicated Anti Bribery and Corruption ('ABC') Policy in place which demands the highest standard of behaviour and conduct of its directors, officers and employees, together with all agents, co-ventures, contractors, suppliers and other third parties acting or purporting to act on its behalf. The ABC Policy sets out the main policies, procedures and mechanisms adopted following appropriate risk assessment that are intended to prevent and/or effectively combat instances of bribery or corruption in the course of LBE's business and ensure compliance with applicable anti-bribery and anti-corruption laws in those countries where LBE conducts business. Whilst the Anti-bribery and Corruption Policy is embedded within the MS, as LBE's activities are focussed solely in Norway with highly reputable joint venture partners the probability of any breach is very low.
MANAGEMENT OF THE LEGAL & REGULATORY ENVIRONMENT		
EM-EP-530a.1	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	LBE supports the energy transition and is committed to achieving 'net zero' emissions by 2050 or earlier. As LBE becomes involved in developments it will look at solutions to reduce GHG emissions associated with production and offsetting scope 1 & 2 emissions. LBE is a member of Norwegian Oil and Gas (NOROG) which is a professional body and employer's association for oil and supplier companies. NOROG's views on relevant policy issues are publicly available at www.norog.no
CRITICAL INCIDENT RISK MANAGEMENT		
EM-EP-540a.1	Process Safety Event (PSE) rates for Loss of Primary Containment (LOPC) of greater consequence (Tier 1)	LBE has no ownership in producing assets and does not operate exploration wells.
EM-EP-540a.2	Description of management systems used to identify and mitigate catastrophic and tail-end risks	The licence operators and LBE as a non-operator have Management Systems in place where risk management is integrated into the work processes and procedures. The operators on LBE's Licences have separate Emergency Response Plans exists for level 1, 2 and 3 emergency organisations, including reporting and normalization. Critical and serious incidents will be investigated, and regular reviews are carried out on reported incidents for continuous learning. LBE is a qualified Licence holder in Norway and works in close cooperation with the operators and other licence holders to plan and follow up any operations in a safe and environmental responsible manner. LBE has the required emergency response plans for all aspects of its business as an integrated part of our Management System.

Longboat Energy plc
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